



**PETROPAVLOVSK**

**PETROPAVLOVSK PLC**  
*(company)*  
**REMUNERATION COMMITTEE**  
*(committee)*

**TERMS OF REFERENCE**

Adopted by the board of directors (*board*) of the Company on **22 December 2021**

**1. Purpose**

The primary purpose of the committee is to support and assist the board in relation the matters set out in these terms of reference. This includes:

- determination of the company's remuneration policy and its application for the company's executive directors and senior management who fall within the committee's remit;
- performance evaluation so far as relevant to remuneration;
- the adoption and oversight of incentive plans; and
- other governance responsibilities relevant to remuneration.

For certain matters the committee has delegated authority from the board. For others it acts as adviser to the board. This is made clear in these terms of reference. Changes to these terms of reference shall only be effective if approved by the board.

**2. Membership**

- 2.1. The committee shall comprise at least three members, all of whom shall be independent non-executive directors. 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 chair.
- 2.2. Appointments to the committee are made by the board on the recommendation of the nomination committee and in consultation with the chairman of the remuneration committee. Appointments shall be for period of up to three years which may be extended for up to two additional three-year periods, provided members (other than the Chairman of the board, if they are a member) continue to be independent.
- 2.3. Only members of the committee have the right to attend the committee meetings. However, other individuals such as the Chairman of the board (if not a member), the Chief Executive Officer, Head of Human Resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- 2.4. The board shall appoint the committee chairman who shall be an independent non-executive director. In the absence of the committee chairman and/or 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. The Chairman of the board shall not at any stage be chairman of the committee.

**3. Secretary**

The Company Secretary or their nominee shall act as the secretary to the committee.



#### **4. Quorum**

The quorum necessary for 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.

#### **5. Frequency of meetings**

The committee shall meet at least four times a year and otherwise as required.

#### **6. Notice of meetings**

6.1 Meetings of the committee shall be called by the secretary of the committee at the request of the chairman of the committee or any of its members.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date shall be forwarded to each member of the committee and any other person required to attend prior to the meeting. The agenda of items to be discussed and any supporting papers shall be sent to committee members and other attendees, as appropriate, in sufficient time prior to the meeting to allow their proper consideration.

#### **7. Minutes of meetings**

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

7.2 Draft minutes of Committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all members of the board, save where inappropriate to do so.

#### **8. Engagement with shareholders**

The chairman of the committee shall attend the company's annual general meeting to answer any shareholder questions on the committee's activities and seek engagement with shareholders on significant matters related to the committee's areas of responsibility, where appropriate.

#### **9. Duties**

The committee's duties extend to the company and the group as a whole. The 'group' shall mean the company and each and all of its direct and indirect subsidiaries from time to time.

#### **Remuneration Policy**

9.1 The committee will determine on behalf of the board the policy for the remuneration policy (**Policy**) of:

9.1.1 the Chief Executive Officer (**CEO**);

9.1.2 any other executive directors;

9.1.3 the company secretary; and

9.1.4 senior management as determined by the committee from time to time (together the **RemCo Population**).

9.2 In determining the Policy, the committee will take into account the factors it deems necessary or appropriate, including, without limitation, workforce remuneration policies and practice across the group and the views of stakeholders. The objective of the Policy is to:

9.2.1 support the implementation of the company's strategy and the long-term sustainable



- success of the group;
  - 9.2.2 align remuneration with the company's culture, purpose, values and risk appetite;
  - 9.2.3 provide remuneration necessary to attract, retain and motivate individuals with the skills and experience required by the company, without paying more than is necessary;
  - 9.2.4 apply demanding performance measures, linking a significant portion of pay to performance, delivery of the strategy and the company's long-term performance;
  - 9.2.5 ensure remuneration is transparent, easy to explain and understand, mitigates the risks of excessive rewards, incentivises appropriate behaviours, identifies the range of possible values achievable for awards at the point of grant and does not reward poor performance.
- 9.3 The committee will keep the Policy under review, consulting shareholders on changes as appropriate.

### **Implementing the Policy**

- 9.4 The committee will determine the remuneration of the Chairman of the board.
- 9.5 Within the terms of the Policy (or with shareholder approval as required), the committee will determine the remuneration of each member of the RemCo Population including (to the extent applicable):
- 9.5.1 base salary;
  - 9.5.2 profit sharing and specific incentive remuneration schemes or arrangements;
  - 9.5.3 participation in share option schemes and share ownership plans;
  - 9.5.4 pension arrangements, including the level of contributions by the company;
  - 9.5.5 other bonuses and benefits in cash or in kind; and
  - 9.5.6 any changes to such remuneration.
- 9.6 The committee will determine whether and in what amounts awards may be made to the RemCo Population under the group's annual bonus plan and long-term incentive plan.
- 9.7 With input from:
- the safety sustainability and workforce committee on matters within the remit of that committee;
  - the audit committee on financial key performance indicators (**KPIs**);
- the committee will:
- 9.7.1 set any KPIs for the RemCo Population for the purposes of the group's annual bonus plan and long-term incentive plan;
  - 9.7.2 periodically monitoring performance against such KPIs;
  - 9.7.3 determining performance achieved in relation to such KPIs at the end of the relevant performance period; and
  - 9.7.4 reviewing and approving vesting outcomes for each such award.
- 9.8 The committee will approve the terms of the service contracts of the RemCo Population and any material amendments to those contracts.
- 9.9 The committee will ensure that leaving entitlements on termination are fair to the individual and the company, consistent with the terms of any incentive scheme and the Policy and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.



### **Incentive plans**

- 9.10 The committee will review and recommend for approval by the board (and where required, the shareholders) the design and rules of all share-based incentive plans and executive incentive plans. Such plans will include all appropriate safeguards against rewards for failure (such as malus or clawback) and to ensure that performance-related payments reflect performance achieved.
- 9.11 The committee will oversee the operation of the incentive plans referred to in 9.10 above, including:
  - 9.11.1 as set out in 9.7 above;
  - 9.11.2 exercising any discretions vested in the committee or the board under the rules of such plans; and
  - 9.11.3 keeping such plans under review in light of legislative, regulatory or market developments.

### **Remuneration – general**

- 9.12 The committee will review and note annually remuneration trends across the group, including comparing trends in remuneration for the RemCo Population compared with those for the rest of the workforce.
- 9.13 The committee will review workforce remuneration and related policies and the alignment of incentives and rewards with the group's culture.
- 9.14 When setting the policy for executive director remuneration, take into account the matters in paragraph 9.12 and 9.13.
- 9.15 In carrying out its responsibilities, the committee will take into account:
  - 9.15.1 all relevant legal and regulatory requirements, including the duties of the board under section 172 of the Companies Act 2006;
  - 9.15.2 best practice in good governance, including the provisions of the UK Corporate Governance Code (July 2018) (**Code**);
  - 9.15.3 the company's strategy, values and risk appetite.
- 9.16 In determining Policy and any aspect of remuneration for the CEO, the committee may consult the Chairman of the board.
- 9.17 In determining Policy and any aspect of remuneration for members of the RemCo Population other than the CEO, the committee may consult the CEO.
- 9.18 The committee will agree the policy for authorising claims for expenses from the directors.
- 9.19 In carrying out its duties, the committee will:
  - 9.19.1 keep abreast of external remuneration trends and market conditions.
  - 9.19.2 consider such other matters as are referred to the committee by the board.
- 9.20 The remuneration of the senior independent director and non-executive directors of the board will be determined by the board within any limits set in the company's articles of association. No person will be involved in any decisions as to their own remuneration.

### **Remuneration consultants**

- 9.21 The committee will have full authority to appoint remuneration consultants and commission such reports, surveys or information which it deems necessary, at the expense of the company (but within any budgetary restraints imposed by the board).



- 9.22 The committee is exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.

#### **Annual report and shareholder consultation**

- 9.23 The committee will produce a report to shareholders annually on matters relating to executive remuneration including the information required under the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (**Listing Rules**) and any other relevant statutory, regulatory or governance codes and incorporating:
- 9.23.1 an annual statement by the Committee's chair and annual report on directors' remuneration (together, **annual remuneration report**); and
  - 9.23.2 the directors' remuneration policy (**directors' remuneration policy**) or, when permitted by applicable legislation, 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.
- 9.24 The committee will submit the directors' remuneration policy for approval by the board and shareholders as required by the Act, the Listing Rules or other applicable regulation or governance code or standard.
- 9.25 If requested by the board, the committee will consult 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 [or any long-term incentive scheme] at any annual general meeting or general meeting, as the case may be.

#### **10. Reporting responsibilities**

- 10.1 The committee chairman will report formally to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 10.2 The committee will make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The committee will provide a description of its work in the annual report in line with the requirements of the Code.

#### **11. Other matters**

The committee will:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 11.2 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.
- 11.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the FCA's Listing Rules, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable Rules, as appropriate.
- 11.4 carry out a periodic evaluation of the committee's own performance.
- 11.5 at least annually, review its constitution and terms of reference to ensure it is operating at effectively and recommend any changes it considers necessary to the Board for approval.
- 11.6 work and liaise as necessary with other board committees, ensuring the interaction between committees and with the board is reviewed regularly.



## **12. Authority**

The committee is authorized by the board to:

- 12.1 seek any information it requires from any employee of the company or the group in order to perform its duties and all employees shall be directed to co-operate with any request made by the committee
- 12.2 call any employee to be questioned at a meeting of the committee as and when required.
- 12.3 obtain, at the company's expense and after consultation with the Chairman of the board, outside legal or other professional advice on any matters within its terms of reference (within such budgetary constraints as may be set by the board).
- 12.4 delegate any of its powers to a sub-committee, an individual director or the executive committee of the company, if it considers this appropriate.

Reviewed and approved by the Committee between 9 and 14 December 2021

Approved and adopted by the board on 22 December 2021