

Remuneration Committee Report

For the year ended 31 December 2019

The Company's financial outturn for 2019 reflects a creditable performance, despite heightened levels of market volatility and increased geopolitical risk during the year, which impacted commodity prices, industry capital expenditures and the general outlook for growth. The profits delivered by management, coupled with a strong cash position at year-end, has underpinned the remuneration paid, and reflects a strong personal performance by the executive Directors, despite the challenging market environment.

The Annual Bonus awards reflect the Group's financial results achieved, together with delivery of personal objectives. The personal targets were set by the Committee in early 2019 and were measured and the outcomes agreed as part of the year-end deliberations of the Committee.

The award under the Hunting Performance Share Plan ("HPSP") also records a modest level of vesting, based on the delivery of targets set in 2017. The EPS and ROCE performance conditions record an above threshold vesting, while the TSR performance condition reflects an upper quartile performance and therefore a full vesting of this portion of the HPSP award.

The Committee has reviewed the new UK Corporate Governance Code and has put in place measures to enable the Company to become fully compliant over time.

2019 has been a positive year for Hunting. The Committee believes that the outcomes reported are a fair reflection of both Company and individual performance.

Annell Bay

Chair of the Remuneration Committee

Introduction

On behalf of the Board, I am pleased to present the Remuneration Committee Report to shareholders for the year ended 31 December 2019. This report provides a summary of the work completed by the Remuneration Committee (the "Committee") in the year, including the major decisions taken and details of how the approved Directors' Remuneration Policy was implemented during the year.

Major Decisions Made by the Committee

Base salary and fee review: In April 2019 the Committee reviewed globally benchmarked emolument data, prepared by Mercer/Kepler ("Kepler") in respect to the executive Directors. Following discussion, the base salary of the Chief Executive was increased by 5.0% (equating to an annualised increase of c.3.8%). In coming to this conclusion, the Committee noted that no changes to Mr Johnson's salary had been made since his appointment in 2017, a period over which he has demonstrated strong leadership, and that his salary was below many other executives within the Group's international peer group. Further, the Committee reviewed base salary increases for the Executive Committee and following discussion with the Chief Executive and Chairman, the base salary of the Finance Director was increased by 4.0%. The Committee noted this was within the range which had been awarded to members of the Executive Committee in 2019 and reflected a strong performance by Mr Rose as the Group reported a solid balance sheet, supported by strong capital discipline. The base salary increases were implemented with effect from 1 April 2019. As noted in last year's report, in December 2018, the Board reviewed the fees paid to the non-executive Directors with no changes implemented. The Committee reviewed the Chairman's fee and following discussion, agreed a 5% increase to the annual fee to £183,750, effective from 1 January 2019.

Annual bonus: The Group reported a creditable performance in 2019, despite challenging market conditions. For the year ended 31 December 2019, underlying profit before tax ("PBT") was \$93.1m and underlying return on capital employed ("ROCE") was 7.9%. The annual targets agreed by the Board contained within the Group's Annual Budget were PBT of \$104.7m and ROCE of 9.3% and therefore an "Above Threshold" vesting has been recorded. In February 2020, the Committee met to discuss the delivery of the personal performance targets set for the executive Directors and as noted on page 96 of this report, the Committee agreed that each executive Director had delivered on their respective personal objectives and so agreed to pay this portion in full.

In determining the final outcome for the Annual Bonus paid to the executive Directors, the Committee has applied discretion by ring-fencing the impact of the acquisition of RTI Energy Systems Inc., totalling \$1.6m, leading to an adjusted profit before tax of \$94.7m and ROCE of 8.0%. The Committee agreed that the acquisition was a key strategic milestone delivered by management but was not incorporated within the approved 2019 Annual Budget, with the short-term trading losses and acquisition costs adversely impacting the overall underlying profit result delivered by management in the year.

Mr Johnson was therefore awarded an annual bonus of \$567k and Mr Rose was awarded \$250k. In line with the 2018 Directors' Remuneration Policy, 25% of the post-tax value of the bonus will be delivered in Ordinary shares in the Company to be held for two years from 27 February 2020.

Vesting of HPSP Awards: On 24 February 2020, the Committee reviewed the final vesting report for the 2017 share awards granted under the Hunting Performance Share Plan ("HPSP"). The EPS and ROCE performance measures were both based on absolute targets to be delivered in the year ended 31 December 2019, and given the performance in the year, delivered an "Above Threshold" vesting.

The TSR performance condition was independently measured by Kepler resulting in an upper quartile ranking against Hunting's peer group comprising of 14 companies leading to a full vesting of this portion of the 2017 grant.

Peter Rose, as an executive Director on the date of grant, is entitled to receive 63,890 Ordinary shares on 3 March 2020, being the vesting date of the 2017 award, which reflects a 55.1% vesting of the performance conditions noted above.

Jim Johnson, serving as Chief Operating Officer a non-Board level position on the date of grant, was subject to a fourth performance condition, based on the Group's internal manufacturing reject rate performance over the three-year period which recorded a full vesting. Based on this outcome, Mr Johnson's 2017 award will record a 66.4% vesting, and he will be entitled to receive 148,314 Ordinary shares on the vesting date. Dividends paid by the Company during the performance period, totalling 14.0 cents per share, will be added to the final award, in line with the rules of the HPSP.

2019 AGM Result

At the Company's AGM held on 17 April 2019, the Company received 95.6% votes in favour of the resolution to approve the 2018 Annual Report on Remuneration.

Context of Remuneration Awarded in 2019

The Group's financial performance in the year, as noted above, has led to an "Above Threshold" vesting of the annual bonus and an "Above Target" vesting of the HPSP award. The single figure remuneration paid to Jim Johnson was \$2.2m in 2019 (2018 – \$3.7m) and the remuneration paid to Peter Rose was \$1.2m (2018 – \$2.1m).

In 2018, the remuneration paid to the executive Directors reflected a Maximum annual bonus award and an Above Target vesting of the HPSP. The Committee is satisfied that total pay outcomes are appropriate in the context of Group performance across the periods covered by these short- and long-term incentives.

2018 UK Corporate Governance Code Compliance and Other Best Practice Changes

The Committee has reviewed the contents of the 2018 UK Corporate Governance Code and notes that it is fully compliant to most remuneration-related provisions and principles.

The Committee deliberated on the provision which requires a Post-Employment Shareholding Policy to be implemented for executive Directors and will develop a policy as part of the next Remuneration Policy vote in 2021. The Committee also noted the provision which requires executive Director pension contribution rates to align to the average of the workforce and has decided to address this recommendation for new executive appointments to the Board. The Committee will formalise its compliance to this provision at its next Policy review. Any new executive Director appointments made to the Board in the interim period will be provided with a pension provision which aligns to the majority of the workforce in the country of domicile. With regards to incumbent executive Directors, the Committee agreed with Peter Rose in August 2019 to freeze the annual Sterling contribution he receives with effect from 1 January 2020.

Finally, and noting recommendations from the Investment Association, the Committee reviewed the recovery provisions applying to the Group's short- and long-term incentives and resolved to expand the list of possible triggers by including one relating to "Actions which cause reputational damage to the Company".

The Committee remains satisfied with the internal processes around recovery provisions and confident that these provisions would be enforceable if required. For further information on the Company's compliance with the 2018 UK Corporate Governance Code please see pages 75 to 83.

Activities Undertaken by the Remuneration Committee During 2019

	Feb	Apr	Aug	Dec
Overall remuneration				
Annual base salary review		•		
Review senior management annual emoluments paid	•			
Review total remuneration against benchmarked data		•		
Items specific to annual bonus				
Approve annual bonus including delivery of personal performance targets	•			
Review Annual Bonus Plan Rules			•	
Agree personal performance targets for year ahead				•
Items specific to long-term incentives				
Approve HPSP vesting and new annual grant	•			
Review HPSP performance conditions	•			•
Review HPSP grant performance targets				•
Governance and other matters				
Approve Annual Report on Remuneration	•			
Review and approve Remuneration Policy (if required)	•			
Review governance voting reports		•		
Review AGM proxy votes received for Annual Statement of Remuneration and Policy		•		
Review Committee Effectiveness and Terms of Reference				•



Annell Bay
Chair of the Remuneration Committee

27 February 2020