

PREMIER OIL PLC – UPDATE STATEMENT IN RESPONSE TO NEGATIVE REMUNERATION VOTE AT THE 2017, 2018 and 2019 AGMs.

In accordance with Provision 4 of the revised UK Corporate Governance Code 2018, the Company is providing this update following the votes received against Resolution 2, the Annual Report on Remuneration, at the 2019 Annual General Meeting held on the 16th May 2019.

The Company's Remuneration Policy was approved at the 2017 AGM with 88.1% of shareholders voting in favour.

But at the 2019 AGM, the Annual Report on Remuneration received a 41.86% vote against. The Company also received adverse votes from some shareholders against its Annual Report on Remuneration at its 2018 AGM (31.66% against) and 2017 AGM (30.49% against).

As committed to in the AGM Statement, the Chairman of the Remuneration Committee, Barbara Jeremiah, and the Company Chairman, Roy Franklin, have since consulted with 8 of our largest institutional shareholders and the key representative investor bodies, Investment Association, ISS and Glass Lewis. The consultation process is ongoing and we await discussions with those shareholders we have yet to engage with. The purpose of this engagement is to help understand the reasons for the voting outcomes around the implementation of our current Remuneration Policy and to help shape our new Policy being put to shareholders at the 2020 AGM.

As we have engaged with our shareholders it has become clear that our largest shareholders broadly support our approach to remuneration. However, reflecting upon the discussions (and on the proxy agency recommendations that we believe many of our shareholders relied upon) the following key observations have been noted which may have impacted on the adverse vote on remuneration at the AGMs: -

- A desire for a simplification of executive remuneration at Premier Oil both in terms of the structure and measurement of performance under incentive plans. We intend to address this in the new policy to be put to a shareholder vote at the 2020 AGM. In response to the feedback the Remuneration Committee has already made one change to how the current policy is implemented in that the annual bonus will only be assessed against key financial, operational and strategic measures, with the personal objectives element being removed and re-weighted against the corporate metrics.
- A wish for greater transparency around the judgment and discretion applied by the Remuneration Committee in determining pay levels and outcomes, including enhanced disclosure on how remuneration at Premier Oil supports the business strategy and the delivery of long-term sustainable value. We will address this in the 2019 Remuneration Report, with more detail on incentive outcomes and rationale on the outcomes for the year, including the judgement and any discretion used by the Remuneration Committee.

The Remuneration Committee welcomes the shareholder feedback and this will help inform the current work around remuneration outcomes for 2019 and developing a Remuneration Policy to be put to shareholders at our AGM in 2020. In addition, we observed the following key themes from shareholders which will also shape our 2020 policy:

- Consideration of a second LTIP measure to balance the current emphasis on relative total shareholder return against a comparator group of global E&P companies;
- Clarity on the optimal long-term incentive structure to retain and motivate Executive Directors and senior executives;
- A need to address the IA guidelines on current pension levels for our Executive Directors;

- Consideration of ESG type metrics in the annual bonus scorecard; and
- Shareholding levels of Executive Directors.

In line with our commitment to maintaining an open and transparent dialogue with shareholders, we will be consulting with all major shareholders and the proxy voting agencies in December and January to gain their input on the proposed Remuneration Policy for 2020 before its finalisation. In line with the UK Corporate Governance Code, the Board will provide a final summary in the annual report to be published next year on what the impact the feedback following the AGM has had on the decisions the Board has taken.

The Board of Premier Oil is committed to addressing shareholder concerns in both its new policy and how it is implemented and looks forward to higher levels of shareholder support on its remuneration resolutions.