Directors' Remuneration Report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups Regulations 2013. The Companies Act 2006 requires the auditor to report to shareholders on certain parts of the Directors' Remuneration Report and to state whether, in the auditor's opinion, those parts of the report have been properly prepared in accordance with the regulations. The Chairman's Annual Statement and the Policy Report are not subject to audit. The sections of the Annual Report on Remuneration that are subject to audit are indicated accordingly.

POLICY REPORT

The Committee regularly reviews the Policy to ensure it supports shareholder interests and closely reflects business strategy. Remuneration packages are intended to be sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the group's objectives and thereby enhance shareholder value. The Committee aims to ensure that pay rewards all employees fairly and responsibly for their contributions. In addition, the Committee aims to ensure that the Policy does not raise environmental, operational, social or governance risks by inadvertently motivating irresponsible behaviours.

Specifically, remuneration packages are designed with the following objectives in mind:

- Gear remuneration significantly towards performance-related pay to support direct alignment with shareholders and a highly performance-oriented culture;
- Provide annual incentives that reward achievement of short-term objectives key to delivering the long-term strategy, encompassing financial, operational and strategic measures;
- Ensure a particular emphasis on long-term performance, to encourage direct alignment with shareholders, retention and long-term motivation;
- Incorporate significant deferral requirements to support staff retention and lengthen the incentive time horizon;
- Ensure incentive payments are commensurate with the company's underlying performance.

This section of the report sets out the Policy for executive and non-executive directors which shareholders are asked to approve at the 2014 AGM. If approved, the Policy will come into effect from the date of the AGM. The remuneration package for 2014 is consistent with this Policy and is discussed in more detail in the Annual Report on Remuneration on pages 96 to 97.

Executive director policy

The summary of the Policy for executive directors is set out below:

Salary	
Purpose and link to strategy	• To provide an appropriate level of salary to support recruitment and retention, and with due regard to the role and the individual's responsibilities and experience
Operation	• Typically reviewed annually with reference to company and individual performance, each executive's responsibilities and experience, the external market for talent, and salary increases across the group • Salaries are benchmarked against three relevant comparator groups, comprising: (i) international oil & gas sector companies, (ii) the constituents of the LTIP TSR comparator group, and (iii) UK-listed companies of a similar market capitalisation and revenue to Premier • Adjustments are normally effective 1 January • Salaries are paid monthly in arrears
Opportunity	• Salary increases are awarded taking into account the outcome of the review and also broader circumstances (including, but not limited to, a material increase in job complexity and inflation) • Salary increases will normally be in line with increases awarded to other employees. However, the Committee may make additional adjustments in certain circumstances to reflect, for example, an increase in scope or responsibility, to address a gap in market positioning and/or to reward performance of an individual • The executive director salaries for the financial year under review are disclosed in the Annual Report on Remuneration
Performance metrics	• Not applicable

REMUNERATION REPORT (continued)

Executive director policy (continued)

Pension	
Purpose and link to strategy	• To help provide a competitive pension provision
Operation	• Executive directors who join Premier on or after 20 August 2013 are eligible to participate in the company's defined contribution personal pension plan and/or receive an equivalent cash supplement • For executive directors who joined prior to 20 August 2013, the company provides a pension substantially as if they are contributing members of the company's final salary Retirement and Death Benefits Plan (the 'Scheme'), which was closed to new members in 1997 • The only pensionable element of pay is salary
Opportunity	• Executive directors who join Premier on or after 20 August 2013 receive pension contributions and/or an equivalent cash supplement equal to 20 per cent of salary • For executive directors who joined prior to 20 August 2013 the Scheme provides a payment on broadly a fiftieths accrual basis up to two-thirds of salary at age 60, with benefits actuarially reduced on early retirement and pensions in payment increased in line with the lower of inflation, or five per cent per annum. The Scheme is subject to an internal earnings cap which is reviewed annually but for executive directors, the company provides for pension benefits above the earnings cap through a 'pension promise', based on the cash equivalent transfer value of benefits accrued within the defined benefit scheme for earnings above the earnings cap. The way that this promise is currently administered is as follows: 1. Executive directors are given a pension allowance equal to 20 per cent of uncapped salary. This may either be paid into a pension scheme and/or as a salary supplement 2. Executive directors accrue notional defined benefits entitlement within the defined benefits scheme 3. To the extent that payments made under 1 above are not paid into the Scheme, they are deemed to have been invested into a Life fund 4. At the point that a director departs or retires, a comparison is undertaken between the value of the notional defined contribution pot outlined in 3 above and the cash equivalent transfer value of the notional defined benefits. Subject to appropriate deductions, the differential is available either as a contribution into their pension plan or a cash payment 5. Regular reviews are carried out to assess the extent to which the payments already made to each director are projected to be sufficient to provide the accrued component of their target pension; where such reviews indicate a shortfall, the company may provide an additional payment
Performance metrics	• Not applicable

Benefits	
Purpose and link to strategy	• To provide a benefits package competitive in the market for talent
Operation	• Executive directors receive a competitive benefits package, which may include medical and dental insurance, car allowance, life assurance and critical illness cover, expatriate benefits, relocation allowance, health checks and a subsidised gym membership • Other benefits may be introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual director
Opportunity	• Set at a level which the Committee considers appropriate for the role and individual circumstances • The benefits payable to the executive directors during the financial year under review are disclosed in the Annual Report on Remuneration
Performance metrics	• Not applicable

Executive director policy (continued)

Share Incentive Plan (SIP)	
Purpose and link to strategy	• To encourage share ownership in Premier
Operation	• An HMRC approved scheme under which employees (including executive directors) are invited to make contributions to buy partnership shares using gross pay. If an employee agrees to buy partnership shares the company currently matches the number of partnership shares with 'matching shares' which are subject to continued employment for a minimum of three years • Dividends accrue on both partnership shares and matching shares, and any historical free shares (no longer awarded), and are automatically reinvested
Opportunity	• Employees may spend up to the HMRC permitted allowance to buy partnership shares • Matching shares are granted based on investment in partnership shares and up to the HMRC permitted match
Performance metrics	• Not applicable

Save As You Earn (SAYE)	
Purpose and link to strategy	• To encourage share ownership in Premier
Operation	• An HMRC approved scheme under which employees (including executive directors) are invited to make regular monthly contributions over three or five years to purchase shares through options which are granted at a 20 per cent discount to the mid-market closing price on the day prior to the date of grant
Opportunity	• Employees may save up to the HMRC permitted allowance
Performance metrics	• Not applicable

Annual Bonus	
Purpose and link to strategy	• To reinforce the delivery of key short-term financial and operational objectives and, through the deferred share element, help ensure alignment with shareholders and support retention
Operation	• Performance is measured on an annual basis for each financial year measured against stretching but achievable financial and non-financial targets, comprising Key Performance Indicators (KPIs), other corporate objectives and personal performance • Performance measures, weightings and targets are set at the beginning of the year and weighted to reflect business priorities • Each performance measure has Threshold and Stretch targets. The final bonus outcome is determined by the Committee, having assessed achievement against corporate as well as personal targets, taking into account the Committee's broader assessment of overall company performance • Annual bonus awards up to 50 per cent of salary are paid in cash. Any annual bonus earned above 50 per cent of salary is deferred in shares for three years • Dividend equivalents accrue on deferred share awards and are paid on vesting, in accordance with the rules of the bonus plan • Annual bonus payouts and deferred shares are also subject to clawback in the event of material misstatement of the company's financial results, gross misconduct, or material error in the calculation of performance conditions • The Committee may exercise clawback until the later of: (i) one year from the payment of the bonus or the vesting of the shares, or (ii) the completion of the next audit after payment/vesting
Opportunity	• The annual bonus provides for awards of between 0 per cent and 100 per cent of salary for executive directors

REMUNERATION REPORT (continued)

Executive director policy (continued)

Annual Bonus (continued)	
Performance metrics	• Performance is assessed against a scorecard encompassing several performance categories, which may include some or all of: production, exploration, HSES, finance, business development, and personal and strategic objectives • Normally, the Committee would not expect the weighting for any performance category to be higher than 50 per cent. However it retains discretion to adjust weightings to align with the business plan for each year • The Committee uses its judgment to determine the overall scorecard outcome based on the achievement of the targets and the Committee's broad assessment of company performance • Further details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration on page 92

LTIP	
Purpose and link to strategy	• To support alignment with shareholders by reinforcing the delivery of absolute and relative returns to shareholders, through the delivery of strong share price growth and relative stock market out-performance over the long-term, and with due regard for the underlying financial and operational performance of the company
Operation	• The LTIP comprises three elements: Equity Pool Awards, Performance Share Awards and Matching Share Awards • Equity Pool Awards are based on an allocation of units in the Equity Pool. The Equity Pool is funded by a percentage share of the growth in the company's equity value per share over a performance period, if growth above the threshold level has been achieved. At the end of a performance period, Equity Pool Awards are awarded as shares calculated on the mid-market closing share price on the day prior to the date of award • Performance Share Awards are conditional share awards granted annually, with the grant value defined as a percentage of salary at the date of grant • Equity Pool Awards and Performance Share Awards are measured over three years. 50 per cent of the shares vesting from the Equity Pool and Performance Shares are subject to compulsory deferral for a further three years and are eligible for a discretionary Matching Share Award, which is granted as shares and is subject to a further three-year performance period • For Performance Share Awards and Matching Share Awards, dividend equivalents may accrue and be paid on vesting in proportion to performance achieved, in accordance with the rules of the Plan • Award levels are reviewed before each award cycle to ensure they remain appropriate • All LTIP awards are subject to clawback in the event of a material misstatement of the company's financial results, gross misconduct, or material error in the calculation of performance conditions • The Committee may exercise clawback until the later of: (i) one year from vesting, or (ii) the completion of the next audit after vesting
Opportunity	• Executive directors may be awarded a share of the Equity Pool. The Committee intends to continue with the existing approach of awarding not more than 6 per cent of the Equity Pool to any one individual, though it retains the discretion under the Plan to award more than 6 per cent in exceptional circumstances, such as recruitment. The value of vested awards is subject to a limit of 100 per cent of salary, but which may be exceeded, at the discretion of the Committee, up to the full value warranted by the size of the Equity Pool provided the Committee is satisfied with the underlying performance of the company. The Committee also has discretion to reduce the size of the Equity Pool if the formulaic outcome is not reflective of the company's underlying performance • Performance Share Awards may be granted up to 150 per cent of salary • Matching Share Awards may be granted up to 2.5 times the number of shares deferred

Executive director policy (continued)

LTIP (continued)

Performance metrics	• The funding of the Equity Pool is based on three-year annualised compound growth in the company's equity value per share. Threshold performance requires compound growth in the company's equity value per share of at least 10 per cent per annum at which 1 per cent of the compound growth is credited to the Equity Pool. A maximum of 2.5 per cent of the compound growth is credited to the Equity Pool when growth in equity value per share is 20 per cent per annum. The funding rate is based on straight-line interpolation between these points • Performance Share Awards vest on three-year TSR relative to a comparator group of international oil and gas sector peers. 25 per cent vests for median performance, with full vesting for upper quartile performance and straight-line vesting in between • Matching Share Awards vest on three-year TSR relative to a comparator group of international oil and gas sector peers. 25 per cent vests for median performance, with full vesting for upper decile performance and straight-line vesting in between • Before finalising long-term incentive payouts, the Committee assesses the underlying financial and operational performance of the company, and if appropriate, may reduce the level of vesting. In assessing the underlying performance of the company, the Committee may consider Net Asset Value per share, finding and development costs per barrel, delivery of the strategy, relative TSR, returns on invested capital, reserves replacement, operating cash flow, earnings per share (EPS) growth, health and safety record, and other measures as the Committee deems appropriate • Ahead of each performance cycle, the Committee may review and adjust the TSR comparator group for future cycles to ensure relevance to Premier. The Committee may adjust the TSR comparator group of outstanding cycles in the event that a TSR comparator ceases to exist, de-lists or is acquired or the Committee deems it to be no longer a suitable comparator

Further details on the policy

Performance measure selection

Annual bonus

The annual bonus is based on a corporate scorecard capturing financial, operational and strategic objectives that are key to achieving our long-term strategy. Performance measures, weightings and targets are set at the beginning of the year to reflect KPIs, business priorities and other corporate objectives, and encompassing both financial and non-financial criteria.

Performance targets are set at such a level as to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period.

LTIP

The LTIP ensures alignment with shareholders, being based on both absolute and relative TSR. The chart below illustrates how the three elements of the LTIP operate. A single cycle of the LTIP covers a total of six years:

2014	2015	2016	2017	2018	2019	2020
1. LTIP Equity Pool cycle						
2. LTIP Performance Share cycle						
Performance period			**Deferral period**			
Award			50% of vested award is released			Balance is released
			3. LTIP Matching Share cycle			
			Performance period			
			Award			Vested award is released

Further details on the policy (continued)

The Committee believes TSR appropriately rewards the delivery of the company's strategy and also aligns management's interests with those of shareholders. Absolute TSR captures the absolute return delivered to shareholders and relative TSR measures performance on a relative basis, thereby helping to negate the impact of uncontrollable forces such as oil price movements on the reward delivered through the LTIP. The review of the company's underlying performance before LTIP payouts are finalised ensures the impact of external factors are taken into account where appropriate. The performance measures applied to LTIP awards are reviewed periodically to ensure they continue to support shareholders' interests and are appropriately aligned to Premier's long-term strategy.

Targets are geared to provide the opportunity to achieve above market levels of pay only through exceptional sustained relative TSR performance over six years.

Remuneration policy for other employees

The company's Policy for all employees is to provide remuneration packages which reward them fairly and responsibly for their contributions.

All employees participate in the company's incentive structures and, like the remuneration package for executive directors, remuneration is structured such that a proportion of total remuneration is potentially delivered through long-term share-based incentives to ensure maximum alignment with shareholders. Similarly, all employees are eligible to receive an annual bonus, with measures and targets tailored to individual business units and responsibilities as appropriate. The specific bonus framework varies by job level and scope to ensure annual incentives support motivation and retention accordingly. These schemes provide a clear link between pay and performance, ensuring that superior remuneration is paid only if superior performance is delivered.

Share ownership requirements

The Committee aims to ensure that our remuneration Policy serves shareholder interests and closely reflects the group's business strategy. Further, the company recognises the importance of aligning the interests of executive directors with shareholders through the building up of a significant shareholding in the company. Accordingly, the company requires the executive directors to retain no less than 50 per cent of the net value of shares vesting under the company's deferred bonus and LTIP until such a time they have reached a holding worth 100 per cent of salary (200 per cent for the Chief Executive). Details of the current shareholdings of the executive directors are in the Annual Report on Remuneration on page 98.

Payments from existing awards

Any commitment made prior to, but due to be fulfilled after, the approval and implementation of the remuneration Policy detailed in this report will be honoured. Such commitments are as follows:

- The AEP preceded the LTIP as the company's main long-term incentive and expired in 2009. Messrs Lockett, Allan, Durrant, Hawkings and Lodge hold awards under this plan, the last of which are due to vest in 2014. Details of the AEP awards are provided in the Annual Report on Remuneration on page 103.
- Mr R A Allan was employed by the company between September 1986 and November 1999 and is entitled to a deferred pension under the Scheme in respect of this period of employment. The pension he had accrued as at November 1999 was £25,409. Further information on Mr Allan's pension arrangements is provided in the Annual Report on Remuneration on page 94.

Illustration of application of the executive director remuneration policy

Remuneration is significantly geared towards performance-orientated pay, with particular emphasis on long-term performance. For example, at 'on-target' performance, approximately 55 per cent of the Chief Executive's remuneration package is delivered through variable components, rising to approximately 88 per cent at 'maximum' performance. The maximum value is delivered only if upper quartile TSR is delivered against sector peers over six years, with a requirement for upper decile performance in the last three years.

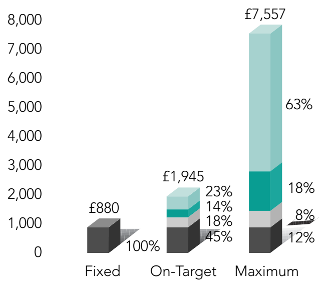
Illustration of application of the executive director remuneration policy (continued)

The performance scenario charts illustrate remuneration receivable for different performance scenarios. The assumptions underlying each performance scenario are provided in the table below:

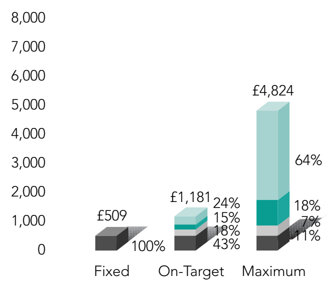
	Remuneration receivable for different performance scenarios		
	Fixed	**On-Target**	**Maximum**
Fixed pay	• 2014 salary, as disclosed in the Annual Report on Remuneration on page 96 • 2013 pension and taxable benefits as provided in the single figure table in the Annual Report on Remuneration on page 91		
Annual bonus	Nil payout	Payout of 60 per cent of salary	Payout of 100 per cent of salary
LTIP	Nil payout	• Equity Pool based on 1 per cent of the change in market value and equity value per share appreciation of 10 per cent per annum compound growth • Performance Shares vesting at 25 per cent of award • Matching Share Awards (matched over deferred Equity Pool Awards and Performance Share Awards) vesting at 25 per cent of award	• Equity Pool equity value per share growth based on 2.5 per cent of the change in market value and equity value per share appreciation of 20 per cent per annum compound growth • All Performance Shares vest in full • All Matching Share Awards (matched over deferred Equity Pool Awards and Performance Share Awards) vest in full

The charts below illustrate the potential reward opportunities for each executive director for the three performance scenarios.

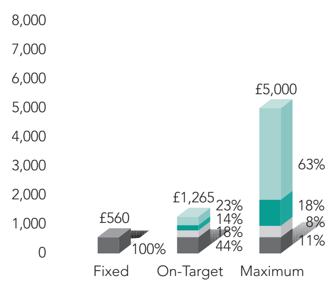
S C Lockett, Chief Executive
(£000s)



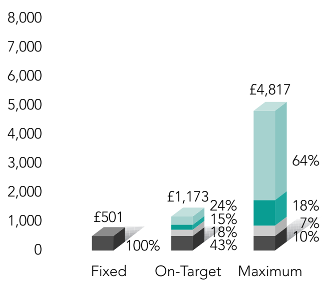
R A Allan, Director, Business Units
(£000s)



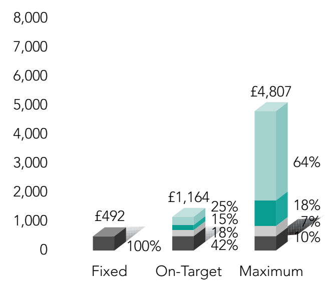
A R C Durrant, Finance Director
(£000s)



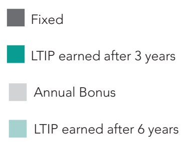
N Hawkings, Director, Falkland Islands
(£000s)



A G Lodge, Exploration Director
(£000s)



The percentages represent the proportion that each type of pay contributes to the total remuneration in that particular scenario.



Note:

The valuation of Deferred Bonus Shares, Performance Share Awards and Matching Share Awards excludes share price appreciation. However, Equity Pool Awards assume equity value per share compound growth of 10 per cent p.a. at on-target performance and equity value per share growth of 20 per cent p.a. at maximum performance. It should also be noted that the LTIP is subject to a performance period of up to six years: EPA and PSA awards are assessed on three year performance and MSA awards, which are based on the number of EPA and PSA shares deferred, are subject to a further three year performance period.

Approach to executive director recruitment remuneration

In the cases of hiring or appointing a new executive director, the Committee may make use of all the existing components of remuneration.

The salaries of new appointees will be determined by reference to the experience and skills of the individual, relevant market data, internal relativities and their current salary. New appointees will be eligible to receive a personal pension, benefits and to participate in the company's HMRC approved all-employee share schemes, in line with the Policy. The approach to variable pay on recruitment is summarised in the table below:

Component	Approach	Maximum annual opportunity
Annual Bonus	The annual bonus described in the Policy Table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored towards the executive	100 per cent of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executive directors, as described in the Policy Table	Equity Pool Awards: up to 6 per cent of the Equity Pool, which may be exceeded in exceptional circumstances Performance Share Awards: up to 150 per cent of salary Matching Share Awards: up to 2.5 times the number of deferred Equity Pool Awards and deferred Performance Shares

When determining appropriate remuneration for a new executive director, the Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that the pay arrangements are in the best interests of both Premier and its shareholders. The Committee may consider it appropriate to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will use the existing Policy where possible or, in exceptional circumstances, the Committee may exercise the discretion available under Listing Rule 9.4.2R. The value of any such award will not be higher than the expected value of the outstanding equity awards and, in determining the expected value, the Committee will use a Black-Scholes, or equivalent, valuation and, where applicable, discount for any performance conditions attached to these awards.

In cases of appointing a new executive director by way of internal promotion, the Committee will apply the Policy for external appointees detailed above. Where an individual has contractual commitments that vary from our Policy for executive directors, but made prior to his or her promotion to executive director level, the company will continue to honour these arrangements.

Service contracts and exit payments and change of control provisions

Executive director service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate directors of the quality required to manage the company. The service contract of each executive director may be terminated on 12 months' notice in writing by either party. Executive directors' contracts are available to view at the company's registered office.

Details of the service contracts of the executive directors are as follows:

Director	Contract date	Unexpired term of contract
S C Lockett	09.12.03	Rolling contract
R A Allan	09.12.03	Rolling contract
A R C Durrant	01.07.05	Rolling contract
N Hawkings	23.03.06	Rolling contract
A G Lodge	20.04.09	Rolling contract

The company will consider termination payments in light of the circumstances on a case-by-case basis, taking into account the relevant contractual terms, the circumstances of the termination and any applicable duty to mitigate. In such an event, the remuneration commitments in respect of the executive director contracts could amount to one year's remuneration based on salary and benefits in kind and pension rights during the notice period, together with payment in lieu of any accrued but untaken holiday leave, if applicable. There are provisions for termination with less than 12 months' notice by the company in certain circumstances. If such circumstances were to arise, the executive director concerned would have no claim against the company for damages or any other remedy in respect of the termination. The Committee would apply general principles of mitigation to any payment made to a departing executive director and will honour previous commitments as appropriate, considering each case on an individual basis.

Service contracts and exit payments and change of control provisions (continued)

The table below summarises how the awards under the annual bonus and LTIP are typically treated in different leaver scenarios and on a change of control. Whilst the Committee retains overall discretion on determining 'good leaver' status, it typically defines a 'good leaver' in circumstances such as retirement with agreement of the company, ill-health, disability, death, redundancy, or part of the business in which the individual is employed or engaged ceasing to be a member of the group. Final treatment is subject to the Committee's discretion.

Event	Timing of vesting/award	Calculation of vesting/payment
Annual Bonus		
'Good leaver'	• Annual bonuses are paid at the same time as to continuing employees • Unvested deferred share awards vest on cessation of employment	• Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked before cessation of employment
'Bad leaver'	• Not applicable	• Individuals lose the right to their annual bonus and unvested deferred share awards
Change of control[1]	• Annual bonuses are paid and unvested deferred share awards vest on effective date of change of control	• Annual bonus is paid only to the extent that any performance conditions have been satisfied and is pro-rated for the proportion of the financial year worked to the effective date of change of control
LTIP		
'Good leaver'	• On normal vesting date (or earlier at the Committee's discretion)	• Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies to the value of the awards to take into account the proportion of vesting period not served • Deferred shares vest in full
'Bad leaver'	• Unvested awards lapse	• Unvested awards lapse on cessation of employment • Outstanding deferred shares vest on cessation of employment
Change of control[1]	• On the date of the event	• Unvested awards vest to the extent that any performance conditions have been satisfied and a pro-rata reduction applies for the proportion of the vesting period not served • Outstanding deferred shares vest in full

Notes:

1. In certain circumstances, the Committee may determine that deferred share awards under the annual bonus and both unvested and deferred awards under the LTIP will not vest on a change of control and instead be replaced by an equivalent grant of a new award, as determined by the Committee, in the new company.

Upon exit or change of control, SAYE and SIP awards will be treated in line with the approved plan rules.

If employment is terminated by the company, the departing executive director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee retains discretion to settle other amounts reasonably due to the executive director, for example to meet the legal fees incurred by the executive director in connection with the termination of employment, where the company wishes to enter into a settlement agreement (as provided for below) and, in which case, the individual is required to seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing executive directors including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the company and its shareholders to do so.

External appointments

Executive directors are entitled to accept non-executive director appointments outside the company and retain any fees received providing that the Board's prior approval is obtained. Details of external directorships held by executive directors along with fees retained are provided in the Annual Report on Remuneration on page 98.

Consideration of employment conditions elsewhere in the company

The Committee does not specifically consult with employees over the effectiveness and appropriateness of the Policy. However, the Committee does consider the pay and conditions elsewhere in the company, including how the company-wide pay tracks against the market. When awarding salary increases to executive directors, the Committee takes account of the salary increases across the group, particularly for those employees based in the UK. Further, the company seeks to promote and maintain good relationships with employee representative bodies – including trade unions – as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the company operates.

Consideration of shareholder views

The Committee aims to ensure that the Policy serves shareholder interests and is aligned with the group's business strategy, market practice and evolving best practice. The Committee Chairman consults major shareholders and proxy advisers from time to time to discuss the remuneration Policy. The Committee considers all feedback received from such consultations, as well as guidance from shareholder representative bodies more generally, to help to ensure the Policy is aligned with shareholder views. In relation to the 2013 financial year, the Committee Chairman contacted Premier's major shareholders and proxy advisor firms. Feedback from the consultation was predominantly positive. Shareholders generally support the executive director remuneration structure, which ensures pay is highly performance-orientated and heavily weighted to long-term performance, and little concern was noted with regard to the annual bonus and salaries. Some shareholders suggested that the Committee consider simplifying the multifaceted LTIP and that greater disclosure of assessment of the LTIP underpin would be beneficial. Premier is mindful of the views it receives in its annual consultations. To this end, the company will continue to review the structure of the LTIP and will, in years when the LTIP meets its performance thresholds, disclose performance under the LTIP underpins subject to commercial sensitivity issues.

Non-executive director Remuneration Policy

Non-executive directors have letters of appointment effective for a period of three years, subject to annual re-election by shareholders in the Annual General Meeting in accordance with the UK Corporate Governance Code. All letters of appointment have a notice period of three months and provide for no arrangements under which any non-executive director is entitled to receive remuneration upon the early termination of his or her appointment. Non-executive directors' letters of appointment are available to view at the company's registered office.

Director	Year appointed director	Date of current appointment letter
M W Welton	2009	16.10.2012
A M Cannon[1]	2014	24.01.2014
J Darby	2007	17.10.2013
I J Hinkley	2010	17.10.2013
D C Lindsell	2008	16.01.2014
M Romieu	2008	16.01.2014

Notes:

1. Ms A M Cannon will be subject to election at the AGM to be held in 2014.

The company announced in January 2014 the intended appointment of Mr D Bamford as a non-executive director with effect from 1 May 2014. Mr Bamford will be subject to election at the AGM to be held in 2014.

Non-executive director Remuneration Policy (continued)

The company's Articles of Association provide that the remuneration paid to non-executive directors is to be determined by the Board within limits set by the shareholders. The Policy for the Chairman and non-executive directors is as follows:

Fees	
Purpose and link to strategy	• To provide fees that allow Premier to attract and retain non-executive directors of the highest calibre
Operation	• Fees for non-executive directors are reviewed at least every two years • Fees are set with reference to three relevant comparator groups, comprising: (i) international oil & gas sector companies, (ii) the constituents of the LTIP TSR comparator group, and (iii) UK-listed companies of a similar market cap and revenue to Premier. The fees also take into account the time commitments of the non-executive directors • Fees paid to the Chairman are determined by the Committee, while the fees of the other non-executive directors are determined by the Board • Additional fees are payable for acting as Senior Independent Director, and as Chairman of any of the Board's committees • Adjustments are normally effective 1 January • The non-executive director fees for the financial year under review are disclosed in the Annual Report on Remuneration
Opportunity	• Non-executive director fees are set at a level that is considered appropriate in the light of relevant market practice and the size/complexity of the role
Performance metrics	• Not applicable

Approach to non-executive director recruitment remuneration

In the case of hiring or appointing a new non-executive director, the Committee will follow the Policy as set out in the table above.