

**GULF KEYSTONE  
PETROLEUM LTD.**



DATED: 4 December 2018

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**REMUNERATION COMMITTEE**

**TERMS OF REFERENCE**

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**(Registered in Bermuda with company number: 31165) (the "Company")**

**REMUNERATION COMMITTEE**

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**1. PURPOSE**

**1.1 Principal Functions**

The Remuneration Committee, (the "**Committee**"), is a committee of the board of directors of the Company (the "**Board**"), which is principally responsible for determining and agreeing with the Board the framework and broad policy for the remuneration of the Company's Chief Executive Officer, chairman of the Board, the executive directors and such other matters as set out in these terms of reference.

**1.2 Reporting**

The chairman of the Committee shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its terms of reference.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed.

The Committee shall produce a report of the Company's remuneration policy and practices to be included in the Company's annual report and ensure each year that it is put to shareholders in the form of a resolution at the Annual General Meeting.

Through the chairman of the Committee or the chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

**1.3 Membership**

Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee and in consultation with the Committee Chairman.

The Committee shall be made up of at least two members (or three in the event the Company enters the FTSE350), all of whom shall be independent non-executive directors. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief

Executive Officer, the Chief Financial Officer, the HR Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.

Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended by no more than two additional three-year periods, provided the director still meets the criteria for membership of the Committee.

The Board shall appoint the Committee Chairman who shall be an independent non-executive director and who has served on a remuneration committee (whether for the Company or an external appointment) for at least 12 months. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

#### **1.4 Secretary**

The Company Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives in timely manner information and papers reasonably necessary to enable full and proper consideration to be given to any issues arising from its duties and responsibilities within its terms of reference.

#### **1.5 Quorum**

The quorum necessary for the transaction of business shall be two members.

#### **1.6 Role of Members**

Committee members will utilise their personal skills, knowledge and judgement to perform the responsibilities set out below.

#### **1.7 Responsibilities**

The Committee should carry out the duties set out below for the Company, major subsidiary undertakings and the group as a whole (the “**Group**”), as appropriate.

The Committee shall:

- (a) determine and agree with the Board the framework and broad policy for the remuneration of the Company's executive directors and setting remuneration for the Chairman of the Board, the executive directors and the senior management team (being those individuals considered to be Persons

Discharging Managerial Responsibilities (“PDMR”)) and any other members of the executive management as it is designated to consider by the Board. The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the executive members of the Board. No director or manager shall be involved in any decisions as to their own remuneration;

- (b) in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to the views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company’s long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
- (c) when setting remuneration policy for directors, review and have regard to remuneration and related policies across the Group, aligning incentives and rewards with culture;
- (d) review the ongoing appropriateness and relevance of the remuneration policy;
- (e) approve the design of, and recommend to the Board targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- (f) review the design of all share incentive plans for approval by the Board and shareholders. 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 the executive directors and other designated senior executives and the performance targets to be used;
- (g) determine the policy for, and scope of, pension arrangements for each executive directors and other designated senior executives;
- (h) ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- (i) within the terms of the agreed policy and in consultation with the Chief Executive Officer, determine the remuneration package of the Chairman of the Board.
- (j) Within the terms of the agreed policy and in consultation with the Chairman of the Board, determine the total individual remuneration package of each executive director and other designated senior executives including bonuses, pension schemes, other benefits, incentive payments and share options or other share awards and benefits;
- (k) agree the policy for authorising claims for expenses from the directors;
- (l) oversee any major changes in employee benefits structures throughout the Company and/or the Group and give advice on any such changes;
- (m) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee; and
- (n) obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board.

## **2. MEETINGS**

### **2.1 Meeting Frequency and Schedule**

The Committee shall meet at least twice a year and at such other times as required by the Board.

### **2.2 Notice of Meetings**

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chairman in accordance with paragraph 2.1.

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.

### **2.3 Minutes**

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

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once approved, to all other members of the Board, unless, in the opinion of the Committee Chairman a conflict of interest exists or it would be inappropriate to do so.

### **2.4 Annual General Meeting**

The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## **3. OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties within its terms of reference, including access to the Company Secretary for assistance as reasonably required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules, as well as guidelines published by the Investment Association and the Pension and Lifetime Savings Association and any other applicable rules, as appropriate and any other applicable rules or regulations, as appropriate; and
- (d) 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.

**4. AUTHORITY**

The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.

Subject to obtaining the prior written consent of an executive director of the Company, the Committee is authorised to obtain expert advice from the Company's auditors or professional advisers.

The Committee is further authorised to take independent professional advice at the Company's expense, provided that any fees or expenses incurred are reasonable and properly incurred, and to require the attendance of outsiders with relevant experience and expertise if it considers it reasonably necessary.

**These terms of reference were adopted by resolution of the Board passed on:  
4 December 2018**