

Nostrum 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 26 March 2020)

1. Introduction

- 1.1 These terms of reference have been produced to identify and formalise the roles and responsibilities of the Committee.
- 1.2 Should members of the Committee need or want to consult the UK Corporate Governance Code (the “Code”), copies can be obtained from the Company Secretary.

2. Membership

- 2.1 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**”). The Committee shall include at least three Independent Non-Executive Directors (or two Independent Non-Executive Directors if the Company is classed as a ‘smaller company’ within the meaning of the Code). The Chairman of the Board may also serve on the Committee if they were independent on appointment and cannot chair the Committee.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, 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.
- 2.3 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.
- 2.4 All appointments to the Committee shall be for a period of one year, which may be extended.
- 2.5 The Committee Chairman shall be appointed by the Board. Before appointment as Committee Chairman, the appointee should have served on a remuneration committee for at least 12 months.
- 2.6 If any member of the Committee is unable to act for any reason, the Committee Chairman, or in his absence the Board, may appoint any other Independent Non-Executive Director of the Company to act as his alternate.
- 2.7 To the extent that an Executive Director 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 remit of the Committee.

3. Secretary

The Company Secretary or his 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 give full and proper consideration to the issues.

4. Quorum

The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference. 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.

5. Voting

- 5.1 Each members of the Committee shall have one vote which may be cast on matters considered at Committee meetings. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 5.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 5.3 Except where he has a personal interest, the Committee chair shall have a casting vote on all matters in the event of an equality of votes.
- 5.4 Any resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.
- 5.5 The Committee chair may ask any attendees of the Committee meeting to leave the meeting to allow discussions of matters relating to them.

6. Frequency of Meetings

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.

7. Notice of Meetings

- 7.1 Meetings of the Committee shall be summoned by the Company Secretary 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 to enable full and proper consideration. 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 to chair the meeting; however, if the Chairman of the Board is a member of the Committee he shall not be eligible for such election. 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 Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 9.3 The Secretary of the Committee shall circulate draft minutes of Committee meetings promptly to the Committee Chairman for review and subsequently to all members of the Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so.

10. Annual General Meeting

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

11. Purpose

- 11.1 The purpose of the Committee is to ensure that:
 - (a) remuneration policy and practices of the Company are designed to support strategy and promote long-term sustainable success, reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements; and
 - (b) executive remuneration is aligned to company purpose and values and linked to delivery of the Company's long-term strategy.
- 11.2 Subject to paragraph 11.3, in particular, the Committee shall consider:
 - (a) remuneration policies, including base pay, long-term and short-term incentives, post-employment shareholding requirements and use of the Committee's discretion;
 - (b) remuneration practice and its cost to the Company;
 - (c) recruitment, service contracts and severance policies;
 - (d) pension and superannuation arrangements and other benefits;
 - (e) the engagement and independence of external remuneration advisers; and
 - (f) a review of workforce remuneration and related policies and the alignment of incentives and rewards with culture.

- 11.3 The remuneration of all non-executive directors of the board shall be a matter for the chair and the executive directors to be decided at a meeting of the Board to be determined within any limits set in the Matters Reserved for the Board and/or the Articles of Association. No director shall be involved in any decisions as to their own remuneration.

12. Duties

- 12.1 The Committee shall carry out the following duties for the Group and advise the Board appropriately:

- (a) determine and agree with the Board the framework or broad policy for setting remuneration for the Chief Executive Officer, the Chairman of the Board, all Executive Directors, the Company Secretary and all members of the Senior Management Team;
- (b) in determining policy on executive remuneration consider:
 - (i) all relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance;
 - (ii) the need to promote the long-term sustainable success of the Company and the alignment to the Company's purpose and values, without paying more than is necessary, having regard to the views of shareholders and other stakeholders, and ensuring that executive directors, the company secretary and the Senior Management Team are rewarded in a fair and responsible manner, provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
 - (iii) the strategy of the Group and how the policy reflects and supports the long-term strategy;
 - (iv) the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the Company's risk policies and systems and long-term strategic goals; and
 - (v) any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for executive directors, the company secretary and the Senior Management Team that encompass both unvested and vested shares;

- 12.2 when determining executive director remuneration policy and practices, address the following factors set out in Provision 40 of the Code:

- (i) clarity;
- (ii) simplicity
- (iii) risk;
- (iv) predictability
- (v) proportionality; and
- (vi) alignment to culture.

- 12.3 when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;
- 12.4 review the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders, as appropriate, on the policy or any aspects of remuneration;
- 12.5 within the terms of the agreed remuneration policy, determine the total remuneration package for the chair of the Board and each element of total individual remuneration package for each executive director, the company secretary and each member of the Senior Management Team including (to the extent possible):
- (i) base salary;
 - (ii) profit sharing and specific incentive remuneration schemes or arrangements;
 - (iii) participation in share option schemes and share ownership plans;
 - (iv) pension arrangements, including the level of contributions by the Company;
and
 - (v) other bonuses and benefits in cash or in kind;
 - (vi) ensure, where relevant, that any payments made in respect of any remuneration package are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval;
 - (vii) exercise any discretion or judgment on remuneration outcomes in accordance with any incentive schemes and the remuneration policy, taking account of company and individual performance, and wider circumstances; and
 - (viii) agree policy for authorising claims for expenses from the directors.

- 12.6 recommend for approval by the Board the design of, and determine the targets for, the operation of all long-term incentive schemes, including all schemes involving the award of shares or the grant of options, in which executive directors, the company secretary and members of the Senior Management Team participate. For any such schemes or plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes or plans by those individuals;
- 12.7 monitor and assess any performance conditions applicable to any long-term incentive awards granted under any schemes or plans adopted by the Company. Ensure that the performance conditions are fully explained, aligned to the Company purpose and values, and clearly linked to the successful delivery of the Company's long-term strategy and enhancement of shareholder value. Consider whether any factors should be taken into account which would make an alternative outcome more appropriate and aligned to the interests of shareholders;
- 12.8 consider whether the executive directors, the company secretary and members of the Senior Management Team should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected;
- 12.9 recommend for approval by the Board the design of, and determine annual targets and key performance indicators for, any bonus scheme operated by the Company and assess performance against targets and key performance indicators, by the Company, individual executive directors, the company secretary and members of the Senior Management Team;
- 12.10 exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances;
- 12.11 design and invoke agreed safeguards, for example, clawback or withholding the payment of any sum or share award (as appropriate), to protect against rewards for failure through appropriate risk management of any incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- 12.12 ensure that all incentive arrangements are aligned to the Company's risk policies and systems, its purpose and values, support the strategy and promote long-term sustainable success;
- 12.13 review the pension arrangements for the executive directors, the company secretary and members of the Senior Management team and consider:
 - (a) the alignment of pension contribution rates, or payments in lieu, for executive directors with those available to the workforce; and
 - (b) the pension consequences and associated costs to the Company of basic salary increases and any other changes in pensionable remuneration or contribution rates, particularly for directors close to retirement, when compared with workforce arrangements;

- 12.14 approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for executive directors and any material amendments to those contracts;
- 12.15 determine the policy for, and scope of, termination payments and compensation commitments for each executive director and ensure that poor performance is not rewarded and that there is a clear policy to link non-contractual payments to performance;
- 12.16 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.
- 12.17 review workforce remuneration and related policies and the alignment of incentives and rewards with culture;
- 12.18 when setting the policy for executive director remuneration, take into account the matters in paragraph 12.17 above;
- 12.19 engage with the workforce to explain how decisions on executive pay reflect wider company pay policy;
- 12.20 oversee any major changes in remuneration and employee benefits structures throughout the Group;
- 12.21 produce a report to shareholders annually on matters relating to director remuneration that shall include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) and any relevant statutory, regulatory or governance codes and incorporate:
 - (a) a annual statement by the Committee's chair and annual report on directors' remuneration (together, the "**Annual Remuneration Report**"); and
 - (b) the directors' remuneration policy when it must be submitted for approval in accordance with paragraph 12.22 below (the "**Directors' Remuneration Policy**") and, in any other case, either directors' remuneration policy, a summary of such policy or details of when the directors' remuneration policy was approved and where it can be found on the Company's website;
- 12.22 submit the Directors' Remuneration Policy for approval on a binding basis by the Board and shareholders:
 - (a) every three years;
 - (b) in any year in which there is a change to the policy;
 - (c) if shareholder approval was not obtained when last submitted; and
 - (d) if majority shareholder approval was not achieved on the last submitted Annual Remuneration Report

- 12.23 submit the Annual Remuneration Report for approval on an advisory basis by the Board and shareholders annually;
- 12.24 subject to delegation of authority by the board, engage in appropriate discussions as necessary with shareholders if, 20 per cent. or more of votes have been cast by shareholders against a resolution to approve the Annual Remuneration Report or Directors' Remuneration Policy at any annual general meeting or general meeting, as the case may be, and agree with the board any appropriate disclosure, including in the annual report.
- 12.25 keep abreast of external remuneration trends and market conditions;
- 12.26 subject to delegation of authority by the Board, determine whether the disclosure of any information on performance conditions and performance targets would be commercially sensitive;
- 12.27 consider such other matters as are referred to the Committee by the Board; and
- 12.28 work and liaise as necessary with all other board committees.

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 and the minutes of all Committee meetings shall be included in the board papers for a subsequent board meeting or made available upon request.
- 14.2 The Committee shall
 - (a) report to the Board on workforce reward, incentives and conditions, and support the board's monitoring of the alignment of company policies and practices with culture and strategy;
 - (b) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
 - (c) ensure that provisions regarding the disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the Code, are fulfilled;
 - (d) prepare the Annual Remuneration Report to be incorporated in the Company's annual report that shall include the matters referred to in Paragraph 12.21 above and ensure that it is submitted for approval in accordance with Paragraph 12.23 above;
 - (e) if the Committee has appointed remuneration consultants, identify in the annual report, the name of the consultants and state whether they have any connection with the Company or individual directors;
 - (f) ensure, through the chair of the Board, that the Company maintains contact, and the Committee chair seeks engagement, as required, with the Company's major shareholders on significant matters related to the Committee's areas of responsibility;

- (g) prepare and adopt a report on the Committee's work and activities for inclusion in the Company's annual report setting out:
 - (i) the number of meetings of the Committee and individual attendance by the members; and
 - (ii) the matters listed in Provision 41 of the Code and other information recommended by the Code; and
- (h) make publicly available the Committee's terms of reference by placing them on the Company's website.

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; and
- (c) give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share schemes including but not limited to the Companies Act 2006, the principles and provisions of the Code, the requirements of the Listing Rules, the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the Pensions and Lifetime Savings Association, the GC100 and Investor Group and any other applicable rules, as appropriate; and
- (d) work and liaise as necessary with all other board committees, including the nomination committee in respect of any remuneration package to be offered to any new appointee of the board.

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