



**Energean Oil & Gas PLC (the “Company”)**  
Terms of Reference of the Remuneration Committee  
(the “Committee”)

(approved at a meeting of the board of directors (the “Board”) held on 24 January 2019)

**1. Introduction**

- 1.1 The UK Corporate Governance Code (the “Code”) provides that *“a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome” and “the board should establish a remuneration committee of independent non-executive directors”*.
- 1.2 These terms of reference have been produced to identify and formalise the roles and responsibilities of the Committee for compliance with the Code.
- 1.3 Should members of the Committee need or want to consult the Code, copies can be obtained from the company secretary.

**2. Terms of Reference to be made available**

- 2.1 The Committee shall make available these terms of reference.
- 2.2 The requirement to make this information available would be met by including the terms of reference on the Company’s website.

**3. Membership**

- 3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chairman of the Committee (the “Committee Chairman”).
- 3.2 The Committee shall be made up of independent non-executive directors, with a minimum membership of three. The chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman of the Board.
- 3.3 Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, the head of human resources and external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 3.4 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.
- 3.5 All appointments to the Committee shall be for a period of up to three years (and may be extended by no more than two additional three year periods).
- 3.6 The Committee Chairman shall be appointed by the Board but shall be an independent non-executive director and must not be the Chairman of the Board. The Committee Chairman must have served on a remuneration committee for at least twelve months prior to appointment, unless in exceptional circumstances the Board determines otherwise.



- 3.7 If any member of the Committee is unable to act for any reason, the Committee Chairman may appoint any other independent non-executive director of the Company to act as his alternate.
- 3.8 To the extent that a director or member of the executive management team shall sit upon the Committee or may be invited to join meetings of the Committee, as appropriate, he shall absent himself and take no part in the discussions concerning his own remuneration or other benefits or matters within the province of the Committee. No director or member of the executive management team shall be involved in any decisions as to their own remuneration.

#### **4. Secretary**

- 4.1 The company secretary or their nominee shall act as the secretary of the Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to be give full and proper consideration to the issues.
- 4.2 The company secretary shall also keep a record of:
- (a) the membership and dates of any changes to the membership of the Committee; and
  - (b) any person or firm that provides advice or services to the Committee or inadvertently assists the Committee on matters relating to remuneration.

#### **5. Quorum**

The quorum necessary for the transaction of business shall be two members. 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. A member of the Committee shall not be counted in the quorum where decisions are to be made or discussions are to take place concerning such member's remuneration. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

#### **6. Frequency of Meetings**

- 6.1 The Committee shall meet as frequently as the Committee Chairman shall require and also at regular intervals to deal with routine matters and, in any event, not less than two times in each financial year. Any member of the Committee may request a meeting if he/she considers that one is necessary or expedient.
- 6.2 Meetings of the Committee may be conducted when the members are physically present together or as video or audio conferences.

#### **7. Notice of Meetings**

- 7.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Committee Chairman.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.



## **8. Committee Chairman**

In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves (being an independent non-executive director) to chair the meeting. The Committee Chairman (or chairman of the relevant meeting) shall have a casting vote on all matters in the event of an equality of votes.

## **9. Minutes of Meetings**

- 9.1 The company secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 The company secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 9.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

## **10. Annual General Meeting**

The Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **11. Purpose**

The purpose of the Committee is to:

- 11.1 determine the remuneration policy for executive directors;
- 11.2 determine the appropriate remuneration packages for the Chairman of the Board, the executive directors, the company secretary and the other members of the executive management team, excluding only such member(s) as the Board may exceptionally determine to exclude; and
- 11.3 demonstrate to the shareholders of the Company that the remuneration of the executive directors of the Company and the executive management team is set by a committee of the Board whose members have no personal interest in the outcome of the decision of the Committee and who will have due regard to the interests of the shareholders.

## **12. Duties**

- 12.1 The members of the Committee have the following specific duties as regards their membership of the Committee. In carrying out these specific duties, the members of the Committee should keep in mind Section 5 of the Code.
- 12.2 The Committee shall:

### **As regards determining policy on and setting levels of remuneration**

- (a) determine the policy for setting remuneration for the executive directors;
- (b) in determining policy on executive director remuneration, take into account all factors which it deems necessary. The objective of such policy shall be to support the Company's strategy and promote long-term sustainable success in a manner that is transparent, simple and aligned with

the Company's purpose, values and strategy. The Committee shall review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration;

- (c) keep under review the appropriateness and relevance of the remuneration policy;
- (d) within the terms of the agreed policy, have delegated responsibility for setting the total individual remuneration package of the executive directors. The Committee shall ensure that all remuneration payments made to any executive director are consistent with remuneration policy approved by the shareholders or that the payments are otherwise agreed in advance by the shareholders;
- (e) have delegated responsibility for setting the total individual remuneration package of other members of the executive management team;
- (f) consult with the Chairman of the Board (if he is not a member of the Committee) and/or Chief Executive about the Committee's proposals relating to the individual remuneration packages of other executive directors and members of the executive management team;
- (g) have delegated responsibility for setting the fee for the Chairman of the Board;
- (h) keep under review and oversee any major changes in employee benefit structures throughout the Company or group;
- (i) review and note annually remuneration trends and employment conditions across the Company or group. The Committee shall be cognisant of the Companies Act requirement to set out in the remuneration policy approved by shareholders a statement of how pay and employment conditions of employees of the group were taken into account when setting the remuneration policy and the Code requirement to disclose what engagement has taken place with the workforce to explain how executive remuneration aligns with wider Company pay policy;
- (j) obtain reliable, up-to-date information about remuneration in other companies with a view to determining where to position the Company relative to other companies;
- (k) in agreeing the policy for the level and make-up of remuneration of the executive directors and in determining total remuneration packages and arrangements of executive directors and other members of the executive management team, as provided above, give due regard to any relevant requirements, provisions and recommendations of the Code as well as the UK Listing Authority's Listing Rules and associated guidance;

**As regards contracts of employment**

- (l) liaise with the nomination committee to ensure that the remuneration of a proposed new director is in accordance with the remuneration policy approved by shareholders and to agree the terms of appointment and remuneration of a proposed new director in coordination with the nomination committee as appropriate,
- (m) to agree the terms of appointment and remuneration of a proposed new member of the executive management team;

**As regards termination of employment**

- (n) determine the Company's policy in relation to compensation agreed to be paid to any executive director or other member of the executive management team in connection with termination of employment;

- (o) ensure that contractual terms on termination, and any payments made, are fair to the individual executive and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (p) ensure that all loss of office payments made to any executive director are consistent with remuneration policy approved by the shareholders or that the payments are otherwise agreed in advance by the shareholders.

**As regards performance-related pay**

- (q) consider and (if appropriate) approve the design of and determine targets for, any performance-related pay schemes operated by the Company for the executive directors and other members of the executive management team and approve the total annual payments to these individuals made under such schemes;
- (r) ensure that the performance-related elements of remuneration of the executive directors and other members of the executive management team are transparent, avoid complexity, stretching, rigorously applied and designed to promote the long-term success of the Company;
- (s) ensure that all performance-related pay schemes operated by the Company for the executive directors and other members of the executive management team enable the use of discretion to override formulaic outcomes and include provisions that enable the Company to recover and/or withhold sums or share awards and that they specify the circumstances in which it would be appropriate to do so. Committee members should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances;
- (t) review the design of all share incentive plans for approval by the Board ensuring that, in respect of share awards for executive directors, (i) they promote long-term shareholdings that support alignment with long-term shareholder interests; and (ii) they are subject to a total vesting and holding period of at least five years;
- (u) 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 and other members of the executive management team and the performance targets to be used. In addition, the Committee will be responsible for exercising all the other powers and duties confirmed or imposed upon the Board under the rules of the Company's share incentive schemes;
- (v) ask the Board, when appropriate, to seek shareholder approval for all new long term incentive schemes (as defined in the Listing Rules) as well as any significant changes to existing schemes, save in the circumstances permitted by the Listing Rules;

**As regards shareholding guidelines**

- (w) review the terms and operation of the Company's share ownership guidelines and adopt a formal policy for executive directors in respect of post-employment shareholding requirements, encompassing both unvested and vested shares;

**As regards pension arrangements**

- (x) determine the policy for and scope of pension arrangements for each executive director and other members of the executive management team and consider the pension consequences and allocated costs to the Company of basic salary increases and other changes in remuneration especially for individuals close to retirement;

**As regards authorising claims for expenses from the Board**

- (y) agree the policy for authorising claims for expenses from the Board;

**As regards reporting and disclosure**

- (z) ensure that provisions regarding disclosure of information are fulfilled;
- (aa) at least every three years, produce the Company's remuneration policy, which will form part of the Company's annual report for the relevant year and ensure in such year that it is put to shareholders for approval at the Annual General Meeting;
- (bb) an annual report on the director's remuneration, which report shall include the work of the Committee, which will form part of the Company's annual report and ensure each year that it is put to shareholders for approval at the Annual General Meeting;
- (cc) produce the statement required to be included in the annual report of the Company identifying the membership of the Committee and the frequency of, and attendance by members at, Committee meetings over the course of the year;
- (dd) whenever a director leaves office, ensure that a statement is published on the Company's website as soon as reasonably practical;

**As regards the appointment and remuneration of consultants**

- (ee) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms for any remuneration consultants who advise the Committee, at the Company's expense;
- (ff) where remuneration consultants are appointed, make a statement in the annual report identifying such consultant and reporting alongside whether they have any other connection with the Company or individual directors;
- (gg) exercise independent judgement when evaluating advice of external third parties and when receiving views from the executive directors and senior management.

**In general**

- (hh) consider other matters as referred to the Committee by the Board; and
- (ii) consider any area within its remit where action or improvement is needed.

**13. Annual Review**

The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

**14. Reporting Responsibilities**

- 14.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 14.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.



## 15. Other Matters

15.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- (b) be provided with appropriate timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- (c) give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provision of the Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable Rules, as well as guidance from appropriate investor bodies, as appropriate; and
- (d) oversee the appropriate engagement by the Company in dialogue with its significant shareholders regarding executive remuneration issues.

## 16. Authority

- 16.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company in order to perform its duties. All employees, directors, consultants and other service providers of services are directed to co-operate with requests for information made by the Committee including requests to attend meetings of the Committee to seek any information it requires from any employee of the Company in order to perform its duties.
- 16.2 The Committee will not determine the remuneration of any non-executive director (except for the Chairman of the Board) including the members of the Committee. The remuneration of non-executive directors (except for the Chairman of the Board) shall be a matter for the Chairman of the Board and the executive members of the Board (or, where required by the Company's articles of association, the shareholders);
- 16.3 In connection with its duties, the Committee is authorised by the Board to obtain, at the Company's expense, any outside legal or other independent professional advice and within any budgetary restraints imposed by the Board, to appoint remuneration consultants, and to commission or purchase any relevant reports, surveys or information which it deems necessary to help fulfil its duties.
- 16.4 Although the Committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from their role within the business and care should be taken to recognise and avoid conflicts of interest.

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