



Subject: 2023 Aterian Plc EBT Options Scheme and Remuneration Policy

Dear Shareholder,

I hope this letter finds you in good health, in high spirits, and with high expectations concerning the prospects of Aterian plc (**Aterian** or the **Company**). I am writing to present a compelling case for the implementation of the 2023 EBT Options Scheme and Remuneration Policy scheme (**EBT Scheme**) for the management and directors of Aterian. Please note that this scheme has the potential for dilution to existing shareholders but aims to bring several substantial benefits to both the Company and its employees, fostering a culture of shared stakeholder success and long-term stability.

Attracting and Retaining Top Talent

At this critical period in the Company's growth, Aterian's success heavily relies on the expertise and dedication of its management team. On various occasions, the management team has voluntarily deferred compensation to provide Aterian with the flexibility to meet all cash requirements and maintain its going concern. By implementing a potentially significant EBT Scheme, we can create an attractive cash-free incentive for the current executive directors and management team and for potential future talent to join and remain committed to the organization. This Scheme will serve as a powerful tool in attracting and retaining top performers, ensuring a robust leadership pipeline.

Alignment of Interests

The implementation of the EBT Scheme establishes a strong alignment of interests between the management team and the shareholders of Aterian. By providing an opportunity for executive directors and managers to become beneficiaries of the Company's success, we create a collective mindset that encourages strategic decision-making and a focus on long-term value creation. This alignment ensures that the management team's actions are directly correlated to the Company's performance and shareholder value. Additionally, the EBT Scheme can be utilised in lieu of cash compensation to preserve critical cash for the Company.

Dilution to Existing Shareholders

The EBT Scheme bonuses are all determined based on an employee's salary. Thus, the management HR expense compared to the Company's market capitalisation is relatively high; it suggests that implementing an EBT Scheme could be more dilutive for current shareholders when compared to a more highly capitalised company. However, this dilution is limited by the defined size of the share pool that is designated for the EBT Scheme. Moreover the available pool of shares created is a function of share price performance. Options granted to management under the EBT are to be made only with share price appreciation. Therefore any dilution caused by these additional shares is unlikely to reduce the price below current levels.

Motivation and Performance

The EBT Scheme serves as a significant motivational tool, as it allows managers to share in the success of the organization. When senior employees have a stake in the company's



performance, they are more likely to exhibit higher levels of dedication, innovation, and commitment to achieving corporate goals. The EBT Scheme requires a long-term commitment from beneficiaries as the options vest over a period of three years. This increased motivation and commitment can lead to improved performance, productivity, and ultimately, enhanced profitability by Aterian Plc.

Employee Engagement and Culture

Continuing the Company's EBT Scheme into 2023 demonstrates Aterian Plc's commitment to its employees' welfare and long-term success. It fosters a culture of inclusivity and shared prosperity, promoting higher levels of employee engagement and loyalty. This, in turn, enhances teamwork, collaboration, and overall employee satisfaction, creating a positive work environment that attracts and retains top talent. Additionally, the Company's commitment to employees' social responsibility can be highlighted through its use of an EBT Scheme, which demonstrates its dedication to the welfare of its employees and the broader community.

In conclusion, the continuance of the Scheme for the employees, former employees, directors, former directors of Aterian Plc brings benefits to the Company, its employees, and its shareholders. The EBT Scheme's alignment of interests, motivation, talent development, and employee engagement aspects create a strong foundation for sustained success and growth.

I strongly recommend that shareholders vote to approve the EBT Scheme, and that Aterian Plc moves forward with the implementation of this EBT Scheme.

Thank you for considering this proposal. I am available for any further discussions or clarifications required regarding this matter.

Sincerely,

Charles Bray
Executive Chairman

Aterian plc Remuneration Policy

Introduction

This policy outlines the remuneration principles and practices at Aterian plc, as guided by general Corporate Governance Codes, for all executive and non-executive directors of the company. This policy has been crafted with the Company's size and expected growth prospects in mind to align the interests of our directors and managers with those of our shareholders and other stakeholders.

Policy Objectives

Our remuneration policy aims to:

- Attract, retain, and motivate qualified and experienced directors and management.
- Align the interests of directors and management with those of our shareholders, and promote the company's long-term success.
- Reflect the individual director's or manager's experience, responsibility, and the nature and complexity of the company's operations.
- Ensure remuneration is competitive by market standards.

Remuneration Structure

Executive Director's and Manager's Remuneration:

Base Salary: Reflects the individual's role, experience, and market value, as well as a general approach to cash conservation necessary with an exploration company. It will be reviewed annually considering individual performance, inflation rates, and market conditions.

Annual Bonus: To incentivise short-term performance, an annual bonus may be awarded based on achieving predetermined targets. However, the grant of cash bonuses is unlikely without the Company being a positive cash-flow business.

Long-term Incentives: To align the interests of directors with shareholders, long-term incentive plans (LTIPs) may be granted. In the case of Aterian plc, the Company will rely on the grant of options pursuant to the EBT Scheme. These will vest subject to continued employment and the achievement of long-term strategic and financial goals. It is envisaged that approximately 80% of the awards will be granted to Executive Directors and Managers annually.

Non-Executive Director Remuneration:

Non-Executive directors will receive a base fee for their services, with additional fees for serving on or chairing committees. Given the early stage of the Company, Non-Executive Directors will be eligible to participate in the EBT for the purpose of compensation, bonus schemes, and/or receive share options. It is envisaged that approximately 20% of the awards will be granted to NEDs annually.

Performance Measures and Targets

The performance-related components of remuneration will be designed to align with the company's strategic objectives. Initially, specific metrics will be set annually and in this first year will focus on the Company's market capitalisation and increase in year-on-year share price performance¹. Additional metrics to be considered in future may include financial measures such as EBITDA, EPS, and ROCE, as well as non-financial measures such as customer satisfaction, environmental targets, or other key strategic milestones.

A share-based mechanism has been constructed by the Remuneration Committee which will seek to directly tie potential dilution from the EBT Scheme to the share price performance since listing over a one-year set of average closing prices with a maximum of 20% of the value appreciation (subject to a minimum 100% increase in the share price) being allocated to the 2023 EBT Scheme.

Initial Share Reference Price = 1 pence	% Share Price Gain post listing (pence)		Dilution % Max	2023 EBT Maximum Options Grant & Dilution
PERCENTAGE RANGE	0.00%	25.00%		
Share Price Range	1.00	1.25	3.00%	28,940,823
PERCENTAGE RANGE	25.00%	50.00%		
Share Price Range	1.25	1.50	6.00%	57,881,646
PERCENTAGE RANGE	50.00%	75.00%		
Share Price Range	1.50	1.75	10.00%	96,469,409

¹ The Aterian plc Employee Benefit Trust Share Option Scheme ("EBT") will grant EBT options using the highest Share Reference Price performance by applying a median calculation based on a 20 day average daily VWAP calculation, using the 40 trading days immediately prior to the 1st December of each year, with the ten lowest and ten highest daily VWAP calculations removed (the "Reference Share Price").

PERCENTAGE RANGE	75.00%	125.00%		
Share Price Range	1.75	2.25	15.00%	144,704,114
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PERCENTAGE RANGE	>125%		20.00%	192,938,818
Share Price Range	2.25			

Options granted in 2023 EBT Scheme will vest based on the time from the grant date according to the following schedule.

- 6 months: 50% of allocation fully vested
- 18 months: 30% of allocation fully vested
- 36 Months: 20% of allocation fully vested

Pensions and Benefits

At present given the Company's size and revenues, Directors and Managers will **NOT** be eligible for a Company pension contribution (other than the minimum required by law)² or a cash allowance in lieu of a pension contribution. Other benefits which may ultimately be considered may include, but are not limited to, life assurance, private medical insurance, and car allowance.

Termination Provisions

Directors' service contracts will include provisions regarding notice periods, termination payments, and post-termination restrictions. Termination payments will generally be three months but may not exceed one year's base salary and benefits. At the sole discretion of the Board of Directors, being led by the Remuneration Committee, vesting of EBT options may be accelerated for good-leavers³ resigning.

Shareholding Guidelines

To further align the interests of directors and shareholders, and executive directors will be encouraged to hold a meaningful amount of shares in the Company.

Policy Review and Governance

² Employees in the UK have a right to matched contributions.

³ As jointly determined by the Remuneration Committee and the Board of Directors



The Remuneration Committee will review this policy at least annually, considering Company performance, shareholder expectations, and market practices. Any significant changes to the policy will be put to an advisory vote at the Annual General Meeting (**AGM**).

The Remuneration Committee is committed to open dialogue with shareholders on remuneration matters and welcomes any feedback.

This policy is effective from the date of the AGM (subject to shareholder approval).