

# SOUND ENERGY PLC

## QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE CODE

### 2018 Introduction:

The Board of directors of the Company recognises the importance of corporate governance and applies The Quoted Companies Alliance Corporate Governance Code (2018) (the 'QCA Code'), which they believe is the most appropriate recognised governance code for a company 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. Consider wider stakeholder and social responsibilities and their implications for long term success;
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation;
5. Maintain the board as a well-functioning balanced team led by the Chair;
6. Ensure that between them the directors have the necessary up to date experience, skills and capabilities;
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
8. Promote a corporate culture that is based on ethical values and behaviours;
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board;
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

### Chairman's Corporate Governance Statement:

#### Dear Shareholders

As Chairman of Sound Energy, I am pleased to inform you that I particularly place emphasis on ensuring that an effective and focused Board leads the Company and builds success. Corporate governance underpins the foundations of a solid and successful business and, as I work with my executive team, I and the Board will continue to develop the governance of the business yet further. The two Sound Energy Non-Executive Directors, provide independence to the Board and the Board is committed to fit for purpose corporate governance across the business. Application from the Board, executive directors and throughout the operations of the business is ensured and assured. The Company formally adopted the Quoted Companies Alliance 2018 corporate governance code in September 2018 and shall be working towards the updates made to the code in 2023. Adoption and adherence to the QCA Code remains the most appropriate recognised governance code for the Company.

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 Board as a whole look to instil a culture across the Company, delivering clear values and behaviours. A Board Evaluation was conducted in 2022 which identified ways in which to improve Board effectiveness. Such assessments are an important exercise considering areas such as strategy, performance, corporate culture and risk oversight.

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

The importance of engaging with our shareholders underpins the essence of the business, ensuring that there are opportunities for investors to engage with the Board and the Executive team.

**Graham Lyon**

**Executive Chairman**

**Website disclosures:**

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

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

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

Copies of our annual report, Notice of Annual General Meetings (AGM) and the interim report are available to all shareholders and can be downloaded from the investors section of our website.

We engage with shareholders through updates to the Market via regulatory news flow ("RNS") on matters of a material substance and regulatory nature.

Our AGM is an annual opportunity for shareholders to meet with the Board and the executive team and to receive a full update on the Company's business and strategy. All shareholders are provided with an opportunity to ask questions and raise issues during the formal business or more informally following the meeting.

At the AGM, separate resolutions are proposed on each substantial issue. For each proposed resolution, shareholders are provided with an opportunity to vote in advance of the AGM by proxy if they are unable to vote in person. Our registrars, Link Group count the proxy votes which are properly recorded, and the results of the AGM are announced through an RNS.

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 Company, where appropriate, responds to shareholder queries directly (whilst maintaining diligence on MAR restrictions on inside information and within the requirements of the AIM Rules for Companies). Investor events are also arranged with shareholders throughout the year which presents an opportunity for shareholders to speak with the executive directors in a formal environment and a more informal one to one. In addition, the Company hosts a forum 'fireside chat' at regular intervals which presents a further opportunity for shareholders or interested parties to ask questions or raise any issues.

Shareholders with queries should email [info@soundenergyplc.com](mailto:info@soundenergyplc.com)

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

**Disclosure: Explain how the business model identifies the key resources and relationships on which the business relies. Explain how the company obtains feedback from stakeholders.**

Our business model and strategy are clear and are set out in our annual report. Our business model is underpinned by a series of fundamental building blocks that we must have in place to manage our risks and provides us with a licence to operate. These include:

- having an engaged, industry experienced and entrepreneurial team with a balance of technical, commercial and financial skills;
- appropriate governance coupled with effective risk management; and
- a culture of safe and sustainable operations, enabling us to achieve high standards of health and safety and minimise our environmental and social impact.

We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible the wishes of stakeholders are considered. There is an open-door policy from the executive team down where employees are able to voice their opinions and make suggestions.

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

The Board comprises the Executive Chairman, once executive director and two non-executive directors (both considered independent). Details on the Board can be found on the Company's website at '[The Team](#)'. The Board has significant international, industrial, 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. Whilst the Board recognises that an Executive Chairman is not considered best practice this is believed to be the best solution for the business at present whilst the Executive team is secured and embedded. The role of Executive Chairman will continue to be kept under review.

The Chairman is responsible for leading the Board and ensuring that the Board discharges its responsibilities and also for facilitating full and constructive contributions from directors in the determination of the Group's strategy and overall commercial objectives. Graham Lyon currently serves as the Executive Chairman of the Company. Graham is a Petroleum Engineer by training who has over 40 years of experience in the Oil and Gas industry. He brings wealth of experience across technical, operational, governance and commercial leadership roles in the International arena. Graham is a member of the Nominations Committee.

Mohammed Seghiri, as COO, works closely with the Executive Chairman ensuring that the technical and commercial objectives set by the Board are met. The COO sits on the Board and is accountable to the Board for the operational and financial performance of the business. Mohammed holds a masters degree in Engineering and brings a wealth of knowledge and expertise in leading complex sectors, including Gas Storage, Oil & Gas exploration and Power Production. Prior to being appointed as the COO of the Company, Mohammed was the Managing Director of Sound Energy's Moroccan operations. Mohammed is a member of the HSSE Committee.

David Blewden, Independent Non-Executive Director brings a wealth of knowledge and experience in the Oil and Gas industry, finance, investment banking and capital markets to the Board. David with his extensive experience in Finance and Investment banking has also been appointed to Chair the Company's Audit Committee and is a member of the Remuneration and Nominations Committee. David is currently the CFO of Sunny Hill Energy Limited and has been in that position since October 2016.

Christian Bukovics, Senior Independent Non-Executive Director is a senior Oil and Gas sector executive with for 40 years of international experience across a variety of roles. Since 2013, he has worked as founder, advisor and non-executive director in small-cap Oil and Gas companies and was part of the board of LSE premium listed JKC Oil and Gas plc. Prior to this, he held several senior leadership positions with Shell Internationally. Christian holds a doctorate. Christian has been appointed to Chair

the HSSE Committee and Remuneration and Nominations Committee. He is also a member of the Audit Committee.

The Board is kept abreast with developments of governance and AIM regulations. The Company Secretary and Company's lawyers provide updates on governance issues and the Company's NOMAD provides regular board AIM Rules refresher training as well as the initial training as part of a new director's onboarding.

The directors have access to the Company's advisers as and when required and are able to obtain advice from other external bodies when necessary.

The Company is mindful of diversity although Board appointments are made with the primary aim of ensuring that the candidate offers the required skills, knowledge and experience.

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

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

The directors studiously consider the effectiveness of the Board, Committees and individual performance.

The Board meets formally four or five times a year with multiple ad hoc Board meetings as the business demands. There is a strong flow of communication between the directors. The Agenda is set with the consultation of the Executive 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.

In 2022, the Company conducted a Board evaluation review whereby the Board undertook an anonymous survey facilitated by AMBA Company Secretarial Services Limited (AMBA). The confidential questionnaires covered key areas such as risk management and internal controls, strategic oversight, Committees of the Board and Board support and administration. It enabled the directors to consider the functioning of the Board both within the Board room and the relationships of the non-executive and executive directors. The area of Board composition continues to be monitored. It is planned that an evaluation shall be carried out every few years to ensure that the Board continues to function as effectively as possible.

The Board continuously monitors and evaluates the governance structure already in place and reforms are recommended where necessary. On-going review of the functioning of the Board and ensuring that the highest level of governance is maintained whilst being mindful of the size and stage of development of the Company.

In addition to the above, the directors have a wide knowledge of the business and requirements of director's fiduciary duties. The directors have access to the Company's advisers if and when required. They are also able, at the Company's expense, to obtain advice from external bodies if required. The Board as a whole is mindful of the need for succession planning. The Remuneration and Nominations Committee will continue to meet and monitor the requirement for succession planning.

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

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

The directors are committed to ethical values and behaviours across the Board and the Company as a whole. The Board is mindful of the industry and jurisdictions in which the business operates in and takes all issues of ethical behaviours seriously. These behaviours are instilled throughout the organisation. The importance of delivering success in a safe environment is never undermined.

Governance structures and processes that are fit for purpose and support good decision-making by the Board are maintained.

Issues of bribery and corruption are taken seriously, the Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery and corruption policy in place to protect the Company, its employees and those third parties with which the business engages with. The policy is provided to staff upon joining the business and training is provided to ensure that all employees within the business are aware of the importance of preventing bribery and corruption. Each employee is required to sign an agreement to confirm that they will comply with the policies. Annually staff are provided with refresher courses to ensure that the issues of bribery and corruption remain at the forefront of people's minds. There are strong financial controls across the business to ensure on going monitoring and early detection.

A whistleblowing policy is in place, which enables staff to raise any concerns in confidence. The Chairman has assumed the role of whistleblowing officer.

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

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

The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team. The Chairman has the responsibility for ensuring that the Board discharges its responsibilities. No one individual has unfettered powers of decision.

The Chairman is responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. Graham Lyon was appointed as the Executive Chairman of the Company on 25 February 2020. Graham is a member of the Nominations Committee.

Mohammed Seghiri was appointed to the Board in January 2020 as Acting CEO and subsequently appointed as COO of the Company. The COO, work closely with the Executive Chairman and is accountable to the Board for the operational performance of the business. Mohammed is a member of the HSSE Committee.

David Blewden is an independent Non-Executive Director and the chairman of the Audit Committee. David is also a member of the Remuneration and Nominations Committee.

Christian Bukovics is the Senior Independent Non-Executive Director and the chairman of the HSE Committee and Remuneration and Nominations Committee. Christian is also a member of the Audit Committee

The Audit Committee meets at least two times a year and consists of two members, both Non-Executive Directors. The Committee assists with the Board's oversight of the integrity of the financial reporting and the independence and performance of the Company's Auditor.

The Remuneration and Nominations Committee meets at least twice a year to consider all material elements of remuneration, including the executive directors' remuneration and performance. In addition, the Committee meets as and when required to consider matters related to succession planning and new nominations to the Board.

The HSSE Committee generally meets four to five times a year and is primarily focussed on ensuring that the HSSE policies are adopted and applied across the Group. The meeting is attended by the HSSE Manager, who is accountable to the Committee on HSSE matters across the Group.

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 meetings at which financial, operational and other reports are considered and where appropriate voted upon. The Board is responsible for the Group's strategy and key financial and compliance issues.

There are certain matters that are reserved for the Board, they include:

- Approval of the Group's strategic aims and objectives;
- Approval of the Group's annual operating and capital expenditure budgets and any material changes to them;
- Review of Group performance and ensuring that any necessary corrective action is taken;
- Extension on the Group's activities into new business or geographical areas;
- Any decision to cease to operate all or any part of the Group's business;
- Major changes to the Group's corporate structure and management and control structure;
- Any changes to the Company's listing;
- Changes to governance and key business policies;
- Ensuring maintenance of a sound system of internal control and risk management; and
- Approval of half yearly and annual report and accounts and preliminary announcements of final year results Reviewing material contracts and contracts not in the ordinary course of business.

As the Company grows, the directors will ensure that the governance framework remains in place to support the development of the business.

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

**Disclosure: Outcomes of votes cast by shareholders to be disclosed in a clear and transparent manner. If a significant number of votes were cast against a resolution put to a general meeting (20%) explain the reasons behind the votes cast.**

If a significant proportion of votes were ever cast against a resolution, the Company would, on a timely basis, provide 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

**Annual report disclosures:**

The table below provides details of our annual report disclosures as required under the QCA Code

QCA Code Principle	Disclosure	
1	Explain the company's business model and strategy, including key challenges in their execution (and how those will be addressed).	<a href="#">2023 annual report: 9 and 15</a>
4	Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective.	<a href="#">2023 annual report: p 31-34</a>
5	Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained.	<a href="#">2023 annual report: p39 - 40</a>
	Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors).	<a href="#">The executive directors are expected to devote substantially the whole of their time to their duties with the Company. The non-executives have a lesser time commitment. It is anticipated that each of the non-executives, will dedicate 24 days a year.</a>
	Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.	<a href="#">2023 annual report: p42</a>
6	Identify each director.	<a href="#">2023 annual report: p39-40</a>
	Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term.	<a href="#">2023 annual report: p39-40</a>
	Explain how each director keeps his/her skillset up-to-date.	<a href="#">Already included in principle Six.</a>
	Where the board or any committee has sought external advice on a significant matter, this must be described and explained.	<a href="#">No such advice was sought in 2023.</a>



	Where external advisers to the board or any of its committees have been engaged, explain their role.	see Website disclosures: Principle Six above.
	Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board.	The Company Secretary helps keep the Board up to date on areas of new governance and liaises with the Nomad on areas of AIM requirements. The Company Secretary has frequent communication with the Executive Chairman and is available to other members of the Board if required.
7	Include a high-level explanation of the board performance effectiveness process.	2023 annual report: p41-42 and website disclosures principle seven
	Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed.	2023 annual report: p41-42
8	Include in the chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the board does to monitor and promote a healthy corporate culture and how the board assesses the state of the culture at present.	see Website disclosures: Principle Eight above.
10	Describe the work of any board committees undertaken during the year.	2023 annual report: p43-50
	Include an audit committee report (or equivalent report if such committee is not in place).	2023 annual report: p45-46
	Include a remuneration committee report (or equivalent report if such committee is not in place).	2023 annual report: p47
	If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained.	NA

Last updated: 2 July 2024