

## **CAPRICORN ENERGY PLC REMUNERATION COMMITTEE – TERMS OF REFERENCE (DECEMBER 2021)**

### **1. Constitution and authority**

- 1.1. The remuneration committee (the "Committee") is constituted as a committee of the board of directors (the "Board") of Capricorn Energy PLC (the "Company") in accordance with the Articles of Association of the Company.
- 1.2. The Committee has the delegated authority of the Board in respect of the functions, powers and responsibilities set out in these terms of reference.
- 1.3. The Committee may sub-delegate any or all of its powers and authority to one or more of its members including, without limitation, the establishment of sub-committees which are to report back to the Committee.

### **2. Membership**

- 2.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. The chair of the Board may also serve on the Committee as an additional member if he / she was considered independent on appointment. Members of the Committee shall be appointed by the Board in consultation with the chair of the Committee (the "Committee Chair").
- 2.2 The Board shall appoint the Committee Chair who shall be an independent non-executive director. Before appointment as Committee Chair, the appointee should ordinarily have served on a remuneration committee for at least twelve months. In the absence of the Committee Chair 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. The chair of the Board shall not be the Committee Chair.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive shall be invited to attend meetings and other individuals such as the Group HR Manager and external remuneration consultants may be invited to attend for all or part of any meeting, as and when appropriate and necessary. The Chief Executive and / or Group HR Manager will also report to the Committee on the application of remuneration policies applying to senior management and all other employees. Any non-executive director may attend all or part of a Committee meeting with the prior approval of the Committee Chair.

### **3. Secretary**

The Company Secretary or his / her 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 the issues.

### **4. Quorum**

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

### **5. Meetings**

The Committee shall meet at least three 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 Committee Chair.

- 6.2 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 and any other person required to attend, in sufficient time to allow the Committee to consider the papers. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **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 sent to the Committee Chair for comment, following which minutes should be circulated to all other members of the Committee and to the Board for approval unless in the opinion of the Committee Chair it would be inappropriate to do so.
- 7.3 A resolution in writing authenticated by all Committee members who would be entitled to vote (and which may consist of several documents in the same form each authenticated by one or more of the Committee members) will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## **8. Voting Arrangements**

- 8.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2 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. The Committee Chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **9. Annual General Meeting**

The Committee Chair shall attend the Company's annual general meeting to answer any shareholder questions on the Committee's activities.

## **10. Duties**

The primary function of the Committee is to consider executive remuneration packages, and to ensure that the remuneration policies and practices of the Company reward fairly and responsibly at all levels, with a clear link to corporate and individual performance as appropriate. The Committee shall:

- 10.1 have responsibility for setting the remuneration policy or policies for executive directors, senior management (being Persons Discharging Managerial Responsibility and the Company Secretary) and the Company chair, including pension rights and any compensation payments, recognising that the policy is also subject to approval by shareholders.
- 10.2 In determining the policy or policies for executive directors and senior management, take into account all factors which it deems necessary including:
- (a) all relevant legal and regulatory requirements and the provisions and recommendations of the UK Corporate Governance Code and associated Guidance;
  - (b) that the objective of any such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully, having regard to the views of shareholders and other stakeholders;

- (c) the alignment of the remuneration policy with the Company's long-term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and / or individual performance as applicable and designed to promote the long-term success of the Company, with an appropriate balance between fixed and performance-related remuneration and immediate and deferred remuneration;
  - (d) the need for simplicity, clarity, transparency and predictability in setting the remuneration policy and remuneration arrangements (including the metrics and targets of performance-related aspects of remuneration); and
  - (e) the risk appetite and risk management strategy of the Company, and alignment with the Company's risk policies and systems and long-term strategic goals.
- 10.3 Engage in appropriate discussions as necessary with institutional investors on the remuneration policy or any other aspects of remuneration for executive directors and PDMRs.
  - 10.4 In consultation with the Board and the Company's HR function, recommend and monitor the principles and structure of remuneration for other senior management and all other employees of the Company.
  - 10.5 When setting the remuneration policy or policies for executive directors and senior management, the Committee will take into account remuneration policies and practices applicable to all other employees.
  - 10.6 Regularly review the on-going appropriateness and relevance of the remuneration policies and practices in place at all levels of the organisation.
  - 10.7 Within the terms of the agreed policy and in consultation with the chair of the Board and / or Chief Executive, as appropriate, determine the total individual remuneration package of each executive director, senior management (as defined in 10.1) and the Company chair, including bonuses, incentive payments and share options or other share awards.
  - 10.8 Review and be appraised of the application of the remuneration policy for members of management (other than those described in 10.7), and, in summary form, the application of the remuneration policy to all other employees of the Company or Group.
  - 10.9 Obtain reliable up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfill its obligations the Committee shall have full authority to 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 constraints which may be imposed by the Board.
  - 10.10 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
  - 10.11 Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and ensure that such schemes promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests. The Committee shall where appropriate ensure that share awards granted to executive directors for this purpose are released for sale on a phased basis and are ordinarily subject to a total vesting and holding period of five years or more.
  - 10.12 Monitor and assess any performance conditions applicable to any long-term incentive awards granted under schemes adopted by the Company, and design and invoke any safeguards, for example clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements.

- 10.13 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, approve the grant of the overall amount of such awards, as well as the individual awards to executive directors and any other designated senior executives, and (if applicable) the performance targets applicable to such awards.
- 10.14 Determine the policy for, and scope of, pension arrangements for each executive director and any other designated senior executives, having regard to the pension arrangements available to the Company's wider workforce.
- 10.15 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure and poor performance is not rewarded and that the duty to mitigate loss is fully recognised.
- 10.16 Oversee any major changes in employee benefits structures throughout the Company or Group.
- 10.17 Agree the policy for authorising claims for expenses from the directors.
- 10.18 Agree the policy for shareholding guidelines applicable to executive directors as well as any other designated senior executives, which may include post-employment shareholding requirements.
- 10.19 Review and monitor the Group's compliance with relevant gender pay reporting requirements (if applicable).
- 10.20 Work and liaise as necessary with all other Board committees.
- 10.21 The Chair of the Board and the executive directors (or, where required by the Articles of Association of the Company, the shareholders) will be responsible for determining the fees of the non-executive directors, other than the Chair of the Board (which is the remit of the Committee), within the limits set out in the Articles of Association of the Company. No director or senior manager shall be involved in any decisions as to their own remuneration.
- 10.22 Exercise any discretion or judgement on: (i) the remuneration of current and future executive directors in accordance with the Company's remuneration policy as approved by shareholders; and (ii) the operation of all share incentive plans, in accordance with the relevant share plan rules, for executive directors, PDMRs and any other designated senior executives.

## **11. Reporting Responsibilities**

- 11.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, and in particular the Committee Chair shall report to the Board on its review of pay and employment conditions available to all of the Company's employees.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall 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 from time to time) and the Code, are fulfilled and produce a directors' remuneration report to be included in the Company's annual report, comprising of: (i) an annual report on remuneration and the annual statement by the Committee Chair, both of which are subject to an advisory shareholder vote at each AGM; and (ii) a directors' remuneration policy which is the subject of a binding shareholder vote at least every three years (or earlier if any changes are to be made to the remuneration policy in the meantime). If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 11.4 Through the chair of the Board or the Committee Chair, as appropriate, ensure that the Company (whether through the Committee or otherwise) maintains contact as required with its principal shareholders about remuneration, and engages in appropriate discussions as necessary.

- 11.5 If 20% or more of votes have been cast against any binding or advisory resolution relating to any aspect of remuneration (including any resolution referred to in paragraph 11.3 above), assist the Board in:
- (a) preparing an explanation of the actions that the Company intends to take to consult shareholders to understand the reasons behind the result, to be included in the announcement of voting results on the relevant resolution;
  - (b) within six months of the date of the relevant resolution, publishing an update on the views received from shareholders following the shareholder consultation and the actions that the Company has taken in response; and
  - (c) in the next annual report prepared following the relevant resolution (and, if necessary, in the explanatory notes to the resolutions circulated in advance of the next shareholders' meeting), provide a summary of the impact of the feedback received from shareholders on the decisions of the Board and / or Committee and any actions or resolutions that are proposed.

## **12. Other Matters**

The Committee shall:

- 12.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 12.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 12.3 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 provisions of the UK Corporate Governance Code, the Companies Act 2006, the Enterprise and Regulatory Reform Act 2013, Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended from time to time), the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the Pension and Lifetime Savings Association, the GC100 and any other relevant investor bodies or applicable rules, as appropriate.
- 12.4 Arrange for periodic reviews of its own performance and regularly review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.
- 12.5 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference. The Committee may sub-delegate any or all of its powers as it thinks fit to the Committee Chair.

## **13. Authority**

- 13.1 The Committee is authorised by the Board to obtain, at the Company's expense, appropriate outside legal or other professional advice on any matters within its terms of reference.
- 13.2 The Committee is authorised by the Board to seek any information it requires from or request the attendance at any of its meetings of, any director or member of management, and all employees are expected to cooperate with any reasonable request made by the Committee. However, where executive directors or senior management are involved in advising or supporting the Committee, care is to be taken by the Committee to recognise and avoid conflicts of interest. In particular, no director (including the chair of the Board), senior executive or Committee attendee shall be present for any discussion, or involved in any decision, as to his / her own remuneration.