

# Remuneration Committee report



**Ohad Marani**  
Chairman

## Dear Shareholders,

I am pleased to present the Directors' remuneration report for the year ended 31 December 2019.

The report is split into two sections:

- **Remuneration Policy** (pages 100-103) – contains a summary of our Directors' Remuneration Policy, which was approved by shareholders at our 2019 Annual General Meeting (AGM).

The Remuneration Committee is satisfied that the Remuneration Policy has operated as intended since its introduction. However, when the Edison E&P acquisition is complete, we intend to review the continued appropriateness of the Remuneration Policy, including an assessment of its alignment with strategic priorities and analysis of the current remuneration structure for Executive Directors, relative to relevant internal and external comparators. The review will also consider feedback from key stakeholders. Depending on the conclusions of this review, we may seek shareholder approval for a revised Remuneration Policy at the 2021 AGM.

- **The Annual Report on Remuneration** (pages 104-110) – contains details of remuneration received by Directors in 2019 and also details of how we intend to implement the Remuneration Policy during 2020. The Annual Report on Remuneration will be subject to an advisory vote at the 2020 AGM.

This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules and the Companies Act 2006 and is consistent with the UK Corporate Governance Code 2018.

## Aligning 2020 remuneration with Company strategy

Assuming completion of the acquisition of Edison E&P occurs in 2020, the Remuneration Committee has reviewed the scorecard of performance measures for determining Executive Directors' variable pay. The revised scorecard that we will use in 2020 (set out in the table below) is also intended to complement our strategic ambition of becoming the leading sustainable, gas-focused, independent E&P company in the Eastern Mediterranean.

There are a number of specific changes to highlight in the scorecard, as revised for 2020:

- To underpin our goal of being a leader in environmental, social and governance (ESG) matters, we have introduced specific ESG measures within both the annual bonus and LTIP.
- 2020 will be an important year for the successful delivery of a number of key strategic objectives including physical project progress on the Karish development, gas sales contracts and portfolio optimisation. We have therefore included strategic measures solely as an annual bonus measure in 2020 (rather than as a measure in both the annual bonus and LTIP, as was the case in 2019).
- Sustainability and our ESG principles underpin everything we do at Energean and we are the first E&P Company globally to commit to net zero carbon emissions by 2050. To complement our leadership in this area, we have introduced specific ESG measures within both the annual bonus and LTIP, in 2020.
- As the Company's strategy has developed we now believe that financial liquidity is more appropriate metric to use

Other decisions made by the Remuneration Committee in relation to Executive Directors for 2020 include:

- Salaries and annual bonus potential will be unchanged in 2020
- LTIP awards will be granted over shares at the following levels – CEO: 200% of salary (2018 and 2019: 200%); CFO: 200% of salary (2018: 200%; 2019 180%)
- A target range of 8%-12% p.a. will apply to the absolute TSR element of the 2020 LTIP awards. Whilst lower than the previous LTIP cycles (12.5%-20%) p.a this a highly challenging target range given the significant share price growth that has already been delivered since admission and the consequent higher base point for this award.
- As the Company has developed we believe that financial liquidity is a more appropriate metric for the annual bonus

Percentages are weighting of each measure in the relevant plan		Annual bonus		LTIP	
		2020	2019	2020	2019
<b>Strategic and operational goals</b>	Average production	15%	20%		10%
	Growth in 2P reserves + 2C resources	15%	20%		
	Delivery of strategic goals	35%	20%		15%
<b>Financial goals</b>	Financial liquidity	20%			
	EBITDAX		20%		
	Cost of oil production		20%		
<b>Corporate goals</b>	ESG goals	10%		20%	
	Culture and personal objectives	5%			
<b>Shareholder-aligned measures</b>	Relative TSR			50%	55%
	Absolute TSR			30%	20%

### Rewarding performance in 2019

As outlined in the Strategic Report, Energean has continued its strong growth trajectory in 2019 both organically and inorganically. 2P reserves and 2C resources have grown by more than 31% (exclusive of the Edison E&P portfolio) and the acquisition of Edison E&P will substantially enhance our reserves and production, providing immediate operating cash flow and EBITDAX.

Strong capital discipline is a key pillar of Energean's strategy and appropriate allocation of capital is something that management continually reviews. One such review was undertaken following the announcement of the proposed acquisition of Edison E&P, which resulted in the cancellation of planned investment in our Greek portfolio and negatively impacted management's opportunity to hit financial and production targets for 2019. After detailed consideration, the Remuneration Committee elected to make no change to the targets which resulted in a zero pay-out for these elements of the bonus and an overall bonus outturn for 2019 of 38% of maximum.

The Remuneration Committee is conscious that this bonus outturn is significantly lower than 2018 (82% of maximum), which may appear inconsistent with the strong share price growth delivered during 2019 (+48%) and the substantial strategic developments achieved during the year, including the potentially transformational and landmark acquisition of Edison E&P. However, on balance, the Committee elected not to use its discretion to adjust the bonus outturn.

I will be available to answer questions on the Remuneration Report at the AGM on 21 May 2020. I hope you find this report to be clear and helpful in understanding our remuneration practices and that you will support the resolution relating to 2020 remuneration at the AGM.

#### Ohad Marani

Chairman of the Remuneration Committee

18 March 2020