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## **ISS Proxy Paper on Hunting PLC 2024 Annual General Meeting – Directors’ Remuneration Resolutions – Response**

Dear shareholder,

On behalf of the Hunting PLC Remuneration Committee and Board, I am writing to you in response to the Institutional Shareholder Services (“ISS”) proxy voting paper for our AGM to be held on Wednesday 17 April 2024. The Board of Hunting welcomes ISS’s support on all but **two** of the proposed resolutions, namely:

- Resolution 2, to approve the proposed new Directors’ Remuneration Policy; and
- Resolution 4, to approve the Director’s Remuneration Report.

In response, we wish to provide some additional context explaining why we think that you, our shareholders, should support these resolutions.

During 2023 Hunting’s Remuneration Committee reviewed the Company’s existing Directors’ Remuneration Policy in light of Hunting’s ambitions for long-term growth and diversification. As part of this review it has consulted, in detail, over many months with the Company’s major shareholders (accounting for over 80% of the issued share capital) to develop proposals for a new Directors Remuneration Policy and long-term incentive arrangements that are competitive.

The Policy supports the Company’s primary marketplace for talent being the US, is aligned with our 2030 Strategy and has attracted the support of Hunting’s major shareholders. As we have mentioned in our dialogue, over 70% of Group revenue, EBTDA and profit, as well as facilities and employees are located in the US, supporting our position.

To ensure all stakeholders were involved in the consultation exercise, we also communicated the written proposals to all of our shareholders and major proxy advisory firms, inviting feedback and to offer engagement. This demonstrates the importance we place on implementing an executive remuneration framework that is supported by our major investors and stewardship groups.

The Committee recognises that the proposed new Policy contains elements that are not standard for a UK listed company but which it feels are appropriate and necessary for a business with Hunting’s very significant US profile, while also still seeking to comply with UK best practice requirements. It is nevertheless disappointed that, despite some engagement, ISS has published recommendations that investors vote against the proposed new Directors’ Remuneration Policy and the 2023 Directors’ Remuneration Report on the basis of the quantum of the proposed new RSU element as well as the proposed salary increases for the executive directors.

In this context, I am writing on behalf of the Committee and Board to provide you with additional background and to encourage you to vote for all of the proposals.

Throughout its consultation the Committee has listened carefully to the views expressed by those it engaged with and sought to strike a careful balance between sometimes differing perspectives. This process has resulted in significant changes to the proposals including to the quantum, choice and weighting of long-term incentive performance metrics and post-employment shareholding requirements. As a result, the overwhelming majority of investors included in the consultation have indicated that they are content with the final proposals and have expressed support for the Policy.

As you will be aware our business model is largely US focussed, which is where our main competition for talent is. Our proposed Policy addresses the following key considerations:

- the structure of our current long-term incentive arrangements is out of line with the overwhelming majority of Hunting's direct US trading peers, who now grant a mix of restricted stock units ("RSUs") and performance shares ("PSPs") whereas it has been Hunting's practice only to grant PSPs;
- overall remuneration levels for executive directors among our direct trading peers in the US are materially higher. This is a significant recruitment risk to the Group in the coming years as it seeks to implement the Company's 2030 Strategy;
- our Chief Executive and Finance Director, are the only employees among Hunting's mid-level and senior executive population who do not currently receive awards of RSUs as part of the mix of incentives we operate, and therefore executive remuneration is not aligned to the pay arrangements of Hunting's wider workforce;
- our Chief Executive (current and past) has been located in Houston, Texas for nearly 25 years. Under the existing Policy we have sought to strike an appropriate balance between the compensation frameworks adopted by Hunting's listed oil field services sector in the US and the governance expectations of the Company's mainly UK-based shareholders, however the growing disparity with the US is no longer sustainable; and
- our Finance Director is based in the UK and the overall quantum of his remuneration is intended to reflect UK norms, while the structure is intended to be aligned with practices across the rest of the organisation.

As a result of this review the proposed new Policy seeks to:

- reduce the quantum of the current annual grants of PSPs from 450% of salary for the Chief Executive and 210% of salary for the Finance Director to 350% and 160% of salary, respectively;
- introduce an annual grant of RSUs over shares with a face value of 100% of salary for the Chief Executive and 50% of salary for the Finance Director. These awards will vest three years after grant subject to the Remuneration Committee being satisfied that this is warranted by the underlying performance of the business, having regard to a range of objective factors including relative business performance and key ESG-related performance indicators and will be subject to a two-year post vesting holding period resulting in five year period from grant until awards can be realised, in-line with best practice; and
- bring the post-cessation shareholding requirement up to 200% of salary for two years, in line with market expectations. This will apply to shares acquired or granted following adoption of the new Policy. The current policy requirement is for shares worth up to 100% of salary for one year following the end of employment.

Importantly, the Committee has responded to shareholder feedback in its final proposals, and the overall maximum variable opportunities at 450% of salary for the Chief Executive and 210% of salary for the Finance Director are not being increased compared with the current variable opportunity.

In addition to the above, in response to shareholder feedback, the Committee has considered the balance of performance metrics and proposes to rebalance the weightings of metrics as follows for the 2024 PSP awards so that TSR and ROCE account for more than 50% of the scorecard assessment.

Together with these changes the Committee intends to make a one-off adjustment to executive director salaries to bring overall target remuneration to a competitive level. Subject to the Policy being approved, both executive directors salaries (which were last adjusted in December 2022) would be increased by 8.5% (3.5% above the average of employees, and in-line with increases to other high performers within Hunting). Following this adjustment, levels of target total direct pay will be aligned with a median market position and the Committee intends that future increases will be no higher than the workforce average. We note that ISS has recommended a vote against the remuneration report not on the basis that the resulting salaries be inappropriate but instead on the basis that salaries should not be increased at the same time as RSUs are being introduced; however, the Committee believes that these salary increases are necessary in order to ensure that remuneration remains competitive and that taken as a whole the changes are appropriate.

As noted above, in arriving at the current proposals the Committee has consulted extensively with Hunting's largest investors and representative bodies and proxy agencies such as the IA, Glass-Lewis and ISS. We note the very constructive engagement received from a number of these agencies but regret that ISS, who engaged with the Committee constructively earlier on in the consultation process, declined a number of requests from

the Committee in early 2024 for further meaningful engagement once the Committee amended its original proposals.

We are pleased to note that as the drafting and consulting phase drew to a close in February 2024 almost all of the shareholders consulted have expressed support for the proposals including the introduction and proposed quantum of RSUs given Hunting's profile, which is fairly unique to the UK Listed environment. We also note that other proxy agencies such as Glass-Lewis have expressed support for the current proposals and that the proposals are in-line with the IA's latest thinking as set out in their recent letter to Remuneration Committee Chairs.

While the Committee is disappointed not to have secured the support of ISS despite having sought to engage with them on the detail of the final proposal, we very much hope we can also count on your support on all of the proposals at the AGM and would be very happy to engage with you further if this would facilitate this.

Further, in support of full transparency to all stakeholders, the Board intends to publish this letter on the Company's website in the 2024 AGM area.

I would be happy to answer any further questions or queries you may have. Please do not hesitate to contact me via our Company Secretary, [ben.willey@hunting-intl.com](mailto:ben.willey@hunting-intl.com).

Yours sincerely

Annell Bay  
Chair of the Remuneration Committee  
Hunting PLC