

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of UAC of Nigeria PLC (“UAC” or the “Company”) will hold at 12th Floor, UAC House, 1-5 Odunlami Street, Lagos on Wednesday, June 30th 2021 at 10am to transact the following business:

ORDINARY BUSINESS

1. To lay before members the Audited Financial Statements of the Company for the year ended December 31st, 2020, and the Reports of the Directors, Auditors, and Statutory Audit Committee thereon;
2. To declare a dividend;
3. To disclose the remuneration of Managers of the Company;
4. To re-elect Mr. Daniel Agbor and Mr. Bolaji Odunsi as Directors;
5. To approve the appointment of KPMG Professional Services as the Company’s External Auditors in place of the retiring External Auditor (Ernst & Young);
6. To authorise the Board of Directors to fix the remuneration of the External Auditor; and
7. To elect members of the Company’s Statutory Audit Committee.

SPECIAL BUSINESS

1. To approve N106, 580, 296.33 (One Hundred and Six Million Five Hundred and Eighty Thousand Two Hundred and Ninety Six Naira Thirty Three Kobo) as the remuneration of the Non-Executive Directors of the Company;
2. To renew the general mandate for recurrent transactions with related parties as explained in note 11 of this notice;
3. To pass the special resolution set out in note 12 of this notice, approving the Long-Term Incentive Plan for employees, proposed by the Board of Directors as described in the notes to this notice; and
4. To consider and if thought fit, approve the following resolution as a special resolution of the Company: “That the Articles of Association of the Company be and are hereby amended by the insertion of the following new article as Article 14: ‘Acquisition by the Company of its own shares: Subject to compliance with all applicable laws and regulations, the Company may purchase any of its fully paid shares.’”

Dated this 1st Day of June 2021

BY ORDER OF THE BOARD



NKEMDIRIM AGBOTI
Company Secretary ¹



¹ The Financial Reporting Council of Nigeria (FRC), through a letter dated 15 January 2021, granted a waiver which allows the Company Secretary to sign the company’s audited financial statement for year ended December 31, 2020 and interim financial statements for the year 2021 without indicating any FRC registration number with the certification.

internal control processes. In view of the foregoing, nominations to the Statutory Audit Committee should be supported by the Curricula Vitae of the nominees. The profiles of all nominees will be accessible at <https://www.uacnplc.com/investors/events-presentations/> from June 9th, 2021.

6. DIVIDEND

The Board of Directors recommends the payment of an ordinary dividend of 65 kobo per ordinary share; and a special dividend of 55 kobo per ordinary share. If the dividend recommended by the Board of Directors is approved by Members, the dividend will be paid to shareholders whose names appear in the Register of Members at the close of business on Monday June 14th, 2021, subject to withholding tax. Shareholders who have completed e-Dividend Mandate Forms will receive a direct credit of the dividend into their bank accounts on Thursday July 1st, 2021 or shortly thereafter. For the e-dividend mandate form, go to http://sec.gov.ng/wp-content/uploads/2016/04/Afric-Prudential-EDMMS-Form_2018.pdf.

7. CLOSURE OF REGISTER

The Register of Members will be closed from Tuesday June 15th, 2021 to Monday June 21st, 2021 (both days inclusive) to enable the Registrar to prepare for payment of dividends.

8. UNCLAIMED DIVIDENDS

Shareholders who are yet to claim previous dividends are hereby advised to download and complete the Registrar's E-Dividend Mandate Activation Form, and submit it to the Registrars at Africa Prudential PLC, 220B Ikorodu Road, Palmgrove, Lagos State, or their respective Banks for the purpose of claiming their outstanding dividends. A list of Shareholders who are yet to claim previous dividends as of March 1st, 2021 is available on the Company's Website at www.uacnplc.com.

9. E-DIVIDEND MANDATE

Shareholders are requested to update their records and advise Africa Prudential PLC of their updated records and relevant bank accounts for the payment of their Dividends. The forms for e-dividend payment, Unclaimed Dividends, and data update can be downloaded from UAC's website at www.uacnplc.com or from Africa Prudential PLC's website at www.africaprudential.com. The duly completed forms should be returned physically to Africa Prudential PLC at 220B, Ikorodu Road, Palmgrove, Lagos State, or electronically to Africa Prudential PLC at CXC@Africaprudential.com.

10. E-ANNUAL REPORT

The electronic version of UAC's 2020 Annual Report is available at www.uacnplc.com. Shareholders who have provided their email addresses to the Registrar will receive the electronic version of the Annual Report via email. Furthermore, Shareholders who are interested in receiving the physical electronic copy of the Annual Report are required to make a request to this effect via email to CXC@Africaprudential.com.

11. RECURRENT TRANSACTIONS WITH RELATED PARTIES

UAC operates a group structure with subsidiaries and associate companies. By virtue of the group structure, there are routine intercompany and intra-group transactions that occur throughout the year. UAC specifically seeks to promote efficient financial management, with the holding company granting working capital support facilities to subsidiary and associate companies and vice versa in furtherance of optimal treasury management. Transactions are carried out on arm's length terms and conditions subject to compliance with the applicable laws and regulations.

12. LONG-TERM EMPLOYEE INCENTIVE PLAN (“LTIP”)

UAC’s objective is to generate attractive long-term, risk-adjusted returns for shareholders. To address this, we have implemented initiatives aimed at reducing complexity and sharpening focus on core operating platforms to create value.

In 2020, the UAC Group returned to profitability and the Board of Directors (the “Board”) approved ~~¥~~7.1 billion in capital returns to shareholders, totalling ~~¥~~2.47 per share or a 28.3% return at market value at the time of the announcement.

Going forward, creating shareholder value remains the focus of the Board, and management aims to continue to prioritise growth, scale, and simplicity to achieve this. Management has a clear plan to create value for shareholders focused on three levers, to wit, Return of Capital, Operating Platform Growth, and Acquisitions.

In support of this strategy, UAC’s Board believes that the time is right to introduce a new remuneration strategy and LTIP using the Value Creation Plan (“VCP”) model to ensure UAC attracts, retains and motivates talented managers with the mindset of owners. Of crucial importance is the need for employees to think and plan for the long term. To this end, the Company engaged the services of PricewaterhouseCoopers LLP UK to review UAC’s remuneration policy, and provide advice to the Board on a new remuneration policy that supports the Board’s ambitions and management’s need to retain and motivate key talent.

In designing an LTIP that addresses the above challenges the Board followed five key remuneration principles, i.e.:

The remuneration structure should:

1. provide an appropriate incentive to focus management on delivering exceptional performance linked to the shareholder experience;
2. reward management based on value created and the achievement of key strategic milestones;
3. promote entrepreneurial behaviours;
4. be palatable to shareholders and aligned with governance standards; and
5. ensure that executives act as “owners” of the business rather than “managers”.

With these principles in mind the Board is proposing an LTIP that aligns the interests of executives and shareholders over a five-year period, with performance measured by the management team’s ability to maximise the enterprise value of UAC.

The Board believes that by focussing the management team on the single aim of maximising the enterprise value of UAC, direct alignment between the management team’s and shareholders’ goals will be created. Cognisant of ensuring pay for performance alignment, the LTIP is structured such that there will be no pay-out for average performance, but only for exceptional performance, at which point the participants in the plan will be entitled to a share of the value they have created.

Value Creation Plan

A Value Creation Plan (“VCP”) has been designed to incentivise employees to deliver exceptional returns for shareholders over a five-year period (the “Performance Period”). Under the VCP, participants will receive [(in the form of ordinary shares in the Company (“Shares”))] a proportion of the value delivered for shareholders over a five-year period, provided that the Company delivers a minimum total shareholder return (“TSR”) of 18% per annum. Should this return be delivered, an incentive pot equal to 10% of the value created will be set aside for distribution to participants.

Eligibility

Selection of employees to participate in the VCP is at the discretion of the Board. Currently all employees of the Company (including Executive Directors) are anticipated to participate in the VCP. Participation in the VCP will be supervised by the Board through the Governance and Remuneration Committee of the Board (the “GRC”).

Participation rights

Under the VCP, the Board of the Company may grant an eligible employee a right (a “Conditional Award”) to receive a proportion of the Company’s total shareholder return if a threshold TSR (the “Threshold TSR”) is achieved. The Threshold TSR will be an 18% compound annual growth rate. If the Threshold TSR is achieved, the Participant Benefit will be calculated and will be available for distribution to participants. The proportion to which the participant is entitled (the “Participation Rate Percentage”) will be set at the time the Conditional Award is granted.

The “Participant Benefit” means:

1. on the first conversion of the relevant Conditional Award, the difference between the market capitalisation on the first Measurement Date plus any dividends or distributions made during the period between the Conditional Award date and the first Measurement Date, less the initial market capitalisation;
2. for any conversion after the first Conversion of the relevant Conditional Award, the difference between the market capitalisation on the relevant Measurement Date plus any dividends or distributions made during the period since the last Measurement Date, less the market capitalisation on the last Measurement Date, multiplied by 10 per cent and further multiplied by the Participation Rate Percentage.

Conditional Awards may be granted during the 42 days beginning on the occurrence of any of the following events: a) the date the Plan stands approved by both the shareholders of the Company and the Securities and Exchange Commission; or b) the day after the announcement of the Company’s results, including a preliminary announcement, for any period; or c) the day the share capital of the Company is increased and new equity is raised; or d) any day on which the Board determines that circumstances are sufficiently exceptional to justify the making of the Conditional Award at that time; or e) the day after the lifting of any Dealing Restrictions which prevented the making of a Conditional Award during any of the times described above.

A Conditional Award may not be made when prevented by any Dealing Restrictions; or after the fifth anniversary of the shareholders’ approval of the VCP.

At the time the Conditional Award is granted, the Board will set the dates by reference to which the value of the Conditional Award will be measured for each year of the performance period. These dates will normally be the 30 days following the announcement of the Company’s results for each financial year in the performance period (the “Measurement Date”). Following each Measurement Date, the Conditional Award will convert into a nil cost option with the number of Shares subject to the nil cost option to be determined in accordance with the following steps:

The Board shall determine the number of Shares subject to a Nil Cost Option to be granted to an Award Holder in accordance with the following method:

1. For each Measurement Date, calculate the measurement TSR for the relevant Measurement Date.
2. The Conditional Award shall only convert if the measurement TSR for the relevant Measurement Date meets or exceeds the Threshold TSR;
3. If the condition in paragraph 2 above is met, calculate the Participant Benefit for the purposes of the conversion.
4. The participant shall on conversion be entitled to the grant, on the conversion date for the relevant Measurement Date or as soon as practical thereafter, of a nil cost option over the number of Shares which equates to the Participant Benefit divided by the measurement share price for that Measurement Date, rounded down to the nearest whole Share.
5. At the relevant conversion date, if on the conversion of the Conditional Award the number of Shares to be granted to the participant under the nil cost option (when aggregated with the number of Plan Shares under any nil cost options granted on any previous Conversion Dates and which have not lapsed) shall exceed 10% of the issued share capital of the Company, the Board shall reduce the number of Shares subject to the nil cost option accordingly.

Form of awards

The Board may deliver awards either as nil-cost options over Shares or equivalent rights. No awards may be granted when prevented by any dealing restrictions.

Vesting and exercise of awards

Nil cost options will vest as follows:

1. For each nil cost option granted on the first Measurement Date of the relevant Conditional Award:
 - a. the nil cost option shall vest over 50 per cent of the Shares subject to the nil cost option on the date on which the nil cost option was granted; and
 - b. the remaining 50 per cent of the Shares subject to the nil cost option which did not vest under paragraph a above shall vest on the third Measurement Date of the relevant Conditional Award; and
2. For each nil cost option granted on the second Measurement Date of the relevant Conditional Award:
 - a. the nil cost option shall vest over 50 per cent of the Shares subject to the nil cost option on the date on which the nil cost option was granted; and
 - b. the remaining 50 per cent of the nil cost option which did not vest in paragraph a above shall vest on the third Measurement Date of the relevant Conditional Award; and

For each nil cost option granted on or after the third Measurement Date of the relevant Conditional Award, the nil cost option shall vest over all of the Shares subject to the nil cost option on the date the nil cost option is granted.

Any vesting of an award described above is subject to the discretion of the Board to vary the level of vesting, where it considers that the formulaic vesting would not be a fair and accurate reflection of business performance, the participant's personal performance, and such other factors as the Board may consider appropriate.

Awards structured as nil-cost options may normally be exercised during the period from vesting until the tenth anniversary of the grant date of the Conditional Award.

Plan limits

The aggregate number of Shares over which nil cost options may be granted under the VCP shall not exceed 10% of the Company's issued share capital from time to time.

Awards which have lapsed or have been renounced will not count towards the limits set out above.

Malus and clawback

Under the rules of the VCP, the Board may, in its absolute discretion, invoke malus and/or clawback provisions at the time of conversion of a Conditional Award or vesting of a nil cost option (or at any time before) if the Board determines there have been exceptional circumstances. These circumstances may include (without limitation) any one or more of the following:

1. Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any UAC Group member.
2. The assessment of any performance target or condition in respect of a Conditional Award or nil cost option was based on error, or inaccurate or misleading information.
3. The discovery that any information used to determine the number of Shares subject to a nil cost option was based on error, or inaccurate or misleading information.
4. Action or conduct of the participant occurs or is discovered which in the reasonable option of the Board, amounts to fraud or gross misconduct.
5. Events or behaviour of the participant have led to the censure of a UAC Group member by a regulatory authority or have had a significant detrimental impact on the reputation of any UAC Group member provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to them.
6. A material failure of risk management of the Company or a UAC Group member or a business unit of the Group occurs or is discovered.

7. The Company or any UAC Group member or business of the UAC Group becomes insolvent or otherwise suffers a corporate failure so that the value of the Shares is materially reduced, provided that the Board determines following an appropriate review of accountability that the participant should be held responsible (in whole or in part) for that insolvency or corporate failure.

Under these provisions, the Board may reduce and/or impose additional conditions on the amount of any outstanding award or require the participant to return some or all of the value of the Shares received under the award.

Cessation of employment

Except in certain circumstances set out below, if a participant ceases to hold office or employment with a member of the UAC Group, he will lose his entitlement to any Conditional Award and unvested awards he holds.

However, if a participant ceases to hold office or employment because of his death, injury, ill health, disability, redundancy, retirement by agreement with the Company, the sale of the participant's employing company or business of the UAC Group or in other circumstances at the discretion of the Board (a "Good Leaver Reason"):

1. the Board may in its absolute discretion allow the Conditional Award to continue until the Measurement Date following his cessation of office or employment; and
2. any unvested award may, at the Board's discretion, continue to vest on the date when it would have vested as if he had not ceased office or employment.

Where a participant ceases to hold office or employment for a Good Leaver Reason, the Conditional Award in respect of the year in which cessation of office or employment occurs and/or the extent to which any unvested awards vest, may, at the Board's discretion, be prorated to reflect the period of time between the grant of the Conditional Award and the date of cessation of office or employment.

If a participant dies, the Board may determine that the personal representatives of the deceased participant shall be entitled to exercise the nil cost options of the deceased participant at such earlier date and for such period as it may determine. If not so exercised, the nil cost options shall lapse at the end of such period.

Where awards have been structured as options, they may (to the extent vested) be exercised following the participant's cessation of office or employment during a period determined by the Board.

Corporate events

In the event of a change of control or winding up of the Company:

1. the Board will determine the value of any outstanding Conditional Award using as the measurement price the value of the offer consideration per share in connection with the change of control, or in the case of a winding up, the proceeds per share on the winding up; and
2. to the extent not vested, nil cost options will vest at the time of such corporate event.

Alternatively, the Board may decide that any outstanding Conditional Awards and awards will be exchanged for equivalent awards agreed with the acquiring company.

Amendments

The Board may, at any time, amend the provisions of the VCP Rules in any respect. The prior approval of the Company's shareholders will be obtained in the case of any amendment to the advantage of current or future participants which is made to the provisions relating to the basis for determining an eligible employee's entitlement (or otherwise) to be made an award and/or to acquire Shares on the exercise of a nil cost option (as the case may be) under the VCP; the persons to whom an award may be made; the limit on the aggregate number of Shares over which awards may be made; the adjustment of awards on a reorganisation; or provisions on amendments to the VCP Rules. There are however exceptions to the requirement to obtain shareholder approval, e.g. any minor amendment to benefit the administration of the VCP; to take account of any change in legislation; to comply with a decision of a Nigerian Court; or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the UAC Group.

Non-transferability

Awards are not transferable other than to participants' personal representatives in the event of their death, or where exceptionally the Board has permitted a Conditional Award to be held by a trustee on behalf of the participant. Awards will also lapse immediately if the participant purports to transfer, charge, or otherwise alienate the Conditional Award, unless the Board determines otherwise.

Reorganisation of capital

In the event of a reorganisation of capital or an event affecting the capital or funding of the UAC Group (including, by way of example but without limitation, where UAC makes any acquisition which is funded in whole or in part by debt financing):

1. in relation to a Conditional Award, the initial market capitalisation, the Threshold TSR, the Participation Rate Percentage, the description of the Shares, or any one or more of these; or
2. in relation to a nil cost option, the number of Shares subject to the nil cost option, the description of the Shares, or any one or both of these,

or such other factors as are determined to be appropriate shall be adjusted in such manner as the Board, shall determine, and which the Company's advisors selected for this purpose confirm to be fair and reasonable.

Rights attaching to shares

Any Shares allotted or transferred in connection with the VCP will normally rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue or transfer)

Benefits not pensionable

The benefits received under the VCP are not pensionable.

Rationale for the implementation of the VCP

The Board of Directors believes that it is in the best interest of shareholders to support the proposed arrangement for the following reasons:

1. It Focuses on long-term sustainable performance

It is imperative that our employees are focused on making appropriate and timely decisions aimed at delivering sustainable business performance, and have the flexibility to respond to the challenges faced by our business in order to protect value, and/or develop opportunities as they arise. The LTIP has been designed to support our employees in making these decisions whilst also promoting sustained market performance.

2. It fosters alignment to shareholder experience

Through the LTIP, employees share in the same ownership experience as the Company's shareholders, and will share directly in the growth of the Company if they meet the stretch targets that have been set under the LTIP.

3. It fosters attraction and retention of the best talent

The ability to deliver market leading levels of reward is essential for UAC, as we compete for talent with Nigeria's best institutions. Our employees are key to the delivery of the Company's growth strategy. The proposed plan is considered to be the best way to focus management on tangible value creation over the long term, and retain critical talent.

Shareholder access to VCP rules

The VCP Rules are available for review at <https://www.uacnplc.com/investors/events-presentations/> up to and including the date of the Annual General Meeting and at the place of the Annual General Meeting from one hour prior to its commencement until its conclusion.

Special resolution for shareholder approval

To consider and if thought fit, approve the following sub-joined resolutions as a special resolution of the Company:

- a. “Subject to all requisite regulatory approvals, that the Company hereby approves the Long-Term Incentive Plan (the “LTIP”) described in the Notice of the AGM and that the Directors be and are hereby authorised to take all such steps and to do all such things as are required to give effect to the establishment of the LTIP, including but not limited to the establishment of an Employee Share Option Scheme (the “VCP”) as the component of the LTIP, subject to a maximum size of 10% of the issued share capital of the Company;
- b. That the VCP shall be administered by the Board, and the Board may, in its discretion, do so through the appointment of a trustee on such terms and conditions as may be approved by the Board;
- c. That in order to give effect to the VCP the Board may authorise (i) the issue of any existing unissued shares in the capital of the Company (ii) the issue of new shares or (iii) the purchase by the Company of its own shares on the floor of the Nigerian Stock Exchange, whether solely or in such combination as the Board may determine;
- d. That any shares purchased by the Company on the floor of the Nigerian Stock Exchange shall not at any time exceed a maximum of 10% of the issued share capital of the Company;
- e. That with respect to the issuance of any new shares in connection with the VCP, any and all pre-emptive rights of the shareholders of the Company including such pre-emptive rights conferred by law or pursuant to Article 52 of the Company’s Articles of Association be and are hereby waived; and
- f. That the authorisations granted to the Board of the Company with respect to the VCP shall remain valid and effective unless amended by the shareholders in general meeting, for as long as the VCP remains in operation by the Company.”