

Ascent Resources plc

Quoted Companies Alliance: QCA Corporate Governance Code 2018

Introduction:

The Board of directors of the Company fully endorses the importance of corporate governance and has adopted 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 promote long-term value for shareholders;
2. Seek to understand and meet shareholder needs and expectations;
3. Take into account 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 Ascent Resources, I place significant emphasis on ensuring that an effective and focused Board leads the Company and builds success. We at Ascent believe that a solid corporate governance structure is critical in achieving our strategic goals and creating value for our shareholders.

The Company formally adopted the Quoted Companies Alliance corporate governance code in September 2018 (QCA Code). The Board believes that QCA Code is the most appropriate recognised corporate governance code for the Company.

The Company has seen significant change during 2020, with a new Board of Directors, Executive Management team, the launch of an international growth strategy and new funding. In order to further strengthen the composition of the Board two new Directors were appointed in October 2020, Malcolm Graham-Wood and Stephen Birrell. Both bring knowledge and expertise which will support the Company’s direction.

As the Chairman of the Board, it is my duty to ensure that appropriate standards of governance are delivered and cascaded down throughout the organisation. The Directors recognise the importance of and are committed to delivering good standards of corporate governance. The corporate governance framework within which Ascent operates, including Board leadership and effectiveness, Board remuneration and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operation of the business.

The Board not only sets expectations for the business but works towards ensuring that its values are set and carried out across the business.

The importance of engaging with our shareholders underpins the essence of our business and we therefore ensure that there are numerous opportunities for investors to engage with both the Board and executive team.

James Parsons
Executive Chairman
1 October 2020

Principle 1 Establish a strategy and business model which promote long-term value for shareholders

Purpose

Ascent's objective is to create shareholder value through the launch of the new business growth strategy, focussing on select special situations across Hispanic Americas, the Caribbean and Europe.

Strategy

The Group's long-term strategy is to build an attractive portfolio of assets. Embarking on securing new opportunities within the Hispanic Americas, the Caribbean and Europe and to protect its Slovenian investment in onshore Europe. Additionally, the Group will seek to exploit associated opportunities where the Board believes these can add significant value and contribute towards the success of the Group as a whole.

Our business model

Our business model is to invest in and develop worthy projects. Growth in long-term value will be measured by a sustainable appreciation in the share price and, when appropriate, by dividend payments.

Key challenges and how they will be addressed:

Exploration for and production of oil & gas are inherently high-risk ventures. The Company's Annual Report sets out the principal risks and our approach to manage and mitigate these risks.

In addition, the Company is subject to various risks relating to political, economic, environmental, legal, social, regulatory, business and financial matters. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system.

Principle 2 Seek to understand and meet shareholder needs and expectations

The Company communicates with its shareholders principally via a Regulatory Information Service, its website, social media, formal company meetings and periodic investor presentations. An up-to-date information flow is maintained on the Company's website <https://www.ascentresources.co.uk> which contains all press announcements, financial reports as well as operational information on the Company's activities.

Copies of our annual report (which includes the notice of the Annual General Meeting (AGM)) are available to all shareholders and can be downloaded from the investors section of the Company's website

The AGM is an annual opportunity for shareholders to meet with the Company and receive a full update of the business from both the Board and management. At the AGM, shareholders are provided with an opportunity to ask questions and raise issues during the formal business and more informally following the meeting. With the constraints of the Coronavirus pandemic (Covid-19) and the inability to hold the 2020 AGM in the usual format the Company intends to keep shareholders engaged through the Company's website. There is full transparency of the voting on the resolutions at the AGM, with

the Company disclosing the proxy votes received on each resolution in the RNS released shortly after the AGM.

The Board is keen to ensure that the voting decisions of shareholders are reviewed and monitored and that approvals sought at the Company's AGM are as much as possible within the recommended guidelines of the QCA Code. The results of the resolutions put forward to the AGM are communicated to the shareholders by way of RNS.

The Company's management meets prospective and existing investors from time to time to assess the availability of funding to advance the Company's plans.

The Company has recorded a number of media interviews which are available to download on leading investor-focussed websites and from the media section of the Company's website.

The Company has established an email alert service on its website to which shareholders and other interested parties can subscribe to receive company announcements as and when they are released.

Principle 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company is aware of its corporate social responsibilities and the need to maintain effective working relationships across a wide range of stakeholder groups. The Company regards its employees and their families, its partners, customers, local and national government and its shareholders to be the core of the wider stakeholder group.

Employees and Social responsibilities

Staff employed by the Group are based primarily in Spain, Slovenia and the UK. As well as providing employees with appropriate remuneration and other benefits, together with a safe working environment, the Board recognises the importance of communication with employees to motivate them and involve them fully in the business. For the most part, this communication takes place at a local level, through the Country Manager but staff are kept informed of major developments from the Chief Executive and are encouraged to discuss these matters openly within the Company.

It is the Group's policy and practice to comply with health, safety and environmental regulations and the requirements of the countries in which it operates to protect its employees, partners, assets and the environment.

Feedback

The Company relies on its local employees, advisers, regulators and community contacts to provide feedback on its proposals and decisions that affect the wider community or environment. It makes every effort to maintain good relationships with community leaders and regulators either directly or through advisers and special interest groups. It takes into account feedback from these stakeholders in its decisions and actions. The Company and its partners in Slovenia have maintained a data room to inform local residents about planned development.

Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. Oil & gas exploration and production is a challenging activity and as such is necessarily subject to a rigorous health and safety regime.

The Board's Audit Committee reviews and monitors the Company's internal financial control systems and risk management systems on which the Company is reliant. The Committee recognises that an effective risk management framework is essential to safeguard the Company's assets and enable it to meet its strategic objectives. The Board has delegated the responsibility for reviewing and monitoring the internal control and risk management systems to the Audit Committee, which work closely with the management and report back to the Board.

The Audit Committee meets at least twice a year.

As the Company's business progresses, it is planned that risk management and mitigation will include a formal risk register, including all the principal operational and non-operational risks to the business. Upon its adoption, the risk register will be reviewed and assessed at least once a year by the Audit Committee.

Principle 5 Maintain the Board as a well-functioning, balanced team led by the chair

The Directors are mindful that a balance between executive and independent non-executive directors should be maintained to facilitate impartial and equitable decision making.

Further to the reconstitution of the Board at the beginning of 2020, the Board on 1 October 2020 appointed Stephen Birrell, a geoscientist who has over 35 years' experience in the upstream oil and gas industry as an Independent Non-Executive Director and Malcolm Graham-Wood, a well known corporate broker who have over 40 years of experience in providing advisory services to oil and gas sector as a Non-Executive Director of the Company. Leonardo Salvadori relinquished his non-executive duties and stepped down from the Board and joined the executive team as a part time Technical Director.

Whilst the Board recognises that having an Executive Chairman is not considered best practice under the QCA Code, it has been identified that the role of the Chairman in an executive capacity is extremely important to the Company in leading the business forward. The role of the Chairman is reviewed periodically by the Board.

The Company has also appointed a CEO in order to streamline and administer the overall business activities of the Company.

The CEO is expected to devote most of his time to his duties with the Company. The Executive Chairman and the CEO have other directorships, which are not deemed to conflict with the business of the Company. The Non-Executives have a lesser time commitment. It is anticipated that each of the Non-Executive Directors will dedicate approximately twelve days a year to the Company.

The number of Board meetings attended each year by the Directors will be set out in the Directors' Report which forms part of the Annual Report and Financial Statements.

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Principle 6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board comprises the Executive Chairman, one Executive Director who also functions as the CEO of the Company and three Non-Executive Directors, out of which two are Independent. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term. The size of the Board is commensurate with the Company's current stage of development and an appointment of an additional non-executive director will be evaluated with the progress of business.

The Company is aware that, in accordance with best practices, the role of the Chairman should be independent from the executive management of the Company. However, at present, the Company has appointed an Executive Chairman in order provide strong leadership to the management and to accelerate achieving of the Company's strategic and operational objectives.

The CEO of the Company administers and oversees the overall operations of the Company and works closely with the Executive Chairman, particularly in formulating business strategy and structuring finance for the business.

The Company embraces diversity and is dedicated to encouraging inclusion without compromising professionalism, experience and expertise.

The Board updates its operational skills in the oil & gas industry through active day-to-day involvement in the industry and by the use of leading, international, external contractors who demonstrate the latest techniques and use the latest equipment. In addition, the Board keeps abreast of ongoing changes relating to governance and compliance, the AIM Rules for companies, QCA Code, the Market Abuse Regulations and other statutory and regulatory developments.

All 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.

James Parsons, Executive Chairman was appointed to the Board in March 2020. In addition to his role as Executive Chairman at Ascent Resources plc, which is part time, James is currently Executive Chairman of Corcel Plc and Non-Executive Chairman at Echo Energy Plc and Coro Energy Plc. James has over 20 years' experience in the fields of strategy, management, finance and corporate development in the energy industry. James was previously with Royal Dutch Shell and was Chief Executive at Sound Energy Plc for eight years, is a qualified accountant and has a BA Honours in Business Economics.

Andrew Dennan, CEO/Executive Director was appointed to the Board in May 2020. Andrew has a wealth of corporate finance, merger, asset funding and corporate transaction experience on AIM. Throughout his career he has been involved in stockbroking and asset management in prominent roles, leading proprietary investment decisions, capital raising, risk oversight and portfolio management. He was formerly Chief Financial Officer of Coro Energy Plc where he retains the position of Non-Executive Director and he is also a Non-Executive Director of Nu-Oil and Gas Plc.

Ewen Ainsworth, Independent Non-Executive Director was appointed to the Board in March 2020. Ewen is an experienced AIM company director. He is currently a non-executive director of Corcel plc has worked in a variety of senior and board-level roles in the natural resource sector for over 30 years,

most recently as Finance Director for Gulf Keystone Petroleum Ltd. He qualified as a chartered management accountant, before moving into leading commercial roles. He holds a degree in Economics and Geography from Middlesex University, and is a member of the Energy Institute.

Stephen Birrell, Independent Non-Executive Director was appointed to the Board on 1 October 2020. Stephen is a Spanish speaking, geoscientist who has worked in the upstream oil and gas industry for over 35 years with a deep focus on Central Eastern Europe and has operated across multiple jurisdictions including the Caribbean and CEE with Britoil, BP and Elf. Stephen is currently a Director of Ossian Energy Ltd and the President of ROPEPCA, the upstream oil and gas operator association of Romania. Stephen has a BSc Honours in Applied Geology.

Malcolm Graham-Wood, Non-Executive Director was appointed to the Board on 1 October 2020. Malcolm has over 40 years' experience in the energy business and is a well known corporate broker and market commentator to both private and institutional audiences. Malcolm is a Founding Partner of HydroCarbon Capital which provides independent advisory services to the oil & gas sector and is also a Director of the Maven Income and Growth VCT 4 PLC, a venture capital trust listed on the premium sector of the London Stock Exchange where he chairs the risk committee.

Leonardo Salvadori relinquished his non-executive duties and stepped down from the Board on 01 October 2020 and has joined the executive team as part time Technical Director.

Further details of the director's careers and experience can be found on the website under **Directors**.

No external advice on a matter of significance has been sought by the Board to date.

The Company Secretary helps keep the Board up to date on areas of new governance & compliance and liaises with the Nomad on AIM regulatory updates. The Company Secretary has frequent communication with both the Executive Chairman and CEO and is available to other members of the Board if required.

Details of the Company's advisors can be found on the website: Nominated adviser, Broker & Research

Principle 7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The directors uphold the need for setting clear objectives and evaluating the effectiveness of the Board, Committees and individual performance against the set objectives.

The Board meets formally four times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the Board and the Management team led by the Executives. The Agenda is set with the consultation of the Chairman, with consideration being given to both standing Agenda items and the strategic and operational needs of the business. Papers are circulated well in advance of the meetings, giving directors ample time to review the documentation and enabling an effective meeting. Resulting actions are tracked for appropriate delivery and follow up.

The directors have a wide knowledge of the business and requirements of director's fiduciary duties and understand their responsibilities as directors of a company quoted on AIM. The directors have access to the Company's NOMAD, Company Secretary, auditors and lawyers as and when required. These advisors are able and willing to provide guidance to the Board from time to time as required.

The directors are also able, at the Company's expense to obtain advice from other external advisors if required.

Under the care of the newly appointed directors the objective now is to look for new asset opportunities, secure the PSC's in Cuba and consider other projects which offer the potential to bring shareholder value. Efforts continue to maximise the potential of the Company's Slovenian asset

As a recently formed Board, it is too early to consider reviewing Board effectiveness, yet it is recognised that in order to meet the requirements of the QCA Code, a formal process needs to be considered. The effectiveness of the Board, individual directors and senior management will be evaluated on an on-going basis as the Board forms a united forum for building the business. At present, the Board is keen in ensuring that there is a solid level of governance maintained whilst being mindful of the size and stage of development of the Company.

Principle 8 Promote a corporate culture that is based on ethical values and behaviours

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner.

All staff and directors are bound by the Company's Anti Bribery and Corruption Policy. The Board takes the issues of bribery and corruption seriously. The Company has a zero-tolerance approach to bribery and corruption and has a policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business to help ensure that all employees within the business are aware of the importance of preventing bribery and corruption. Each employee is required to sign agreement to confirm that they will comply with the policies. Annually staff will be provided with refresher courses to ensure that the issues of bribery and corruption remain at the forefront of people's mind. There are strong financial controls across the business to ensure on going monitoring and early detection.

Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the management team. The Board schedule provides for four board meetings within the calendar year and in addition, meets on an ad-hoc basis to resolve business of specific nature.

The Executive Chairman sets high standards of good corporate governance throughout the business. He leads and chairs the Board, ensures that committees are properly structured and operate within the appropriate terms of reference. He also leads in the development of strategy and setting objectives and oversees communication between the Group and its shareholders.

The CEO has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy. The Directors' biographies are contained within the Annual Report and Financial Statements and on the Company's website.

Ewen Ainsworth is the Chairman of the Audit Committee and also a member of the Remuneration Committee.

Stephen Birrell is the Chairman of the Remuneration Committee and Technical/HSE Committee.

Malcolm Graham-Wood is a member of the Audit Committee.

The Audit Committee meets at least twice a year and consists of two members, both non-executive directors. The Committee is responsible for the reviewing of the effectiveness of the Company's internal controls and risk management systems and also assist with the Board's oversight of the integrity of the financial reporting and the independence and performance of the Company's Auditor.

The Remuneration Committee meets twice a year and consists of two members, both non-executive directors. The Committee is primarily responsible for making recommendations to the Board, on senior executives Remuneration.

The Technical/HSE Committee meets prior to scheduled Board meetings and consists of one Board member and the Technical Director who is a member of the executive team. The Committee reviews and monitor Health & Safety matters across the business to ensure that the highest levels of standards are maintained.

The terms of reference of the [Audit Committee](#) and the [Remuneration Committee](#) are set out on our website. The reports of the Audit Committee and Remuneration Committee will be included in our next Annual Report.

All Board Committees report back to the Board following a Committee meeting.

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 Company's strategy and key financial and compliance issues.

There are certain matters that are reserved for the Board which are reviewed on an annual basis, they include but are not limited to:

- **Strategy and Management** (approval of strategic aims and objectives; approval of the Group's annual operating and capital expenditure budgets and changes; decision to cease to operate all or any material part of the Group's business);
- **Structure and Capital** (major changes to the Group's corporate structure; any change to the Company's listing);
- **Financial Reporting and Controls** (approval of financial results; annual reports and accounts; dividend policy and declaration of any dividend; significant changes in accounting policies/practice; treasury policies);
- **Internal Controls** (ensuring maintenance of a sound system of internal control and management);
- **Contracts** (major capital contracts; contracts which are material or strategic; major investments or any acquisitions/disposals);
- **Communications** (approval or resolutions and documentation put forward to shareholders);
- **Board membership and other appointments;**
- **Corporate Governance Matters** (review of the Group's overall corporate governance arrangements);
- **Policies** (approval of Group policies, including the share dealing code);
- **Other** (approval of the appointment of professional advisors; and approval of overall levels of insurance for the Group).

The Board is satisfied that the Company's governance structures and processes are consistent with its current size and complexity. As the Company grows, the directors will ensure that the governance framework is reviewed and appropriately updated to support the development of the business.

Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board places a high priority on transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders. The Board recognises the importance of engaging with all stakeholders including employees, investors, partners, suppliers, media and communities.

The primary communication tool with our shareholders is the Company's website, <https://www.ascentresources.co.uk>. The shareholders are also kept up to date through Regulatory News Service, ("RNS") on regulatory matters and matters of material substance.

The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors with the interim statement usually subject to a review by the same external auditors. The Company's Annual Report and Notice of Annual General Meetings (AGM) are currently mailed to all shareholders. These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects. The Interim Report and other investor presentations are also available on the website. The Company has full electronic communications in place, so that shareholders (unless they elect otherwise) will have access to communications through the Company's website. A much more effective and environmentally friendly way of communicating with shareholders.

The scope of work of the Audit and Remuneration Committee within the corporate governance framework of the Company is described in Principle 9 of this disclosure. Reports from the Audit and Remuneration Committees are presented in the Annual Report of the Company.

Upon conclusion of Shareholder meetings arrangements are made that the outcomes of votes cast by shareholders to be disclosed in a clear and transparent manner. If a significant proportion of votes (20%+) was ever cast against a resolution, the Company would provide, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.

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