

Remuneration Committee - terms of reference

1. Membership

- 1.1 Members of the Remuneration Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Remuneration Committee. The Remuneration Committee shall comprise at least three members, all of whom shall be "independent" non-executive directors for the purposes of the UK Corporate Governance Code. The Chairman of the Board may also serve on the Remuneration Committee as an additional member if he or she was considered independent at time of his appointment as Chairman.
- 1.2 Only members of the Remuneration Committee have the right to attend Remuneration Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend for all or part of any meeting as and when appropriate in the opinion of the Committee's chairman or the majority of its members.
- 1.3 Appointments to the Remuneration Committee shall be for a period of up to three years (subject to the election and re-election provisions in the Company's constitution and in the UK Corporate Governance Code), which may be extended for further periods of up to three years each, provided the director concerned remains "independent" for the purposes of the UK Corporate Governance Code.
- 1.4 The Board shall appoint the Remuneration Committee chairman who shall be an independent non-executive director. In the absence of the Remuneration Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves who is an independent director to chair the meeting. The Chairman of the Board shall not be chairman of the Remuneration Committee.

2. Secretary

The company secretary, or any other person selected for the task by the Remuneration Committee, shall act as the secretary of the Remuneration Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Remuneration 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 Remuneration Committee.

4. Meetings

The Remuneration Committee shall meet at least twice a year and otherwise as required.

5. Notice of meetings

- 5.1 Meetings of the Remuneration Committee shall be called by the secretary of the Remuneration Committee at the request of its chairman.
- 5.2 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 Remuneration 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 Remuneration Committee members and to other attendees as appropriate, at the same time.

6. **Minutes of meetings**

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

6.2 Draft minutes of Remuneration Committee meetings shall be circulated promptly to all members of the Remuneration Committee. Once agreed, minutes shall be circulated to all members of the Board, other than where it would be inappropriate for it to do so.

7. **Annual General Meeting**

The chairman of the Remuneration Committee shall attend the Annual General Meeting prepared to answer any shareholder questions on the Remuneration Committee's activities.

8. **Duties**

The Remuneration Committee should carry out the duties below for Rockhopper, major subsidiary undertakings and the Group as a whole, as appropriate.

The Remuneration Committee shall:

- (a) determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, the Chief Executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider. The remuneration of non-executive directors shall be a matter for the Chairman and the executive members of the Board. No director or manager shall be involved in any decisions as to his own remuneration;
- (b) in determining such policy, take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to ensure that members of the executive management of Rockhopper are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of Rockhopper;
- (c) review the ongoing appropriateness and relevance of the remuneration policy;
- (d) approve the design of, and determine targets for, any performance related pay schemes operated by Rockhopper and approve the total annual payments made under such schemes;
- (e) review the design of all share incentive plans for approval by the Board and (where applicable) 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 executive directors and other designated senior executives and the performance targets to be used;
- (f) determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- (g) ensure that contractual terms on termination, and any payments made, are fair to the individual, and Rockhopper, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- (h) within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive (as appropriate) determine the total individual remuneration package of the Chairman, each executive director and other designated senior executives including bonuses, incentive payments and share options or other share awards;
- (i) oversee any major changes in employee benefits structures throughout Rockhopper or its Group;
- (j) agree the policy for authorising claims for expenses from the Chairman or the Chief Executive;
- (k) be exclusively responsible for establishing the selection criteria, and for selecting, appointing and setting the terms of reference, for any remuneration consultants who advise the committee; and
- (l) to obtain reliable, up-to-date information about remuneration in other companies.

The Remuneration Committee shall have full authority to appoint remuneration consultants and to commission or purchase any information, reports or surveys which it deems necessary to help it fulfil its obligations, within budgetary constraints imposed by the Board.

9. **Reporting responsibilities**

- 9.1 The Remuneration Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce a report on Rockhopper's remuneration policies and practices to be included in the annual report.

10. **Other**

The Remuneration 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 applicable laws and regulations, good corporate governance principles and practices and the requirements of the AIM Rules for Companies 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.

11.1 **Authority**

- 11.1 The Remuneration Committee is authorised by the Board to seek any information it requires from any employee of Rockhopper in order to perform its duties.

11.2 In connection with its duties the Remuneration Committee is authorised by the Board, at Rockhopper's expense, to obtain any outside legal or other professional advice on any matters within its terms of reference.