

**HERITAGE OIL PLC**  
**(the “Company”)**  
**TERMS OF REFERENCE FOR THE**  
**CORPORATE SOCIAL RESPONSIBILITY (“CSR”) COMMITTEE**

**20 June 2011**

*Reference to “the Committee” shall mean the Corporate Social Responsibility Committee.  
Reference to “the Board” shall mean the Board of Directors of the Company.*

**1. Membership**

- 1.1 Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three members.
- 1.2 All members of the Committee shall be Board Directors or other senior managers from the Company.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, all Directors may be invited to attend all or part of any meeting as and when appropriate. In addition, other individuals such as Company employees or external advisors may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods.
- 1.5 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

- 2.1 The Company Secretary or his nominee shall act as the Secretary of the Committee.

**3. Quorum**

- 3.1 The quorum necessary for the transaction of business by the Company shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

**4. Frequency of meetings**

- 4.1 The Committee shall meet at least once a year and otherwise as required. Ad-hoc meetings may be held from time to time.

## **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.
- 5.2 Meetings may be held in person or by telephone.
- 5.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other directors, before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 5.4 Ad-hoc meetings of the CSR Committee may be held at the instigation of the Board or any one member of the CSR Committee, and shall be held at such time and at such place as may be fixed by the person or persons calling such meeting.
- 5.5 In the event that a member of the CSR Committee is unable to attend a regular or ad-hoc meeting of the CSR Committee, such member may appoint a Non-Executive Director to act as an alternate member of the CSR Committee and attend the meeting in his or her place.
- 5.6 The Board may, from time to time, appoint one or more independent Non-Executive Directors of the Company to act as alternate members of the CSR Committee to attend regular or ad-hoc meetings of the CSR Committee in the place of absent members thereof. The said alternate members shall have the full powers of a regular member of the CSR Committee when attending any such meeting as a substitute for any absent member.
- 5.7 An agenda of items to be discussed together with supporting information shall be sent to the members of the CSR Committee and to other attendees as appropriate, in sufficient time prior to each meeting to allow consideration of the items.

## **6. Minutes of meeting**

- 6.1 The Secretary of the Company shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary of the Company shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## **7. Annual General Meeting**

- 7.1 The Chairman of the Committee shall attend the Annual General Meeting (“AGM”) prepared to respond to any shareholder questions on the Committee’s activities.

## 8. Duties

- 8.1 Members of the Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.
- 8.2 The CSR Committee shall consider any matters relating to the social, charitable, community and educational activities, expenditures and related publications of the Company and its subsidiary companies (the “Group”) that it determines to be desirable. In addition, the CSR Committee shall examine any other matters referred to it by the Board.
- 8.3 The duties of the CSR Committee are as follows:
- (a) To maintain the Company’s CSR policy framework (e.g. environment, human rights and responsible business conduct) in line with best practice and the appropriate international standards and guidelines;
  - (b) To consider the Company’s risks associated with bribery by:
    - (i) periodically reviewing the Company’s policies and systems applying industry best practice, regulatory developments, advice from third party advisers and peer group knowledge sharing;
    - (ii) ensuring that the Company assesses its performance, including reports extracted from staff surveys, questionnaires, training feedback and whistle-blowing mechanisms;
    - (iii) ensuring that a comprehensive risk assessment is conducted when the Company commences business in a new country or territory;
  - (c) To receive reports and review activities from executive and specialist groups managing CSR matters across the Company’s operations;
  - (d) To develop a framework for submission, assessment and approval of discretionary and obligatory community, social, educational and charitable expenditures undertaken by Heritage worldwide. This shall include consideration of:
    - (i) the level of influence, monitoring and control Heritage will have over the activities and expenditures undertaken;
    - (ii) the likely or potential duration of Heritage’s activities in the relevant region;
    - (iii) the overall economic and social environments in the regions where expenditures are proposed; and
    - (iv) synergy or alignment with activities of partners and national/regional organisations where relevant;
  - (e) To consider and propose an Annual Budget for CSR activities to the Board and Audit Committee for approval as part of the overall Group budget process;
  - (f) To prepare the Annual Group Corporate CSR Report and ensure that it is a fair reflection of the Company’s CSR approach, policies, systems and performance, is coherent and published in a timely manner;
  - (g) To ensure that the Company’s website communicates and reports its CSR approach and performance in a timely, complete and coherent manner;
  - (h) To review the internal CSR programme of the Company, ensure co-ordination between internal and external activities and ensure that the internal CSR function is adequately resourced and has appropriate standing within the Company;
  - (i) To retain outside consultants, if required; and
  - (j) To consider other matters as specified by the Board.

8.4 The CSR Committee shall have the authority to investigate any matter within its terms of reference (and shall have the resources which it needs to do so) and to seek any information it requires from any officer or employee of the Group and such officers or employees shall be instructed by the board of the company employing them to respond to such enquiries in a timely manner and to co-operate with the CSR Committee. The CSR Committee is authorised to take such independent professional advice (including legal advice) and to secure the attendance of outsiders with relevant expertise or experience as it considers necessary.

## **9. Reporting responsibilities**

9.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its jurisdiction where action or improvement is needed.

9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

9.4 The Committee will produce, if requested to do so by the Board, an annual report of the Company's CSR strategy, policies, systems and performance.

9.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its jurisdiction where action or improvement is needed.

## **10. Authority**

10.1 The Committee shall, subject to the Articles of Association of the Company, have and may exercise in full all powers and authority of the Board on CSR matters in relation to:

- (i) Environmental matters;
- (ii) Workplace and product health and safety;
- (iii) Human rights;
- (iv) Responsible business conduct and practice;
- (v) Local stakeholder relations and community involvement; and
- (vi) Other CSR matters as may be determined by the Board from time to time.

The Committee is authorised:

10.2 to seek any information it requires from any officer or employee of the Group in order to perform its duties;

10.3 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and

- 10.4 to call any officer or employee to be questioned at a meeting of the Committee as and when required.

## **11. Other Matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to Group Secretariat and other Group functions for assistance as required;
- 11.2 be provided with appropriate and timely training on an ongoing basis for all members;
- 11.3 give due consideration to the relevant laws and regulations as appropriate;
- 11.4 not have powers or authorities that include operational or risk management matters or accounting and financial matters which are reserved for the Board or other Board Committees; and
- 11.5 not be responsible for reviewing executive decisions nor for monitoring the efficiency of management.

## **12. Review of Terms of Reference**

- 12.1 The Committee shall review and reassess the adequacy of these mandates at least annually and otherwise as it deems appropriate and recommend changes to the Board. Such review shall include the evaluation of the performance of the Committee against criteria defined in the Committee and Board mandates.