BOARD OF DIRECTORS

JOCK LENNOX
NON-EXECUTIVE CHAIRMAN

Appointed
8 September 2016 (member of the Board since 22 February 2010)

Committees
Nomination (Chairman)

Skills and experience
Jock Lennox holds a law degree and in 1980 qualified as a chartered accountant with Ernst & Young LLP ('EY'). He is a member of the Institute of Chartered Accountants of Scotland. In 1988, Jock became a partner at EY. In his time at EY, Jock gained a wide range of experience working with multinational clients, including projects in many countries and a secondment to Seattle, US in the early 1980s. He held a number of leadership positions in the UK and globally. Jock retired from EY in 2009, since when he has developed a career as an independent public company director.

Other principal external appointments
Non-executive director of Barratt Developments plc and chairman of Hill & Smith Holdings plc. Jock stepped down from the Board of Dixons Carphone plc at the end of 2018.

AMJAD BSEISU
CHIEF EXECUTIVE

Appointed
22 February 2010

Committees
Nomination

Skills and experience
Amjad Bseisu holds a BSc Honours degree in Mechanical Engineering from Duke University, an MSc and D.ENG degree in Aeronautical Engineering from Stanford University and an executive MBA from SMU. From 1984 to 1998, Amjad worked for the Atlantic Richfield Company ('ARCO'), eventually becoming president of ARCO Petroleum Ventures. In 1998, Amjad founded and was the chief executive of Petrofac Resources International Limited which merged into Petrofac PLC in 2003. In 2010, Amjad formed EnQuest PLC, having previously been a founding non-executive chairman of Serica Energy plc and a founding partner of Stratic Energy Corporation. Amjad was chairman of Enviromena Ltd., the largest solar power engineering company in the MENA region until its sale in 2017. Amjad was British Business Ambassador for Energy from 2013 to 2015.

Other principal external appointments
Chairman of the independent energy community for the World Economic Forum since 2016 and director of the Amjad and Suha Bseisu Foundation since 2011.

JONATHAN SWINNEY
CHIEF FINANCIAL OFFICER

Appointed
29 March 2010

Committees
None

Skills and experience
Jonathan Swinney is a qualified chartered accountant and a member of the Institute of Chartered Accountants of England and Wales. He is also a qualified solicitor. Jonathan has significant merger and acquisition transactional experience, having focused on acquisition finance as a solicitor, and subsequently worked at Credit Suisse and then Lehman Brothers, advising on a wide range of transactions with equity advisory, before joining Petrofac Limited in April 2008 as head of mergers and acquisitions for the Petrofac Group. Jonathan joined EnQuest PLC in 2010 as Chief Financial Officer.

Other principal external appointments
None.

HELMUT LANGANGER
SENIOR INDEPENDENT DIRECTOR

Appointed
16 March 2010

Committees
Remuneration, Audit and Nomination

Skills and experience
Helmut Langanger holds an MSc degree in Petroleum Engineering and an MA in Economics. Between 1974 and 2010, Helmut was employed by OMV, Austria where he was a reservoir engineer until 1980. From 1981 to 1985, Helmut was an evaluation engineer for the technical and economic assessment of international E&P ventures, and from 1985 to 1989 he held the position of vice-president, planning and economics for E&P and natural gas projects. In 1989, Helmut was appointed as senior vice-president of international E&P and in 1992 became senior vice-president of E&P for OMV's global operations. From 2002, Helmut was the group executive vice-president for E&P, OMV until he retired in 2010. During his tenure, Helmut was in charge of OMV activities in 14 countries and production increased from 80,000 barrels per day to 320,000 barrels per day.

Other principal external appointments
Non-executive director of Schoeller Bleckmann Oilfield Equipment A.G. (Austria), and MND (Czech Republic).

LAURIE FITCH
NON-EXECUTIVE DIRECTOR

Appointed
8 January 2018

Committees
Risk and Remuneration (Chair)

Skills and experience
Laurie Fitch has a BA in Arabic and an MA from Georgetown University's School of Foreign Service, where she is chair of the University's Center for Contemporary Arab Studies. Laurie is currently a partner in the strategic advisory group at PJT Partners, based in London. She spent a significant part of her career as an equity analyst and portfolio manager at TIAA CREF and Artisan Partners, where she invested in the global industrials, utility and infrastructure sectors. Laurie spent four years in the global power and global industrials groups at Morgan Stanley, most recently as co-head of the global industrials group in Europe, prior to joining PJT Partners in 2016.

Other principal external appointments
Partner in the strategic advisory group of PJT Partners; non-executive director of Energias de Portugal (EDP), SA; and a member of the Audit and Finance and Operations subcommittees of the Tate Board of Trustees.

PHILIP HOLLAND
NON-EXECUTIVE DIRECTOR

Appointed
1 August 2015

Committees
Risk (Chairman) and Remuneration

Skills and experience
Philip Holland holds a BSc in Civil Engineering from Leeds University and a MSc in Engineering and Construction Project Management from Cranfield School of Management. Philip has extensive experience in managing large-scale oil and gas projects around the globe. In 1980, he joined Bechtel Corporation and managed major oil and gas projects in a wide range of international locations. In 2004, he joined Shell as vice-president of projects, Shell Global Solutions International. In 2009, Philip became executive vice-president downstream projects in Shell's newly formed projects and technology business and in 2010, he was appointed as project director for Shell's Kashagan phase 2 project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Other principal external appointments
Non-executive director of Velocys plc.

CARL HUGHES
NON-EXECUTIVE DIRECTOR

Appointed
1 January 2017

Committees
Audit (Chairman), Risk and Remuneration

Skills and experience
Carl Hughes holds an MA in Philosophy, Politics and Economics, is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a Fellow of the Energy Institute. Carl joined Arthur Andersen in 1983, qualified as a chartered accountant and became a partner in 1993. Throughout his professional career he specialised in the oil and gas, mining and utilities sectors, becoming the head of the UK energy and resources industry practice of Andersen in 1999 and subsequently of Deloitte in 2002. When Carl retired from the partnership of Deloitte in 2015, he was a vice-chairman, senior audit partner and leader of the firm's energy and resources business globally.

Other principal external appointments
Non-executive director and chairman of the audit committee of EN+ Group plc; member of the finance and audit committee of the Energy Institute; director and trustee of the Premier Christian Media Trust and of the Lambeth Conference Company; member of the General Synod of the Church of England and of the finance and investment committees of the Archbishops' Council.

JOHN WINTERMAN
NON-EXECUTIVE DIRECTOR

Appointed
7 September 2017

Committees
Audit, Risk and Remuneration

Skills and experience
John Winterman holds a BSc in geology from Queen Mary College, London University and is a member of the American Association of Petroleum Geologists. John has extensive leadership experience in global exploration, business development and asset management and has a strong record of exploration success globally with over two billion barrels of oil equivalent discovered in the Philippines, Indonesia, Bangladesh, Malaysia, Russia, the US and Yemen. John joined Occidental in 1981 and after a 20+ year technical career as a geologist with the company, moved into executive roles, including high-level executive leadership positions. John left Occidental in 2013 and since then he has provided strategic advice to international oil and gas companies.

Other principal external appointments
Non-executive director of CC Energy.

SENIOR MANAGEMENT

FAYSAL HAMZA
MANAGING DIRECTOR – CORPORATE DEVELOPMENT

Faysal has an MBA from Georgetown University in Washington and over 30 years of experience in oil and gas finance, business development and private equity. Faysal joined EnQuest in 2011 and prior to that was managing director, private equity at Swicorp, a financial firm operating in the Middle East and North Africa. Faysal has also held roles as a senior executive at Arab Petroleum Investment Corporation ('APICORP'), group business development manager with the Alturki Group in Saudi Arabia, and management positions at Arco International Oil & Gas Company ('ARCO') in the US, Saudi International Bank in London and the Saudi Arabian Oil Company ('Saudi Aramco').

BOB DAVENPORT
MANAGING DIRECTOR – NORTH SEA

Bob has a degree in Mineral Engineering and an MBA. He began his early career in 1984 as a field engineer with Schlumberger, then gained broad international experience in petroleum engineering, operations and management with Texaco, Shell, BP and Apache Corporation. In previous roles he has worked in Southeast Asia, the Middle East, Egypt, UK North Sea and the US Gulf Coast. Prior to joining EnQuest, Bob served as North Sea operations director for Apache and general manager, Khalda where he led the largest oil and gas producer in Egypt's western desert. He joined EnQuest in 2015 as Managing Director – Malaysia.

JOHN PENROSE
MANAGING DIRECTOR – MALAYSIA

John holds a degree in Chemical and Process Engineering and an MBA. He started his career in 1988 as a design engineer, spending over ten years working on greenfield and brownfield projects in both the UK North Sea and the Middle East. Subsequent experience was gained in an operational environment with Arco in the Southern North Sea as an engineering superintendent and in a field development capacity with Talisman Energy. Following a period of managing an oil and gas consultancy in Australia, John worked for Noble Energy as operations manager in the UK, the US and Israel. He joined EnQuest in 2013, initially as Facilities Adviser (International) before moving to Malaysia as General Manager and Development Manager for the Tanjong Baram Risk Service Contract that delivered the first oil in mid-2015. After a period of acting as Head of Engineering, Projects and Assurance, John assumed overall responsibility of the Malaysia business for EnQuest in late 2017.

MARTIN MENTIPLY
CHIEF PETROLEUM ENGINEER

Martin holds a degree in Chemical Engineering from the University of Edinburgh and a Masters degree in Petroleum Engineering from Imperial College, London. He has over 20 years of broad international oil and gas operator experience. Throughout his career he has gained significant technical and commercial expertise in field development planning, project execution, reservoir management and investment assurance across the value chain from upstream through to LNG. He joined EnQuest in 2016 from BG Group plc, where his most recent role was head of assurance, advising the board and chief executive on investment decisions. In previous roles he has worked in Indonesia, Egypt, Tunisia and the UK North Sea. As the Chief Petroleum Engineer for EnQuest, Martin has global accountability for all subsurface activities, including reserves management and resource maturation.

STEFAN RICKETTS
GENERAL COUNSEL & COMPANY SECRETARY

Stefan joined EnQuest in 2012 and is responsible for all legal, Company secretarial matters and for EnQuest's Risk Management Framework. Prior to joining EnQuest, Stefan was a partner at Fulbright & Jaworski LLP, heading its energy and natural resources practice in the Asia-Pacific region. He had previously been group general counsel at BG Group plc. Stefan, who graduated from the University of Bristol with a degree in Law, began his early career as a solicitor with Herbert Smith, has significant experience as a lawyer and in management working across the energy chain and in all phases of project development and operations. In previous roles he has been based in London, Paris, Dubai, Jakarta, Singapore and Hong Kong.

IMRAN MALIK
VICE PRESIDENT – FINANCE

Imran holds a BEng Honours in Chemical Engineering from University College London, qualified as a chartered accountant with KPMG in 1991 and is a member of the Institute of Chartered Accountants of England and Wales. He has over 25 years of broad international oil and gas experience in group and operational finance, project services, contracts and procurement, and general management across the value chain from upstream to LNG. Since joining EnQuest in 2015 as Vice President -Finance, Imran has ensured that the Company has the necessary finance capacity and capabilities in place to deliver EnQuest's strategy. This has included supporting the successful restructuring undertaken in 2016 and the more recent rights issue in 2018. He joined from BG Group plc, where he was part of the finance leadership team and his most recent role was as group head of planning and risk. His previous roles have been Project Services Director in Australia as well as senior finance leadership roles in Egypt, the Netherlands, Libya and Pakistan.

SALMAN MALIK
VICE PRESIDENT – CORPORATE FINANCE AND M&A

Salman graduated from the University of Toronto with a degree in Finance and Economics with high distinction. He is also a CFA charter holder with extensive experience in investment management, investment banking and private equity in Canada and the Middle East. Prior to joining EnQuest in 2013, Salman was a director of private equity and principal investments at Swicorp, a financial firm operating in the Middle East and North Africa, where he served on the board of several portfolio companies and was responsible for acquisitions, post-acquisition management and exits across the energy value chain. Prior to that, Salman held several sell-side positions in the investment banking industry in Canada, primarily focused on the industrial and metals and mining sectors. In his current role, Salman is responsible for the Group's strategy, corporate finance activities, and transaction structuring and execution, including acquisitions and divestments.

MICHAEL EASTON
HR DIRECTOR

Michael is a Fellow of the Chartered Institute of Personnel and Development, having held global HR leadership roles across a range of sectors, including commencing his career in the oil and gas sector. In addition to graduating in Business Studies with Personnel Management, he also holds a qualification in Media & Communication Studies. With extensive experience in the US, Asia and Europe, successfully leading the people agenda across listed global matrix organisations and privately held companies, Michael brings a diversity of experience across a wide range of sectors including medical technologies and devices, energy infrastructure, engineering and manufacturing solutions, mobile telecoms, education and the maritime industry. Michael joined EnQuest and the Executive Committee in December 2018, also advising the Board and Remuneration Committee in his role, being responsible for the people agenda and HR strategy, leading the EnQuest global HR team.

CHAIRMAN'S LETTER

"THE GROUP'S VALUES ARE A KEY PART OF ITS IDENTITY AND GUIDE THE WORKFORCE AS THEY PURSUE ENQUEST'S STRATEGY AND DELIVERY OF OUR PRIORITIES."

Jock Lennox
Chairman

Dear Fellow Shareholder

On behalf of the Board of Directors (the 'Board'), I am pleased to introduce EnQuest's Corporate Governance Report. A significant focus during the latter half of 2018 were the transactions relating to the Magnus field and the Thistle and Deveron fields. Shareholders approved both the transactions and the associated rights issue at a General Meeting of the Company held on 1 October 2018. I would especially like to thank Board members, management and staff for their efforts during the period. In addition, the Board has focused on:

- Kraken performance;
- Strategy and risk management;
- Debt reduction;
- Values refresh;
- Employee Forum;
- Updated Corporate Governance Code; and
- HSE&A.

Corporate governance

The Board believes that the manner in which it conducts its business is important and it is committed to delivering the highest standards of corporate governance for the benefit of all of its stakeholders. EnQuest has a Code of Conduct that it requires all personnel to be familiar with and which sets out the behaviours which the organisation expects of those who work at and with the Company. The Group's Values are a key part of the identity of the Group and guide the workforce as they pursue EnQuest's strategy and delivery of our key priorities and Safe Results. The following pages provide information on the operation of the Board and its Committees. A summary of their work is found on page 51 and the individual reports are on pages 53–57 (Audit), pages 58–76 (Remuneration), pages 77–78 (Nomination) and page 79 (Risk).

EnQuest's governance framework also contains several non-Board Committees which provide advice and support to the Chief Executive on the development, implementation and monitoring of the Group's strategy, including an Executive Committee, Health, Safety, Environmental and Assurance ('HSE&A') Committee and Investment Committee.

Board composition and succession planning

The Board regularly considers how it operates and whether there is an appropriate composition and mix around the Board table. Rotation of, and succession for, the Directors is kept under review by the Nomination Committee, which has this year considered not only Board succession planning but also the composition and development of, and succession planning for, the Executive Committee. As previously noted in EnQuest's 2017 Annual Report, Laurie Fitch joined the Company on 8 January 2018 and became a member of both the Risk and Remuneration Committees and she was, as planned, appointed Chair of the Remuneration Committee on 29 January 2019. In addition, Howard Paver has been invited to join the Company and his appointment as Non-Executive Director will take effect from 1 May 2019.

The Board has also considered succession planning for me as Chairman and for the Senior Independent Director ('SID'). We have served as Directors for nine years during 2019 and following the delivery of the financial restructuring in 2016 and the Magnus Option in 2018, a process for orderly succession to take the Company to the next phase of its development has been initiated. This is discussed further on page 77. More information on the work of the Nomination Committee can be found on pages 77–78.

Board evaluation

The Board held an external evaluation in 2018 and identified a number of areas for consideration, which are summarised on page 51.

Corporate responsibility

The Company's corporate responsibility is focused on five main areas. These are Health and Safety, People, Environment, Business Conduct and Community. The Board has approved the Company's overall approach to corporate responsibility and receives regular information on the performance of the Company in these areas, and specifically monitors health and safety and environmental reporting at each Risk Committee and Board meeting. The Company's HSE&A Policy is reviewed by the Board annually and all incidents, forward-looking indicators and significant HSE&A programmes are discussed by the Board. We report on these areas specifically on page 30.

Culture

The culture of the Company, underpinned by our Values, was a key consideration for the Board during 2018. We believe that engaged and committed staff are integral to the delivery of the Company's business plan and intend to conduct a staff survey in 2019 in order to continue to progress in this area. In early 2019, the Board approved the establishment of an Employee Forum as part of its workforce engagement activities, in line with the revised Corporate Governance Code published in July 2018. More details on these elements are detailed in the Corporate Responsibility Review on page 32.

Strategy and risk management

The Board continued to provide strategic guidance to executive management throughout the year, with two key strategy discussions held with executive management in 2018, in May and in October, at EnQuest's annual Board strategy day. We also spent considerable time discussing EnQuest's purpose and potential risks in the context of increased societal and investor focus on climate change.

The Board, in particular through the work of the Risk Committee, has also been active in supporting the continued evolution of the Group's Risk Management Framework. In 2019, we will continue to build on our governance processes and strategic priorities as outlined on the following pages.

Jock Lennox
Chairman
20 March 2019

CORPORATE GOVERNANCE STATEMENT

Statement of compliance

The Financial Reporting Council ('FRC') published the UK Corporate Governance Code (the 'Code') in April 2016, which was effective for accounting periods beginning on or after 17 June 2016. The Company complies with the Code and views corporate governance as an essential part of its framework, supporting structure, risk management and core Values. Detailed below is EnQuest's application of, and compliance with, the Code. EnQuest notes that the FRC introduced a revised Code in July 2018 which applies to accounting periods beginning on or after 1 January 2019. The Company will report on its compliance with the revised Code in its 2019 Annual Report and Accounts.

Key corporate governance activities in 2018	Details
Appointment of Non-Executive Directors	Laurie Fitch was appointed on 8 January 2018 and Howard Paver's appointment will take effect from 1 May 2019. See page 48 for details.
Rights issue	The rationale for the rights issue, in relation to the Magnus transaction, is detailed on page 10.
Shareholder consultation	In relation to remuneration matters.
Independent review of Board performance	Facilitated by an external adviser. See page 51 for details.
Employee workforce and staff culture	Learning and development, Values refresh and Employee Forum. See page 32 for details.
Preparation for new Code implementation	Ongoing work to ensure compliance.

Leadership

The long-term success of the Company is the collective responsibility of the Board.

The role of the Board

The Board is the custodian of the Company's Values and its long-term vision and approves the strategic direction and guidance for the Company in order to deliver long-term shareholder value.

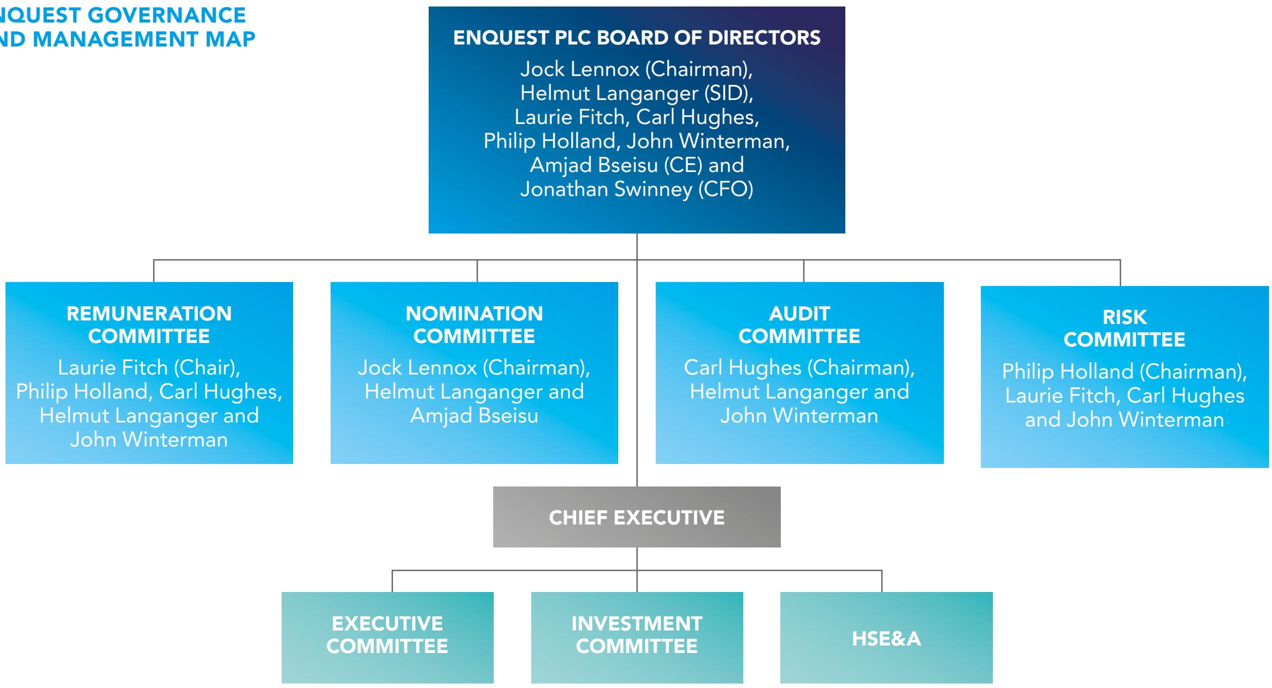
The Board is responsible for:

- The Group's overall strategy;
- Review of business plans and trading performance;
- Approval of major capital investment projects;
- Acquisition and divestment opportunities;
- Review of significant financial and operational issues;
- Review and approval of the Company's financial statements;
- Oversight of control and risk management systems (supported by the Audit and Risk Committees);
- Succession planning and appointments (supported by the Nomination Committee);
- Oversight of staff culture; and
- Health, Safety and Environment.

The Board held six scheduled Board meetings in the year ended 31 December 2018, four of which were held at the Company's registered office in London, one in the Aberdeen office and one was held offsite in conjunction with the Company's annual strategy day in October. In addition, the Board held a number of further Board meetings throughout the year. In total, there were an additional ten meetings, primarily focused on the rights issue and Magnus and Thistle transactions, which were all fully attended. All Directors are expected to attend scheduled Board and relevant Committee meetings and the Company's Annual General Meeting ('AGM'). Details of Board and Committee membership and attendance at scheduled meetings can be found on page 50.

All Directors are covered by the Company's Directors' and Officers' insurance policy.

ENQUEST GOVERNANCE AND MANAGEMENT MAP



CORPORATE GOVERNANCE STATEMENT CONTINUED

A clear division of responsibilities
There is a clear division between the role of the Chairman and the Chief Executive; this has been set out in writing and agreed by the Board. The Chairman was independent upon his appointment to the Board, and the Board continues to consider him to be an independent Non-Executive Director. The Chairman is responsible for the leadership of the Board, setting the Board agenda and ensuring the overall effective working of the Board. The Chief Executive is accountable and reports to the Board. His role is to develop strategy in consultation with the Board, to execute that strategy following presentation to, and consideration and approval by, the Board and to oversee the operational management of the business.

The role of the Non-Executive Directors
The Non-Executive Directors combine broad business and commercial experience from oil and gas and other industry sectors. They bring independence, external skills and objective judgement, and constructively challenge the actions of senior management. This is critical for providing assurance that the Executive Directors are exercising good judgement in delivery of strategy and decision making and the Chairman holds regular one-to-one and group meetings with the Non-Executive Directors, without the Executive Directors present. The Board considers that all the Non-Executive Directors continue to remain independent and free from any relationship that could affect, or appear to affect, their independent judgement. Information on the skills and experience of the Non-Executive Directors can be found in the Board biographies on pages 44 to 45.

The Board has carefully considered guidance in the revised Code relating to nine-year tenures for directors, as each of the Chairman and the Senior Independent Director ('SID') reached his nine-year milestone in early 2019. Following an independent evaluation, which considered the governance of the Company, the Board concluded that both the Chairman and SID remain independent and should remain in post to ensure an orderly process of succession as described on page 48 and the Nomination Committee Report on page 77.

The role of the Senior Independent Director
The SID is available to shareholders if they have concerns where contact through the normal channels of the Chairman, the Chief Executive or other Executive Directors has failed to resolve an issue or where such contact is inappropriate. In his role as the SID, Helmut Langanger runs the annual review of the performance of the Chairman and is responsible for succession planning and the process that is under way for the role of Chairman, in respect of which the SID has held meetings with several of the Company's leading shareholders. He continues to provide a sounding board for the Chairman as well as act as an intermediary with other Directors when necessary.

Company Secretary
The Company Secretary is responsible for advising the Board, through the Chairman, on all Board procedures and governance matters. In addition, each Director has access to the advice and services of the Company Secretary. The Company Secretary assists with the ongoing training and development of the Board and is instrumental in facilitating the induction of new Directors, most recently Laurie Fitch and, in due course, Howard Paver, who will be appointed with effect from 1 May 2019.

Effectiveness

Board composition and changes
The Nomination Committee, as one of its duties, regularly reviews the structure, size and composition of the Board. At the date of this report there are eight Directors, consisting of two Executive Directors and six Non-Executive Directors (including the Chairman). As explained in the Chairman's Statement, Laurie Fitch was appointed as Non-Executive Director on 8 January 2018 and Howard Paver will be appointed with effect from 1 May 2019. More detail on Board biographies is set out on pages 44 to 45. The work of the Nomination Committee is found on pages 77 to 78.

Directors' attendance at Board and Board Committee meetings
The table below sets out the attendance record of each Director at scheduled Board and Board Committee meetings during 2018:

	Board meetings	Audit Committee	Remuneration Committee	Risk Committee	Nomination Committee
Meetings considered by the Board	6	3	4	3	6
Executive Directors					
Amjad Bseisu	6	n/a	n/a	n/a	6
Jonathan Swinney	6	n/a	n/a	n/a	n/a
Non-Executive Directors					
Jock Lennox	6	n/a	n/a	n/a	6
Helmut Langanger[1]	6	3	4	n/a	6
Laurie Fitch[2]	6	n/a	4	3	n/a
Philip Holland	6	n/a	4	3	n/a
Carl Hughes	6	3	4	3	n/a
John Winterman	6	3	4	3	n/a

Notes:
1 Helmut Langanger stepped down as Chair of the Remuneration Committee on 29 January 2019
2 Laurie Fitch was appointed to the Board on 8 January 2018, becoming a member of the Remuneration and Risk Committees. Laurie assumed the role of Chair of the Remuneration Committee on 29 January 2019

Board activities during the year

How the Board operates
During 2018, the Board held six scheduled meetings and, as previously noted, a number of ad hoc meetings were arranged to deal with matters arising between scheduled meetings. Scheduled Board meetings are preceded by a day of Committee meetings and, when required, technical reviews which allow for an in-depth review on a particular topic of interest, such as well performance, project updates and drilling. This pattern of meetings is intended to support the Board's focus on strategic and long-term matters, while ensuring that it discharges its monitoring and oversight role effectively through intensive high-quality discussions and information flow.

All Board papers are published via an online Board portal system. This offers a fast, secure and reliable method of distribution, which helps lower the Company's environmental impact through the reduction of printing and lowers costs associated with printing and postage. Board agendas are drawn up by the Company Secretary in conjunction with the Chairman and with agreement from the Chief Executive. Board members also receive a monthly report on Company performance and updates on major projects, irrespective of a meeting taking place, which allows them to monitor performance regularly.

Board agenda and key activities throughout 2018
The table below sets out matters that the Board discuss at each meeting and the key activities that have taken place throughout this period.

Matters considered at all Board meetings	Key activities for the Board throughout 2018
• HSE&A • Key project status and progress • Responses to oil price movements • Strategy • Key transactions • Financial reports and statements • Production • Operational issues and highlights • HR issues and developments • Key legal updates • Assurance and risk management • Investor relations and capital markets update • Liquidity	• Review of plans for debt amortisation • Exercise of the Magnus and Thistle options • Rights issue • Progression of pipeline projects for Dunlin bypass and Scolty Crathes • Sullom Voe Terminal operations • Growth opportunities • Compliance with debt covenants and liquidity • Risk, going concern and long-term viability review • Strategy sessions held in May and October • Risk Management Framework • 2018 budget review and 2019 budget review • Periodic updates on corporate regulatory changes and reporting requirements • Hedging strategy and policy • Annual anti-corruption review • Continued development of Risk Committee • Staff culture and Values implementation • Review of the Group's cyber-security related process and controls • Review of climate change related risks • Succession planning

Board Committees
The Board delegates a number of responsibilities to its Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee. Membership for each Committee is found on page 50. The Chairman of each Committee reports formally to the Board on its proceedings after each meeting and makes recommendations that it deems appropriate to the Board for its consideration and approval. There are formal terms of reference for each Committee, approved by the Board. The terms of reference for each of these Committees set out the scope of authority of the Committee, satisfy the requirements of the Code and are reviewed internally on an ongoing basis by the Board. Copies of the terms of reference are available on the Company's website, www.enquest.com, under Corporate Governance.

The Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. The appropriate person acts as secretary to the Committees, and minutes and papers of all Committee meetings are available to all Directors.

In addition to the four Board Committees, EnQuest has a number of non-Board Committees, which assist the Chief Executive in the development, implementation and monitoring of strategy. These include the Executive Committee, HSE&A Committee and Investment Committee.

Delegation of authority
Responsibility levels are communicated throughout the Group as part of the business management system and through an authority matrix which sets out, inter alia, delegated authority levels, segregation of duties and other control procedures. Changes are approved by the Board.

Board performance evaluation
Each year the Board is required to carry out an evaluation of its own effectiveness as required by the Code. The 2018 review was carried out, in an independent capacity, by an external adviser, Colin Mayer, Professor of Management Studies at the Saïd Business School at the University of Oxford. The process consisted of one-to-one structured interviews with each Director, selected senior management and representatives from amongst the Company's stakeholders, such as the Company's auditors and institutional investors, and also attendance at the Company's December Board and Committee meetings.

Key themes which arose from the evaluation included:
- Succession planning and Board composition;
- Board governance processes;
- Board performance and strategy; and
- Staff culture and Values.

The results of the evaluation were discussed at the January 2019 Board meeting and it was concluded that the Board was well governed, with constructive and frank debate encouraged. In particular, the implementation of the Risk Committee had proved a success and it evaluated the risks of the Company in an insightful and constructive manner.

A number of action points were agreed and have been worked into the Board agenda for 2019, including those in relation to:
- Further succession planning, especially in relation to the requirements of the new Corporate Governance Code. This is described further on page 77;
- Continued monitoring of the culture and Values of the Company, including through the new Employee Forum, as described on page 32;
- Enhanced scenario planning;
- More explicit articulation of the Company's role in the transition to a lower-carbon intensity economy; and
- The process for internal audit.

In addition to the external evaluation, the Non-Executive Directors, led by the SID, carried out a performance evaluation of the Chairman and concluded that the Chairman was knowledgeable in the business of the Company, managed meetings well and facilitated effective contribution of all members of the Board.

Induction, information and support
The Directors may consult with the Company Secretary at any time on matters related to their role on the Board.

On joining EnQuest, Non-Executive Directors receive a full and tailored induction to the Company. The induction programme consists of a comprehensive briefing pack, which includes Group structure details, the constitution of the Company, the Group governance map, a guide to Directors' duties, terms of reference of each Committee, Group policies and the Company's authorities matrix. In addition to this, each Director receives an introduction to the Company's resource centre (including all external communications, such as investor presentations, reports and corporate responsibility reports) and a schedule of one-to-one meetings with each of the Executive Directors, members of senior management and external advisers. Visits to the Aberdeen and overseas offices are also arranged as appropriate.

All Non-Executive Directors have access to the Company's senior management between Board meetings and the Board aims to hold at least one meeting each year in one of the business units to allow Non-Executive Directors to meet and engage with local staff. In addition, the continuing development of Board members is supported through regular briefings on key business, industry, governance and regulatory developments, which in 2018 included the revised Corporate Governance Code, guidance as to how the Board complies with s172 of the Companies Act 2006, new IFRS accounting standards and the Investment Association's Principles of Remuneration. Training for the Board also included discussion with third-party experts on 'the future of hydrocarbons' at the Company's strategy meeting. Board meetings are also preceded

CORPORATE GOVERNANCE STATEMENT CONTINUED

by informal Board dinners which provide the Board an opportunity to discuss a broad range of issues relevant to the Group amongst themselves and with senior management. Individual Directors have also hosted breakfast meetings with staff to exchange views and information, and provide an opportunity for Board-level exposure to relevant individuals in order to aid staff development and succession planning. The Chairman monitors the breadth of knowledge, skills and experience of the Board and its Committees to ensure that they can fulfil their obligations.

Accountability

Conflicts of interest

The Company has established procedures in place through the Articles of Association and the Company's Code of Conduct which identify and, where appropriate, manage conflicts or potential conflicts of interest with the Company's interests. In accordance with the provisions relating to Directors' interests' in the Companies Act 2006, all the Directors are required to submit details to the Company Secretary of any situations which may give rise to a conflict, or potential conflict, of interest. A register of relevant interests of Board members is maintained and the Board is satisfied that formal procedures are in place to ensure that authorisation for potential and actual conflicts of interest are operated efficiently and considers the issue of conflicts at the start of every Board meeting. In addition, the Directors are required to obtain the approval of the Chairman before accepting any further external appointments.

Anti-bribery and corruption

The Company is committed to behaving fairly and ethically in all of its endeavours and has policies which cover anti-bribery and corruption. The overall anti-bribery and corruption programme is reviewed annually by the Board and a corruption risk awareness email is sent out annually by the Chief Executive reminding staff of their obligations and also to prompt them to complete a compulsory online anti-corruption training course. Additional information can be found on page 35 of the Strategic Report and in the Code of Conduct which is available on the Company's website (www.enquest.com).

The Company also encourages staff to escalate any concerns and, to facilitate this, provides an external 'speak-up' reporting line which is available to all staff in the UK, Malaysia and the UAE. Where concerns are raised, these are investigated by the Company's General Counsel and reported to the Audit Committee.

Risk

EnQuest has continued throughout the year to implement and develop its comprehensive Risk Management Framework, and has conducted a robust assessment of the principal risks facing the Group; see pages 36 to 43 of the Strategic Report for further information. In addition, the work of the Risk Committee, which allows for a deeper dive on specific key risks, is reported on page 79.

The Audit Committee remains responsible for the following risk management related tasks:

- Reviewing the effectiveness of the Company's internal controls and risk management systems;
- Reviewing and approving the statements to be included in the Annual Report concerning internal controls and risk management; and
- Monitoring and reviewing the effectiveness of the Company's internal audit capability in the context of the Company's overall risk management system.

Remuneration

The work of the Remuneration Committee is set out on pages 58 to 76.

Relations with shareholders

Engagement with shareholders

EnQuest maintained an active and constructive dialogue with its shareholders throughout the year through a planned programme of investor relations activities and ad hoc meetings. In 2018, the Chairman and the Company's SID were available to meet with institutional investors on corporate governance, remuneration and any other matters. A number of such meetings were held during the year, with the Board updated on the content of those meetings. The Board is routinely kept informed of investor feedback, broker and analyst views in the paper submitted at each Board meeting by the Company's Investor Relations team and as required on an ad hoc basis. In 2019, the SID has conducted a number of meetings with significant shareholders, to facilitate the Chair succession process.

EnQuest's Investor Relations team and Company Secretarial department respond to queries from shareholders, debt holders and analysts. The Company's website has a section dedicated to these stakeholders which can be found under 'Investors' at www.enquest.com. EnQuest's registrars, Link Asset Services, also have a team available to answer shareholder queries in relation to technical and administrative aspects of their holdings, such as shareholding balances.

All of the Company's financial results presentations are also available on the Company's website and shareholders can register on the website to receive email alerts of relevant Company news.

Throughout 2018, a number of equity and debt investor, analyst and broker sales team meetings were held. The Company also delivers presentations alongside its half year and full year results as well as ad hoc presentations at investor conferences. The Group's results meetings are followed by investor roadshows with existing and potential new investors. Executive Directors and other members of management routinely hold meetings in a number of leading financial centres and at EnQuest's offices, with site visits undertaken when appropriate. These meetings, which take place throughout the year, other than during closed periods, are organised directly by the Company, via brokers and in response to incoming investor requests.

EnQuest is continuing to monitor developments related to the European Directive Markets in Financial Instruments Directive II ('MiFID II'), which took effect in the UK on 3 January 2018, with the objective of ensuring that its existing high standards of engagement with investors are maintained. Over the period in which MiFID II has been in force, the Company has not experienced any material change in the levels of investor interaction or engagement, or analyst coverage. It has updated its corporate website to improve its digital communication with all stakeholders.

2018 Annual Report and Accounts

The Directors are responsible for preparing the Annual Report and Accounts and consider that, taken as a whole, the Annual Report and Accounts are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Annual General Meeting

The Company's AGM is attended by the Board and senior management and is open to all EnQuest shareholders to attend. It provides the Board with an important opportunity to meet with shareholders. All of the Directors are expected to attend and will be available to answer questions from shareholders attending the meeting.

AUDIT COMMITTEE REPORT

"WE HAVE CONTINUED TO MONITOR CLOSELY THE GROUP'S FINANCIAL POSITION WHILE FURTHER DEVELOPING THE GROUP'S CONTROLS AND RISK MANAGEMENT FRAMEWORKS."

Carl Hughes
Chairman of the Audit Committee

Dear Fellow Shareholder
2018 has been an active year for the Audit Committee. The developments in the external environment, the Group's equity raise and subsequent acquisition of the remaining interests in the Magnus oil field ('Magnus') and Sullom Voe Oil Terminal ('SVT') and the execution of the Oz Management facility have driven the Committee's agenda. The Committee also reviewed the impact of the new accounting standards adopted in the year and of those being implemented in 2019, the quality of strategic reporting for Alternative Performance Measures ('APM') and non-financial information, and the developments of the UK's proposed exit from the European Union, in line with the Financial Reporting Council's ('FRC') guidance.

As planned when we last reported to you, our work in 2018 has focused on the areas below:
- Close monitoring of the Group's financial position, liquidity and covenant compliance given the ongoing volatility in the oil price;
- The accounting implications of the Magnus, SVT and associated infrastructure acquisition, both for the initial 25% portion in 2017 and the 75% option which was exercised and effective from 1 December 2018;
- Overseeing the execution of our risk-based internal audit plan; and
- The continuous development of the Group's internal control and Risk Management Framework.

This report explains the way in which the Committee addressed the financial and audit risks in the context of the industry's macro environment and the Company's operations during 2018. We have taken such items into account in the review of the going concern and the viability assessment.

We have continued to review and enhance the financial control environment of the Group, ensuring that controls are in place, focused on the relevant risk areas and operating effectively. Further, we ensured that key judgements and estimates made in the financial statements, such as the recoverable value of the Group's assets, are carefully assessed. In 2018, the environmental organisation Client Earth suggested to the FRC that the Group may not have complied with its reporting obligations relating to climate change related risks. EnQuest subsequently received correspondence from the FRC regarding EnQuest's climate change related disclosures and other non-financial reporting of environmental matters under the Non-financial Reporting Directive. We responded to demonstrate the Group's past compliance with relevant requirements and believe that we have addressed the FRC's observations within the 2018 Annual Report and Accounts, including through more explicit links between climate change and the various risk factors and trends identified. The matter is now closed[1].

The Committee confirms that the adoption of the new accounting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, effective from 1 January 2018, are embedded within the financial statements in this Annual Report and Accounts. The Committee notes that the implementation of IFRS 16 Leases, which is effective from 1 January 2019, is expected to have an impact on both the Group's EBITDA and operating profit for the year ended 31 December 2019, as further explained in note 2, on page 97. Details of the judgements and estimates made in the 2018 financial statements, and how we satisfied ourselves as to their appropriateness, are set out in detail on the following pages, together with further information on how the Committee discharged its responsibilities during the year. The Committee also continues to assess climate risk and related reporting, as detailed in Risks and uncertainties on page 36.

As explained further on the Company's website (www.enquest.com; under Corporate Governance), the Audit Committee's core responsibilities are to:
- Review the content and integrity of the annual and interim financial statements and advise the Board on whether they are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy;
- Review the appropriateness of the significant accounting policies, judgements and estimates;
- Monitor and review the effectiveness of the internal control and Risk Management Framework;
- Monitor and review the effectiveness of the internal audit function;
- Oversee the relationship with the external auditor, including fees for audit and non-audit services;
- Identify any matters in respect of which it considers that action or improvement is needed and making recommendations to the Board as to the steps to be taken; and
- Monitor and review the process of the assessment of the Group's proven and probable reserves by a recognised Competent Person.

The report also looks ahead to those matters which I expect that the Committee will need to consider in the forthcoming year. As in previous years, we will remain focused on monitoring closely the enlarged Group's financial position, liquidity and covenant compliance, as well as overseeing the execution of our risk-based internal audit plan. During 2019, the Committee will also undertake a tender process for the provision of the external audit services in respect of the 2020 financial year, as required under the Group's policy.

Carl Hughes
Chairman of the Audit Committee
20 March 2019

1 Note that the FRC's enquiries considered compliance with reporting requirements related to certain specific aspects of the Group's 2017 Annual Report rather than verification of information. The FRC did not benefit from detailed knowledge of the Group's business and does not provide assurance that the Group's 2017 Annual Report was correct in all material respects.

AUDIT COMMITTEE REPORT CONTINUED

Committee composition

As required by the UK Corporate Governance Code (the 'Code') published in April 2016, the Committee exclusively comprises Non-Executive Directors, biographies of whom are set out on pages 44 and 45. The Board is satisfied that the Chairman of the Committee, previously an energy and resources audit partner of Deloitte, a 'Big Four' professional services firm, and a Fellow of the Institute of Chartered Accountants in England and Wales, meets the requirement for recent and relevant financial experience.

Membership of the Committee and attendance at the three scheduled meetings held during 2018 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Carl Hughes	1 January 2017	3/3
Helmut Langanger	16 March 2010	3/3
John Winterman	7 September 2017	3/3

Meetings are also normally attended by the General Counsel and Company Secretary, the Chief Financial Officer, Vice President Finance, the external auditor Ernst & Young ('EY') and other key finance team members as required. The Chief Executive and the Chairman of the Board also attend the meetings when invited to do so by the Committee. PricewaterhouseCoopers ('PwC'), in its role as internal auditor during 2018, attended the meetings as appropriate. The Chairman of the Committee regularly meets with the external audit partner (with such meetings including the independent review of the going concern and viability assessments) and the internal audit partner to discuss matters relevant to the Company.

The Committee monitors its effectiveness and the effectiveness of the functions it supports on a regular basis. Through the review of the Terms of Reference of the Audit Committee, regular meetings with the internal and external auditor and key management personnel the Committee has concluded that its core duties in relation to financial reporting, internal controls and risk management systems, whistleblowing and fraud, internal audit, external audit and reporting responsibilities are being performed well.

An external Board effectiveness evaluation was conducted during 2018, and further details are outlined in the Corporate Governance Report (refer to page 51).

Meetings during 2018

In line with the Committee's annual schedule, since the Committee last reported to you, three meetings have been held. A summary of the main items discussed in each meeting is set out in the table below:

Agenda item	August 2018	December 2018	March 2019
Key risks, judgements and uncertainties impacting the half-year and year-end financial statements (reports from both management and EY)	√	√	√
Internal audit findings since last meeting	√	√	√
Internal audit plan for 2019		√	√
Review and approve the external (EY) audit plan, including key risks and planned approach		√	
Approve external (EY) audit fees subject to the audit plan		√	
Review the level of non-audit service fees for EY	√	√	√
Evaluate quality, independence and objectivity of EY	√	√	
Approach to tender for appointment of external auditors			√
Evaluate the viability assessment			√
Appropriateness of going concern assumption	√	√	√
Review of half year and full year regulatory press release and results statements	√		√
Corporate governance update	√	√	√
Presentation on the reserves audit and evaluation of the Competent Person's independence and objectivity			√
Consideration of tax strategy, policy and compliance across corporate, petroleum and indirect taxes		√	
Review of process and controls relating to migration of back-office accounting and support processes to Dubai		√	

Fair, balanced and understandable

A key requirement of our Annual Report and Accounts is for the report to be fair, balanced and understandable. The Audit Committee and the Board are satisfied that the Annual Report and Accounts meet this requirement, with appropriate weight being given to both positive and negative developments in the year.

In justifying this statement, the Audit Committee has considered the robust process which operates in creating the Annual Report and Accounts, including:

- Clear guidance and instructions are provided to all contributors;
- Revisions to regulatory requirements, including the Code, are communicated and monitored;
- A thorough process of review, evaluation and verification of the content of the Annual Report and Accounts is undertaken to ensure accuracy and consistency;

- External advisers, including the external auditors, provide advice to management and the Audit Committee on best practice with regard to the creation of the Annual Report and Accounts; and
- A meeting of the Audit Committee was held in March 2019 to review and approve the draft 2018 Annual Report and Accounts in advance of the final sign-off by the Board.

Financial reporting and significant financial statement reporting issues

The primary role of the Committee in relation to financial reporting is to assess, amongst other things:

- The appropriateness of the accounting policies selected and disclosures made, including whether they comply with International Financial Reporting Standards; and
- Those judgements, estimates and key assumptions that could have a significant impact on the Group's financial performance and position, or on the remuneration of senior management.

We consider these items together with both management and our external auditor, who each provide reports to the Audit Committee in respect of these areas at each Committee meeting. The main areas considered during 2018 are set out below:

Significant financial statement reporting issue	Consideration
Going concern and viability The Group's assessments of the going concern assumption and viability are based on detailed cash flow and covenant forecasts. These are, in turn, underpinned by forecasts and assumptions in respect of: • Production forecast for the next three years, based on the Group's 2019 business plan production forecast; • The oil price assumption, based on a forward curve as at 31 January 2019, of \$61.9/bbl (2019), \$60.7/bbl (2020), \$60.1/bbl (2021) and \$65/bbl (Q1 2022); • Opex and capex forecasts based on the approved 2019 business plan; and • Other funding activities including certain asset portfolio activities.	The Board regularly reviews the liquidity projections of the Group. The detailed going concern and longer-term viability analysis, including sensitivity analysis and stress testing, along with explanations and justifications for the key assumptions made, were presented at the March Audit Committee meeting. The external auditors presented their findings on the conclusions drawn. This analysis was considered and challenged, in detail, by the Committee, including, but not limited to, the appropriateness of the period covered, planning scenarios and macroeconomic assumptions were realistic, stress tests were appropriate and mitigations achievable. The wording in the Annual Report concerning the viability statement and going concern assumption (see page 26) was reviewed and approved for recommendation to the Board.
Potential misstatement of oil and gas reserves The Group has total proved and probable reserves at 31 December 2018 of 245 MMboe. The estimation of these reserves is essential to: • The value of the Company; • Assessment of going concern; • Impairment testing; • Decommissioning liability estimates; and • Calculation of depreciation.	At the March meeting, management presented the Group's 2P reserves, together with the report from Gaffney, Cline & Associates, our reserves auditor. We considered the scope and adequacy of the work performed by Gaffney, Cline & Associates and its independence and objectivity.
Impairment of tangible and intangible assets Significant capital expenditure is incurred on projects and the fair value of these projects is a significant area of judgement. At 31 December 2018, a total of \$1.1 billion had been capitalised in respect of oil and gas and other fixed assets, including \$0.9 billion from the acquisition of the additional interests in the Magnus oil field. The recovery of these amounts is dependent upon the expected future cash flows from the underlying assets. Impairment testing has been performed resulting in a pre-tax non-cash net impairment charge of \$0.1 billion of tangible oil and gas assets. These impairment tests are underpinned by assumptions regarding: • 2P reserves; • Oil price assumptions (based on a forward curve of \$60/bbl (2019), \$65/bbl (2020), \$65/bbl (2021) and \$75/bbl real thereafter); • Life of field opex, capex and abandonment expenditure; and • A discount rate driven by EnQuest's weighted average cost of capital.	Management presented to the Committee, at the March meeting, the key assumptions made in respect of impairment testing, and the result thereof. The Committee considered and challenged these assumptions. Consideration was also given to EY's view of the work performed by management.
Complexity of acquisition accounting The acquisition of the remaining 75% of the Magnus oil field from BP along with BP's interest in the related infrastructure assets completed on 1 December 2018. This is a complex agreement funded by way of a vendor loan from BP and a future profit share arrangement. Given the complexity of the deal there is a fair value calculation misstatement risk. In addition, the initial acquisition of 25% of the Magnus oil field and other interests, completed on 1 December 2017, was revisited in the year with immaterial adjustments made to the original completion accounting.	At the December meeting, the preliminary acquisition accounting considerations were presented to the Committee. In the March meeting, the key assumptions and results of the completion statements were presented to the Committee. Consideration was also given to EY's view of the work performed by management.

AUDIT COMMITTEE REPORT CONTINUED

Significant financial statement reporting issue	Consideration
Adequacy of the decommissioning provision The Group's decommissioning provision of $0.7 billion at 31 December 2018 is based upon a discounted estimate of the future costs and timing of decommissioning of the Group's oil and gas assets. Judgement exists in respect of the estimation of the costs involved, the discount rate assumed, and the timing of decommissioning activities. In 2016, the Group commissioned Wood Group PSN to estimate the costs involved in decommissioning each of our operated fields, and in 2017 Wood Group PSN also estimated the costs involved in decommissioning the Kraken facility and associated infrastructure. These estimates were reviewed by operations personnel and adjustments were made where necessary to reflect management's view of the estimates. The estimates in respect of decommissioning the Group's well stock was determined internally by appropriately qualified personnel. Independent estimates are updated triennially, with the next review due in 2019. The estimate for PM8/Seligi has been reviewed during 2018 and will be reviewed annually. For Alba, our non-operated asset, the provision is based on estimates provided by the operator, adjusted as necessary by our own operations personnel, to ensure consistency in key assumptions with our other North Sea assets.	The Committee reviewed the report by management summarising the key findings and their impact on the provision. Regard was also given to the observations made by EY as to the appropriateness of the estimates made.
Taxation At 31 December 2018, the Group carried deferred tax balances comprising $286.7 million of tax assets (primarily related to previous years' tax losses) and $27.8 million of tax liabilities. The recoverability of the tax losses has been assessed by reference to the tax projections derived from the Group's impairment testing. Ring-fenced losses totalling $3,225.3 million ($1,210.3 million tax-effected) have been recognised. Mainstream (outside ring-fence) tax losses totalling $287.5 million ($48.9 million tax-effected) have not been recognised due to uncertainty of recovery. Given the complexity of tax legislation, risk exists in respect of some of the Group's tax positions.	The Committee received a report from the Group's Head of Tax, outlining all uncertain tax positions, and evaluated the technical arguments supporting the position taken by management. The Committee also took into account the views of EY as to the adequacy of our tax balances. An evaluation of the transparency of the Group's tax exposures was undertaken, reviewing the adequacy and appropriateness of tax disclosures presented by management. Regard was also given to the observations made by EY as to the appropriateness of the disclosures made.

Internal controls

The Code requires that the Board monitors the Company's risk management and internal control systems and, at least annually, carries out and reports on the results of a review of their effectiveness. The Board has oversight of risk management within EnQuest, and page 36 provides more detail on how the Board, and its Risk Committee, have discharged its responsibility in this regard.

Responsibility in respect of internal control is delegated to the Audit Committee. Key features of the Group's internal control framework, the effectiveness of which is reviewed continually throughout the year, include:

- Clear delegations of authority to the Board and its sub-committees, and to each level of management;
- Setting of HSE&A, operational and financial targets and budgets which are subsequently monitored by management and the Board;
- A comprehensive risk management process with clear definition of risk tolerance and appetite. This includes a review by the Risk Committee of the effectiveness of management controls and actions which address and mitigate the most significant risks;
- An annual risk-based internal audit programme developed in conjunction with management. Findings are communicated to the Audit Committee and follow-up reviews are conducted where necessary; and
- Further objective feedback provided by the external auditors and other external specialists.

Obtaining assurance on the internal control environment

The Group outsources its internal audit function to PwC. The Committee remains satisfied that outsourcing this function remains appropriate for the Group but we will continue to keep this approach under review.

The Group's system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of assurance.

In respect of the work performed by the internal auditors, we determine the internal audit plan each year. When setting the plan we consider recommendations from management and the internal auditor, and take into account the particular risks impacting the Company, which are reviewed by the Board and Risk Committee. During 2018, internal audit activities were undertaken for various areas, including reviews of:

- The Group's accounting and consolidation system upgrade pre and post-implementation review and post-implementation lessons learned;
- Procurement procedures in Malaysia; and
- Ongoing rotational reviews of the effectiveness of the financial control framework in the finance functions in head office, the North Sea, Dubai and Malaysia.

In all cases, the audit conclusions were that the systems and processes were satisfactory and, where potential control enhancements were identified as being required, the Committee ensured that appropriate action was being taken by management to implement the agreed improvements.

After considering the priorities in 2019, we have directed internal audit to focus on, amongst other areas, the review of the Risk Management Framework and cyber-security on top of the ongoing rotational review of the financial control framework.

External audit

One of the Committee's key responsibilities is to monitor the performance, objectivity and independence of EY, which has been the Group's external auditor since 2010. Each year, the Committee ensures that the scope of the auditor's work is sufficient and that the auditor is remunerated fairly. The process for reviewing EY's performance involves interviewing, each year, key members of the Group who are involved in the audit process to obtain feedback on the quality, efficiency and effectiveness of EY's audit services. Additionally, the Committee members take into account their own view of EY's performance when determining whether or not to recommend reappointment.

The effectiveness of EY was formally evaluated during the Committee's meeting in December 2018, and it was concluded that the Committee continues to be satisfied with EY's performance and the firm's objectivity and independence. The Chairman of the Committee met with the extended audit team to discuss key audit issues during the year.

In its evaluation of EY, the Committee also considered the level of non-audit services provided by the firm during the year, the compliance with our policy in respect of the provision of non-audit services by the external auditor, and the safeguards in place to ensure EY's continued independence and objectivity. In recommending the reappointment of EY for 2019, the Committee recognised the increase of non-audit fees (from $5,000 in 2017 to $373,000 in 2018). In 2018, the fees reflected the work required of EY for the Group's equity raise prospectus, including the working capital review and reporting accountant's services. The services provided in 2018 are typically provided by a company's auditor. The ratio of non-audit fees to audit fees over the last three years was 23%, which remains below the 70% cap outlined in the Company's policy in respect of non-audit services provided by the external auditor.

In respect of audit tendering and rotation, the Committee has adopted a policy which complies with the EU Audit Regulation and Competition and Markets Authority 'The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities)' Order 2014. This policy requires an annual assessment of whether an audit tender is required on the basis of quality or independence, a mandatory tender after ten years, and rotation of audit firms at least every 20 years. As noted above, EY has been the Group's auditor since 2010, and the external audit has not been tendered in this time. In compliance with the Group policy above, the Committee will undertake a tender process in 2019 for the provision of the external audit services in respect of the 2020 financial year.

Use of external auditors for non-audit services

The Audit Committee and Board believe that the external auditor's independence and objectivity can potentially be affected by the level of non-audit services to EnQuest. However, the Committee acknowledges that certain work of a non-audit nature is best undertaken by the external auditor. To ensure objectivity and independence, and to reflect best practice in this area, the Company's policy on non-audit services reflects the EU Regulations.

As part of the Committee's process in respect of the provision of non-audit services, the external auditor provides the Committee with information about its policies and processes for maintaining independence and monitoring compliance with current regulatory requirements, including those regarding the rotation of audit partners and staff. EY has reconfirmed its independence and objectivity.

The key features of the non-audit services policy, the full version of which is available on our website (www.enquest.com), are as follows:
- A pre-defined list of prohibited services has been established;
- A schedule of services where the Group may engage the external auditor has been established and agreed by the Committee;
- Any non-audit project work which could impair the objectivity or independence of the external auditor may not be awarded to the external auditor; and
- Fees for permissible non-audit services provided by the external auditor for three consecutive years are to be capped at no more than 70% of the average Group audit fee for the preceding three years.

Delegated authority by the Audit Committee for the approval of non-audit services by the external auditor is as follows:

Authoriser	Value of services per non-audit project
Chief Financial Officer	Up to £50,000
Chairman of the Audit Committee	Up to £100,000
Audit Committee	Above £100,000

Raising concerns at work

Throughout the year, our whistleblowing procedure, the 'speak-up' reporting line, has continued to be in place across the Group. This allows employees and contractors to raise any concerns about business practices in confidence, and anonymously if required, through an independently appointed third party. Any concerns raised under these arrangements or otherwise are notified to the Chairman of the Audit Committee and then investigated promptly by the General Counsel, with follow-up action being taken as soon as practicable thereafter. In line with the process outlined on page 52 of the Corporate Governance Statement, there have been a limited number of instances where such issues have been elevated and the Committee has been kept appraised of how these have been addressed.

DIRECTORS' REMUNERATION REPORT

"EXECUTIVE REMUNERATION IS CLOSELY ALIGNED TO COMPANY PURPOSE AND VALUES AND CLEARLY LINKED TO THE SUCCESSFUL DELIVERY OF THE COMPANY'S LONG-TERM STRATEGY."

Helmut Langanger
Former Chairman of the Remuneration Committee

Dear Fellow Shareholder

On behalf of the Board and my fellow members of the Remuneration Committee, I am pleased to present EnQuest's Directors' Remuneration Report ('DRR') for the financial year ended 31 December 2018.

Overview

At the Annual General Meeting ('AGM') in May 2018, almost 90% of shareholders voted to approve the new Remuneration Policy (the 'Policy') for EnQuest. Policy revisions followed an extensive review of the remuneration framework and shareholder consultation by the Committee on some changes to reflect both developments in EnQuest as a maturing business and the ongoing need to retain and attract high-calibre people in a challenging commercial environment. It is anticipated that the Policy will remain in force until the next scheduled shareholder vote, being at the AGM in 2021.

One of the commitments the Company made as part of the policy changes approved at the 2018 AGM was to make appropriate adjustments to production and reserve growth targets under the Performance Share Plans ('PSP') should the Company engage in any future transaction where a change in equity capital is directly linked to changes in production and/or reserves. Any such adjustments will be designed to neutralise fully the incentive outcome to the impact of the change in equity capital. For the 2016 PSP awards, due to vest in April 2019, the Committee agreed to reduce the production outturn for the purpose of the PSP by the equivalent of one month of production from the additional 75% interest in Magnus, which equates to 1,371 Boepd and adjusted the reserves outturn by 55.4 MMboe. For the 2017 and 2018 PSP awards, due to vest in April 2020 and April 2021 respectively, appropriate reductions will be assessed to the Group's production and reserve outturn at the end of each respective performance period.

In 2018, we also implemented the second phase of the two-year rebalancing of the overall executive remuneration package from short-term bonuses to longer-term PSP awards. The main changes were as follows:

- Annual bonus opportunities were reduced from 85% to 75% of salary (at target) and from 175% to 125% of salary (at maximum); and
- A two-year post-vesting holding period will apply to PSP awards made to Executive Directors from 2019 onwards.

As a Committee, we believe that the Policy, strongly endorsed by shareholders, is aligned with the Company's purpose, strategy and Values, and reflects current market practice. We are also clear that variable remuneration should be based on strong, long-term business performance that delivers value to shareholders. We believe that our incentive performance measures help achieve this goal.

The DRR has three sections:

1. This annual summary statement;
2. The Remuneration Policy, which was approved by the shareholders at the 2018 AGM; and
3. The Annual Report on Remuneration of the Executive Directors and Non-Executive Directors for 2018, which will be subject to an advisory shareholder vote at the 2019 AGM.

Shareholder consultation

We continued our programme of open and transparent shareholder dialogue in 2018. Following consultation with shareholders and the subsequent supportive response, a 9.9% increase in base salary for Jonathan Swinney, Chief Financial Officer, was implemented from 1 March 2018, taking his annualised salary from £294,000 to £323,000.

As stated above, we also gained strong support for the AGM resolution to align the Company's production and reserves growth targets with how they are assessed, disclosed and reported.

The Committee understands the revisions made to the UK Corporate Governance Code (the 'Code') published in July 2018 and coming into effect for financial accounting years beginning on or after 1 January 2019. As outlined above and approved by shareholders at the 2018 AGM, the Company has already implemented an additional two-year holding period post the three-year vesting cycle for PSP awards made to Executive Directors vesting from 2019 onwards. The new disclosure requirements, including the Chief Executive 'pay ratio', will be included in EnQuest's 2019 Annual Report and Accounts to be published in April 2020.

The Committee is also aware of the new Code requirement to develop a formal policy for post-employment shareholdings. This policy will be developed as part of the next Policy renewal, required in 2021, and shareholder approval sought at that year's AGM. When developing the Company's Policy, the Committee carefully considers shareholders and proxy adviser guidelines on executive remuneration and welcomes open engagement and dialogue on these matters. We are aware of new institutional shareholder guidelines on executive pensions and the ratio of target to maximum bonus and will address these as part of the next Policy review.

Performance and remuneration outcomes for 2018

2018 was a critical year for EnQuest. A successful rights issue, strongly supported by our shareholders, raised $129 million (net) to fund the acquisition of additional interests in Magnus and the Sullom Voe Terminal and delivered a set of assets with a strong strategic fit into the Group's portfolio. The Group also met its operational and financial targets. While the Group did not dispose of an equity interest in the Kraken asset, a financing agreement with funds managed by Oz Management was successfully executed. This financing, which is ring-fenced on a 15% share of

"I AM PLEASED TO HAVE ASSUMED THE ROLE OF REMUNERATION COMMITTEE CHAIR AND LOOK FORWARD TO CONTINUING OUR OPEN AND TRANSPARENT RELATIONSHIP WITH OUR SHAREHOLDERS."

Laurie Fitch
Chair of the Remuneration Committee

Kraken with repayment made out of the cash flows from this 15% share, along with the Group's improved cash-generation capacity, enabled EnQuest to meet its term loan facility amortisation payments and manage its liquidity position effectively.

2018 annual bonus – payable in 2019
The Executive Directors' annual bonus awards are based on a combination of financial and operational results and the achievement of key accountability objectives. The bonus attainment for Amjad Bseisu (Chief Executive) was based solely on achievement against the Company Performance Contract ('CPC'). In the case of Jonathan Swinney, 50% of his bonus award was based on the CPC and 50% on achievement against performance measures set out in his individual performance contract. A 2018 bonus award of 98.6% of base salary (78.9% of maximum) has been made for Amjad Bseisu and 109.5% of base salary (87.6% of maximum) for Jonathan Swinney. The Committee believes that these levels of award are appropriate in light of performance during the year, including, but not limited to, operational delivery, the successful rights issue and subsequent completion of the acquisition of assets from BP and effective liquidity management. Full details of how these awards were determined are included on pages 68 to 70 of this report. Any bonus amount in excess of 100% of salary will be deferred into EnQuest shares with a holding period of two years, in line with the Policy.

Performance Share Plan ('PSP')
The award vesting on 22 April 2019 is the 2016 PSP award, which had a three-year performance period ending 31 December 2018 and vested at 55.7% of the original award. Our Production Growth target vested at 21.2% out of 40.0% after adjusting for the impacts of the Magnus acquisition, whilst the measure on Total Shareholder Return ('TSR') vested at 34.6% out of 50.0%. However, the Reserves Growth target, with a weighting of 10.0% of the total, after adjusting for the impacts of the Magnus acquisition, was not achieved. Full details of actual performance against the three performance conditions of TSR, Production Growth and Reserves Growth targets are included later in the report.

A PSP award of 250% of salary for both Amjad Bseisu and Jonathan Swinney was made on 24 April 2018. The performance conditions associated with this award will be measured over the three-year performance period until 31 December 2020, and will vest in April 2021.

Executive Director shareholding
Executive Directors are now expected to build up and hold a shareholding of 200% of salary. Both Amjad Bseisu and Jonathan Swinney comfortably meet this requirement.

Executive Director remuneration in 2019

2019 base salaries
As outlined in our report last year, we plan to adjust salaries progressively towards the median of peer companies in our market over the period of this Policy and subject to continued strong performance. This is designed to ensure we continue to retain and attract top people who can deliver superior results for our shareholders.

For the year ahead, the Committee has awarded a salary increase of 2.0% to Amjad Bseisu and Jonathan Swinney effective from 1 January 2019. This is in line with the average increase awarded to Company employees.

2019 PSP awards
The Committee has decided to grant 250% of salary as a PSP award in April 2019 to Amjad Bseisu and Jonathan Swinney. These 2019 awards will be subject to the same performance targets as the 2018 award.

In 2018, we again saw the clear benefits of transparency and a positive and close working relationship with major shareholders. We wish this to continue as we welcome your input, and are always prepared to listen and take on board suggestions that help EnQuest to continue to mature and develop.

I would like to take this opportunity to thank my Committee colleagues and fellow shareholders in their support for me as Committee Chairman. On 29 January 2019, I stepped down from the Chairman role, with Laurie Fitch replacing me. Laurie has been serving on the Committee since she joined the Company on 8 January 2018 and we have been conducting a full handover during the last few months of 2018 to ensure a smooth transition. I will continue to serve as a member of the Committee for 2019 and look forward to continuing to work with Laurie and my fellow Committee members.

Helmut Langanger
Former Chairman of the Remuneration Committee

I am delighted to have assumed the role of Remuneration Committee Chair, having been a member of the Company and this Committee since 8 January 2018. I would also like to take this opportunity to thank Helmut on behalf of my fellow Board and Committee colleagues for his valuable leadership in the development of a robust Remuneration Policy for EnQuest, the results of which are contained in the report that follows. I look forward to meeting with you at our forthcoming AGM and in the future as we continue our objective of having an open and transparent relationship with our shareholders.

Laurie Fitch
Chair of the Remuneration Committee
20 March 2019

DIRECTORS' REMUNERATION REPORT CONTINUED

Governance

General governance

The Directors' Remuneration Report has been prepared in accordance with the requirements of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. It also describes the Group's compliance with the Corporate Governance Code (the 'Code') in relation to remuneration. The Committee takes account of the new requirements for the disclosure of Directors' remuneration and guidelines issued by major shareholder bodies when setting the remuneration strategy for the Company. Disclosure requirements under the revised Code not already part of the Group's Policy will be implemented during 2019 and included in the Company's Annual Report and Accounts for 2019 to be published in April 2020.

Remuneration Policy – approved by shareholders in 2018

The full Directors' Remuneration Policy was approved for three years at the 2018 AGM held on 24 May 2018 with a 'for' vote of 89.67%. A shareholder vote on the Remuneration Policy is not required in 2019. The approved Policy is reproduced on the following pages for ease of reference.

There may be circumstances from time to time when the Committee will consider it appropriate to apply some judgement and exercise discretion in respect of the approved Policy. This ability to apply discretion is highlighted where relevant in the Policy, and the use of discretion will always be in the spirit of the Policy.

Remuneration principles

In determining the Remuneration Policy approved at the AGM held in May 2018, we reviewed our overall remuneration principles to ensure that they continued to be aligned with our strategy. EnQuest's strategic objective is to be the operator of choice for maturing and underdeveloped hydrocarbon assets, focused on enhancing hydrocarbon recovery and extending the useful lives of these assets in a profitable and responsible manner.

We also want to ensure that we operate within the appropriate culture and, therefore, that the principles support and reinforce the EnQuest Values. Our principles are clear and simple; to strengthen the link of reward for exceptional performance, as well as to emphasise the importance of our Values.

In summary, the principles underpinning our Remuneration Policy are that remuneration for Executive Directors should be:
- Aligned with shareholders;
- Fair, reflective of best practice, and market competitive;
- Comprising fixed pay set at or below the median and variable pay capable of delivering remuneration at upper quartile; and
- Rewarding performance with a balance of short-term and long-term elements, shifting the emphasis to longer-term reward.

Executive Directors

General approach

The remuneration of the Executive Directors comprises base salary, participation in an annual bonus plan (paid partly in cash and partly in deferred shares), the Performance Share Plan ('PSP'), private medical insurance, life assurance, personal accident insurance, and cash in lieu of pension.

When setting remuneration for the Executive Directors, the Committee takes into account the performance and experience of the Director, as well as the Company performance, employment conditions for other employees in the Company, and the external marketplace. Data is obtained from a variety of independent sources.

The following table details EnQuest's Remuneration Policy, which became binding from 24 May 2018, following approval at the 2018 AGM:

Component	Purpose	Operation/key features	What is the maximum potential opportunity?	Applicable performance measures
Salary and fees	To enable the recruitment and retention of Executive Directors who possess the appropriate experience, knowledge, commercial acumen and capabilities required to deliver sustained long-term shareholder value.	• Set at or below median when compared to a comparator group generally of the same size and industry as EnQuest and who have a similar level of enterprise value. • Salaries are typically reviewed by the Remuneration Committee in January each year.	Typically, the conditions and pay of all employees within the Company are factors considered by the Committee in its review. Increases in excess of the general workforce may be made where there is a significant change in duties, contribution to Company performance, personal performance, or external market conditions.	None.

Component	Purpose	Operation/key features	What is the maximum potential opportunity?	Applicable performance measures
Pension and other benefits	Provide market-competitive employee benefits that are in line with the marketplace and enable EnQuest to attract and retain high-calibre employees, as well as providing tax-efficient provision for retirement income.	• Delivered as cash in lieu of pension, with remaining benefits provided by the Company. • Executive Directors may participate in the HMRC-approved Sharesave Scheme and benefit from share price growth. • Reviewed annually by the Remuneration Committee and adjusted to meet typical market conditions. • Where required, we would offer additional benefits in line with local market practice. • Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed.	The maximum pension allowance that may be offered is £50,000, plus private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers.	None.
Annual bonus	Incentivises and rewards short-term performance (over no more than one financial year) through the achievement of pre-determined annual targets which support Company strategy and shareholder value.	• Up to 100% of salary paid as cash. All bonus above 100% of salary is deferred into EnQuest shares for two years, subject to continued employment. • The Committee has discretion to allow Executive Directors to receive dividends that would otherwise have been paid on deferred shares at the time of vesting. • Both cash and share elements of bonuses awarded from 2017 may be subject to malus or clawback in the event of a material misstatement of the Company's accounts, errors in the calculation of performance, or gross misconduct by an individual for up to three years following the determination of performance.	• Target award – 75% of salary. • Maximum award – 125% of salary.	• Using a scorecard approach, including key performance objectives such as financial, operational, project delivery, HSE&A targets and net debt. These are set annually by the Remuneration Committee, with varying weightings. • Performance against key objectives has threshold, target and stretch components. • Where the threshold level of performance is met for each element, bonuses will begin to accrue on a sliding scale from 0%.

DIRECTORS' REMUNERATION REPORT CONTINUED

Component	Purpose	Operation/key features	What is the maximum potential opportunity?	Applicable performance measures
Performance Share Plan ('PSP')	• Encourages alignment with shareholders on the longer-term strategy of the Company. • Enhances delivery of shareholder returns by encouraging higher levels of Company performance. • Encourages executives to build a shareholding.	• Annual award levels may take account of the performance of the Company and the Executive Director in the prior year. • Awards vest over three years provided corporate performance conditions have been achieved. • Awards vesting from 2022 onwards will then be subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant. • The Committee has discretion to allow Executive Directors to receive dividends that would otherwise have been paid on shares at the time of vesting. • Awards may take the form of conditional awards, nil cost options or joint interests in shares. Where joint interests in shares are awarded, the participants and the Employee Benefit Trust ('EBT') acquire separate beneficial interests in shares in the Company. • Awards granted from 2017 onwards are subject to malus or clawback in the event of a material misstatement of the Company's accounts, errors in the calculation of performance, or gross misconduct by an individual for up to three years following the determination of performance.	• Normal maximum – 250% of salary. • Exceptional maximum – 350% of salary.	• Vesting of awards granted from 2017 will be based on, but not limited to, relative TSR, reserves growth, production growth and net debt (or debt reduction). • No more than 25% of the maximum award vests at threshold. • Details of the performance conditions applied to awards granted in the year under review and for the awards to be granted in the forthcoming year are set out in the Annual Report on Remuneration. • The number, type and weighting of performance measures may vary for future awards to help drive the strategy of the business provided these are no less challenging than the existing targets. • The Committee will normally consult with major shareholders before introducing any material new metrics.

Component	Purpose	Operation/key features	What is the maximum potential opportunity?	Applicable performance measures
Chairman and Non-Executive Director fees	To attract Non-Executive Directors of the calibre and experience required for a company of EnQuest's size.	• Fees for the Non-Executive Directors are reviewed annually by the Chairman and Executive Directors and take into account: – typical practice at other companies of a similar size and complexity to EnQuest; – the time commitment required to fulfil the role; and – salary increases awarded to employees throughout the Company. • Non-Executive Directors are paid a base fee, with additional fees being paid to the Senior Independent Director and Committee Chairs, to reflect the additional time commitments and responsibilities these roles entail. • Additional fees may be paid if there is a material increase in time commitment and the Board wishes to recognise this additional workload. • Any reasonable business-related expenses (including tax thereon) which are determined to be a taxable benefit can be reimbursed. • The Non-Executive Directors are not eligible to participate in any of the Company incentive schemes. • The Chairman's fee is set by the Senior Independent Director and consists of an all-inclusive fee.	• Limited by the Company's Articles of Association. • Reviewed periodically but at least every third year.	None.

Shareholding requirement

The Executive Directors are expected to retain 50% of shares from vested awards under the PSP (other than sales to settle any tax or social security withholdings due) until they hold at least 200% of salary in shares[1]. The Committee will review progress against this guideline on an annual basis.

Note:
1 To include shares which are beneficially owned (directly or indirectly) by family members of an Executive Director

DIRECTORS' REMUNERATION REPORT CONTINUED

Performance measures and targets

Annual bonus

The annual bonus scheme is a weighted scorecard of key performance indicators with a number of categories, under which the performance of the Company, and therefore the annual bonus of Executive Directors, is determined. The categories that form the scorecard may include, but are not limited to:

- Health, Safety, Environment and Assurance ('HSE&A');
- Financial (including EBITDA, opex and capex);
- Operational performance/production;
- Project delivery;
- Reserves additions;
- Net debt; and
- Objectives linked to key accountabilities.

The measures in each category are selected by the Committee to support the creation of shareholder value. These criteria are also aligned with the longer-term strategy of the Company and the performance conditions of the Company's long-term incentive scheme. In addition to measuring performance against objectives, the Committee will consider the overall quality of the Company's financial performance, and other factors, when determining annual performance pay awards.

Amjad Bseisu's bonus objectives are normally based solely on the Company Performance Contract ('CPC') of EnQuest. Jonathan Swinney's bonus objectives may also include up to 50% based on additional objectives that cover his own specific area of key accountabilities and responsibilities.

Annual bonus and share deferrals

Executive Directors will normally receive any applicable annual bonus in cash and deferred shares. Any amount up to the equivalent of 100% of salary will be distributed in cash around the time of the announcement of full year results, with any amount above the equivalent of 100% of salary converted into EnQuest shares (without further performance conditions) and deferred for two years, subject to continued employment. In exceptional circumstances, these awards may be settled in cash, but only with the pre-approval of the Remuneration Committee.

Performance Share Plan

The PSP is typically awarded annually and has a vesting period of three years. Awards vesting from 2022 onwards will be subject to an additional two-year holding period which, unless the Committee determines otherwise, will apply up to the fifth anniversary of the date of grant. Performance conditions are attached to the awards and reflect the longer-term strategy of EnQuest. For awards granted in 2019, these will comprise:

- TSR against a comparator group of oil and gas companies;
- Production growth on a Compound Annual Growth ('CAG') basis;
- Reserves growth on an absolute growth basis; and
- Net debt on an absolute reduction basis if considered appropriate by the Remuneration Committee.

Approach to recruitment remuneration

In the event that the Company appoints a new Executive Director either internally or externally, when determining appropriate remuneration arrangements, the Committee will take into consideration a number of factors including, but not limited to: quantum relating to prior arrangements; the remuneration of other Executive Directors in the Company; appropriate benchmarks in the industry; and the financial condition of the Company. This ensures that the arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an executive of the required calibre.

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below market salary initially (for example, to allow them to gain experience in the role), their salary may be increased to a median market level over a period by way of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy at the time. Different performance measures may be set for the year of joining the Board for the annual bonus and PSP, taking into account the individual's role and responsibilities and the point in the year the executive joined.

Benefits and pensions for new appointees to the Board will normally be provided in line with those offered to other executives and employees taking account of local market practice, with relocation expenses/arrangements provided for if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with EnQuest. Legal fees and other relevant costs and expenses incurred by the individual may also be paid by the Company.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant.

The Committee may make additional awards on appointing an Executive Director to 'buy out' remuneration arrangements forfeited on leaving a previous employer. Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attaching to that remuneration. The Group's existing incentive arrangements, including the 2010 Restricted Share Plan ('RSP'), will be used to the extent possible for any buyout (subject to the relevant plan limits), although awards may also be granted outside of these schemes, if necessary, and as permitted under the Listing Rules.

On the appointment of a new Chair or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual.

Service contracts
Amjad Bseisu and Jonathan Swinney entered into service agreements with the Company which are terminable by either party giving not less than 12 months' written notice. The Company may terminate their employment without giving notice by making a payment equal to the aggregate of the Executive Director's basic salary and the value of any contractual benefits for the notice period including any accrued but untaken holiday. Such payments may be paid monthly and/or subject to mitigation.

Executive Directors	Date of appointment	Notice period
Amjad Bseisu	22 February 2010	12 months
Jonathan Swinney	29 March 2010	12 months

The Chairman and Non-Executive Directors have letters of appointment, the details of which are provided below.

Non-Executive Directors' letters of appointment	Date of appointment	Notice period	Initial term of appointment
Jock Lennox[1]	22 February 2010	3 months	3 years
Carl Hughes	1 January 2017	3 months	3 years
Helmut Langanger[2]	16 March 2010	3 months	3 years
Philip Holland	1 August 2015	3 months	3 years
John Winterman	7 September 2017	3 months	3 years
Laurie Fitch[3]	8 January 2018	3 months	3 years

Notes:
1 Jock Lennox also has a more recent letter of appointment following him becoming Chairman on 8 September 2016
2 Helmut Langanger stepped down as Chair of the Remuneration Committee on 29 January 2019
3 Laurie Fitch was appointed to the Board on 8 January 2018, becoming a member of the Remuneration and Risk Committees. Laurie assumed the role of Chair of the Remuneration Committee on 29 January 2019

External directorships
The Company recognises that its Executive Directors may be invited to become non-executive directors of companies outside the Company and exposure to such non-executive duties can broaden experience and knowledge, which would be of benefit to the Company. Any external appointments are subject to Board approval (which would not be given if the proposed appointment required a significant time commitment; was with a competing company; would lead to a material conflict of interest; or could otherwise have a detrimental effect on a Director's performance). Executive Directors will be permitted to retain any fees arising from such appointments, details of which will be provided in the respective companies' Annual Report on Remuneration.

Policy on payment for loss of office
The Company's policy is for all Executive Directors to have contracts of service which can be terminated by either the Director concerned or the Company on giving 12 months' notice of termination. In the event of termination by the Company (other than as a result of a change of control), the Executive Directors would be entitled to compensation for loss of basic salary and cash benefit allowance and insured benefits for the notice period up to a maximum period of 12 months. Such payments may be made monthly and would be subject to mitigation. The Company may also enable the provision of outplacement services to a departing Executive Director, where appropriate.

When Executive Directors leave the Company with good leaver status, and they have an entitlement to unvested shares granted under the Deferred Bonus Share Plan ('DBSP') and PSP, any performance conditions associated with each award outstanding would remain in place and are normally tested at the end of the original performance period. Shares would also normally then vest on their original vesting date in the proportion to the satisfied performance conditions and are normally pro-rated for time. Awards held by Executive Directors who are not good leavers would lapse.

An annual bonus would not typically be paid to Executive Directors when leaving the Company. However, in good leaver circumstances the Committee has the discretion to pay a pro-rated bonus in cash, in consideration for performance targets achieved in the year. Deferred bonus shares held by good leavers will normally vest at the normal vesting date.

Similar provisions related to the treatment of incentive awards would apply on a change of control, with performance conditions normally tested at the date of the change of control and with pro-rating for time, although the Remuneration Committee has discretion to waive pro-rating (but not the performance conditions) where it feels this is in the best interests of shareholders.

The Non-Executive Directors do not have service contracts, but their terms are set out in a letter of appointment. Their terms of appointment may be terminated by either party giving three months' notice in writing. During the notice period Non-Executive Directors will continue to receive their normal fee.

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration Committee discretion and determinations
The Committee will operate the annual bonus scheme, DBSP, PSP, RSP and Sharesave Scheme according to their respective rules and in accordance with the Listing Rules and HMRC requirements, where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these arrangements. These include, but are not limited to, the following:

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Applying 'good leaver' status in circumstances such as death, ill health and other categories as the Committee determines appropriate and in accordance with the rules of the relevant plan;
- Discretion to disapply time pro-rating in the event of a change of control or good leaver circumstances;
- Discretion to settle any outstanding share awards in cash in exceptional circumstances;
- Adjustments or variations required in certain circumstances (e.g. rights issues, corporate restructuring, change of control, special dividends and other major corporate events); and
- The ability to adjust existing performance conditions and performance targets for exceptional events so that they can still fulfil their original purpose.

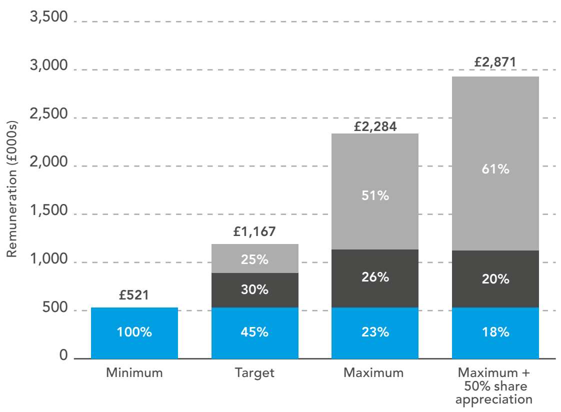
If an event occurs which results in any applicable performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

If tax liabilities arise from an error or omission by the Company that is outside of the control of the Executive Directors, the Committee will have the ability to reimburse any such tax liabilities.

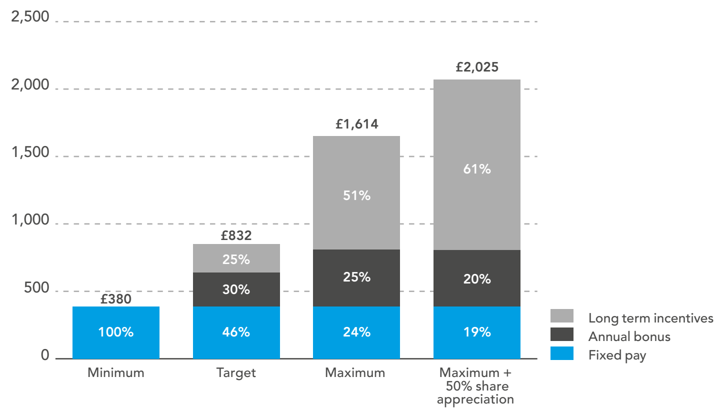
Legacy awards
For the avoidance of doubt, authority is given to the Committee to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in this or any previous DRRs or subsequently agreed in line with the approved policy in force at that time. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Remuneration outcomes in different performance scenarios
The charts below set out an illustration of the remuneration arrangements for 2019 in line with the Remuneration Policy described in the policy section. These charts provide an illustration of the proportion of total remuneration made up of each component of the Policy and the value of each component. Four 2019 scenarios have been illustrated for each Executive Director, aligning with the revised remuneration reporting requirements that came into effect from 1 January 2019:

Below threshold performance	• Fixed remuneration • Zero annual bonus • No vesting under the PSP
Target performance	• Fixed remuneration • Target payout under the annual bonus, set at 60% of the maximum bonus opportunity • 25% of maximum vesting under the PSP at threshold performance
Maximum performance	• Fixed remuneration • Maximum payout under the annual bonus • Full vesting under the PSP
Maximum performance plus 50% share appreciation	• Fixed remuneration • Maximum payout under the annual bonus • Full vesting under the PSP plus assumed 50% share price appreciation at vesting



Chief Executive (£000s)



Chief Financial Officer (£000s)

Note:
Fixed pay comprises salary from 1 January 2019 for Amjad Bseisu and Jonathan Swinney, a pension allowance of £50,000 plus medical insurance benefit of £1,500 each

Statement of consideration of employment conditions elsewhere in the Company
The remuneration arrangements for the Executive Directors are consistent with the remuneration principles that have been established and are similar to those of the other employees of EnQuest.

The key differences are as follows:
- Executive Directors and members of the Executive Committee have their fixed pay set below or at market median for the industry; other employees typically have their salaries positioned at market median. Specific groups of key technical employees may have their salaries set above median for the industry;
- All employees are offered a non-contributory pension scheme. Executive Directors are given cash in lieu of pension. Non-Executive Directors do not participate in pension or benefits arrangements;
- Non-Executive Directors do not participate in the annual bonus scheme;
- If applicable, Executive Directors have an element of the annual bonus automatically converted to shares and deferred; and
- All other employees may be invited to participate in the DBSP where they can elect to defer a defined proportion of their annual bonus and receive a matching amount of shares that vest over the following three years. Executive Directors are not eligible to receive matching share awards under this plan.

During the annual remuneration review, the Committee receives a report which details the remuneration arrangements of other executives and senior management as well as the overall spend versus budget for all employees. This report helps to act as a guide to the Committee as to the levels of reward being achieved across the organisation so that they can ensure the Directors' pay does not fall out of line with the general trends.

Employees have not previously been directly consulted about the setting of Directors' pay, although the Committee will take into consideration any developments in regulations in operating this policy.

Statement of shareholder views
The Remuneration Committee welcomes and values the opinions of EnQuest's shareholders with regard to the levels of remuneration for Directors. The 2017 DRR was voted on at the AGM held in May 2018, where 99.87% of the votes cast were in favour.

Annual Report on Remuneration for 2018

Terms of reference
The Committee's terms of reference are available either on the Company website, www.enquest.com, or by written request from the Company Secretarial team at the Group's London headquarters. The remit of the Committee embraces the remuneration strategy and policy for the Executive Directors, senior management and, in certain matters, for the whole Company.

Meetings in 2018
The Committee normally has four scheduled meetings per year. During 2018, it met on four occasions as scheduled to review and discuss base salary adjustments for 2019, the setting of Company performance and related annual bonus for 2018, PSP performance conditions, UK Corporate Governance Code provisions and approval of share awards.

Committee members, attendees and advisers

Member	Date appointed Committee member	Attendance at scheduled meetings during the year
Helmut Langanger[1]	16 March 2010	4/4
Laurie Fitch[2]	8 January 2018	4/4
Philip Holland	12 October 2016	4/4
Carl Hughes	1 January 2017	4/4
John Winterman	7 September 2017	4/4

Notes:
1 Helmut Langanger stepped down as Chair of the Remuneration Committee on 29 January 2019
2 Laurie Fitch was appointed to the Board on 8 January 2018, becoming a member of the Remuneration and Risk Committees. Laurie assumed the role of Chair of the Remuneration Committee on 29 January 2019

Advisers to the Remuneration Committee
The Committee invites individuals to attend meetings to provide advice so as to ensure that the Committee's decisions are informed and take account of pay and conditions in the Company as a whole. These individuals, who are not members but may attend by invitation, included:
- The Chairman (Jock Lennox);
- The Chief Executive (Amjad Bseisu);
- The Chief Financial Officer (Jonathan Swinney);
- The Company Secretary (Stefan Ricketts);
- The Human Resources Director (Michael Easton) who, since appointment, acts as secretary to the Committee; and
- A representative from Mercer Kepler, appointed as remuneration adviser by the Committee from 1 August 2017.

No Director takes part in any decision directly affecting their own remuneration.

DIRECTORS' REMUNERATION REPORT CONTINUED

Information subject to audit

Directors' remuneration: the 'single figure'

In this section of the report we have set out the payments made to the Executive and Non-Executive Directors of EnQuest for the year ended 31 December 2018 together with comparative figures for 2017.

Single total figure of remuneration – Executive Directors

	'Single figure' of remuneration – £000s											
Director	**Salary and fees 2018**	Salary and fees 2017	**All taxable benefits 2018**	All taxable benefits 2017	**Annual bonus 2018[1]**	Annual bonus 2017[1]	**LTIP 2018[2]**	LTIP 2017[2]	**Pension 2018[3]**	Pension 2017[3]	**Total for 2018[4]**	Total for 2017[4]
Amjad Bseisu	**461**	452	**1**	1	**454**	449	**386**	46	**50**	50	**1,352**	998
Jonathan Swinney	**318**	294	**1**	1	**354**	388	**251**	30	**50**	50	**974**	763
Total[4]	**779**	746	**3**	2	**808**	837	**637**	76	**100**	100	**2,326**	1,761

Notes:
1 The annual bonus for 2018 for Amjad Bseisu and Jonathan Swinney was based on base salary levels and payment was made in respect of the full financial year. The amount stated is the full amount (including any portion deferred). Any 2017 and 2018 Executive Director bonus for Amjad Bseisu and Jonathan Swinney that is above 100% of their respective salary has been paid in EnQuest PLC shares, deferred for two years, and subject to continued employment
2 **PSP awarded on 22 April 2016 which will vest on 22 April 2019:** the LTIP value shown in the 2018 single figure is calculated by taking the number of performance shares that will vest (55.7% of the performance conditions were achieved) multiplied by the average value of the EnQuest share price between 1 October 2018 and 31 December 2018, as the share price on 22 April 2019 was not known at the time of this report
PSP awarded on 27 March 2015 which vested on 27 March 2018: the LTIP value shown in the 2017 single figure is calculated by taking the number of performance shares that vested (10.92% of the performance conditions were achieved) multiplied by the actual share price (before adjusting for the impact of the rights issue in October 2018) of 30.42 pence on the vesting date of 27 March 2018. The 2017 value of the vested shares in the remuneration table has been updated from last year's value to represent the actual value received on the date of vesting
3 Cash in lieu of pension
4 Rounding may apply

Single total figure of remuneration – Non-Executive Directors

The remuneration of the Non-Executive Directors for the year ended 31 December 2018 was as follows, together with comparative figures for 2017:

	'Single figure' of remuneration – £000s					
Director	**Salary and fees 2018**	Salary and fees 2017	**All taxable benefits 2018**	All taxable benefits 2017	**Total for 2018**	Total for 2017
Jock Lennox	**150**	150	**–**	–	**150**	150
Carl Hughes	**60**	60	**–**	–	**60**	60
Helmut Langanger[1]	**70**	70	**–**	–	**70**	70
Laurie Fitch[2]	**50**	–	**–**	–	**50**	–
Philip Holland	**60**	60	**–**	–	**60**	60
John Winterman[3]	**50**	16	**–**	–	**50**	16
Total	**440**	356	**–**	–	**440**	356

Notes:
1 Helmut Langanger stepped down as Chair of the Remuneration Committee on 29 January 2019
2 Laurie Fitch became a Non-Executive Director on 8 January 2018, becoming a member of the Remuneration and Risk Committees. Laurie assumed the role of Chair of the Remuneration Committee on 29 January 2019
3 John Winterman became a Non-Executive Director on 7 September 2017; therefore his 2017 fees were pro-rated

Annual bonus 2018 – paid in 2019

The Committee's belief is that any short-term annual bonus should be tied to the overall performance of the Company. An Executive Director's annual bonus may also be tied to additional objectives that cover their own specific area of key accountabilities and responsibilities. The maximum bonus entitlement for the year ended 31 December 2018 as a percentage of base salary was reduced from 175% to 125% for Amjad Bseisu and Jonathan Swinney.

For Amjad Bseisu, the annual bonus for 2018 was wholly based on the CPC results. For Jonathan Swinney, 50% of the bonus potential was assessed against the CPC and 50% on achievement against personal targets based on key objectives for the year in his area of responsibility.

Company Performance Contract
The details of the CPC for both Amjad Bseisu and Jonathan Swinney and the personal objectives for Jonathan Swinney are set out in the following tables showing the performance conditions and respective weightings against which the bonus outcome was assessed.

Performance measure	Weighting	Performance targets and payout		Amjad Bseisu	Jonathan Swinney
Production (Mboepd)	25.00%	Threshold: 50.0 Maximum: 58.0	Maximum bonus % available	31.25%	15.63%
		Actual: 55.4	Actual % payout	23.13%	11.56%
Opex Value of Work Done ('VOWD')	20.00%	Threshold: 513 Maximum: 463	Maximum bonus % available	25.00%	12.50%
		Actual: 454	Actual % payout	25.00%	12.50%
Cash capex ($ million)	10.00%	Threshold: 275 Maximum: 235	Maximum bonus % available	12.50%	6.25%
		Actual: 220	Actual % payout	12.50%	6.25%
Net debt ($ million) Including PIK At end 2018	15.00%	Threshold: 1,765 Maximum: 1,595	Maximum bonus % available	18.75%	9.38%
		Actual: 1,774	Actual % payout	0.00%	0.00%
Projects sanction: Dunlin by pass and Scolty/Crathes pipeline	10.00%	Threshold: Sanction Dunlin bypass and Scolty/Crathes in 2018, with the pipelines online in 2020 Maximum: Sanction both projects to enable them to be online in Q3 2019	Maximum bonus % available	12.50%	6.25%
		Actual: Both projects were sanctioned in Q2 2018 and are expected to be online in Q3 2019	Actual % payout	12.50%	6.25%
Liquidity management: Deliver appropriate funding arrangements to maintain liquidity (if required)	10.00%	Threshold: n/a Maximum: $75 million and covenant compliance if required	Maximum bonus % available	12.50%	6.25%
		Actual: Secured Oz Management financing and maintained covenant compliance	Actual % payout	12.50%	6.25%
Liquidity management: Disposal of up to 20% interest in Kraken	10.00%	Threshold: Disposal of up to 20% interest of Kraken for minimum acceptable price Maximum: Disposal of up to 20% interest of Kraken for above fair value	Maximum bonus % available	12.50%	6.25%
		Actual: No disposal of Kraken achieved	Actual % payout	0.00%	0.00%
Magnus performance recognition		Added $500 million of NPV at $70/bbl and an additional 16 MMboe of 2P Reserves	n/a	13.00%	6.50%
Total bonus payout (% of salary)				**98.63%**	**49.31%**

Any payout against the CPC is subject to an additional underpin based on the Committee's assessment of the Company's HSE&A performance. This was reviewed by the Committee in January 2019 and was determined to be satisfactory.

DIRECTORS' REMUNERATION REPORT CONTINUED

Personal objectives were set individually for Jonathan Swinney based on his key areas of focus for the year within his area of responsibility. Please note that for reasons of commercial sensitivity, full details of the target ranges are not being disclosed. However, the following table highlights the key objectives and achievements as assessed by the Committee for Jonathan Swinney's individual performance targets for 2018.

Jonathan Swinney
Individual Performance Contract

Objective	Weighting	Maximum bonus available	Measures	Key achievements	Performance outcome (Threshold / Target / Stretch)	Percentage of bonus achieved
Strategic: Balance sheet responsibility (including liquidity)	50.00%	31.25%	Balance sheet strengthening with liquidity aligned with strategy	Effective management and delivery against target with liquidity management delivered		31.25%
Strategic: Financial control environment	15.00%	9.38%	Ensure effective and compliant financial control processes	Achieved high level of internal controls compliance and implemented systems upgrade independently audited by PwC		9.00%
Strategic: Cost control	15.00%	9.38%	Effective cost recovery management and maximise Kraken oil sales price	Achieved stretch cost recovery management goals Kraken oil sales price realised between target and stretch		9.15%
Organisation development and people	20.00%	12.50%	Optimisation of finance and economics organisation and workflows Delivery of culture improvement and succession plans	Achieved optimised finance and economic organisations to stretch timelines with improved workflows Delivered within finance and supported across the wider business		10.75%
Total:	**62.50%**					**60.15%**

The annual bonus summary for the Executive Directors for 2018 is shown in the table below. The Committee carefully assessed the achievement of the performance conditions against the Company Performance Contract and personal objectives for both Amjad Bseisu and Jonathan Swinney to determine the overall level of annual bonus for each Executive Director.

		Amjad Bseisu		Jonathan Swinney	
Performance measure[1]	Weighting	Max	Actual % payout of salary	Max	Actual % payout of salary
Production	25.00%	31.25%	23.13%	15.63%	11.56%
Opex VOWD	20.00%	25.00%	25.00%	12.50%	12.50%
Cash capex	10.00%	12.50%	12.50%	6.25%	6.25%
Net debt including PIK	15.00%	18.75%	0.00%	9.38%	0.00%
Projects	10.00%	12.50%	12.50%	6.25%	6.25%
Liquidity management: Funding arrangements	10.00%	12.50%	12.50%	6.25%	6.25%
Liquidity management: Disposal of up to 20% interest in Kraken	10.00%	12.50%	0.00%	6.25%	0.00%
Magnus performance recognition	n/a	n/a	13.00%	n/a	6.50%
Sub-total		**125.00%**	**98.63%**	**62.50%**	**49.31%**
Personal objectives	n/a	n/a	n/a	62.50%	60.15%
Total payout (%)[2]		**125.00%**	**98.63%**	**125.00%**	**109.46%**
Total payout (% of maximum)			**78.90%**		**87.57%**
Total 2018 bonus award (£)			**£454,210**		**£353,568**

Notes:
1 In relation to the financial measures, threshold, target and stretch performance pay out at 0%, 60% and 100% of maximum respectively and on a straight-line basis in between threshold and target performance and between target and stretch performance
2 Any bonus that exceeds 100% of the Executive Director's salary is converted into EnQuest shares to be retained for a further two years until April 2021

2016 PSP awards that vest in 2019
The LTIP award made on 22 April 2016 was based on the performance to the year ended 31 December 2018 and will vest on 22 April 2019.

The performance targets for this award and actual performance against those targets over the three-year financial period were as follows:

			Performance conditions and weighting			
Grant date	Vesting date	Performance period	Relative TSR	Production growth	Reserves growth	Total award
22 April 2016	22 April 2019	1 Jan 2016 – 31 Dec 2018	50.00%	40.00%	10.00%	100.00%
Below threshold			–	36,567 Boepd	216.0[1] MMboe	
Threshold			Median (9th position)	48,671 Boepd	250.0 MMboe	
Maximum			Upper quartile (5th position)	63,188 Boepd	287.0 MMboe	
Actual performance achieved			**(7th position)**	**54,076 Boepd[2]**	**190.6 MMboe[2]**	
Percentage meeting performance conditions and total vest			**34.60%**	**21.20%**		**55.70%**

Notes:
1 This figure includes the additional 10.5% share of Kraken acquired on 1 January 2016
2 Adjusted to remove the impacts of the acquisition of an additional 75% interest in Magnus

The table below shows the number of nil cost options awarded on 22 April 2016 that will vest on 22 April 2019 and their value at 31 December 2018. This figure is calculated by taking the average closing share price on each trading day of the period 1 October 2018 to 31 December 2018 and is used as the basis for reporting the 2018 'single figure' of remuneration. The actual value of these shares recorded in the remuneration table will be updated in 2019 to represent the actual value received on the day of vesting.

Name	No. of shares	No. of adjusted shares applied[1]	Total shares	Portion vesting	No. of shares vesting	Average share price £	Value at 31 Dec 2018 £
Amjad Bseisu	2,260,802	384,336	2,645,138	55.7%	1,473,342	0.26188	385,841
Jonathan Swinney	1,472,150	250,265	1,722,415	55.7%	959,385	0.26188	251,245

Note:
1 Reflects the adjustment required to the PSP award to maintain its value following the rights issue, which took place in October 2018

April 2018 PSP award grant
After due consideration of business performance in 2017, the Remuneration Committee awarded the Executive Directors the following performance shares on 24 April 2018:

	Face value (% of 2017 salary)	Face value at date of grant £	No. of shares	No. of adjusted shares applied[1]	Total shares	Performance period
Amjad Bseisu	250%	1,320,755	3,065,864	521,196	3,587,060	1 Jan 2018 – 31 Dec 2020
Jonathan Swinney	250%	860,026	1,996,376	339,383	2,335,759	1 Jan 2018 – 31 Dec 2020

Note:
1 Reflects the adjustment required to the PSP award to maintain its value following the rights issue, which took place in October 2018. This adjustment is not reflected in the calculation of the face value as a percentage of 2017 salary, which is based on the number of shares originally awarded and the share price (before adjusting for the impact of the rights issue in October 2018) on the date of the award of 36.82 pence

Summary of performance measures and targets – April 2018 PSP grant
The 2018 PSP share awards granted on 24 April 2018 have four sets of performance conditions associated with them, over a three-year financial performance period:
- 30% of the award relates to TSR relative to a comparator group of 13 oil and gas companies over the same period;
- 30% relates to production growth on a CAG basis from a 2018 base level;
- 10% relates to reserves growth (on an absolute growth basis from a 2018 base level); and
- 30% is calculated on net debt reduction (on an absolute reduction basis) from a 2018 base net debt figure

Vesting is determined on a straight-line basis between threshold and maximum for all of the performance conditions.

The performance period for the award will be 1 January 2018 to 31 December 2020 but the awards will not vest until 24 April 2021.

DIRECTORS' REMUNERATION REPORT CONTINUED

2018 PSP – schedule for vesting in 2021

	Relative TSR weighting 30%		Production growth weighting 30%		Reserves growth weighting 10%		Reduction in net debt weighting 30%	
	Performance	Vesting	Performance	Vesting	Performance	Vesting	Performance	Vesting
Below threshold	Below median	0%	Less than 10% growth from base (CAG)	0%	Less than 105% of base	0%	Less than 25% reduction	0%
Threshold[1]	Median	25%	10% growth from base (CAG)	25%	105% of base	25%	25% reduction	25%
Maximum[1]	Upper quartile (or better)	100%	20% growth from base (CAG) (or better)	100%	110% of base (or better)	100%	35% reduction (or better)	100%

Note:
1 Linear between threshold and maximum

PSP measure base levels
These are the historical base levels that performance is measured from, for a three-year period for each annual PSP grant, up to and including the PSP award granted in 2019:

Year of grant	Production growth – base level	Reserves growth – base level	Net debt – base level
2016	36,567 Boepd	216.0 MMboe[1]	n/a
2017	39,751 Boepd	215.5 MMboe	$1,796.5 million
2018	37,405 Boepd	210.3 MMboe	$1,991.4 million
2019	55,447 Boepd	245.2 MMboe	$1,774.5 million

Note:
1 The reserve figure includes the additional 10.5% share of Kraken acquired on 1 January 2016

The comparator group companies for the TSR performance condition relating to the 2018 PSP award are as follows:

FTSE 350	FTSE All-Share	FTSE AIM – Top 150	NASDAQ OMX Stockholm	Other
Cairn Energy	Premier Oil	Amerisur Resources	Africa Oil	Genel Energy
Ophir Energy	Soco International	Faroe Petroleum	Blackpearl Resources[1]	
Tullow Oil		Rockhopper Exploration	Lundin Petroleum	
		Bowleven		

Note:
1 Blackpearl Resources has been subject to M&A activity during the performance period. As per normal practice, activities have been included up to the date Blackpearl Resources ceased to trade, after which the midpoint of the comparator group has been tracked

The number of PSP awards outstanding as at 31 December 2018 are as follows:

	No. of shares	No. of adjusted shares applied[1]	Total shares awarded	Performance period	Performance conditions (and weighting)	Vesting date
Grant date – April 2016					TSR (50%)	22 Apr 2019
Amjad Bseisu	2,260,802	384,336	2,645,138	1 Jan 2016 – 31 Dec 2018	Production growth (40%)	
Jonathan Swinney	1,472,150	250,265	1,722,415		Reserves growth (10%)	
Grant date – September 2017					TSR (30%)	12 Sep 2020
Amjad Bseisu	4,134,615	702,884	4,837,499	1 Jan 2017 – 31 Dec 2019	Production growth (30%)	
Jonathan Swinney	2,692,307	457,692	3,149,999		Reserves growth (10%)	
					Net debt reduction (30%)	
Grant date – April 2018					TSR (30%)	24 Apr 2021
Amjad Bseisu	3,065,864	521,196	3,587,060	1 Jan 2018 – 31 Dec 2020	Production growth (30%)	
Jonathan Swinney	1,996,376	339,383	2,335,759		Reserves growth (10%)	
					Net debt reduction (30%)	

Note:
1 Reflects the adjustment required to the PSP award to maintain its value following the rights issue, which took place in October 2018

Pension allowance
Executive Directors do not participate in the EnQuest pension plan and instead receive cash in lieu. Both Amjad Bseisu and Jonathan Swinney received £50,000. These are equivalent to 10.8% of Amjad Bseisu's salary and 15.4% of Jonathan Swinney's 2018 salary.

Statement of Directors' shareholding and share interests
The interests of the Directors in the share capital of the Company as at 31 December 2018 are shown below:

In 2018, the following awards were granted, vested and lapsed for the Executive Directors

PSP	31 December 2017	Granted	Lapsed	No. of adjusted shares applied[1]	31 December 2018	Vesting period	Expiry date
Amjad Bseisu	1,390,402		1,238,571	25,811	177,642	27 Mar 2015 – 27 Mar 2018	27 Mar 2025
	2,260,802			384,336	2,645,138	22 Apr 2016 – 22 Apr 2019	22 Apr 2026
	4,134,615			702,884	4837,499	12 Sep 2017 – 12 Sep 2020	12 Sep 2027
		3,065,864		521,196	3,587,060	24 Apr 2018 – 24 Apr 2021	24 Apr 2028
Jonathan Swinney	901,439		803,002	16,734	115,171	27 Mar 2015 – 27 Mar 2018	27 Mar 2025
	1,472,150			250,265	1,722,415	22 Apr 2016 – 22 Apr 2019	22 Apr 2026
	2,692,307			457,692	3,149,999	12 Sep 2017 – 12 Sep 2020	12 Sep 2027
		1,996,376		339,383	2,335,759	24 Apr 2018 – 24 Apr 2021	24 Apr 2028

Note:
1 Reflects the adjustment required to the PSP award to maintain its value following the rights issue, which took place in October 2018

The table above shows the maximum number of shares that could be released if awards were to vest in full. These awards first vest on the third anniversary of the award date, subject to the achievement of performance conditions (as described elsewhere in this report).

Payments to past Directors
Loss of office payments to Neil McCulloch totalling £32,201 were made during 2018. There were no other payments made to past Directors during 2017.

Statement of Directors' shareholdings and share interests
Executive Directors are currently required to build up and hold shares in the Company worth 200% of salary and are expected to retain 50% of shares from vested awards under the PSP (other than sales to settle any tax or social security withholdings due) until they hold at least 200% of salary in shares (this includes shares which are beneficially owned directly or indirectly by family members of an Executive Director).

	Legally owned (number of shares)	Value of legally owned shares as % of salary[1]	Unvested and subject to performance conditions under the PSP	Vested but not exercised under the PSP	Vested but not exercised under the RSP	Sharesave	Executive deferrals	Total at 31 December 2018	Value of shareholding as a % of salary[1]
Amjad Bseisu	152,438,222[2]	8,668%	11,069,697	1,986,185	2,812,984	0	1,334,815	169,641,903	9,647%
Jonathan Swinney	290,208	24%	7,208,173	1,208,574	894,551	0	1,824,971	11,426,477	941%
Jock Lennox	41,268	n/a	n/a	n/a	n/a	n/a	n/a	41,268	n/a
Helmut Langanger	412,698	n/a	n/a	n/a	n/a	n/a	n/a	412,698	n/a
Philip Holland	154,760	n/a	n/a	n/a	n/a	n/a	n/a	154,760	n/a
Carl Hughes	28,571	n/a	n/a	n/a	n/a	n/a	n/a	28,571	n/a
John Winterman	28,571	n/a	n/a	n/a	n/a	n/a	n/a	28,571	n/a
Laurie Fitch	70,000	n/a	n/a	n/a	n/a	n/a	n/a	70,000	n/a

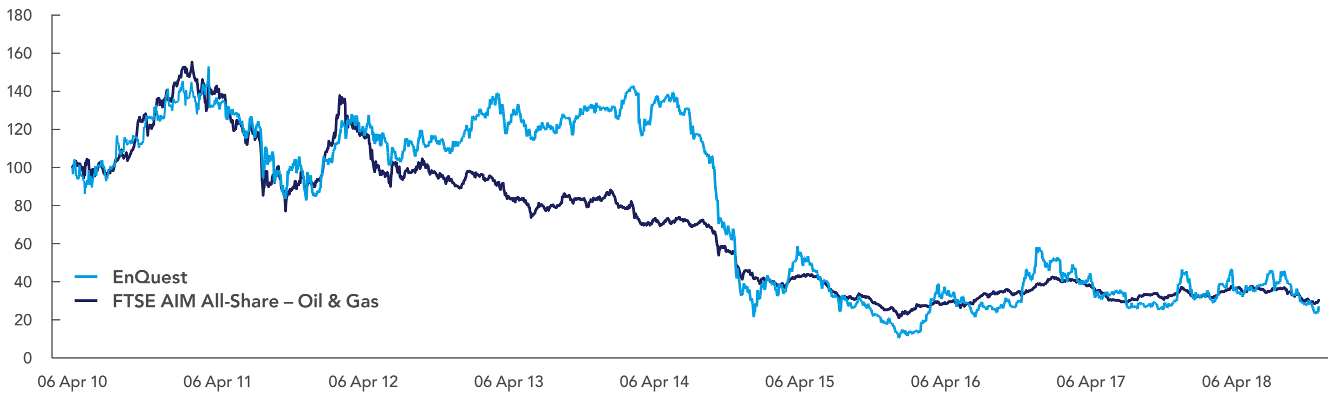
Notes:
1 Shares are valued by taking the average closing share price on each trading day of the period 1 October 2018 to 31 December 2018
2 As at 31 December 2018 152,270,675 shares were held by Double A Limited, a discretionary trust in which the extended family of Amjad Bseisu has a beneficial interest. The remaining 167,547 shares were held by Amjad Bseisu directly

DIRECTORS' REMUNERATION REPORT CONTINUED

Information not subject to audit

Total Shareholder Return and Chief Executive total remuneration

The following graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE AIM All-Share Oil & Gas, also measured by TSR. The FTSE AIM All-Share Oil & Gas has been selected for this comparison as it is the index whose constituents most closely reflect the size and activities of EnQuest.



Historical Chief Executive pay – single figure history

The table below sets out details of the Chief Executive's pay for 2018 and the previous six years and the payout of incentive awards as a proportion of the maximum opportunity for each period. The Chief Executive's pay is calculated as per the 'single figure' of remuneration shown elsewhere in this report.

During this time, Amjad Bseisu's total remuneration has been:

	2012	2013	2014	2015	2016	2017	**2018**
'Single figure' of total remuneration (£000s)	910	1,356	817	884	941	998	**1,352**
Annual bonus (as a % of maximum)	60%	50%	24%	27%	33%	57%	**79%**
Long-term incentive vesting rate (as a % of maximum PSP)	–	67%	79%	77%	56%	11%	**56%**

Relative spend on pay

The table below shows the actual expenditure of the Group on total employee pay, as well as profitability and distributions to shareholders, and the change between the current and previous years:

	2017 $ million	**2018 $ million**
EBITDA	304	**716**
Distribution to shareholders	0	**0**
Total employee pay	80	**91**

Increase in the Chief Executive's pay relative to the workforce between 2017 and 2018

	Base salary %	Bonus %	Benefits %
Amjad Bseisu	2.0%	97.4%	0.0%
UK employees (average)	2.0%	10.7%	0.0%

Statement of implementation of the Remuneration Policy for the year ending 31 December 2019

Base salary and 2019 pay review

As stated in the annual statement to this report, the remuneration for the Executive Directors is geared towards variable pay linked to long-term performance targets, with base salaries currently set in relation to benchmarks for the oil and gas industry and comparable sized companies. In the view of the Committee it is therefore important to ensure that the base salaries of the Executive Directors are reviewed annually and that any increase reflects the change in scale and complexity of the role as the Company grows, as well as the performance of the Executive Director.

The table below shows the change to salaries for 2019:

Name	Salary for 2018 £	Salary for 2019 £	Increase %
Amjad Bseisu	460,530	469,741	2.0
Jonathan Swinney	323,000	329,460	2.0

The increases for Amjad Bseisu and Jonathan Swinney were implemented from 1 January 2019.

The Company employees are, in general, also receiving salary increases averaging approximately 2.0%.

Pension and other benefits
The Company will continue to pay a cash benefit in lieu of pension of up to £50,000 plus private medical insurance, life assurance and personal accident insurance, the costs of which are determined by third-party providers.

Annual bonus
For the year ended 31 December 2019, the target and maximum annual bonus opportunities will be 75% of salary at target and 125% of salary at maximum.

The annual bonus scheme for 2019 is structured as follows:
- Awards will be determined based on a balanced combination of financial and operational performance measures;
- Executive Directors (and other executive management) will have threshold, target and stretch performance levels attributed to key performance objectives;
- Amjad Bseisu's bonus will be determined solely by the performance of the Company;
- Jonathan Swinney's bonus will be determined 50% on the performance of the Company and 50% on performance concerning his direct area of responsibility;
- Each part of the bonus will represent a discrete element which will be added together to determine the performance award for the year; and
- Stretching targets will continue to apply to achieve maximum payout.

The 2019 metrics and weightings, which will determine the level of short-term incentive awards for the Directors, are set out below.

Company 2019 performance measures scorecard

Metric	Weighting
Production	25%
Cash opex	15%
Cash capex	5%
Net debt including PIK	20%
Projects	10%
Kraken	15%
Culture and Values	10%

Notes:
1 Precise targets are commercially sensitive and are not being disclosed in advance at this time
2 Performance in HSE&A is central to EnQuest's overall results. This category is used as an overlay on overall Company performance

Maximum bonus will only be payable when performance significantly exceeds expectations. To the extent that the targets are no longer commercially sensitive, they will be disclosed in next year's report.

Any amount of bonus earned above 100% of salary will be deferred into EnQuest shares for two years, subject to continued employment.

Performance share awards
2019 PSP awards
After due consideration of business performance in 2018, the continued growth of EnQuest, the performance of the Executive Directors, as well as other factors, the Remuneration Committee decided to award grants equal to 250% of salary for Amjad Bseisu and Jonathan Swinney. These awards will be granted in April 2019.

Summary of 2019 PSP performance measures and targets
The PSP share awards granted in 2018 will have four performance metrics, each of which is measured over a three-year financial period:
- 30% of the award relates to TSR against a comparator group of oil and gas companies;
- 30% relates to production growth (on a CAG basis);
- 10% relates to reserves growth (on an absolute growth basis); and
- 30% relates to net debt (on an absolute reduction basis).

2019 PSP – schedule for 2022 vesting

	Relative TSR		Production growth		Reserves growth		Reduction in net debt	
	Performance	Vesting	Performance	Vesting	Performance	Vesting	Performance	Vesting
Below threshold	Below median	0%	Less than 10% growth from base (CAG)	0%	Less than 105% of base	0%	Less than 25% reduction	0%
Threshold	Median	25%	10% growth from base (CAG)	25%	105% of base	25%	25% reduction	25%
Maximum	Upper quartile (or better)	100%	20% growth from base (CAG) (or better)	100%	110% of base (or better)	100%	35% reduction (or better)	100%

DIRECTORS' REMUNERATION REPORT CONTINUED

2019 PSP – performance target base levels

Production growth base level	Reserves growth base level	Net debt
55,447 Boepd	245 MMboe	$1,774.5m

2019 PSP award TSR comparator group

Tullow Oil
Premier Oil
Aker BP ASA
Soco International
Genel Energy
Hurricane Energy
Ophir Energy
Cairn Energy
Rockhopper Exploration
Lundin Petroleum
Africa Oil
Amerisur Resources
Bowleven
Serica

Non-Executive Directors
The fees for the Non-Executive Directors with effect from 1 January 2019 are:

	Fee
Chairman	£170,000
Director	£60,000
Senior Independent Director	£10,000
Committee Chair	£10,000

The Chairman's fee level has increased from £150,000 to £170,000 from 1 January 2019 to bring it more into line with the median fee rate being paid to sector comparators. The Director base fee rate has increased from £50,000 to £60,000 from 1 January 2019. The additional fee of £10,000 for chairing a Committee and for undertaking the Senior Independent Director role has remained unchanged. Fee rates for Non-Executive Directors will be reviewed annually.

Advisers to the Committee
Mercer Kepler provided advice to the Remuneration Committee.

The Committee satisfied itself that the advice given was objective and independent by reviewing it against other companies in EnQuest's comparator group. Mercer Kepler is a signatory to the Remuneration Consultants Group Code of Conduct which sets out guidelines for managing conflicts of interest. Mercer Kepler does not provide any other services to the Company.

The fees in respect of 2018 paid to Mercer Kepler totalled £104,590 (excluding VAT). These fees were charged on the basis of the number of hours worked.

Statement of voting at the Annual General Meeting
The table below summarises the voting at the AGM held on 24 May 2018 in respect of the Remuneration Policy and Directors' Remuneration Report. The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here.

	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Policy (2018)	478,601,098	89.67%	55,126,159	10.33%	533,727,257	22,477,048
Remuneration Report (2018)	533,044,036	99.87%	685,923	0.13%	533,729,959	22,474,346

Laurie Fitch
Chair of the Remuneration Committee
20 March 2019

NOMINATION COMMITTEE REPORT

"WE CONTINUE TO SEEK TO ACHIEVE THE APPROPRIATE BALANCE OF THE BOARD AS WE PROGRESS OUR SUCCESSION PLANNING."

Jock Lennox
Chairman of the Nomination Committee

Dear Fellow Shareholder
I am pleased to present to you the report of the work of the Nomination Committee during 2018.

The core work of the Nomination Committee is to ensure that the Board has the appropriate balance of skills, expertise and experience in order to support the strategy of the Company. We achieve this by continuously reviewing the Board composition and skills and developing strong succession planning. Currently, the Board consists of six Non-Executive Directors and two Executive Directors, who collectively bring a diverse mix of skills and experience to the Company and collaborate to provide strong leadership.

As announced on 15 March 2019, Howard Paver will join the Board on 1 May 2019 and stand for election at the AGM. The search was framed to identify an appropriate successor with oil and gas industry experience, keeping in view that Helmut Langanger, an industry veteran, is anticipated to retire in due course, as explained further below. Howard has over 40 years of experience across all aspects of E&P, including technical function leadership and as a senior executive and will be a welcome addition to the Board, further enhancing its technical capabilities. On joining the Board, Howard will also become a member of the Remuneration and Audit Committees. My Board colleagues and I look forward to working with Howard. In addition, Laurie Fitch was appointed as Chair of the Remuneration Committee in January 2019. This was a planned process, with Laurie having served on the Remuneration Committee since January 2018, when she joined the Board.

As reported in last year's report, the main focus of the Committee in 2018 was to prepare for the changes to the Code, especially in relation to myself and Helmut, who is also the Senior Independent Director ('SID'), as we reached our nine-year milestones in February and March 2019, respectively. While the Board concluded that we both remained independent, we have, as described on page 48, initiated a process to deliver orderly succession and it has been agreed that as a first step a search process be initiated and led by the SID to find my successor. A sub-Committee of the Nomination Committee has been established to run the process and it is comprised of the SID, two further Non-Executive Directors and the Chief Executive. It is anticipated that, on appointment, the Chair will also become Chair of this Committee, with a process for appointing a new SID taken subsequently. An update from the SID relating to this process is found on this page.

I am confident that Helmut will lead a successful process to find the right person to be the next Chair of EnQuest who will then lead the Board through its next phase of succession.

Jock Lennox
Chairman of the Nomination Committee
20 March 2019

The process to appoint a successor to Jock Lennox, Chairman of EnQuest, is being led by myself with the support of the Company Secretary. To assist me, the Nomination Committee has established a sub-Committee comprising, in addition to myself, Laurie Fitch, Chair of the Remuneration Committee, Carl Hughes, Chairman of the Audit Committee, and Amjad, Bseisu, Chief Executive. This Committee will make the final recommendation as to the appointment of the Chair once a suitable candidate is identified.

We have instructed Spencer Stuart, a recruitment firm with no connection to the Company, to undertake the search process and following a consultation exercise with certain major shareholders have identified that a Chair with a background in the oil and gas industry would be in the best interests of the Company. It is anticipated that a new Chair will be in position by the end of 2019, with a planned transition between the current Chairman and Chair designate.

Following the appointment of the new Chair, it is anticipated that a process for the appointment of a new SID will be initiated, following which I will step down as SID.

Helmut Langanger
Senior Independent Director
20 March 2019

Nomination Committee membership
The Nomination Committee comprises the Chairman of the Company, the SID and the Chief Executive. Appointment dates and attendance at scheduled meetings are set out below:

Member	Date appointed Committee member	Attendance at meetings during the year
Jock Lennox	8 September 2016	6/6
Amjad Bseisu	22 February 2010	6/6
Helmut Langanger	16 March 2010	6/6

NOMINATION COMMITTEE REPORT CONTINUED

Main responsibilities

The Nomination Committee recently reviewed its terms of reference to ensure ongoing compliance with the new Code. As a result, it was agreed that the main responsibilities of the Committee are to:

- Review the size, structure and composition (including the skills, experience, independence, knowledge and diversity) of the Board and its Committees in order to recommend changes to the Board;
- Ensure the orderly succession of Executive Directors, Non-Executive Directors and senior management;
- Identify, evaluate and recommend candidates for appointment or reappointment as Directors or Company Secretary, taking into account the benefits of diversity on the Board, including gender, social and ethnic backgrounds, cognitive and personal strengths and the balance of knowledge, skills and experience required to serve the Board; and
- Review the outside directorships/commitments of Non-Executive Directors.

The Nomination Committee's full terms of reference can be found on the Company's website, www.enquest.com, under Corporate Governance.

Appointment of Non-Executive Directors

We apply a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. As noted in the Company's 2017 Annual Report, for the appointment of Laurie Fitch we used Zygos, an external consultancy services firm, which has no connection with the Company. For Howard Paver's appointment, the Company used Spencer Stuart, which also has no connection with the Company. The Committee thoroughly reviews each candidate in terms of the balance of skills, knowledge and level of independence they would bring to the Board and to screen for potential conflicts of interest. The Committee also gives careful consideration to other existing commitments a candidate may have and whether they will be able to devote the appropriate amount of time in order to fully meet what is expected of them. Once the Committee has identified a suitable candidate, a recommendation is made to the Board for appointment.

Committee activities during the year

The Nomination Committee met six times in 2018 and its key activities included:

Structured Board succession planning

- Planning in relation to the new Code requirements, including succession planning for the Chairman;
- Confirming that, while the SID has served on the Board for nine years, he is still considered independent and will remain so while he leads the search for a replacement Chair;
- Appointing Laurie Fitch as Chair of the Remuneration Committee on 29 January 2019, replacing Helmut Langanger who will remain a member of the Committee; and
- Identifying Howard Paver as an independent Non-Executive Director who it is anticipated will be appointed with effect from 1 May 2019.

Development and staff succession planning

- Senior management development and succession planning; and
- Identification and development process for high potential employees.

The Board and Nomination Committee remain satisfied that the individuals currently fulfilling key senior management positions in the Group have the requisite depth and breadth of skills, knowledge and experience to ensure that orderly succession to the Board and Executive Committee can take place.

Priorities for the coming year

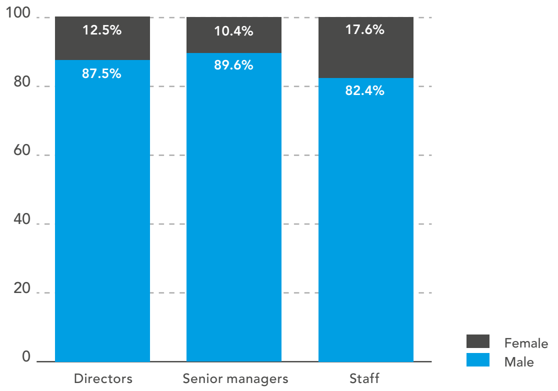
The main focus of the Committee in 2019 will be to ensure that a successor to the current Chairman is appointed and that the composition of the Board continues to complement the requirements of the Company. The Committee remains cognisant of the requirements of the new Code and will also focus on succession planning of the Executive Directors, senior management and development planning for high-potential individuals within the Company to ensure that the Company's organisation has both the necessary capacity and capabilities in delivering its principal activities.

Boardroom diversity

The Board's continued policy is that we will work hard to ensure that we recruit from a diverse background of candidates, not just in relation to gender, and we will continue to recruit the best candidate available for the job on merit and against objective criteria. The objective of the policy is to have the most effective Board possible in order to enable it to discharge its duties and responsibilities. We continue to seek to achieve the appropriate balance of the Board as we progress our succession planning.

In addition, in March 2019 the Board agreed an EnQuest-wide Diversity and Inclusion Policy; this aligns with the Company's Values which incorporate respect and openness and appreciates the diversity of all our staff, recognising that those from different backgrounds, experience and abilities can bring fresh ideas, perspectives and innovation to improve our business and working practices.

Senior management and total employee figures include EnQuest's staff in Dubai, Malaysia and the UK:



As explained on page 32 the transfer of BP staff to the Company at the end of 2017 resulted in an increase in the number of males in our UK workforce. Further information on diversity initiatives and gender pay are found on pages 32 and 33.

Re-election to the Board

Following a formal review of the effectiveness of the Board, the Nomination Committee confirms that it is satisfied with both the performance and the time commitment of each Director throughout the year. The Committee also remains confident that each of them is in a position to discharge their duties to the Company in the coming year and that together they continue to bring the necessary skills required to the Board. Detailed biographies for each Director, including their skills and external appointments, can be found on pages 44 to 45.

Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage conflicts or potential conflicts of interest with the Company's interests. In accordance with the Directors' interest provisions in the Companies Act 2006, all the Directors are required to submit details to the Company Secretary of any situations which may give rise to a conflict, or potential conflict, of interest. The Board monitors and reviews potential conflicts of interest on a regular basis.

RISK COMMITTEE REPORT

"THE GROUP CONTINUES TO EVOLVE ITS PROCESSES FOR IDENTIFYING AND MANAGING RISKS AND MITIGATING THEIR IMPACT, WHICH IN TURN SUPPORTS THE GROUP IN ACHIEVING ITS STRATEGIC OBJECTIVES."

Philip Holland
Chairman of the Risk Committee

Dear Fellow Shareholder

On behalf of the Board and my fellow Committee members, I am pleased to present EnQuest's Risk Committee report in what has been an active year for the Committee. As outlined in this report, throughout 2018 we have continued to undertake detailed analyses of specific risk areas and paid particular attention to assessing how the mechanisms for the identification and evolution of the preventative and containment controls for those specific risk areas have been implemented. We have also spent considerable time enhancing the Risk Management Framework through mapping controls and improved tracking and measurement of risk mitigation.

The Committee has determined that the Group continues positively to evolve its processes for identifying and managing risks and mitigating their impact, which in turn supports the Group in achieving its strategy.

The report also looks ahead to those matters which I expect that the Committee will be considering in the forthcoming year, including further detailed analyses of key risk areas, post-investment appraisals and continuous improvement in the evolution and application of our Risk Management Framework.

Philip Holland
Chairman of the Risk Committee
20 March 2019

Risk Committee responsibilities

The main responsibilities of the Committee are to:
- Support the implementation and progression of the Group's Risk Management Framework; and
- Conduct detailed reviews of key non-financial risks not reviewed within the Audit Committee.

The Committee's full terms of reference can be found on the Company's website, www.enquest.com, under Corporate Governance.

Risk Committee membership

Membership of the Committee and attendance at the three meetings held during 2018 is provided in the table below:

Member	Date appointed Committee member	Attendance at meetings during the year
Philip Holland	25 January 2016	3/3
Laurie Fitch[1]	8 January 2018	3/3
Carl Hughes	1 January 2017	3/3
John Winterman	7 September 2017	3/3

Note:
1 Laurie Fitch was appointed as a Non-Executive Director on 8 January 2018 becoming a member of the Risk and Remuneration Committees

Committee activities during the year

During 2018, the Committee:
- Undertook an assessment of its own performance (including reviewing its terms of reference);
- Drove continued refinements to the Group's Risk Management Framework to reflect the environment in which the Company is pursuing its strategy;
- Reviewed the Group Risk Register(s), assurance map and risk report (focusing on the most critical risks and emerging and changing risk profiles. This included obtaining assurance that the risks associated with climate change are appropriately assessed and incorporated within relevant risk areas);
- Undertook a detailed analysis of the framework and adequacy of controls applicable to the risks facing the Group. This included synthesising the existing risk universe into a 'risk library' and reviewing the controls for each of these risks through a 'bowtie' exercise to assess the existence and efficacy of controls in place to contain and mitigate risks;
- Enhanced the tracking and measurement of risk mitigation across the Group; and
- Reviewed certain macro-economic and societal trends (including relating to climate change) to consider whether and how such trends affect the Group's principal risks.

During 2018, the Committee also considered the evolving nature of risks the Group faced through undertaking specific detailed reviews of Health, Safety, Environment and Assurance ('HSE&A') (including reviewing the Group's performance and ongoing/planned HSE&A activities) and cyber-security risks (including reviewing the results of 'compromise and discovery' tests and considering cyber-security forward planning/remediation strategies) and the Group's control processes for these risks.

Having undertaken a detailed review of the Group's HSE&A processes, the Committee recommended the addition of HSE&A oversight and review within the Risk Committee's scope of work to supplement and assist the Board in reviewing such matters given the Group's low appetite for this risk. For further information on these risks, please see the Risks and Uncertainties section on pages 36 to 43.

Priorities for the coming year

In 2019, the Committee intends to continue its focus on undertaking detailed analyses of specific key risk areas (including 'Oil Price' and 'External and Portfolio' risks, both of which incorporate an assessment of the risk associated with climate change and its potential to impact the Group's business model and strategy (see page 4), so as to ensure that the potential effects of climate change continue to be identified, considered and risk assessed appropriately within the Group's Risk Management Framework) by scrutinising the risks and the associated controls in place. Further, the Committee will be conducting post-investment appraisals on selected projects as well as continuing to enhance the Group's Risk Management Framework through continual improvement planning.

DIRECTORS' REPORT

"THE DIRECTORS OF ENQUEST PRESENT THEIR ANNUAL REPORT TOGETHER WITH THE GROUP AND COMPANY AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018."

Stefan Ricketts
Company Secretary

Directors
The Directors' biographical details are set out on pages 44 to 45. All the Directors will offer themselves for re-election at the AGM on 23 May 2019 and Howard Paver will also be offered for election at the AGM.

Employee involvement
EnQuest operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. Employees are informed about significant business issues and other matters of concern via regular Town Hall meetings, email/electronic communications, by using webcasts on EnQuest's intranet, as well as face-to-face briefing meetings at business locations. Appropriate consultations take place with employees when business change is undertaken. In addition, an Employee Forum was established in early 2019 in line with the revised Corporate Governance Code. More information on this initiative is found on page 32. EnQuest offers employees the opportunity to participate directly in the success of the Company and employees are encouraged to invest in the Company through participation in a number of share schemes such as the Save As You Earn ('SAYE') Share Scheme. 69% of eligible staff currently participate in SAYE.

Substantial interests in shares
The table below shows the holdings in the Company's issued share capital, which had been notified to the Company in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules ('DTR'):

Name	Number of Ordinary shares held at 31 December 2018	% of issued share capital held at 31 December 2018	Number of Ordinary shares held as at 19 March 2019	% of issued share capital held as at 19 March 2019
Amjad Bseisu Family[1]	152,438,222	9.00[2]	154,345,944	9.11
Aberforth Partners LLP	150,573,705	8.89	150,573,705	8.89
Baillie Gifford & Co Ltd	94,143,290	5.56	94,143,290	5.56
Hargreaves Lansdown Asset Management	76,732,283	4.53	79,878,650	4.71
EnQuest Employee Benefit Trust	73,180,394	4.32	73,169,367	4.32
Swedbank Robur Fonder AB	68,862,924	4.06	68,862,924	4.06
Dimensional Fund Advisors	66,185,025	3.91	69,579,542	4.11

Notes:
1 The majority of shares are held by Double A Limited, a discretionary trust in which the extended family of Amjad Bseisu has a beneficial interest, with 167,547 shares held directly by Amjad Bseisu
2 Rounding applies

Directors' interests
The interests of the Directors in the Ordinary shares of the Company are shown below:

Name	At 31 December 2018	At 19 March 2019
Amjad Bseisu[1]	152,438,222	154,345,944[1]
Helmut Langanger	412,698	412,698
Jock Lennox	41,268	41,268
Laurie Fitch	70,000	70,000
Carl Hughes	28,571	28,571
Philip Holland	154,760	154,760
Jonathan Swinney	290,208	290,208
John Winterman	28,571	28,571

Note:
1 154,178,397 shares are held by Double A Limited, a discretionary trust in which the extended family of Amjad Bseisu has a beneficial interest. The remaining 167,547 shares are held directly by Amjad Bseisu

Directors' indemnity provisions
Under the Company's Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain costs, charges, expenses, losses or liabilities which may be sustained or incurred in or about the execution of their duties. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report and the Company has provided indemnities to the Directors in a form consistent with the limitations imposed by law.

Share capital
The Company's share capital during the year consisted of Ordinary shares of £0.05 each ('Ordinary shares'). Each Ordinary share carries one vote. Prior to the shareholder approved October 2018 rights issue, which is discussed in more detail on page 3, there were 1,186,084,304 Ordinary shares in issue. Following the admission to the market of an additional 508,321,844 Ordinary shares on 2 October 2018, there were 1,694,406,148 Ordinary shares in issue at the end of the year. All of the Company's issued Ordinary shares have been fully paid up. Further information regarding the rights attaching to the Company's Ordinary shares can be found in note 17 to the financial statements on page 116. No person has any special rights with respect to control of the Company.

The Company did not purchase any of its own shares during 2018 or up to and including 20 March 2019, being the date of this Directors' Report.

Company share schemes
The trustees of the Employee Benefit Trust ('EBT') did not purchase any Ordinary shares in the Company during 2018 except for 22,126,481 shares which were acquired through the rights issue, having been funded by a loan by EnQuest Britain Limited of £4,611,671. At year end, the EBT held 4.32% of the issued share capital of the Company (2017: 4.72%) for the benefit of employees and their dependants. The voting rights in relation to these shares are exercised by the trustees.

Annual General Meeting
The Company's AGM will be held at Sofitel London St James, 6 Waterloo Place, London, SW1Y 4AN on 23 May 2019. Formal notice of the AGM, including details of special business, is set out in the Notice of AGM which accompanies this Annual Report and Accounts and is available on the Company's website at www.enquest.com.

Registrars
In connection with the Ordinary shares traded on the London Stock Exchange, the Company's share registrar is Link Asset Services. For the Ordinary shares traded on NASDAQ OMX Stockholm, the Company's share registrar is Euroclear Sweden. Full details of both registrars can be found in the Company Information section on page 146.

Change of control agreements
The Company is not party to any significant agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid, except in respect of:
(a) the senior facility agreement, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its exposure to credit which may already have been advanced to the Company;
(b) the prepayment facility agreement, which includes provisions that, upon a change of control, permit the lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and require prepayment of the credit which has already been advanced to the borrower (EnQuest Heather Limited);
(c) the up to $175 million facility agreement originally dated 4 September 2018 in respect of the Kraken field, which includes provisions that, upon a change of control, permit each lender not to provide certain funding under that facility and to cancel its commitment to provide that facility and require prepayment of the credit which has already been advanced to the borrower (EnQuest Advance Limited);
(d) the security trust and waterfall deed originally dated 24 January 2017 in respect of the transaction regarding the Magnus assets with BP Exploration Operating Company Limited, which includes provisions that, upon a change of control, the security trustee in favour of BP Exploration Operating Company Limited may take control of the accounts relating to the Magnus assets;
(e) the Company's Euro Medium Term Note Programme (under which the Company has in issue Euro Medium Term Notes originally due 2022 with an aggregate nominal amount of approximately £171.9 million, including capitalised interest, at the date of this report), pursuant to which if there is a change of control of the Company, a holder of a note has the option to require the Company to redeem such note at its principal amount, together with any accrued interest thereon; and
(f) under the indenture governing the Company's high yield notes originally due 2022, which at the date of this report have an aggregate nominal amount of approximately $746.1 million, including capitalised interest, if the Company undergoes certain events defined as constituting a change of control, each holder of the high yield notes may require the Company to repurchase all or a portion of its notes at 101% of their principal amount, plus any accrued and unpaid interest.

Political donations
At the 2018 AGM, a resolution was passed giving the Company authority to make political donations and/or incur political expenditure as defined in Sections 362 to 379 of the Companies Act 2006. Although the Company does not make and does not intend to make political donations or to incur political expenditure, the legislation is very broadly drafted and may catch such activities as funding seminars or functions to which politicians are invited, or may extend to bodies concerned with policy review, law reform and representation of the business community that the Company and its subsidiaries might wish to support.

No political donations were made in 2018 by the Company or any of its subsidiaries.

DIRECTORS' REPORT CONTINUED

Greenhouse gas ('GHG') emissions

EnQuest has reported on all of the emission sources within its operational control required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within the EnQuest consolidated financial statements. EnQuest has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1 and data gathered to fulfil the requirements under the 'Environmental Reporting Guidelines: Including Mandatory Greenhouse Gas Emissions Reporting Guidance' June 2013. The Mandatory Carbon Reporting ('MCR') report includes assets which are in the operational control of EnQuest. These are:

- Heather Alpha;
- Thistle Alpha;
- Northern Producer Floating Production Facility;
- Kittiwake;
- EnQuest Producer FPSO;
- PM8/Seligi & Tanjong Baram (Malaysia);
- Sullom Voe Oil Terminal, excluding the third-party operated power station (from 1 December 2017);
- Kraken FPSO (from 12 February 2017);
- Magnus (from 1 December 2017);
- Drilling rigs under the control of EnQuest for exploration and appraisal purposes; and
- All land-based offices.

All six greenhouse gases are reported as appropriate.

MCR (Operational Control) Scope

EnQuest has a number of financial interests, e.g. joint ventures and joint investments, as covered in this Annual Report for which it does not have operational control. In line with MCR and ISO 14064-1 guidance, only those assets where EnQuest has operational control greater than 50% are captured within the MCR reporting boundary. Where EnQuest has less than 50% operational control of an asset it is not included within the MCR reporting boundary. Hence, the MCR operational control boundary is different to EnQuest's financial boundary. In line with MCR guidance, this is fully disclosed.

ISO-14064 Verified Scope

EnQuest has voluntarily opted to have emissions reported within the MCR scope verified to the internationally recognised ISO 14064-1 standard by a UKAS accredited verification body. This increases the robustness of the reported emissions and provides the reader with more confidence in the stated figures. This goes beyond the minimum requirements of the MCR guidance. Some data for the Group's Malaysian assets (Seligi and associated land based offices), do not currently meet ISO 14064-1 requirements, and so are excluded from the ISO 14064-1 reported figures. Efforts are being made to improve data quality with the objective of including these assets within the ISO 14064-1 verified scope in future years.

		2018		2017		2015[1]
		MCR (Operational Control) Scope	ISO-14064 Verified Scope	MCR (Operational Control) Scope[2]	ISO-14064 Verified Scope[3]	Baseline
Scope 1 (direct combustion) and Scope 2 (consumed electricity & steam)	Total Emissions tCO_2e[4]	1,802,435	1,298,303	1,281,820	732,818	1,149,743
	Extraction Emissions tCO_2e[4]	1,661,565	1,157,432	1,281,820	732,818	869,692
	Extraction Intensity ratio $kgCO_2e$/BOE[4]	50.51	43.14	61.33	52.12	45.65
	Terminal (SVT) Emissions tCO_2e[4]	n/a	140,870	n/a	n/a	280,051
	Terminal (SVT) Intensity ratio $kgCO_2e$/BOE[4] throughput	n/a	4.65	n/a	n/a	6.87

Notes:
1 When it is considered that the portfolio of assets under a Company's operational control has changed significantly, the baseline, which is based on Verified Scope data, is recalculated to an appropriate comparative period for which good data is available. As such, the baseline has been changed to 2015 from 2013 previously
2 Includes December data only for Magnus as operational control commenced 1 December 2017
3 Data for Magnus and SVT relating to 2017 has not been verified and so is not included in the figures quoted
4 tCO_2e = tonnes of CO_2 equivalent. $kgCO_2e$ = kilogrammes of CO_2 equivalent. BOE = barrel of oil equivalent

Emissions relating to Voluntary Scope 3 (Helicopter Flights UK Operations) have not been reported in 2018 with the Group's resources focused on the first full year operation of Magnus, SVT and associated infrastructure.

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Dividends
The Company has not declared or paid any dividends since incorporation and does not plan to pay dividends in the immediate future. However, the Board anticipates reviewing the policy when appropriate, the timing of which will be subject to the earnings and financial condition of the Company meeting the conditions for dividend payments which the Company has agreed with its lenders and such other factors as the Board of Directors of the Company consider appropriate, including the Company's expected future cash flows.

Directors' statement of disclosure of information to auditor
The Directors in office at the date of the approval of this Directors' Report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statements under the DTR
The Directors who held office at the date of the approval of the Directors' Report confirm that, to the best of their knowledge, the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and the Directors' Report, Operating Review and Financial Review include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Independent auditor
Having reviewed the independence and effectiveness of the auditor, the Audit Committee has recommended to the Board that the existing auditor, Ernst & Young ('EY'), be reappointed. EY has expressed its willingness to continue as auditor. An ordinary resolution to reappoint EY as auditor of the Company and authorising the Directors to set its remuneration will be proposed at the forthcoming AGM. Information on the Company's policy on audit tendering (including the 2019 tender process) and rotation is found on page 57.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 43. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 27. The Board's assessment of going concern and viability for the Group is set out on pages 26 to 27. In addition, note 26 to the financial statements on pages 129 to 132 includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Further disclosures
Further disclosure requirements as required by the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and DTR are found on the following pages of the Company's Annual Report and are incorporated into the Directors' Report by reference:

Disclosure	Page number
Future developments	15
Acquisitions and disposals	134-136
Fair treatment of disabled employees	34
Anti-slavery disclosure	35
Corporate Governance Statement	49-52
Gender diversity	78
Financial risk and financial instruments	26
Important events subsequent to year end	n/a
Branches outside of the UK	132

The Directors' Report was approved by the Board and signed on its behalf by the Company Secretary on 20 March 2019.

Stefan Ricketts
Company Secretary