

## SERICA ENERGY PLC

### QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE CODE 2018

#### Introduction:

The Board of directors of the Company fully endorses the importance of good corporate governance and applies The Quoted Companies Alliance Corporate Governance Code (2018) (the "QCA Code"), which they believe is the most appropriate recognised governance code for a company of its size with shares admitted to trading on the AIM market of the London Stock Exchange. It is believed that the QCA Code provides the Company with the framework to help ensure that a strong level of governance is maintained, enabling the Company to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

The QCA Code has ten principles of corporate governance that the Company has committed to apply within the foundations of the business. These principles are:

1. Establish a strategy and business model which aims to promote long-term value for shareholders;
2. Seek to understand and meet shareholder needs and expectations;
3. Consider wider stakeholder and social responsibilities and their implications for long term success;
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation;
5. Maintain the board as a well-functioning balanced team led by the Chair;
6. Ensure that between them the directors have the necessary up to date experience, skills and capabilities;
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
8. Promote a corporate culture that is based on ethical values and behaviours;
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board;
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

#### Chairman's Corporate Governance Statement:

As Chairman of the Company, I have a keen interest in ensuring that an effective and focused Board leads the business and builds upon its successes to date. Strong corporate governance helps underpin the foundations of a solid and successful business. The Board is committed to ensuring good corporate governance, from executive level and throughout the operations of the business.

Following the requirement by AIM that all AIM listed companies would comply with a recognised corporate governance code by 28 September 2018, the decision was made by the Company that it would adopt the Quoted Companies Alliance Corporate Governance Code 2018 (the 'QCA Code'). The directors believe the QCA code to be the most appropriate recognised corporate governance code for the Company.

As Chairman, it is my duty to ensure that good standards of governance are delivered and fed down throughout the organisation. The Board is supportive of embracing the highest level of corporate governance possible and works to instil a culture across the Company which delivers strong values and behaviours.

The importance of engaging with our shareholders underpins the essence of the business, ensuring that there are opportunities for investors to engage with both the Board and executive team. Due to the government restrictions imposed in light of COVID-19, the 2020 Annual General Meeting ('AGM') is being held as a closed meeting with provision for shareholders to raise questions which will be addressed in a Q&A session with executive management before the AGM.

As Chairman I will work with the Corporate Governance Committee and the Board to build upon the existing values that are in place and ensure that good corporate governance continues to be present within the organisation and delivered throughout the business, ensuring that we grow with foundations of integrity and strong principles for the benefit of all stakeholders.

Antony Craven Walker

Executive Chairman

**Website disclosures:**

**The QCA Code requires us to apply the ten principles and publish certain disclosures in our annual report and also on our website. Our website disclosures are as follows:**

**Principle Two - Seek to understand and meet shareholder needs and expectations.**

**Disclosure: explain the ways in which the Company seeks to engage with shareholders.**

The Company engages with its shareholders through regulatory news flow, providing financial results on a half yearly basis, operational updates to maintain information on overall performance, additional news flow when there is a material deviation from the operational updates, releases relating to matters of material importance to the Company's business and releases of a regulatory nature.

The Company maintains an informative and regularly updated web-site at [www.serica-energy.com](http://www.serica-energy.com) through which shareholders can obtain copies of the Company's annual report, interim report and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders and the general market and includes a facility under which shareholders may submit questions or make comments relating to the Company's business. Whenever possible the Company endeavours to respond to enquiries.

The Company's annual general meeting is a regular opportunity for shareholders to meet with the Company and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting and informally following the meeting.

The Chairman and the CEO are together responsible for shareholder liaison and a listening board for shareholders. In all communications with shareholders and the general market the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations.

Shareholders with queries should email [info@serica-energy.com](mailto:info@serica-energy.com)

**Principle Three: Consider wider stakeholder and social responsibilities and their implications for long term success**

**Disclosure: Explain how the business model identifies the key resources and relationships on which the business relies.**

The Company's business model and strategy are contained within our annual report. During 2019 the Company successfully embedded the acquisitions of the operated interests in the BKR fields and associated infrastructure in the UK acquired in 2018 and has since increased net production from the acquired assets and reduced related unit costs per boe. The Company continues to focus on future value-added growth. With a robust balance sheet, limited capital commitments, healthy ongoing production and flexibility in controlling budgets, Serica is in a very strong position to facilitate further growth in asset value.

The Company maintains assets in both the UK and overseas and is fully cognisant of its responsibilities to all stakeholders, in particular the health, safety and well-being of its employees, and of its obligation to meet or exceed the highest environmental standards. In conducting its business the Company believes that it is in its best interest to nurture the resources at its disposal and to conduct its operations in a wholly responsible manner.

**Disclosure: Explain how the Company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products).**

The Company engages with its key stakeholders through various channels depending upon who they are and values the feedback it receives from them. These stakeholders include shareholders, suppliers, customers, regulators and the Company's employees. The Company takes every opportunity to ensure that where possible the views of its stakeholders are considered and acted upon when these are believed likely to bring material benefit to the success and integrity of the Company's business activities.

**Principle Six: Ensure that between them the directors have the necessary up to date experience, skills and capabilities**

The Board of Directors covers a wide range of experience and skills. To meet the requirements of an independent upstream oil and gas exploration, development and production company these experiences and skills must cover financial, legal, operational and technical knowledge experience of risk management and growth in the independent sector and of public markets. Each of the directors on the Board, both executive and non-executive, have considerable experience and all have demonstrated skills which are complementary, independent and sufficient to cover all of the requirements of the Board. As the Company continues to grow its asset base and to refresh the Board the Nomination and Corporate Governance Committee maintains oversight of the Company's requirements to ensure that the make-up of the Board is kept in line with the Company's needs and provides a mix of experience, skills, personal qualities and capabilities appropriate to the task. These include full consideration to maintain a healthy diversity where this is possible, including gender diversity.

**Principle Seven: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

**Disclosure: A description of the Board performance evaluation process.**

The make-up of the Company's Board of Directors has kept pace with transformational changes made by the Company within the last few years with the introduction of new experience and skill-sets complementing those already on the Board. By this means the Board is continuing to refresh and enhance its performance.

The Board considers that its effectiveness and the individual performance of its directors is vital to the success of the Company. The Company currently conducts an informal Board self-evaluation process on an ad hoc basis. However, it is recognised that with the expansion of the Board in parallel with the expansion of the Company's activities and the need to meet the requirements of the QCA Code a more formal process will be necessary. The Company will introduce a structure to set clear targets and objectives for improving and monitoring performance of an enlarged Board and will introduce a formal evaluation for all Board members to monitor their individual contribution and commitment.

The evaluation process will set out criteria against which Board, Committee and individual effectiveness is measured.

**Principle Eight: Promote a corporate culture that is based on ethical values and behaviours**

**Disclosure: how the Board ensures that the Company has the means to determine ethical values and behaviours**

The corporate culture of the Company is established from the Board of Directors and communicated to the Company through the Chief Executive Officer through a regular series of internal meetings with senior management. By this means the Company's strategy, objectives and approach to health, safety, environmental and diversity issues are communicated to all employees with the Board maintaining full oversight.

The Company operates a full feed-back system directly to the Chairman, Chief Executive Officer or Senior Independent Director which provides the mechanism to enable the Company to become aware of any deviation from the Company's ethical values.

**Principle Nine – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

**Disclosure: Roles and responsibilities of the chair, CEO and other directors with commitments. Describe the roles of the Committees**

The Executive Chairman leads the Board and works with the CEO and the Non-Executive Directors to grow the Company and develop its business. The Executive Chairman is a member of the Nomination and Corporate Governance Committee and attends the other Board committees if requested. As Executive Chairman, Antony Craven Walker is primarily responsible for engaging with Shareholders and other stakeholders.

Mitch Flegg (CEO) is accountable to the Board for the financial and operational performance of the Group. Mr Flegg is a member of the Reserves Committee and HSE Committee.

Neil Pike is the Senior Independent non-executive director and chairman of the Audit Committee. Mr Pike is a member of the Nomination and Corporate Governance Committee and the Remuneration and Compensation Committee.

Ian Vann is a non-executive director of the Company and chairman of the Remuneration and Compensation Committee. Mr Vann is also a member of the Audit Committee, HSE Committee and Reserves Committee.

Malcolm Webb is a non-executive director of the Company and chairman of the Nomination and Corporate Governance Committee. Mr Webb is also a member of the Remuneration and Compensation Committee.

Trevor Garlick is a non-executive director of the Company and chairman of the HSE Committee and Reserves Committee. Mr Garlick is also a member of the Audit Committee.

Kate Coppinger is a non-executive director of the Company and was appointed in April 2020. Ms Coppinger is a member of the Audit Committee.

The Audit Committee meets regularly and consists of four members, all non-executive directors. The Committee assists with the Board's oversight of the integrity of the financial reporting and the independence and performance of the Company's Auditor.

The Reserves Committee meets once a year prior to the publication of the annual results. The Committee is a sub-committee of the Audit Committee and meets to review the reports of the independent reserves auditors.

The Nomination and Corporate Governance Committee assists the Board's oversight of the Company's observance of the UK Code and the Corporate Governance Guidelines, compliance with the rules of AIM and other relevant corporate governance rules, including compliance with the Company's Share Dealing Code and with AIM rules relating to dealings by directors or employees in the Company's shares. The Committee is also responsible for monitoring the overall effectiveness of the Board and its Committees, proposing to the Board new nominees for election as directors to the Board, determining

succession plans and for assessing directors on an ongoing basis. The appointment of Kate Coppinger was made in April 2020.

The Committee will meet at least three times, and additionally as required, during the financial year.

The Remuneration and Compensation Committee meets to consider all material elements of remuneration, including remuneration policy, executive remuneration, share incentive plans and other employee incentive schemes. The Committee proposes to meet at least twice a year.

The HSE Committee meets at least four times a year and is responsible for matters affecting health, safety and the environment.

The Board retains full and effective control over the Company and holds regular Board meetings at which financial, operational and other reports are considered and where appropriate voted upon. The Board is responsible for the Group's strategy and key financial and compliance issues. There are certain matters that are reserved for the Board. They include: approval of the Group's long-term objectives, policies and budgets, changes to management structure, internal control systems and approval of the annual report and accounts. All Board Committees report back to the Board following a committee meeting.

### **Principle Ten - Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Board maintains a healthy dialogue between it and its stakeholders including its shareholders. The Executive Chairman is primarily responsible for communicating with shareholders, but the CEO will also maintain dialogue from time to time as required in conjunction with the Executive Chairman. The senior independent Non-Executive Director, Neil Pike, is also available to communicate with Shareholders if required.

Copies of the Company's report and accounts, and all other shareholder communications are maintained on the Company's website.

Historically the Company has not announced the detailed results of shareholder voting at its general meetings to the market. The Company will provide this detail in the future. Should there be a situation where there is a significant vote against a resolution at general meeting the Company will provide an explanation of what action it intends to take to understand the reasons behind the vote result and any action it has taken or will take as a result of the vote.

### **Annual report disclosures:**

#### **Our annual report disclosures are as follows:**

<b>QCA Code Principle</b>	<b>Disclosure</b>	
1	Explain the company's business model and strategy, including key challenges in their execution and how those will be addressed.	The Company operates in the upstream oil and gas exploration, development and production sector and is therefore exposed to political, operational, commercial, product pricing and hazard risk. The Company's strategy is to maintain a portfolio of properties and risk diversity which enables it to manage the risks, the financial capacity and the growth opportunities in the business. It does this both by an active programme of acquisition and divestment to balance risk and potential whilst also seeking to

		<p>optimise operating costs and procedures to improve performance and by identifying where new technologies can enhance value. The Company strives to maintain a forward looking, professional and safety conscious culture in all that it does as this also provides essential checks and balances and underpins a value creative environment to the benefit of all stakeholders.</p>
4	<p>Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.</p>	<p>The Company's approach to the management and identification of risk is set out in the Business Risks and Uncertainties section of the Financial Review contained in the 2019 annual report on page 30. The Company encourages a culture of risk awareness and management at all levels throughout the Company. Strategic risks are regularly reviewed by the Board and, at executive level, the Company employs outside advisors to assess and advise on risk when it is felt additional third-party expertise is required. Through the HSE and Audit Committees the Board maintains a full and active awareness of operational and financial risks and the assurances that effective control systems are in place.</p>
5	<p>Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained.</p>	<p>The Board currently has an Executive Chairman, a Chief Executive Officer (CEO) and five non-executive Directors. All Directors have extensive and complementary skills, knowledge and experience covering all facets of the business which requires both entrepreneurial and custodian oversight and all are considered independent in terms of character and judgement. The Board is aware of the need to maintain and build upon this balance of backgrounds and to maintain a diversity of talent through succession planning as the Company further develops and the needs of its business grows.</p> <p>The Board believes that it is in the Company's best interests for Antony Craven Walker to continue to provide services as Executive Chairman in order to provide continuity and ongoing strategic support to the Chief Executive Officer.</p> <p>Neil Pike, Senior Independent Director, and Ian Vann have been non-executive Directors of the Company for over ten years and therefore could be considered</p>

		<p>not to be independent due to length of service. However, both have made a major contribution as non-executive Directors during a period of material transformation for the Company and continue to provide valuable insight, independent advice and views as the Company develops its strategy and plans for succession evolve in parallel. Due to their length of service they stand for re-election at every AGM whilst they continue to serve on the Board.</p> <p>Trevor Garlick and Malcolm Webb joined the Board as non-executive Directors in November 2018. Both Trevor Garlick and Malcolm Webb are considered to be independent.</p> <p>Kate Coppinger joined the Board as non-executive director in April 2020 as part of the Company's succession planning. Ms Coppinger is considered to be independent.</p> <p>For full background refer to "Board Composition" on page 36 of the 2019 annual report.</p>
	Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors).	The executive directors are expected to devote substantially the whole of their time to their duties with the Company. Non-executives have a lesser time commitment. It is anticipated that non-executive directors will each dedicate 12 days a year in addition to their duties as Board members .
	Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.	2019 annual report: p44
6	Identify each director.	Information on each of the Directors is provided in the 2019 annual report on page 36.
	Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of	The Board comprises of the Executive Chairman, CEO and <u>five</u> Non-Executive Directors <u>all</u> of whom are considered independent. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of skills to deliver on the Group's strategy.

	the shareholders over the medium to long-term.	For background history of each of the directors refer to 2019 annual report: page 36.
	Explain how each director keeps his/her skillset up-to-date.	The Board as a whole has significant experience both within the industry and in public and financial markets. The Board receives support and advice from its Nomad on AIM requirements as and when required and each director is encouraged to discuss any matter of interest with the Company's professional advisors.
	Where the board or any committee has sought external advice on a significant matter, this must be described and explained.	<p>During 2019 the Company used a number of external professional advisers in respect of various segments of its business where it was felt that external advice was required.</p> <p>The Reserves Committee, a sub-committee of the Audit Committee, replaced two long standing reserves auditors with one local independent reserves auditors to provide an independent competent persons report on the Company's end of year reserves.</p>
	Where external advisers to the board or any of its committees have been engaged, explain their role.	The directors have access to the Company's Nomad, company secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required.
	Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board.	<p>The directors have access to the Company's Nomad, company secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required.</p> <p>The Company Secretary helps keep the Board up to date on areas of new governance and liaises with the Company's lawyers and Nomad on areas of AIM requirements. The Company Secretary has communication with both the Chairman and CEO and is available to other members of the Board if required.</p> <p>The Senior Independent Director helps ensure that impartiality is maintained.</p>
7	Include a high-level explanation of the board performance effectiveness process.	See website disclosure, Principle Seven above and 2019 annual report page 45.

	<p>Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.</p>	<p>No formal Board evaluation took place in 2019 whilst the Company adjusted to its position as a significant UK North Sea operator.</p> <p>It is intended that a Board evaluation process be put in place to be implemented during future years. For further information see 'Board Evaluation' 2019 annual report: page 45.</p>
8	<p>Include in the Chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.</p>	<p>See Website disclosures: Principle Eight above.</p>
10	<p>Describe the work of any board committees undertaken during the year.</p>	<p>2019 annual report: pages 47-51.</p>
	<p>Include an audit committee report (or equivalent report if such committee is not in place).</p>	<p>2019 annual report: p48.</p>
	<p>Include a remuneration committee report (or equivalent report if such committee is not in place).</p>	<p>2019 annual report: p50-53.</p>
	<p>If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained.</p>	<p>The Company has published all of the disclosures set out under Principles 1-9 and has not omitted any disclosures.</p>