

## Statement of Compliance with the QCA Corporate Governance Code

### Chair's Introduction

Independent Oil & Gas PLC ('IOG') is focused on building a significant oil and gas company which maximises shareholder returns through the enhanced development of hydrocarbon reserves and the acquisition, trading and monetisation of licence interests.

IOG will seek out, identify and progress new projects which complement its existing operations with the aim of creating a balanced portfolio of assets that will optimise invested equity and maximise shareholder returns.

It is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

Fiona MacAulay

Chair

### Changes to corporate governance regime

The Board has adopted the Quoted Companies Alliance ('QCA') Corporate Governance Code in line with the London Stock Exchange's recent changes to the Alternative Investment Market ('AIM') Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out in broad terms how we comply at this point in time.

It will be published on the Company's Website on the existing AIM Rule 26 page.

We will provide annual updates on our compliance with the code.

## **DELIVER GROWTH**

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

#### **1.1. Business Strategy**

The Company's strategy is to target stranded assets and dormant discoveries, especially those near to existing and ideally, owned infrastructure (the 'Hub Strategy'). These are assets that are no longer targets for the major oil companies but are potentially profitable developments which can be beneficially developed by a smaller independent company, focused on the North Sea.

Given the steady rise of imported vs domestic gas in the UK over the last decade and the country's dependency on gas for power, industry and heating, the maximising of gas resources in the North Sea makes strategic sense and will help deliver energy security in the UK.

The aim is to build upon the existing development gas assets in order to achieve a diversified and balanced portfolio of near and long-term developments, ideally with appraisal upside that complement the existing operations. This will include the acquisition of producing fields or near-term production if the risk is positively assessed and the acquisition price results in value accretion. The Directors believe that there is a significant opportunity for the Company to

exploit this strategy, given that there are over 400 undeveloped and underdeveloped assets in the UK Continental Shelf ('UKCS').

The Hub Strategy targets strategic control over a number of dormant discoveries and appraisal assets that can be developed through common existing infrastructure, thereby generating significant economies of scale. The Company also acquires low cost development ready assets through the Licensing Round system and has been active in all UKCS Licensing Rounds since the Company was formed.

The Company seeks to operate all its assets. Operatorship is strategically important for several reasons: firstly, third party consents to tie in additional discoveries are easier to facilitate for operators of owned infrastructure. Secondly, as the major oil companies continue to divest late-life producing assets they often prefer to assign operatorship and redeploy their own resources and so additional opportunities arise. Finally, in the UK licensing rounds, certain licences will only be made available to pre-qualified operators.

Overall, the Board is confident that the Company has the management, experience and technical expertise to create and seize new opportunities for future growth.

This Business Strategy is communicated and updated annually in the Annual Report and Accounts.

## **Principle 2. Seek to understand and meet shareholder needs and expectations**

The Company remains committed to listening and to communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about the Company and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market.

We do so via investor roadshows, attending investor conferences, hosting capital markets days, our website and our regular reporting.

### **2.1. Private shareholders**

The AGM is the main forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The Directors routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The outcome of the resolutions proposed at the AGM are subsequently published on the Company's corporate website.

To contact the Company, please email: [info@independentoilandgas.com](mailto:info@independentoilandgas.com)

### **2.2. Institutional shareholders**

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Financial Officer, supported by the Chief Executive Officer, as appropriate. The Chief Executive Officer and Chief Financial Officer make presentations to analysts throughout each year and immediately following the release of the full-year and half-year results.

The Board is kept informed of the views and concerns of major shareholders by briefings from the Executive Team. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chair and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them.

A form to contact the Company is available on the Company website. To request any information or meetings please contact: [info@independentoilandgas.com](mailto:info@independentoilandgas.com)

### **2.3. General Market Updates**

The Company makes regular updates to the market on its commercial progress at all stages of executing on its strategy.

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

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business and to enable the Board to understand and consider these issues in decision-making.

#### **3.1. Employees**

We have: -

##### **3.1.1. Introduced a Maternity Policy**

Our maternity pay policy is for an employee taking maternity leave to receive six weeks at 100% pay and a further seven weeks at 50% pay followed by 26 weeks during which they will receive Statutory Maternity Pay. A further 13 weeks unpaid leave may be taken.

##### **3.1.2. Developed a Staff Handbook**

Following a significant increase in staff numbers over the past year, we have written a staff handbook to improve the communication of the Company's principles and policies with our staff and contractors. It encapsulates the Company's Code of Conduct by which all staff and contractors are expected to comply.

#### **3.2. Suppliers**

Over the past year we have: -

##### **3.2.1. Developed a Supply Chain Action Plan as required by the OGA.**

As part of the process to submit Field Development Plans to the Oil & Gas Authority, the Company has developed a Supply Chain Action Plan.

#### **3.3. Health, Safety and Environment ('HSE')**

Over the past year, the corporate HSE policies were reviewed, renewed and re-issued. These policies support further Licence Round applications during the period and the progressive selection and procurement of contracted services for the development of the Blythe and Vulcan Satellites gas hub developments. The revised policies provide clear corporate expectation and direction for the effective HSE planning and performance of activities.

The Health and Safety Policy and the Environmental Management Policy are published on the Company Website and both are displayed in the Company's offices.

The Company has continued to develop its HSE organisation, arrangements and capabilities. These corporate developments formed a significant part of the demonstration of necessary operator competencies that were submitted to the OGA in support of our field licences. The arrangements also support applications in the OGA Licensing Rounds.

Selection of suitable contracted services for the engineering design and operation of the Blythe and Vulcan Satellites gas hub development incorporated suitable HSE criteria and has been followed by the development and implementation of HSE bridging documentation with our

partnered and contracted enterprises, some of whom are intended to undertake 'duty holder' responsibilities in the operations and maintenance of our eventual offshore facilities, pipelines and wells.

Effective briefing and consultation with the regulatory authorities has been an essential activity during the period, in order to assure compliance and secure necessary permits and consents for the range of project activities. This has involved close contact with the OGA, HSE Pipelines Inspectorate and the BEIS Offshore Petroleum Regulator for Environment and Decommissioning ('OPRED').

To aid preparation of the statutory Environmental Impact Assessments ('EIA') that are required to support our Blythe and Vulcan Satellites gas hub developments, an Early Consultation Document ('ECD') was circulated to over 40 identified potential stakeholder parties, including oil & gas operators, windfarm operators, regulatory bodies, non-government organisations ('NGO') and others with potential interest in the development. Responses to the ECD are being taken into account as our project develops and in the preparation of the formal EIAs that follow. The EIAs will themselves be subject to public review and statutory consultation.

## **MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

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

#### **4.1. Audit, risk and internal control**

The Board of Directors are aware of their responsibility for establishing and communicating a system to manage risk and implement internal controls.

Operational risks are identified and assessed by management and any significant risks are reported to the Board. Financial and commercial risks are reviewed by the Board.

The Company's internal control systems are designed to provide the directors with reasonable assurance that any problems are identified on a timely basis and dealt with appropriately. The Board considers the internal controls to be effective, but no system of internal control can provide absolute assurance against material misstatement or loss.

The Company will effectively review the risks faced by the business, considering both opportunities and threats and identify these in its annual report.

Further disclosures on risk and internal controls are set out below.

#### **4.2. Key Performance Indicators**

The Group's main business is the acquisition and exploitation of oil and gas acreage. Non-financial performance is tracked through the accumulation of licence interests followed by the successful discovery and exploitation of oil and gas reserves as indicated through prospective and contingent resources and proved reserves inventories. Financial performance is tracked through the raising of finance to fund proposed programmes and the control of costs against budgets.

#### **4.3. Principal Risks and Uncertainties**

The Group operates in the oil and gas industry, an environment subject to a range of inherent risks and uncertainties. Being at an early stage, the prime risks to which the Group is subject are the access to sufficient funding to continue its operations, the status and financing of its partners, changes in cost and reserves and resources estimates for its assets, changes in forward commodity prices and the successful development of its oil and gas reserves.

#### 4.4. Key risks and associated mitigation

##### 4.4.1. Investment Returns

Management seeks to raise funds and then to generate shareholder returns through investment in a portfolio of exploration and development acreage leading to the drilling of wells and the discovery of commercial reserves, followed by their exploitation. Delivery of this business model carries several key risks.

Risk	Mitigation
Market support may be eroded obstructing fundraising and lowering the share price	<ul style="list-style-type: none"> <li>• Management regularly communicates its strategy to shareholders</li> <li>• Focus is placed on building an asset portfolio capable of delivering regular news flow and offering continuing prospectivity</li> </ul>
General market conditions may fluctuate hindering delivery of the Company's business plan	<ul style="list-style-type: none"> <li>• Management aims to retain adequate working capital and secure finance facilities sufficient to ride out downturns should they arise</li> </ul>
Each asset carries its own risk profile and no outcome can be certain	<ul style="list-style-type: none"> <li>• Management aims to avoid over-exposure to individual assets and to identify the associated risks objectively</li> </ul>
Company may not be able to raise funds to exploit its assets or continue as a going concern	<ul style="list-style-type: none"> <li>• Management maintains regular dialogue with a variety of potential funding partners.</li> </ul>

##### 4.4.2. Operations

Operations may not go to plan, leading to damage, pollution, cost overruns and poor outcomes.

Risk	Mitigation
Individual wells may not deliver recoverable oil and gas reserves	<ul style="list-style-type: none"> <li>• Thorough pre-drill evaluations are conducted to identify the risk/reward balance</li> <li>• Exposure selectively mitigated through farm-out</li> </ul>
Operations may take far longer or cost more than expected	<ul style="list-style-type: none"> <li>• Management applies rigorous budget control</li> <li>• Adequate working capital is retained to cover reasonable eventualities</li> </ul>
Resource estimates may be misleading curtailing actual reserves recovered	<ul style="list-style-type: none"> <li>• The Group deploys qualified personnel</li> <li>• Regular third-party reports are commissioned</li> <li>• A prudent range of possible outcomes are considered within the planning process</li> </ul>

##### 4.4.3. Licensing & Regulation

The Group may be unable to meet its licence and regulatory obligations.

Risk	Mitigation
UKCS Licences may be revoked	<ul style="list-style-type: none"> <li>• Continue through communications with the OGA to determine licence status and meet requirements</li> </ul>

#### 4.4.4. Personnel

The Company relies upon a pool of experienced and motivated personnel to identify and execute successful investment strategies

Risks	Mitigation
Key personnel may be lost to other companies	<ul style="list-style-type: none"> <li>The Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain competitive</li> </ul>
Difficulty in attracting the necessary talent as the Group moves into development of its projects.	<ul style="list-style-type: none"> <li>The Group continues to review and adopt attractive packages for both staff and contractors</li> </ul>

#### 4.4.5. Commercial Environment

World and regional markets continue to be volatile with fluctuations and infrastructure access issues that might hinder the Company's business success

Risk	Mitigation
Volatile commodity prices mean that the Company cannot be certain of the future sales value of its products	<ul style="list-style-type: none"> <li>Price mitigation strategies may be employed at the point of major capital commitment</li> <li>Gas may be sold under long-term contracts reducing exposure to short term fluctuations</li> <li>Oil and gas price hedging contracts may be utilised where viable.</li> <li>Budget planning considers a range of commodity pricing</li> </ul>
Brexit	<ul style="list-style-type: none"> <li>The Group does not see Brexit having any significant impact on its business model.</li> </ul>
The Group may not be able to get access, at reasonable cost, to infrastructure and product markets when required	<ul style="list-style-type: none"> <li>A range of different off-take options are pursued wherever possible</li> </ul>
Credit to support field development programmes may not be available at reasonable cost	<ul style="list-style-type: none"> <li>The Company seeks to build and maintain strong banking relationships and initiates funding discussions at as early a stage a practicable</li> </ul>

#### 4.5. Corporate Hedging Strategy and Implementation

The primary objective of the Company's hedging policy is to protect projected future cash flows, generated from operations, against unforeseen changes in short and medium-term market conditions.

No hedging instruments were utilised to date in view of the limited exposures carried out so far. As the Company's capital investment programmes increase, hedging will be carried out in a simple and cost-effective manner, retaining exposure to upside but avoiding any speculative exposure to commodity prices or exchange rates. The application of the policy is within a range to require exercise of management judgement in the light of market conditions and business variables.

#### 4.6. Insurance

The Group insures the risks it considers appropriate for the Group's needs and circumstances. However, the Group may elect not to have insurance for certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that the risks are remote.

#### 4.7. Financial Controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- In 2018, the Board approved and adopted an updated Financial Operating Policy for the Group.
- The Financial Operating Policy is the framework to regulate the financial processes of the Group; from the concept of Group strategy through to the payment of invoices. The key objectives of the Financial Operating Policy are to: -
  - provide a clear framework for internal financial control;
  - define the levels of financial authority for Staff, Contractors, Directors and the Board;and
  - set out the processes for budgeting and financial reporting.
- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury and tax.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business and operational and financial controls, including the review of results of work performed by the Group controls function.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets.
- The Company has a consistent system of prior appraisal for investments, overseen by the Chief Financial Officer and Chief Executive Officer, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development.

#### 4.8. Non-financial Controls

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors.
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks.
- A comprehensive annual budgeting process.
- Detailed monthly reporting of performance against budget.
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. As part of the Group's review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate social responsibility have been assessed. The key elements of those non-financial controls are set out below.

#### 4.9. Standards and Policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies and kept under review.

#### 4.10. Approval Process

All material contracts are required to be reviewed and signed by a senior Director of the Company. Major contracts require the signature of 2 directors.

#### 4.11. Re-assessment

The Company has a Business Risk Register with business continuity plans to address key risks that have an immediate impact. Risks facing the business are re-assessed and potential mitigating actions are considered and implemented to help protect against those risks.

### **Principle 5. Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises the Non-Executive Chair, two Executive Directors and two Non-Executive Directors. On 1 January 2019 Fiona MacAulay became Chair succeeding Mark Routh, who stepped down on this date. On 1 March 2018, Andrew Hockey was appointed CEO. In April 2018 Mark Hughes, COO was appointed as a director of the Company and its three subsidiaries.

On 9 January 2019 Fiona MacAulay became interim Chair of the Audit Committee, succeeding Martin Ruscoe, who had held the role since February 2018. She continues as the Chair of the HSE and Technical subcommittee of the Board.

The Board considers, after careful review, that its previous Non-Executive Directors brought an independent judgement to bear. Fiona MacAulay had previously been appointed as the Company's Senior Non-executive director on 10 July 2018 and classified as independent. The Company is currently recruiting two further Independent Directors, one of whom will serve as Senior Independent Director. Both Charles Hendry and Martin Ruscoe are considered non-independent since they are appointees from the Company's major investor London Oil and Gas Limited.

On 9 January 2019 Robin Storey was appointed as General Counsel and Company Secretary.

Non-executive directors are expected to devote such time as necessary for proper performance of their duties. This includes regular attendance at Board, AGM, shareholder and committee meetings.

The Board is satisfied that it has a suitable balance between independence on the one hand and knowledge of the Company on the other, to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During the year at least six scheduled Board meetings take place and a number of additional meetings as may be required. These are held at IOG's head office in London.

Key Board activities include:

- Considering our financial and non-financial policies.
- Discussing strategic priorities.
- Discussing the Group's capital structure and financial strategy, including capital investments and shareholder returns.

- Discussing internal governance processes.

### **5.1. Directors' Conflict of Interest**

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of technical Oil and Gas subsurface, project management, drilling and facilities experience and in the areas of banking, financial and commercial skills and experience. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

### **6.1. Appointment, removal and re-election of Directors**

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

The Board of directors has a mix of experience, skills and personal qualities that help deliver the strategy of the Company. The Company will ensure that between them the directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets. Each director is listed on the website and in the annual report along with a clear description of their role and experience.

The Board also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

### **6.2. Independent Advice**

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the General Counsel and Company Secretary, the Chief Executive Officer and the Chief Financial Officer.

### **6.3. Experience, Skills and Capabilities**

Biographical details of the directors and their relevant experience can be found on the Company website at the following link <https://www.independentoilandgas.com/board.html>.

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

The Chair will continue to assess the individual contributions of each of the members of the team to ensure that: -

- Their contribution is relevant and effective.
- That they are committed.
- Where relevant, they have maintained their independence.

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the Board collectively function in an efficient and productive manner.

## **Principle 8. Promote a culture that is based on ethical values and behaviours**

The Board aims to lead by example and do what is in the best interests of the Company.

The Company operates a corporate culture that is based on ethical values and behaviours. It will maintain a quality system appropriate to the standards required for a Company of its size. The Executive Directors communicate regularly with staff through meetings and messages.

The Board has implemented a robust governance framework including a Code of Conduct that is incorporated into our Staff Hand Book and is communicated to all employees. The Code provides clear guidance on how the members of staff are expected to behave towards other colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate. All employees are expected to comply with the Code and any violations of it may be reported to local management or the Group HR.

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

### **9.1. Board programme**

The Board meets at least six times each year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required.

During 2018, the Board met for its twelve scheduled meetings and a further twelve ad-hoc procedural meetings. The Board and its subcommittees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors by the Chairman. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's executive management.

### **9.2. Roles of the Board, Chair and Chief Executive Officer.**

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy;

approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chair is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company's head office.

### **9.3. Executive Team**

The Executive Team comprises Andrew Hockey the Chief Executive Officer, James Chance the Chief Financial Officer, Mark Hughes the Chief Operating Officer and Rupert Newall, Head of Corporate Finance. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. The Executive Team also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

### **9.4. Board Committees**

The Board is supported by the Audit Committee, Remuneration and Nomination Committee and the HSE and Technical Committee. Each subcommittee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of each committee are as follows: -

#### **9.4.1. Audit Committee**

The Audit Committee comprises Fiona MacAulay (Interim Chair) Martin Ruscoe, and Charles Hendry. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. In addition, it receives and reviews reports from the Company's management and auditors. The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditors.

#### **9.4.2. Remuneration & Nominations Committee**

The Remuneration Committee comprises Fiona MacAulay (Chair), , Martin Ruscoe and Charles Hendry. The Remuneration Committee determines the remuneration of the executive directors and grants share options and any other equity incentives pursuant to any share option scheme or LTIP in operation from time to time. The Remuneration Committee meets at least twice a year.

The Nomination Committee comprises Fiona MacAulay (Chair), Martin Ruscoe and Charles Hendry. The Committee is chaired by the Chair unless the matter under discussion is their own succession. Other Directors are invited to attend as appropriate and only if they do not

have a conflict of interest. The Committee is also assisted by executive search consultants as and when required. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. The Committee met several times during the past year to consider the appointment of a new Non-Executive Director to replace a leaving Director.

#### **9.4.3. HSE and Technical Committee**

The HSE and Technical Committee comprises Fiona MacAulay (Chair), Andrew Hockey and Mark Hughes. The HSE and Technical Committee determines the Company's Environmental Management Policy, its Health and Safety Management Policy and directs the overall governance of the Company's Subsurface and Technical Management policies.

### **BUILD TRUST**

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year interim announcements, the Annual General Meeting ('AGM'), General Meetings ('GMs') and one-to-one meetings with large existing or potential new shareholders. Investor Relations are managed by the Executive Team and email queries from private individual shareholders are handled with responses limited to clarifying information that is already in the public domain.

In regard to a general meeting of the Company, once the meeting has concluded the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website. If it became relevant an explanation of actions where a significant proportion of votes (e.g. 20% of votes received) is cast against a resolution would be provided.

A range of corporate information (including all Company announcements, third party reports, summaries of key assets and presentations) is also available to shareholders, investors and the public on the Company's corporate website, <https://www.independentoilandgas.com>.

The Board receives regular updates on the views of shareholders from the Chairman, the Chief Executive Officer and the Chief Financial Officer. The Company's PR consultants Camarco provides monthly reports on public forum comments about the Company and the Company's Nominated Advisor finnCap provides weekly reports on share price performance and comparisons with our peer group. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. All annual reports and interim statements since the Company was formed are available on the Company's website at <https://www.independentoilandgas.com/reports.html>.

#### **10.1. Website AIM Rule 26 Page**

The AIM Rule 26 page of the website includes this Corporate Governance Statement and information or links to the statutory information regarding: -

- Description of the business
- Details and biographies of the Board of Directors
- Description of main Board committees and their responsibilities
- Details of any restrictions on the transfer of AIM securities
- Number of securities in issue
- Identity and percentage holding of significant shareholders, including Directors' shareholdings and shareholders with more than 3% of the stock

- Current Annual Report & Accounts
- Current constitutional documents
- Admission Document

The Company website is updated regularly.

Fiona MacAulay

Chair

Independent Oil & Gas plc

January 2019