



PETROPAVLOVSK PLC

Remuneration Committee

TERMS OF REFERENCE

Approved by the Board of Directors of the Company (the '**Board**') on 9 February 2011.

1. Membership

- 1.1. The Committee shall be made up of at least three members, all of whom shall be independent non-executive Directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Remuneration Committee.
- 1.2. Only members of the Committee have the right to attend the committee meetings. The Chairman and CEO shall be entitled to attend meetings unless otherwise asked by the Chairman of the Committee not to attend. However, other individuals, such as those who have prepared papers for the Remuneration Committee's consideration or outside consultants may also be invited to attend for all or part of any meeting, as and when appropriate and necessary
- 1.3. Appointments to the Committee are made by the Board and shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the committee.
- 1.4. The Board shall appoint the Committee Chairman who shall be an independent non-executive Director. In the absence of the Committee Chairman and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not at any stage be Chairman of the Committee.
- 1.5. Each member of the Committee shall disclose to the Committee;
 - i. any personal financial interest (other than as a shareholder) in any matters to be decided by the Committee; or
 - ii. any potential conflict of interest arising from cross directorship, business relationship or family interest/connection. Any such member shall abstain from voting on resolutions of the Committee in relation to which such interests exist and from participating in the discussions concerning such resolutions.

2. Secretary

The Company Secretary or his/her nominee shall act as the Secretary to the Committee.



PETROPAVLOVSK PLC

3. Quorum

The quorum necessary for transaction of business shall be two. 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.

4. Meetings

The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require.

5. Notice of Meetings

5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the 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 Committee, any other person required to attend and all other Non Executive Directors no later than ten days before the date of the meeting. Any of those persons shall be entitled to request that items may be added to the Agenda for discussion.

5.3 Supporting papers shall be sent to Committee members and to other attendees as appropriate no later than five working days before the date of the meeting.

6. Minutes of Meetings

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

6.2 Draft minutes of Committee meetings shall be circulated promptly to the Chairman of the Committee in the first instance, then all members of the Committee and once agreed, shall be promptly circulated to all members of the Board, unless it would be inappropriate to do so.

7. Annual General Meeting

The Chairman of the Committee will be present at the annual general meeting to answer any shareholder questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole as appropriate

The Committee shall;

8.1 determine and agree with the Board the framework and broad policy for the remuneration of the Company's Chairman, CEO, Finance Director, any newly

- appointed Executive Director and Company Secretary, members of the Executive Committee (“ExCo”) 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 Executive members of the Board. No director or managers shall be involved in any decisions as to their own remuneration.
- 8.2 in determining such policy take into account all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are in a fair and responsible manner, rewarded for their individual contribution to the success of the Company.
 - 8.3 when setting remuneration policy for directors, review and have regard to the remuneration trends across the Company or Group.
 - 8.4 review the on-going appropriateness and relevance of the remuneration policy.
 - 8.5 within the terms of the agreed policy and in consultation with the Chairman and CEO as appropriate determine the total individual remuneration package of each executive director, company secretary and other designated senior executives including bonuses, incentive payments, salary and share options or other share awards and review annually management proposals for ExCo members.
 - 8.6 obtain reliable, up to date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations, within any budgetary restraints imposed by the Board.
 - 8.7 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the committee.
 - 8.8 approve the design of any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes for Board and ExCo members (in total for ExCo members) at the time of the Annual Review.
 - 8.9 review the design of all share incentive plans for approval by the Board and shareholders. For any such plans determine with the Chairman/CEO whether awards will be made and if so, the overall amount of such awards, the individual awards to Executive Directors and members of the ExCo, company secretary and other designated senior executives and the performance targets to be used.
 - 8.10 determine the policy for and scope of pension arrangements for each Executive Director and review the policy for ExCo members.
 - 8.11 ensure that contractual terms on termination and any payments made are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.



PETROPAVLOVSK PLC

- 8.12 oversee any major changes in employee benefits structures throughout the Company or Group
- 8.13 liaise with the Chairman and CEO to ensure that the remuneration of any newly appointed executives (Board and ExCo) is within the Company's remuneration policy.
- 8.14 Agree the policy for authorising claims for expenses from the Chairman and CEO.
- 8.15 Ensure that the Board maintain contact with its principal shareholders about remuneration policy, proposals, practices and procedures.

9. Reporting Responsibilities

- 9.1 The 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 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 an annual report of the Company's Remuneration Policy and practices to be included in the Company's Annual Report and ensure that it is put to the Shareholders for approval at the AGM.
- 9.4 The Committee shall ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled.

10. Other matters

The Committee shall;

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 10.2 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.
- 10.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 10.4 arrange for periodic reviews 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. This should be linked into the Board's Annual Evaluation Programme.

11. Authority

The Chairman is authorised;



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- 11.1 to seek any information it requires from any employee of the Company in order to perform its duties.
- 11.2 to obtain, at the Company's expense any outside legal or other professional advice on any matters within its terms of reference.