

Northgate plc
Northgate Centre
Lingfield Way
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12 December 2019

Dear Northgate Shareholder,

You should be aware that, on 29 November 2019, the boards of Northgate plc ("Northgate") and Redde plc ("Redde") announced that they had reached agreement on the terms of a recommended all-share merger of Northgate and Redde (the "Merger") to form the Combined Group.

As a Class 1 acquisition by Northgate for the purposes of the Listing Rules, the Merger and the issuance of new Northgate shares also require the Northgate resolutions to be approved by simple majority of the votes cast by shareholders at the Northgate general meeting to be held on 15 January 2020. We have today published our shareholder circular and prospectus, with the former containing the notice of general meeting. These can be found on our corporate website at: www.northgateplc.com/investor-relations

The Combined Group will create a leading, integrated, mobility solutions and automotive services business. The Combined Group intends to move quickly to combine the existing businesses and create a group which harnesses the assets, best practices and skilled teams of both companies. It is intended that, following completion of the Merger, the composition and size of the Northgate Board will be reviewed with a view to ensuring that it is commensurate with the size and nature of the Combined Group.

I am writing to make clear that the Northgate board (like the board of Redde) takes our relationships with shareholders very seriously and is keen to engage with you to ensure that you have all the information you need regarding the proposals and to make ourselves available to answer any questions you may have. The remainder of this letter addresses resolutions 3 and 4 to be proposed at the general meeting, which relate to management incentives.

Amendment to the Directors' Remuneration Policy

At the Northgate general meeting, shareholder approval is also sought for two ordinary resolutions to adopt a new long-term incentive plan (the Value Creation Plan or "VCP") and to amend the directors' remuneration policy, subject to the Merger completing.

Resolution 3: Adoption of a New Value Creation Plan

In line with the proposed Merger, the Board of Northgate proposes to introduce the VCP for a small number of senior employees in the Combined Group, including the CEO, to support in the delivery of the integration of Northgate and Redde and in the delivery of the anticipated strategic benefits of the Merger.

The VCP will replace the existing long-term incentives for all participants, aligning incentivisation for Martin Ward as incoming CEO of the Combined Group with Northgate's most senior executives who will, together, be responsible for delivering the benefits of the Merger.

As noted in the Northgate circular, the VCP provides a clear link between the remuneration of the participants and the creation of value for shareholders by rewarding the delivery of significant, sustainable absolute returns to shareholders over the long term. The award has no value on grant, but gives the participants the opportunity to share in a proportion of the total value created for shareholders above a preferred return to shareholders of 5% (total shareholder return ("TSR"), compounded per annum) over a performance period of at least three and a half years. As such, participants will only share in the growth

created for shareholders above that threshold, receiving a share of 5% of value created above the preferred rate of return to shareholders, reducing to 2.75% of value created above a TSR of 10% and then to 0.5% of value created once TSR reaches 30%.

The Board considers the proposed VCP to be the most appropriate incentive structure at this time when there are significant benefits to be achieved from the Merger and the focus and complete commitment of senior executives who are key to delivering value for shareholders is vital. The VCP is transparent, aligns the interests of executives with those of shareholders and provides a powerful incentive at this important time in Northgate's development.

The Board considers that the VCP compares favourably with other similarly structured schemes, limiting the value of the VCP to 2.75% of the total increase in value following the Merger and restricting dilution from the VCP to a maximum of 2% of issued share capital, and the maximum allocation of the pool to the CEO will be 45%. These caps, and the reduction of the VCP proportion of gains at high levels to just 0.5% prevent egregious awards being made to management. Further details on the VCP and its operation are set out in Appendix 1 of the circular.

Resolution 4: Amendment to Remuneration Policy and the operation of the Executive PSP

The Company's existing directors' remuneration policy (the "Existing Policy") was approved by shareholders at the Company's AGM in 2019. In order to align the Existing Policy with the strategy of the Combined Group an amendment is proposed (the "Proposed Policy") to reflect the Merger in the operation of the Northgate Executive PSP and to allow for the introduction of the Northgate VCP.

Northgate and Redde have agreed that the participants in the Northgate share plans will, so far as possible, be treated equitably with the participants in the Redde share plans. In order to achieve that equitable treatment, it is expected that the terms of certain of the Northgate share plans will be adjusted and that performance conditions that would not be relevant in the context of the Combined Group would be tested on completion of the Merger and the awards would thereafter be conditional only upon continued employment with the Combined Group.

Accordingly, shareholder approval is also required for the Proposed Policy so that the awards to Northgate's CFO can be treated in a manner that is consistent with all other Northgate employees. Further details on the Proposed Policy are set out in Appendix 2 of the circular.

The Board considers that the proposals being put to shareholders are in the best interests of Northgate and its shareholders as a whole. We therefore ask shareholders to **vote FOR all resolutions** tabled at the Northgate general meeting as disclosed in the circular.

The directors of Northgate accept responsibility for the information contained in this letter (including any expressions of opinion). To the best of the knowledge and belief of the directors of Northgate (who have taken all reasonable care to ensure that such is the case), the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the import of such information.

Yours sincerely,



Katie Tasker-Wood
Company Secretary