

**Nostrum Oil & Gas plc**  
**(the “Company”)**

**Terms of Reference of the Remuneration Committee**  
**(the “Committee”)**

**(Approved at a meeting of the directors dated 26 April 2023)**

## **1. Introduction**

1.1 These terms of reference have been produced to identify and formalise the roles and responsibilities of the Committee.

1.2 These terms of reference are intended to comply with the UK Corporate Governance Code (the “**Code**”), which provides that *“there should be a formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration”* and that the board should establish a remuneration committee which *“should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management”*.

1.3 Should members of the Committee need or want to consult the Code, copies can be obtained from the Company Secretary.

## **2. Terms of Reference to be made available**

2.1 The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the board of directors of the Company (the “**Board**”).

2.2 The requirement to make this information available may be met by making such information available on request and/or including the terms of reference and such explanation on the Company’s website.

## **3. Membership**

3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee of the Company in consultation with the chair of the Committee (the “**Committee Chair**”).

3.2 The Committee shall comprise at least three members, the majority of whom shall be Independent Non-Executive Director and one of whom shall be the Warrant Director (as and when appointed from time to time in accordance with the terms of the Group’s senior unsecured notes due 30 June 2026, and failing which an alternative Independent Non-Executive Director). The Chair of the Board may also serve on the Committee if they were independent on appointment as chair and cannot chair the Committee.

3.3 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, and third parties may be invited to attend all or part of any meeting, as and when appropriate.

3.4 In deciding the identity of the chair 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.

3.5 All appointments to the Committee shall be for a period of three years, which may be extended.

3.6 If any member of the Committee is unable to act for any reason, the Committee Chair, or in his absence the Board, may appoint any other Independent Non-Executive Director of the Company to act as his alternate.

3.7 No director or member of the Senior Management Team shall be involved in any decisions as to their own remuneration.

## **4. Committee Chair**

4.1 The Board shall appoint the Committee Chair who should be an Independent Non-Executive Director. Before appointment as Committee Chair, the appointee should have served on a UK-based Remuneration Committee for at least 12 months.

4.2 In the absence of the Committee Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board will not chair meetings of the Committee.

## **5. Quorum**

5.1 The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference, both of whom must be Independent Non-Executive Directors. In the event of difficulty in relation to achievement of a quorum, Independent Non-Executive Directors who are not members of the Committee may be co-opted as members for individual meetings.

5.2 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.

5.3 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.

## **6. 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.

## **7. Frequency of Meetings**

The Committee shall meet as frequently as the Committee Chair shall require, in any event, not less than four times in each financial year. Any member of the Committee may request a meeting if he/she considers that one is necessary or expedient.

## **8. Notice of Meetings**

8.1 Meetings of the Committee shall be convened by the Company Secretary at the request of the Committee Chair or any member of the Committee.

8.2 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.

8.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **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 promptly circulate draft minutes of Committee meetings to the Committee Chair for review and subsequently to all members of the Committee and the Chair of the Board (taking into account any conflicts of interest which may exist).

9.4 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

## **10. Voting Arrangements**

10.1 Each member 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).

10.2 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.

10.3 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.

10.4 Any resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

10.5 The Committee Chair may ask any attendees of the Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **11. Annual General Meeting**

If requested to do so by the Chair of the Board the Committee Chair shall attend the Annual General Meeting (in person or by video or teleconference) and be prepared to respond to any shareholder questions on the Committee's activities.

## **12. Purpose**

12.1 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.

12.2 Subject to paragraph 12.3, in particular, the Committee shall consider:

- (a) remuneration policies, including base pay, long-term and short-term incentives, postemployment 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.

12.3 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.

## **13. Duties**

13.1 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 Chair 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:
- (c) all relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance;
- (d) 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 members of the Senior Management Team are rewarded in a fair and responsible manner, provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the long term success of the Company;

- (e) the strategy of the Group and how the policy reflects and supports the long term strategy;
- (f) 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 which do not encourage risk-taking that exceeds the level of tolerated risk of the Company; and
- (g) any shareholding requirements, including vesting and holding periods, and any post-employment shareholding requirements for Executive Directors, the Company Secretary and members of the Senior Management Team that encompass both unvested and vested shares;

13.2 when determining Executive Director remuneration policy and practices, address the following factors:

- (a) clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- (b) simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- (c) risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- (d) predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- (e) proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance; and
- (f) alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.

13.3 ensure performance-related elements of remuneration have performance conditions that are transparent, stretching and rigorously applied, form a significant proportion of the total remuneration package, and are designed to align the Directors' and the Senior Management Team's interests with those of shareholders and are designed to enable the use of discretion over outcomes and the recovery and/or withholding of awards in appropriate circumstances;

13.4 within the terms of the agreed policy and in consultation with the Committee Chair and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director, the Company Chair and members of the Senior Management Team including bonuses, incentive payments and share options or other share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance, and wider circumstances;

13.5 establish incentive schemes that promote long-term shareholding and that support long-term shareholder interests, with share awards subject to a total vesting and holding period of at least five years,

and a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares;

13.6 review the design of all share incentive plans. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for Executive Directors and senior managers, and the performance targets to be used;

13.7 when determining remuneration schemes and the remuneration policy, consider the use of discretion by the Committee to override formulaic outcomes;

13.8 to review the ongoing appropriateness and relevance of the remuneration policy and review remuneration outcomes in each financial year to ensure that they are appropriate;

13.9 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):

- (a) base salary;
- (b) profit sharing and specific incentive remuneration schemes or arrangements;
- (c) participation in share option schemes and share ownership plans;
- (d) pension arrangements, including the level of contributions by the Company; and
- (e) other bonuses and benefits in cash or in kind;
- (f) 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;
- (g) 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
- (h) agree policy for authorising claims for expenses from the directors,

13.10 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;

13.11 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;

13.12 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;

13.13 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 Director, the Company Secretary and members of the Senior Management Team;

13.14 exercise independent judgement and discretion when authorising outcomes under all incentive arrangements, taking account of company and individual performance, and wider circumstances;

13.15 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

13.16 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; 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;

13.17 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;

13.18 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.

13.19 when setting the policy for Executive Director remuneration, take into account the matters in paragraph 13.17 above;

13.20 engage with the workforce to explain how decisions on executive pay reflect wider company pay policy;

13.21 oversee any major changes in remuneration and employee benefits structures throughout the Group;

13.22 produce a report to shareholders annually (the “**Directors’ Remuneration Report**”) on matters relating to director remuneration and incorporate;

(a) a “Committee Chair’s Annual Statement”;

(b) an “Annual Report on Remuneration” (subject to an advisory shareholder vote),

(c) the directors’ remuneration policy when it must be submitted for approval in accordance with paragraph 13.23 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, and

shall include the information required to be disclosed to enable the Board to report to shareholders annually on matters relating to executive remuneration as required by the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (together the “**Remuneration Regulations**”), the Code, the Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules of the UK Listing Authority and any other applicable regulations from time to time in force and otherwise as the Committee considers appropriate;

13.23 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 Report on Remuneration submit the Annual Report on Remuneration for approval on an advisory basis by the Board and shareholders annually;

13.24 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 Report on Remuneration 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.

13.25 keep abreast of external remuneration trends and market conditions;

13.26 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;

13.27 consider such other matters as are referred to the Committee by the Board; and

13.28 work and liaise as necessary with all other board committees.

## **14. Reporting Responsibilities**

14.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on the nature and content of its discussion, recommendations and action to be taken 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, and adequate time should be available for board discussion when necessary;



- (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 Report on Remuneration to be incorporated in the Company's annual report;
- (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.

## **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 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, 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 general duties of Directors set out in Companies Act 2006, the provisions of the Code, the UK Market Abuse Regulation and the requirements of the FCA's Listing Rules, the Prospectus Regulation 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;
- (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;
- (e) 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; and
- (f) perform such further functions related or incidental to its remit as the Committee may agree to undertake at the Board's request.

## **16. Authority**

16.1 The Committee is a committee of the Company to which it will report on a regular basis. The Committee is concerned with the business of the Group as a whole and its authority extends to all relevant matters relating to the Company and its material subsidiaries, providing support and advice to the Board to ensure that the Company and, where necessary, its significant subsidiaries have appropriate governance arrangements, providing oversight and making recommendations to the Board.

16.2 The Committee is authorised by the Board to:

- (a) investigate any activity within its terms of reference and to have access to sufficient resource and to obtain such information as it may require from any director, officer or employee of the Company;
- (b) 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;
- (c) obtain, at the Company's expense, outside legal or other independent professional advice on any matters within its terms of reference;
- (d) appoint remuneration consultants;
- (e) commission or purchase (at the Company's expense) any relevant reports, surveys or information which it deems necessary to help fulfil its duties; and
- (f) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.