

## **Savannah Energy Plc (formerly Savannah Petroleum Plc) Statement of Compliance with the QCA Corporate Governance Code**

### **Chairman's Corporate Governance Statement**

Dear Shareholder,

Savannah Energy Plc ("Savannah" or the "Company") is a British independent oil and gas company focused around activities in Niger and Nigeria.

The Board of Directors of Savannah Energy Plc recognises its responsibility for the proper management of the Company and the importance of sound corporate governance, proportionate to the size and nature of the Company and the interests of its shareholders. The Board is committed to maintaining high standards of corporate governance and in 2018, it adopted the 2018 Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code" or the "Code") as the basis of the Group's governance framework.

The Board is collectively responsible to the shareholders of Savannah for the effective oversight and long-term success of the Company. As the Chairman, I am responsible for leading the Board and ensuring that it remains effective in fulfilling its role. I set the Board's agenda and ensure that there is appropriate focus on strategic issues and the monitoring of performance. The Committee Chairmen perform the same role for their Committees.

Following the results of our 2018 Niger drilling campaign, and as we look to complete the acquisition of certain assets in South East Nigeria from Seven Energy International Limited (the "Seven Energy Transaction"), the Company is now a materially larger-scale business compared to previous years. Therefore, the Board continues to devote significant amounts of time to reviewing and adapting Savannah's governance arrangements to ensure that these remain appropriate for the enlarged business.

In accordance with the QCA Code and AIM Rule 26, the report below provides a high-level overview of how Savannah has applied the principles of the QCA Code, including the disclosures that are required by the Code to be published on its website.

Steve Jenkins  
Chairman

All references to Savannah's most recently published Annual Report or the 2018 Annual Report are to the Annual Report and Accounts of the Company for the year ended 31 December 2018, which can be found [here](#).

## QCA Code Principles

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

Savannah Energy Plc has clearly set out its vision for the medium to long term and regularly communicates this its stakeholders. In addition, the Board of Directors meet on a regular basis to discuss the strategic direction of the Company, and the progress towards achieving its aims.

Savannah seeks to enhance and ultimately realise sustainable value for stakeholders through the successful delivery of material oil and gas projects. To achieve this, Savannah follows the following model:

**Acquire and find.** Through exploration drilling we find oil to build reserves and resources, sell in the ground or develop for future production. Through the acquisition of seismic, other geophysical studies and detailed subsurface work we build targeted drilling prospect inventories.

**Develop.** We drill wells and install facilities and infrastructure to bring discoveries safely into production in a cost efficient and fast-track manner.

**Produce.** We prioritise production which will deliver stable and high-quality cash flows, derived from investment-grade end customers.

**Reinvest.** We seek to grow opportunistically through the delivery of net asset value accretive projects and to deliver long-term returns to shareholders through capital discipline and project monetisation.

More detailed information on the Company's business model, strategy and performance can be found in the most recently published Strategic Report on pages 2 to 31 of the Annual Report.

The Company's strategy, purpose, business model and Key Performance Indicators will continue to be reviewed following the expected completion of the Seven Energy Transaction. These will also be subject to an annual review by the Board.

### Principle 2: Seek to understand and meet shareholder needs and expectations

**Website disclosure.** The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on matters such as governance, strategy and performance-related remuneration, and that the Directors understand the views of major shareholders on such matters.

The Company communicates with shareholders and potential investors through a variety of channels, including the Annual Report, regulatory announcements, operational updates and a pro-active and comprehensive investor relations programme which is managed in line with operational developments, corporate news flow and the Company's financial calendar.

The CEO and the Vice President of Corporate Affairs maintain a regular dialogue with major institutional investors and analysts and provide the Board with regular reports on investor and analyst feedback. The Company holds investor roadshows throughout the year as appropriate. Corporate presentations which are given to shareholders and potential investors can be accessed on the Company's website at <https://www.savannah-energy.com/en/presentations>.

The CEO is available to meet with institutional investors to explain the Group's strategy and performance and listen to investors' views. The Chairman and Non-executive Directors are also available to meet with shareholders on request. The AGM provides another opportunity for shareholders to meet and speak to members of the Board directly. The Company maintains a database of meetings held by the Directors with shareholders, potential investors and analysts. Reports on meetings held with existing and potential investors and briefings from the Company's corporate brokers are provided to the Directors and discussed at Board meetings. Analysts' reports received on the Company are reviewed and monitored by the senior management team and circulated to the Board as appropriate. Investor relations support is provided to analysts covering and initiating coverage of the Company.

The Company's website provides the contact details of the Company's Investor relations team: <https://www.savannah-energy.com/en/IR-contacts>

In 2018, Savannah met with over 120 shareholders and so far in 2019, over 50 calls and meetings have already taken place.

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

**Website disclosure.** Key stakeholders which the business relies on include its customers, employees, suppliers, shareholders and local communities in the areas that the Group operates in. The Group takes a proactive and robust approach in recognising, assessing, managing and mitigating the risks facing the Company with the aim of protecting its employees, contractors and other stakeholders and safeguarding the interests of the Group and its shareholders.

**Employees.** The Company has established various ways to engage with, and listen to, the views of its employees, including regular individual updates and employee-wide meetings. As the Seven Energy Transaction progressed, Savannah engaged with all employees to encourage them to share their views on the prospect. As the Seven Energy Transaction reaches its final stages, the Board will continue to consider how to best engage with its bigger workforce.

**Local communities.** Savannah seeks to maintain an effective stakeholder engagement programme, which includes a number of different initiatives that aim to support the local communities in which the Company operates. Through working directly with the local communities, the Company is able to gain insights into the views of the communities and take them into account when shaping the engagement programme initiatives. More information can be found in the Corporate Social Responsibility report contained within the most recently published Annual Report on pages 26 and 27.

**Shareholders.** As explained above, the Company communicates with shareholders and potential investors, and obtains their feedback, through a variety of channels.

**All stakeholders.** The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, to be aware of and refer to the Anti-Corruption and Bribery policy in all of their business activities worldwide and to conduct business on the Group's behalf in compliance with the policy. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

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

The Board has overall responsibility for establishing and maintaining the Group's system of internal controls and risk management and reviewing its effectiveness. As with any successful company, delivering the Company's business objectives and overall strategy will involve taking considered risks. The Group's internal controls and risk management framework have been designed to assist the Board in making robust decisions to create and protect shareholder value by creating sustainable growth over the medium to long term.

The Board recognises that such a system has its limitations. Internal controls can only provide reasonable, not absolute, assurance against material misstatement or loss. The purpose of an effective risk management framework is to assess and manage rather than eliminate risk entirely, which involves Directors and senior management exercising a degree of judgement.

The internal control framework within which the Group operates includes the following key elements:

- organisational structures, delegations of authority and reporting lines;
- Group accounting and control procedures to manage the Group consolidation and reporting requirements, including:
  - review of monthly management accounts with comparison of actual performance against budget; and consideration of the outturn for the year; and
  - monthly reconciliation of all key control accounts;
- budgetary process and monthly monitoring of the annual budget, business performance and deviations from the budget; and
- operational and strategic review processes for all aspects of the Group's business.

A number of policies and procedures are also in place, as part of the Group's internal control framework, which include the Group Anti-Corruption and Money Laundering policy, the Delegation of Authority system, Travel and Entertainment and Petty Cash policies.

The Company's risk management and internal control systems are reviewed on regular basis and are currently being re-assessed in light of the near completion of the acquisition of the Seven Assets, in line with management's integration plans for the enlarged Group.

The principal risks faced by the business, their potential impact and how they are mitigated are described in the Principal Risks and Uncertainties section, on pages 30 and 3 of the most recently published Annual Report. The Company's whistleblowing, anti-bribery and corruption controls are described on page 39 of that Report.

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

The Board is collectively responsible to the shareholders of Savannah for the effective oversight and long-term success of the Company. In 2018, Savannah formally adopted the QCA Code as the basis of the Group's governance framework and reviewed its existing governance policies and procedures to align them with the recommendations of the QCA Code.

The Chairman is responsible for leading the Board and ensuring that it remains effective in fulfilling its role. On an annual basis, the Board completes an annual evaluation of its performance, its Committees and that of individual Directors, including a review of how the Chairman fulfilled his responsibilities.

The Company has chosen not to establish a separate Nomination Committee or to appoint a Senior Independent Director as, at present, the Board considers that this would be unnecessarily burdensome in the context of the current size and complexity of the business. The Board intends to continue to keep these decisions under review as the business evolves.

**Information.** The Board and its Committees are provided with high quality information on a timely basis in order to facilitate the proper assessment of the matters under consideration and the Non-executive Directors are provided with access to all information they require and to external advice as necessary. The Board and its Committees are supported by the Company Secretary and a team at Link Company Matters Ltd ("Link Company Matters") in organising and circulating the meeting papers, as well as with other governance, regulatory and compliance matters.

**Board composition.** The Board currently comprises eight Directors: the Non-executive Chairman, the Non-executive Vice Chairman, three Non-executive Directors and three executive Directors: the CEO, COO and CFO. The Board is considered to be of an appropriate size, given the size and scope of the business, and balanced with the right skills and expertise. The names and responsibilities of the current Directors, together with their biographies, are set out on pages 32 and 33 of the 2018 Annual Report and Accounts and can also be found on Savannah's website.

**Directors' independence & time commitment.** The Board has considered and reviewed the independence and effectiveness of each Non-executive Director, taking into account the guidance in the QCA Code, and is of the view that all Non-executive Directors continue to be independent in character and judgement and free from relationships or circumstances that could affect their judgement. The Board considers that all Directors continue to be effective and committed to their roles and have sufficient time available to perform their duties. The attendance records of all Directors are disclosed within the Governance report in the Savannah's annual reports.

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

The Board believes that it is of an appropriate size given the size and scope of the business and that its members have the necessary balance of skills, knowledge, background and capabilities to lead the Company effectively. The Directors' biographies, which can be found on pages 32 and 33 of the 2018 Annual Report and Accounts and on Savannah's website, illustrate the breadth of high calibre skills and experience that the Directors bring to the Board; to help deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. These include appropriate industry, operational, risk management, financial, legal and regulatory experience and, in the case of the Non-executive Directors, the willingness and ability to provide robust and objective challenge to the views and assumptions of senior management and other Directors.

**Appointments and diversity.** The Board places value on attracting Directors with diverse outlooks and experience, and the Remuneration and Nomination Committee encourages the inclusion of the best male and female candidates from all backgrounds when conducting external searches. On the Remuneration and Nomination Committee's recommendation, the Board makes appointments to achieve the balance of skills, outlook and experience needed, but does so solely on merit (and accordingly, the Group has not adopted a formal policy on diversity).

**Training.** The Directors receive regular updates on market and regulatory developments and are provided training, as required, to ensure that their skills and experience are kept up to date. Regular briefings and updates from the Company's NOMAD and Link Company Matters including compliance with the Companies Act 2006, AIM Rules, the QCA Code and Market Abuse Regulation are reviewed by the Board.

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

**Website disclosure.** In line with the recommendations of the QCA Code, the Board undertook an evaluation of its performance, that of the Chairman, the Board's Committees and individual Directors.

During 2017, it was identified that the Board required the addition of operational, legal and political skill sets as a result of the Seven Energy Transaction and the Company's evolving business mix. While a formal Board evaluation was not deemed appropriate, this led to the appointments of Sir Stephen O'Brien, David Clarkson and Michael Wachtel as Non-executive Directors and Isatou Semega-Janneh as CFO. Going forward, the Board intends to continue to undertake annual appraisals and it will report on the progress made against the actions identified through this evaluation in future reports.

In 2018, the evaluation took the form of a detailed questionnaire which looked to assess the effectiveness of the Board, the Directors and the Chairman, as well as the Committees' activities, processes and policies and to identify any possible areas for improvement. This included:

- governance arrangements;
- balance of matters discussed at Board meetings;
- relationship between the Non-executive Directors and the executive team;
- work of the Board Committees;
- effectiveness of the Chairman and the individual Directors; and
- communications with shareholders and other stakeholders.

The questionnaire asked the Directors to assign a score to each question and invited the Directors' to provide more detailed answers explaining their rationale for the score and ways to improve on it (if appropriate). The scores were compiled to provide average rating for each question and included, anonymously, all Directors' answers, options and suggestions. The findings were analysed and presented to the Board for review. The Board and its Committees received strong feedback for their performance as whole, including their effectiveness, balance of skills, experience, knowledge and independence. Actions arising from recommendations to further improve the effectiveness of the Board are being implemented, and include devoting an even greater amount of time to strategy matters and continuing to develop the business plan and key performance indicators for management and senior executives across the enlarged organization, should the Seven Energy Transaction proceed as expected. The Chairman also continues to offer the Non-executive Directors the opportunity to meet regularly, as necessary, in the absence of the CEO, CFO and other members of management.

**Succession planning.** The Board acknowledges the importance and the value of succession planning in order to ensure that the Company has the benefit of an appropriate mix of skills and experience as the Board and senior management team evolve. The discussions around the Company's strategy, objectives and forward plans, as well as an assessment of the Directors' current mix of skills, experiences and personal qualities, all inform the succession plans for the Board. Succession planning for the key members of the senior management team is also underway.

### **8: Promote a corporate culture that is based on ethical values and behaviours**



**Website disclosure.** Savannah is committed to promoting a healthy and responsible corporate culture and, accordingly, has put into place a number of policies and mechanisms to ensure that ethical values and behaviours are recognised and respected.

**Anti-Corruption and Bribery policy.** The Company expects all employees, suppliers, contractors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, be aware of and refer to the Anti-Corruption and Bribery policy in all of their business activities worldwide and to conduct business on the Group's behalf in compliance with it. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

**Whistleblowing.** Savannah is committed to achieving high standards of conduct and accountability and a structure which allows employees to openly report legitimate concerns regarding improprieties in financial reporting or non-compliance with applicable laws, regulations or Group policies, danger to health and safety, damage to the environment or other matters that may harm the reputation of the Group. There are various whistleblowing channels that enable the employees to raise concerns without fear of penalty or punishment.

The framework of policies and procedures in place enables the Board to ensure that the Group's employees, and those who provide services to it, act in accordance with the highest standards of ethical conduct; and that Savannah only does business with persons who are engaged in legitimate business activities and who use funds from legitimate sources. This framework also enables the Company to determine that the desired corporate culture, ethical values and behaviors are embedded within the Company and all relevant stakeholders; and to monitor it through various markers that confirm adherence to the policies.

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

**Website disclosure.** The roles of the Chairman and Chief Executive Officer are separate, with a clear division of responsibilities. The separation of authority enhances independent oversight of the executive management by the Board and helps to ensure that no one individual on the Board has unfettered authority.

**Role of the Chairman.** In accordance with the principles of the QCA Code, the Chairman is responsible for leading the Board and ensuring that it remains effective in fulfilling its role. He sets the Board's agenda and ensures that there is appropriate focus on strategic issues and the monitoring of performance.

**Role of the CEO.** AS CEO and through delegation from the Board, Andrew Knott is responsible for managing the day-to-day operations and the implementation of the strategy of the Company. The Company's performance and development planning, led by Andrew as CEO, is considered by the Directors in the context of the Company's overall strategy and goals, within the Company's risk and governance frameworks and taking into account their impact on stakeholders in the longer term. With a culture of openness and debate, the Directors can discuss and challenge the actions of the executive management, as well as the views of all Directors, promoting good decision-making and ultimately supporting the Company's long-term success.

**Role of the CFO.** As the CFO, Isatou Semega-Janneh leads the finance function and is accountable for all aspects of financial management of the Group.

**Role of the COO.** As the COO, David Clarkson is accountable for all aspects of the Company's technical and operational activities, including HSSE, executing capital investment plans, work programmes, budgets and delivery of development projects. Intrinsic in his COO role, David also continues to build Savannah's operational capability in line with the Company's growth agenda.

The Board is collectively responsible to the shareholders of Savannah for the effective oversight and long-term success of the Company.

**Matters reserved for the Board.** In addition to matters required by the Companies Act 2006, the Board has overall responsibility for strategy, purpose, business model, performance, capital structure, approval of key contracts and major capital investment plans, the framework for risk management and internal controls and governance matters and engagement with shareholders and other key stakeholders. The Directors remain focused on understanding the needs of our shareholders and other stakeholders and considering how the Board's decisions impact them in the longer term. The Board's full responsibilities are set out in a formal schedule of matters reserved for its decision.

The Board delegates certain responsibilities to its Committees, so that it can operate efficiently and give an appropriate level of attention and consideration to relevant matters. The Annual Reports of the Company include reports from each of the Committees, describing their work.

**Audit & Risk Committee.** Its key responsibilities are:

- Reviewing the integrity and content of the financial statements, including reviewing and reporting to the Board on significant financial reporting issues and judgements.
- Reviewing adequacy and effectiveness of the Company's internal controls and risk management policies and systems.
- Reviewing and monitoring compliance policies and systems, including prevention and detection of fraud and tax evasion.
- Monitoring compliance with applicable regulations.
- Reviewing and approval of the annual audit plan and reviewing the audit findings with the external auditor.
- Assessing external auditor objectivity and independence and reviewing the performance and remuneration of the external auditor.

**Remuneration and Nomination Committee.** Its key responsibilities are:

- Determining and reviewing the terms and conditions of service and termination of employment of Executive Directors and senior employees;
- Determining and reviewing the remuneration of Executive Directors and senior employees;
- Reviewing and approval of grants of shares or options, from time to time;
- Reviewing and recommending to the Board appointments and re-elections of Directors to the Board; and
- Reviewing the composition of the Board, the membership of the Committees and making recommendations to the Board on any proposed changes.

**Compliance Committee.** Its key responsibilities are:

- Reviewing and monitoring compliance controls, policies and systems to identify, assess, manage and report on compliance matters, including:
  - the prevention of bribery, corruption, money laundering and countering of terrorist financing;
  - gifts and hospitality, per diem payments, business relationships, including dealings with public officials, agents, intermediaries, consultants, contractors and advisers;
  - mergers, acquisitions and major new projects;
  - whistleblowing arrangements and reports;
  - conflicts of interest; and
  - legal and regulatory compliance risks.
- Assessing the adequacy and effectiveness of the compliance framework; and
- Communicating the Board's commitment to compliance to the Group's staff, contractors and other stakeholders.

**Health, Safety, Security and Environment ("HSSE") Committee.** Its key responsibilities are:

- Ensuring that the Company has an appropriate framework of policies, procedures, systems and controls in place in relation to the health, safety, security and environmental risks arising from the operations of the Group;
- Promoting appropriate behaviours, decisions and culture;
- Communicating the Board's commitment to these matters to the Group's staff, contractors and other stakeholders;
- Overseeing compliance with, and effectiveness of, the HSSE framework;
- Receiving reports on all serious accidents and incidents within the Group, including corresponding actions taken by management; and
- Overseeing the quality and integrity of any reporting to external stakeholders regarding health, safety, security and environmental matters.

Following the results of the 2018 Niger drilling campaign, and as we look to complete the Seven Energy Transaction, the Board continues to devote substantial amount of time to reviewing and adapting Savannah's governance arrangements to ensure that these remain appropriate for the enlarged business.

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

**Website disclosure.** The Board is committed to ensuring that there is open and effective communication with the Company's shareholders on matters such as governance, strategy and performance-related remuneration, and that the Directors understand the views of major shareholders on such matters.

The Company communicates with shareholders and potential investors through a variety of channels:

- the Annual Report;
- regulatory announcements and operational updates;
- a proactive and comprehensive investor relations programme;
- the CEO and the Vice President of Corporate Affairs maintain regular dialogue with major institutional investors and analysts and provide the Board with regular reports on investor and analyst feedback;
- the Company holds investor roadshows throughout the year as appropriate;
- the Company's representatives attend a number of investor events;
- the CEO is available to meet with institutional investors to explain the Group's strategy and performance and listen to investors' views;
- the Chairman and Non-executive Directors are available to meet with shareholders on request;
- the AGM, which provides an opportunity for shareholders to meet and speak to members of the Board directly;
- reports on meetings held with existing and potential investors and briefings from the Company's corporate brokers are provided to the Directors and discussed at Board meetings;
- analysts' reports received on the Company are reviewed and monitored by the senior management team and circulated to the Board as appropriate.

**Other stakeholders.** Savannah is committed to seeking to create, add and realise value not just for its financial stakeholders but for its host communities, its partners and its employees. Savannah believes that maintaining effective stakeholder engagement programmes is essential and this includes a number of initiatives to support the local communities in which the Company operates. More information can be found in the Corporate Social Responsibility report on pages 26 and 27 of Savannah's 2018 Annual Report.

**Shareholder votes.** Savannah now does, and will continue to, include the details of the shareholder votes when reporting the results of the Annual or other General Meetings.

At the 2019 AGM held on 28 June 2019, 26.49% of the shareholders' votes were cast against resolution 4, which authorized the Directors to allot Ordinary shares of the Company up to specified limits. The full text and details of the resolution can be found in the Notice of Meeting, available on Savannah's website. The Board welcomed the majority support for the authority to allot new shares and it recognises that there was a significant number of votes opposing the resolution. The Company acknowledges that more needs to be done to understand and address the concerns raised by the shareholders regarding the specific aspects of the allotment authorities. The Board intends to engage with shareholders on this important issue.

**Presentations to investors** are posted on the Company's website at [www.savannah-energy.com](http://www.savannah-energy.com).

**Copies of the historical annual reports and governance related material** including notices of all general meetings over the last five years can be found on the Company's website:  
<https://www.savannah-energy.com/en/reports>  
<https://www.savannah-energy.com/en/key-documents>

**Notice of Meeting** calling the 2019 AGM which was held on 28 June 2019 can be found on the Company's website:

<https://www.savannah-energy.com/en/key-documents>