Clarks | PENSIONS

NON-MEMBER

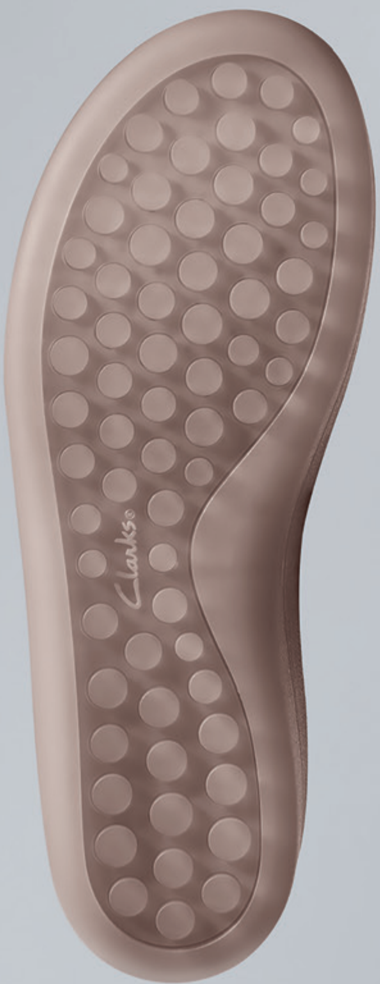
YOUR FUTURE PENSION

PROPOSED CHANGES AND THE CONSULTATION PROCESS

WHAT'S INSIDE?

WHY IS CHANGE NEEDED?

CLARKS HAS A NUMBER OF PENSION SCHEMES, INCLUDING SOME DEFINED BENEFIT (DB) PENSION PLANS. THESE TYPES OF SCHEMES ARE VERY EXPENSIVE TO RUN AND THEY USE UP A LARGE SHARE OF THE COMPANY'S PENSION BUDGET.



If we leave our DB schemes open, it's likely that our costs will rise further and we will be exposed to more risk. We need to contain and control these costs to protect our business.

However, there is more to our proposal for change than just costs. Here are some other reasons why we believe we need to change our pensions:

- to rebalance our pension spend more equally between employees
- to modernise our pension by giving employees more options at retirement
- to give our employees more options for saving – and not just through a pension.

WHAT IS BEING PROPOSED?

CLARKS IS PROPOSING TO CLOSE ALL ITS EXISTING PENSION SCHEMES FROM 31 JULY 2018. EVERYONE WHO IS CURRENTLY IN ONE OF OUR PENSION SCHEMES WOULD AUTOMATICALLY BECOME A MEMBER OF THE NEW CLARKS FLEXIBLE SAVINGS PLAN. THIS IS A MODERN, DEFINED CONTRIBUTION PENSION SCHEME THAT WOULD BE OPEN TO ALL OUR EMPLOYEES.

It would also be the pension scheme we use if we need to automatically enrol you into a pension in the future.

THE CHANCE TO SAVE MORE

The new scheme would offer generous company contributions (see page 5), to help more employees to save more. You would be able to take your pension savings at retirement in a way that suits you best – making full use of the pension flexibilities that were introduced in 2015.

FLEXIBLE WORKPLACE SAVINGS

We have a diverse workforce across all ages – and we know that many would prefer to save for their short- to medium-term needs rather than lock all of their money away in a pension.

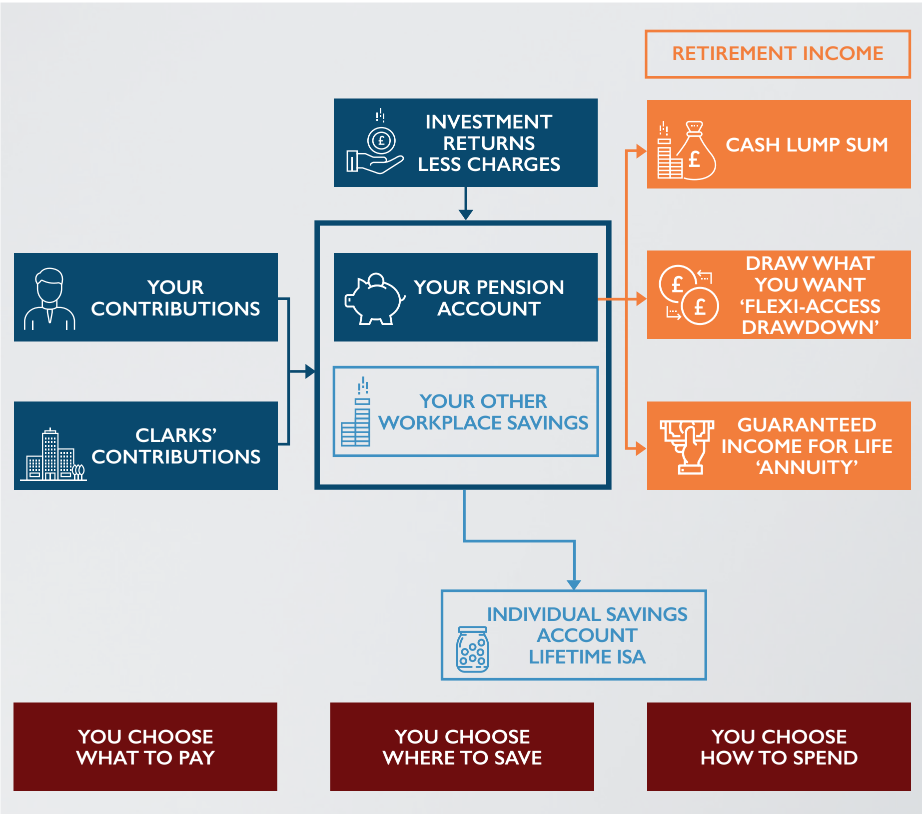
Under our proposals, if you paid at least 4% of your salary into the Clarks Flexible Savings Plan, you would also be able to invest a portion of your contributions in another workplace savings product. For example, you might want to have some contributions paid into an ISA (Individual Savings Account) to help you build up a deposit for a property purchase.

ENHANCED LIFE COVER

If you died while working for Clarks and as an active member of the Clarks Flexible Savings Plan, your loved ones would receive a lump sum death-in-service benefit of 8 x Basic Pay. If you don't join the Clarks Flexible Savings Plan, you'd still be covered but only for 1 x Basic Pay.

BUILDING UP A DC PENSION

WE THINK OUR PROPOSED NEW DEFINED CONTRIBUTION (DC) PENSION SCHEME WOULD PROVIDE EVERYONE WITH A PENSION THAT IS VALUABLE, MODERN AND AFFORDABLE. THIS ILLUSTRATION SHOWS HOW YOUR BENEFITS WOULD BUILD UP IN A DC PENSION SCHEME:



PROPOSED CONTRIBUTION OPTIONS IN THE CLARKS FLEXIBLE SAVINGS PLAN

<table>
<tr><th>If you paid (% of Basic Pay)</th><th>Clarks would pay (% of Basic Pay)</th><th>Total paid into your pension account (% of Basic Pay)</th><th></th><th></th></tr>
<tr><td>3%</td><td>6%</td><td>9%</td><td></td><td></td></tr>
<tr><td>4%</td><td>7%</td><td>11%</td><td>Choice over 2%</td><td rowspan="4">If the total paid into your pension account was at least 9%, you would be able to choose to pay the balance into an alternative workplace savings product.</td></tr>
<tr><td>5%</td><td>8%</td><td>13%</td><td>Choice over 4%</td></tr>
<tr><td>6%</td><td>9%</td><td>15%</td><td>Choice over 6%</td></tr>
<tr><td>7%</td><td>10%</td><td>17%</td><td>Choice over 8%</td></tr>
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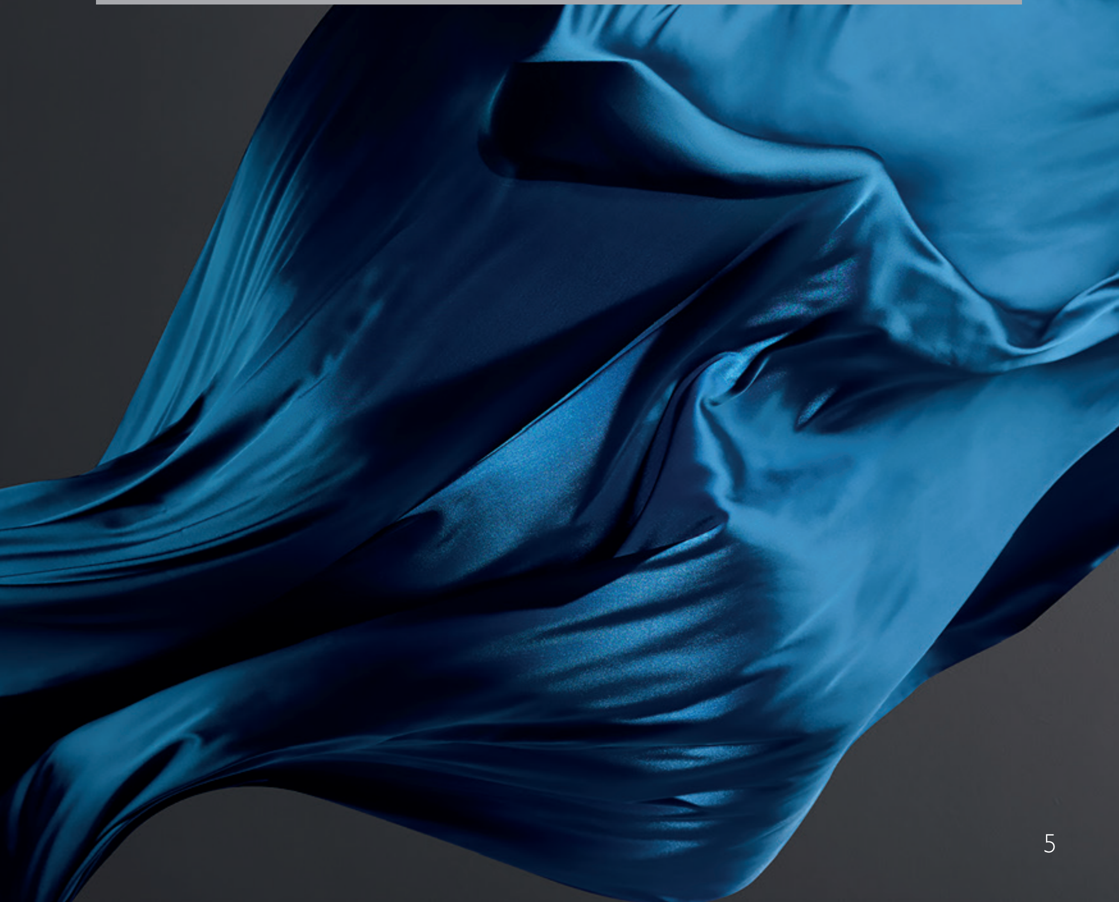

YOUR OPTIONS AT RETIREMENT

IF THE PROPOSALS WERE TO GO AHEAD AND YOU DECIDED TO JOIN THE CLARKS FLEXIBLE SAVINGS PLAN, OR WERE AUTOMATICALLY ENROLLED INTO IT, YOU WOULD BUILD UP MONEY IN YOUR INDIVIDUAL PENSION ACCOUNT. AT RETIREMENT, YOU WOULD HAVE THE FOLLOWING OPTIONS WITH YOUR DC PENSION ACCOUNT:

1) TAKE IT AS CASH, EITHER AS ONE LUMP SUM OR A NUMBER OF WITHDRAWALS.

Under current tax rules, you can take 25% of your pension savings as tax-free cash. It used to be the case that you had to use the rest to buy an annuity (a pension – see below) but the pension flexibilities introduced in 2015 mean you can now take it all as cash, if you want – with everything over 25% being taxed as income at your highest marginal tax rate.

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2) USE IT TO BUY AN ANNUITY (A PENSION)

You could use some or all of your pension savings to buy an annuity from an insurance company. In exchange for a lump sum payment, the insurance company would provide you with an income for life. You can tailor the annuity to meet your needs. For example, your annuity doesn't have to provide for a spouse's pension (which is an option that costs more). This may suit you better if you're not married or if your spouse has their own pension which provides sufficient income for them.

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3) KEEP THE MONEY INVESTED AND 'DRAWDOWN'

'Drawdown' is a pension word that means you keep your pension savings invested and take an income from your account, as and when you need it. This means your money could carry on growing during retirement – but there is also a risk that your retirement income could fall or even run out, especially if stock markets fall.

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4) A COMBINATION OF THE ABOVE

WHAT HAPPENS NEXT?

THE CONSULTATION RUNS UNTIL 15 MARCH 2018. THIS IS YOUR OPPORTUNITY TO ASK QUESTIONS ABOUT THE PROPOSALS AND PROVIDE YOUR FEEDBACK. WE WILL CONSIDER ALL FEEDBACK RECEIVED BEFORE MAKING A FINAL DECISION ABOUT THE PROPOSALS. WE MAY CHANGE THE PROPOSALS BASED ON YOUR FEEDBACK.

We will update the consultation website regularly as the consultation progresses, so please do check back to see what updates there are.

We want everyone to get involved in this very important process, to ensure that you all have had an opportunity to understand and comment on the proposals.

We expect to send a final update to all our employees in April, letting you know what decision has been reached.

IF YOU NEED ADVICE

We want to provide you with all the information you need to understand the proposal. If you have any questions, there are lots of ways you can get in touch with us.

However, by law, we cannot give you financial advice. If you feel you need advice to help you understand the impact of the proposals on your future retirement benefits, you can find an independent financial adviser in your area through this website:
www.unbiased.co.uk

An IFA will charge for their time and you will be personally responsible for meeting their fees, so please make sure you understand their charges before committing to anything.

HOW TO PROVIDE FEEDBACK

We have set up a dedicated pensions consultation website where you can provide your feedback: **www.clarkspensionsconsultation.co.uk**

OTHER WAYS TO SUBMIT YOUR FEEDBACK

Email us at pensionshelpdesk@Clarks.com

If you do not have access to the internet, you can write to us at: Clarks Pensions Department, 40 High Street, Street, Somerset BA16 0EQ, Internal Box 123.

You can also call the dedicated pensions helpline on: 01458 842664

Once the consultation has finished, all the feedback received will be reviewed and a final decision about the proposal will be made. We will update you on the outcome and next steps at that time.

PLEASE NOTE

This document and its contents are intended for consultation purposes only and do not confer any rights to benefits. This document is based on our understanding of current tax and pensions law at January 2018.