

# REMUNERATION COMMITTEE

## TERMS OF REFERENCE

1 January 2019



## REMUNERATION COMMITTEE

*References to “the Committee” shall mean the Remuneration Committee.*

*References to “the Board” shall mean the Board of Directors.*

*Reference to “the Code” shall mean the UK Corporate Governance Code published in July 2018.*

### 1. Purpose

The Committee has been established by the Board to ensure the Company appropriately incentivises senior management and executives with stretching yet realistic targets of performance that align the interests of management with the Company’s purpose and values, and are clearly linked to the successful delivery of the Company’s long-term strategy for the interests of its shareholders. The Committee shall ensure that Tullow’s remuneration policies at all times comply with the principles of good governance and the prevailing policies of its major shareholders.

### 2. Responsibilities

2.1. The core responsibilities of the Committee shall be as follows:

- 2.1.1. Set the remuneration policy for all executive directors and the Company’s Chair, including pension rights and any compensation payments (and which shall be submitted to the Company’s shareholders for a binding vote every three years or as often as required by applicable legislation)
  - 2.1.1.1. The Board itself or, where required by the Company's Articles of Association, the shareholders, should determine the remuneration of the non-executive directors within the limits set in the Company's Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.
  - 2.1.1.2. In determining the remuneration policy, and particularly when determining annual salary increases for directors, the Committee shall take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance, and shall review and have regard to pay and employment conditions of the workforce and the alignment of incentives and rewards with culture across the Company and its Group.
  - 2.1.1.3. The objective of such policy shall be designed to support the strategy and to promote the long-term sustainable success of the Company without paying more than is necessary, having regard to views of shareholders and other stakeholders.

The remuneration policy should have regard to the Company’s risk appetite and risk management strategy and be aligned to the Company’s culture and long term strategic goals. Performance-related elements should be clear, transparent, avoid complexity, stretching and rigorously applied.



- 2.1.2. Review the ongoing appropriateness and relevance of the remuneration policy.
- 2.1.3. Set the remuneration for Designated Senior Managers, including pension rights and any compensation payments having regard to all the matters referred to in 2.1.1.1 to 2.1.1.4 above.

The definition of 'Designated Senior Managers' for the purposes of these terms of reference shall include the members of the executive team and the Company Secretary.

- 2.1.4. Determine the total individual remuneration package of each executive director, the Company Chair and Designated Senior Managers including bonuses, incentive payments and share options or other share awards (including the buying out of any share options or awards held by the individual in their previous employment), each within the terms of the remuneration policy and in consultation with the Company Chair and/or Chief Executive as appropriate.

## 3. Duties and Reporting

### Duties

3.1. In addition to the Committee's core responsibilities above, the Committee shall:

- 3.1.1. Review the design of Tullow's share incentive plans and any performance-related remuneration scheme for executive directors and Designated Senior Managers and recommend any changes for approval by the Board and the Company's shareholders.
- 3.1.2. Review and approve calculations of corporate performance measures used in the calculation of awards under any relevant performance-related remuneration scheme.
- 3.1.3. Review and approve performance-related remuneration awards made to executive directors and designated Senior Managers and have sight of awards made under any share incentive plan applicable to employees other than executive directors and Designated Senior Managers.
- 3.1.4. Monitor and review the remuneration and related policies of the workforce of the Company and its group and consider feedback received from the workforce advisory panels.
- 3.1.5. Determine the policy for, and scope of, service agreements, termination payments, compensation commitments and pension arrangements for each executive director and other Designated Senior Managers.
- 3.1.6. Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 3.1.7. Oversee any major changes in workforce benefits structures throughout the Company or its group.
- 3.1.8. Agree the policy for authorising claims for expenses from the directors.
- 3.1.9. Work and liaise as necessary with all other Board Committees.



3.1.10. Give due consideration to laws and regulations and any published guidelines or recommendations, the provisions of the Code, the requirements of the FCA's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines or recommendations published by investor bodies (such as the Investment Management Association and the National Association of Pension Funds) as appropriate.

3.1.11. Arrange for periodic reviews of its own performance and, at least annually, review its 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.

3.1.12. Make available these terms of reference.

## Reporting

3.2. With regard to reporting, the Committee shall:

3.2.1. Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;

3.2.2. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

3.2.3. Ensure that provisions regarding reporting and disclosure of information, including pensions as set out in applicable legislation and the Code, are fulfilled;

3.2.4. Produce, for inclusion in the Company's Annual Report:

3.2.4.1. a statement from the Committee Chair providing a summary of the Company's remuneration policy and the annual report on the remuneration policy;

3.2.4.2. an annual report on the Company's remuneration policy and its remuneration practices and the Committee shall ensure that it is put to shareholders for approval at each annual general meeting;

3.2.4.3. the identity of any remuneration consultants in the annual report on the Company's remuneration policy and a statement as to whether such consultants have any other connection with the Company or individual directors (if applicable); and

3.2.4.4. a description of the work of the Committee as required by the Code.

3.2.5. Ensure, through the Chair of the Board, that the Company (whether through the Committee or otherwise) maintains contact as required with its principal shareholders about remuneration.

3.3. The Committee Chair should attend the Annual General Meeting of the Company to answer any shareholder questions on the Committee's activities.



## 4. Composition, Rules of Order and Authority

### Composition

4.1. The composition of the Committee shall be as follows:

- 4.1.1. The Committee shall be comprised of at least three members, all of whom shall be independent non-executive directors.
- 4.1.2. The Chair of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chair.
- 4.1.3. Before appointment as Chair of the Committee, the appointee should have served on a remuneration committee for at least 12 months.
- 4.1.4. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee and in consultation with the Chair of the Committee.
- 4.1.5. Appointments to the Committee shall be for a period of up to three years which may be extended for no more than two further periods of up to three years, so long as members (other than the Chair of the Board if he or she is a member of the Committee) continue to be independent.
- 4.1.6. The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.
- 4.1.7. The Company Secretary or their nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to its business.

### Rules of Order

4.2. The Committee shall meet as frequently as considered necessary or appropriate by its members and shall conduct its business in accordance with any rules or procedures it may determine to establish from time to time, subject to the following:

- 4.2.1. The Committee shall meet at least three times a year.
- 4.2.2. The quorum necessary for the transaction of business shall be two. 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.
- 4.2.3. The members of the Committee shall, at the beginning of any meeting, declare the existence of any conflicts of interest arising in relation to the matters to come before such meeting and the Secretary of the Committee shall minute them accordingly.
- 4.2.4. The members of the Committee may meet for the dispatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all or any of the members of the Committee may participate in a meeting of the Committee by



means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

4.2.5. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Chief Financial Officer, the head of Human Resources and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

4.3. The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings including the names of those present and in attendance.

4.3.1. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other non-executive directors and, at the discretion of the Committee Chair, to other members of the Board unless, in the opinion of the Committee Chair, it would be inappropriate to do so.

### **Authority**

4.4. To help it fulfil its obligations and to enable it to judge where to position the Company relative to other companies, the Committee shall have full authority to:

4.4.1. Appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the Board.

4.4.2. Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

4.4.3. Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat and any other employees of the Group for assistance as required.

4.4.4. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

4.4.5. Obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

**Approved by the Board on 6 December 2018 to take effect on 1 January 2019**