# Remuneration Committee Report

For the year ended 31 December 2020

## Letter from the Chair of the Remuneration Committee

**Hunting's results for 2020 were significantly impacted by the global energy market downturn and the COVID-19 pandemic, which gripped global economies from Q1 2020 and continued throughout the balance of the year. The resultant economic decline, coupled with a price war by key oil producers, contributed to a material reduction in industry activity. This impacted the Group's onshore focused businesses in Q2, and then weakened Hunting's offshore businesses as industry activity and capital investments were deferred or cancelled. The lower revenue and trading losses reported for the full year reveal the scale of the industry downturn, and are reflected in the reduction to executive remuneration paid during the year.**

**The focus of the Remuneration Committee in the year has been to monitor Group and personal performance, taking into account the regulatory announcements made throughout the COVID-19 crisis and to make decisions on executive remuneration which endeavour to reflect the shareholder experience while also recognising the work undertaken by the Group's leadership team as they navigated through highly volatile trading conditions.**

**Base salaries for the executive Directors were frozen in 2020. The annual bonuses for executive Directors include financial and strategic/personal targets, the latter portion being achieved in full in the year, following strong performance and reflecting key strategic initiatives completed, despite the unprecedented decline in industry activity. This portion of the bonus was reduced by 50%, given the nil vesting of the financial portion of the bonus leading to an overall vesting of 10% of the maximum bonus opportunity. The measurement of performance targets, in respect of share awards granted in 2018 under the rules of the Hunting Performance Share Plan, resulted in a partial vesting of the TSR and Strategic Scorecard elements, demonstrating an Above Median performance against our peers, in addition to delivery of strong operational safety and quality performance throughout the vesting period. This performance will lead to a 15.75% pay-out in April 2021.**

**Overall, the Chief Executive's and Finance Director's total remuneration declined 50% and 53% respectively during 2020 compared to the prior period, reflecting good alignment between the operation and outcomes of the Remuneration Policy and the shareholder experience for the period under review.**

**The Committee has spent the second half of 2020 preparing a revised Directors' Remuneration Policy for shareholder approval at the Company's Annual General Meeting in April 2021. The proposed amendments better align the Policy with the 2018 UK Corporate Governance Code and were subject to a shareholder consultation process undertaken in the last few months of the year. We trust that they will receive your support.**

**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 2020. This letter 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.

The Committee met three times in the year, compared to four times in 2019. However, all usual matters for consideration were covered in the year.

### Major Decisions Made by the Committee

#### COVID-19

As noted above, the impact of COVID-19 and the significant market downturn seen across the global oil and gas industry affected the Group's trading results for the year. The Committee discussed the impact of the pandemic on the Group's remuneration framework and concluded that no changes to the implementation or recorded outcomes of the shareholder approved Directors' Remuneration Policy would be made for the year, given the strongly cyclical nature of the oil and gas industry. This has led to small payments of annual bonuses and long-term incentives being recorded in the year. The Committee strongly believes that the design of the Policy aligns closely with the shareholders' overall experience and only pays out when performance has been delivered. The Group's trading results and executive remuneration both declined materially in 2020, demonstrating the close alignment between the two.

As part of its decision making, the Committee considered the Board's consistent approach to capital allocations made in the year, including dividend distributions and capital expenditure that have aligned with the general market environment. Our leadership teams have performed admirably during the year and given that a number of businesses in the US and Asia Pacific met or exceeded their budgetary targets set at the start of the year, selected workforce and management bonuses have been paid to reflect this strong performance. This consistent approach to remuneration has been reflected at all levels of the Group and supports the bonuses paid to the executive Directors, as noted below.

The Committee noted that the Group had received $3.6m in furlough and employee support funds, which for the most part was received in Canada, and decided not to adjust the pay framework in operation at all levels of the Group given the relative levels of allocations made.

Further, the Committee considered the decline in the Company's share price compared to the prior year in their decision making when reviewing the remuneration of the executive Directors during the year and reduced the quantum of the 2020 award under the HPSP to an appropriate level which reflect the shareholder experience in the year.

#### Base Salary and Fee Review

The Committee met in August 2020 to consider adjustments to the base salaries of the executive Directors. The Committee noted the Group-wide salary freezes in place as a result of the market downturn and, following discussion, agreed to leave the base salaries of the Chief Executive and Finance Director unchanged. As noted in the Corporate Governance Report, shareholders elected Bruce Ferguson as Finance Director at the Company's Annual General Meeting in April 2020. Mr Ferguson's base salary was set at £275,000 per annum, 19% below that of his predecessor and with a reduced pension allowance rate of 12% in line with the UK workforce, reflecting the recent practice of setting lower salaries for new executive Directors.

# Remuneration Committee Report

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### Annual Bonus

The Group did not meet its budgetary targets for 2020, given the decline in market conditions, resulting in a nil vesting of the financial components of the bonus.

The Committee met in January 2021 to review the delivery of the personal/strategic performance objectives by the executive Directors. The Committee noted the bonus payments being made within the Group for those businesses which performed well in the year as well as the evolution of the Group's agreed Strategic Plan, despite market conditions, and following discussion, agreed to award 10% of the maximum bonus opportunity to each executive Director. This reflects the full delivery of personal targets, but was halved following the nil vesting of the financial targets which is in line with the operation of the annual bonus plan. The Committee did not apply discretion to the annual bonus outcome.

Further, the Committee noted the Group's current policy of conserving cash and will satisfy the post-tax value of the bonus by delivering Ordinary shares in the Company to each executive Director. 100% of these shares are to be held for a minimum of one year with 25% of the balance to be held for a minimum of two years.

On this basis, Mr Johnson will receive a bonus of $147k, while Mr Ferguson will receive a bonus of $37k and Mr Rose will receive a bonus of $65k.

### HPSP Awards Granted

The Committee implemented a 20% reduction to the level of HPSP awards granted in March 2020 compared to awards granted in 2019. In January 2021, the Committee met to discuss the basis of the 2021 award under the HPSP and have agreed to implement a 22% reduction to the award levels across the Group.

### HPSP Awards Vesting

The 2018 awards under the HPSP are due to vest on 19 April 2021 and incorporate four performance conditions, being ROCE (35%), EPS (25%), TSR (25%) and a Strategic Scorecard (15%). The ROCE and EPS performance conditions are based on performance targets to be delivered for the financial year ending 31 December 2020. The Strategic Scorecard comprises two non-financial sub-measures, being the Group's Safety and Quality performance across the performance period.

Following measurement of the financial elements of the award, the ROCE and EPS performance conditions recorded a nil vesting. The TSR condition, which is measured independently by Mercer/Kepler, vested at 8.25% and the Strategic Scorecard recorded a 7.5% vesting, leading to a total vesting of 15.75%. The Committee did not apply overriding discretion to adjust the vesting of the 2018 HPSP.

On this basis, Mr Johnson will be entitled to receive 45,143 Ordinary shares on the vesting date. Mr Rose's 2018 award was pro-rated to his leaving date of 31 December 2020, and he will be entitled to receive 12,352 Ordinary shares.

Reflecting his prior role below the Board, Mr Ferguson's 2018 award under the HPSP included both performance- and time-based share awards, with the latter vesting in full on the basis of his continued service to the Group across the performance period. In total Mr Ferguson will be entitled to receive 15,788 Ordinary shares on the vesting date.

Dividend equivalents accrued during the period totalling 19.0 cents per share will be added to the vesting amount. All vested shares will be held for a minimum period of two years from the vesting date.

### New Directors' Remuneration Policy

The Committee met in August 2020 to consider amendments to the Directors' Remuneration Policy, which are to be tabled for shareholder approval at the AGM of the Company in April 2021.

In line with the recommendations published by UK regulators, the Committee decided to limit these changes to align better with the 2018 UK Corporate Governance Code.

On this basis, the new Policy includes amendments to the pension arrangements for new executive Directors appointed to the Board. Further, the Committee has agreed to reduce the maximum grant levels under the HPSP to 450% (from 550%) for the Chief Executive and 210% (from 450%) for the Finance Director.

In line with the Code, the Committee is also implementing a post-employment shareholding Policy for executive Directors. The Committee believes these amendments are appropriate for the size and profile of the Group.

The Committee consulted with major shareholders on the proposed changes to the Policy in Q4 2020 and Q1 2021, with most shareholders indicating their support for the changes.

### Retirement of Finance Director

Peter Rose gave notice to the Company of his retirement on 22 January 2020. Mr Rose retired as Finance Director on 15 April 2020 but continued as a full-time employee until 31 December 2020, in order to assist in a smooth transition of his role to Mr Ferguson. In accordance with the terms of his service contract Mr Rose was paid all elements of his fixed and variable remuneration which totalled $670k in the year. The Committee noted that during the year, Mr Rose had provided advice in respect to the liquidity and cash generation initiatives underway as the market declined, in addition to providing input to the asset impairment review work undertaken at the half year. Mr Rose therefore will receive an annual bonus in line with his service contract and his outstanding awards under the HPSP, which will be subject to performance measurement over the next three years, have been pro-rated to 31 December 2020.

### 2020 AGM Result

At the Company's AGM held on 15 April 2020, the Company received 93.69% votes in favour of the resolution to approve the 2019 Annual Report on Remuneration.

### Context of Remuneration Awarded in 2020

The Group's performance in the year, as noted above, has led to a 10% vesting of the maximum annual bonus opportunity and a 15.75% vesting of the 2018 HPSP award. Both elements of variable remuneration are "Below Target" given the industry downturn noted above.

The single figure remuneration paid to Jim Johnson was $1.1m in 2020 and the remuneration paid to Bruce Ferguson, following his appointment to the Board on 15 April 2020, was $344k.

In 2019, the remuneration paid to the executive Directors reflected an "Above Threshold" 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.

## Activities Undertaken by the Remuneration Committee During 2020

| | Feb | 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/strategic performance targets | • | | |
| Review Annual Bonus Plan rules | | | • |
| Agree personal/strategic 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 | | | • |
| Terms of reference | | | • |

**Annell Bay**
Chair of the Remuneration Committee

4 March 2021