

# ECHO ENERGY PLC

## QUOTED COMPANIES ALLIANCE CORPORATE GOVERNANCE CODE 2018

### Introduction:

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

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

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

### Chairman's Corporate Governance Statement:

Dear Shareholders

As Chairman of the Company, I firmly believe that strong corporate governance helps provide the building blocks that allow an organisation to be successful. The Board is committed to good governance across the business, at an executive level and throughout its operations.

Following the revisions to the AIM Rules for Companies in March 2018 pursuant to which all AIM companies are required to comply with a recognised corporate governance code, the decision has been made by the Company that it will adopt the QCA Code which is believed to be the most appropriate recognised governance code for the Company.

The Board not only sets expectations for the business but also works towards ensuring that strong 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 numerous opportunities for investors to engage with both the Board and executive team.

James Parsons

Non-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 2 - 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 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 Annual General Meeting (AGM) is an annual opportunity for shareholders to meet with the Company and a full update is provided by the Executive team, led by Martin Hull, Chief Executive Officer. The meeting is well attended, and all shareholders are provided with an opportunity to ask questions and raise issues during the formal business or more informally following the meeting. Due to COVID-19 the 2020 AGM was held as a close meeting, however the Executive team will ensure that there are opportunities for shareholder engagement later in the year in such format that is possible given the current restrictions.

At the AGM, separate resolutions are proposed on each substantial issue. For each proposed resolution, proxy forms are issued which provide voting shareholders with an option to vote in advance of the AGM if they are unable to vote in person. Our share registrars, Link Asset Services, count the proxy votes which are properly recorded and the results of the AGM are announced through an RNS.

In 2020 the Board sought authority from shareholders to allot 100% of the Company's issued share capital on a non-pre-emptive basis. The directors are aware that this is not in line with the Pre-Emption Group's Statement of Principles however, given the development of the Company and importance of flexibility required to enable the directors to take opportunities for further growth, this level of authority affords the Company with the ability to move quickly on transactions. The Board would not consider progressing any significant transactions without obtaining required shareholder approval. This level of authority was supported by shareholders.

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 Chief Executive Officer, 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 during the year which presents an opportunity for shareholders to speak with the executive team in a formal environment and a more informal one to one. In addition, there is a moderated on-line forum 'Time With The Team' which is held at regular intervals and presents a further opportunity for shareholders or interested parties to ask questions or raise any issues.

Shareholders with queries should email: [info@echoenergyplc.com](mailto:info@echoenergyplc.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 is clear and is set out in our annual report and is underpinned by to the core values of our portfolio, our people and our partnerships which allow us to grow the business.

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. The executive management team meet regularly and this line of communication filters down through the Company.

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

The Board comprises of the non-executive Chairman, three non-executive directors and the Chief Executive Officer. The Board has significant industry, financial, public markets and governance experience, possessing the necessary mix of experience, skills, personal qualities and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term.

In addition, the Chief Executive Officer has a strong executive team to offer the support required to fulfil the demands of the business and to deliver the strategy to stakeholders. He is also actively supported by the non-executive Chairman of the Company.

The role of the Chairman and Chief Executive Officer are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer, with the support of the Chairman, leads the business and the executive team ensuring that strategic and commercial objectives are met. The Chief Executive Officer is accountable to the Board for the operational and financial performance of the business.

The Board as a whole is kept abreast with developments of governance and AIM regulations. The Company's lawyers provide updates on governance issues and the Company's NOMAD provides annual board room training as well as the initial training as part of a directors onboarding.

The directors have access to the Company's NOMAD, company secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required.

The 2020 performance of the business and its staff will be measured across both financial and operational functions and is captured in a corporate scorecard. The scorecard is made up of various KPIs and is tracked throughout the year. The Board and executives' performance will be judged on the delivery of certain desired outcomes as summarised in the annual report.

James Parsons, Non-Executive Chairman, was appointed to Board in March 2017. James is a qualified accountant and has a BA Hons in Business Administration. James, brings a wealth of knowledge and expertise to lead the business forward. He is a specialist in restructuring, funding and transforming companies and has strong public markets experience.

Martin Hull, Chief Executive Officer, was appointed to the Board in October 2018, initially holding the position of CFO. Martin has over 18 years experience in oil and gas investment banking at Rothschild. Martin, with his experience on many transactions at both the corporate and asset level, including debt and equity, has the knowledge to drive the business forward. His energy transaction experience and contacts through the sector will provide invaluable to building the Company.

Marco Fumagalli, Non-Executive Director, was appointed to the Board in March 2017. Marco is a qualified accountant and holds a degree in Business Administration. Marco, with his financial background provides the experience required as chairman of the audit committee to challenge the business internally and also the Group auditors.

Stephen Whyte, Non-Executive Director was appointed to the Board in March 2017. Stephen's background provides the Board with the operational expertise to review and challenge decisions and opportunities presented both within the formal arena of the boardroom and as called upon when needed by the executives.

Gavin Graham, Non-Executive Director was appointed to the Board in November 2018. Gavin's wealth of experience in the oil and gas sector brings further technical and operational expertise to the Board. Furthermore, Gavin is considered to be an independent non-executive director.

Further details of the director's careers and experience can be found on the website: [Our Team](#).

### **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 consider seriously the effectiveness of the Board, Committees and individual performance.

The Board meets formally five times a year with ad hoc Board meetings as the business demands. There is a strong flow of communication between the directors, in particular the relationship between the Chief Executive Officer and Chairman. The Agenda is set with the consultation of both the Chief Executive Officer and 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 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 NOMAD and auditors if and when required. They are also able, at the Company's expense, to obtain advice from external bodies if required.

The Board entered 2020 looking forward to building further on the governance structure already in place. 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.

The Board and executives' performance will be judged on the delivery of certain desired outcomes as summarised in the annual report.

### **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 Company is committed to ethical values and behaviours across the Board and the Company as a whole. The Board is mindful of the industry that 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 not undermined.

The Board takes the issues of bribery and corruption seriously, The Company has a zero-tolerance approach to bribery and corruption and has an anti-bribery policy in place to protect the Company, its employees and those third parties to which the business engages with. The policy is provided to staff upon joining the business 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 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 mind. 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.

## **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, Chief Executive Officer and other directors with commitments. Describe the roles of the Committees**

The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. No one individual has unfettered powers of decision. The roles of Chairman and Chief Executive Officer are split in accordance with best practice.

The Chairman has the responsibility of ensuring that the Board discharges its responsibilities and is also responsible for facilitating full and constructive contributions from each member of the Board in determination of the Group's strategy and overall commercial objectives. As Chairman, James Parsons engages with shareholders and other stakeholder groups to ensure a strong relationship between them and the Company.

Marco Fumagalli, is chairman of the Audit Committee. Marco is also a member of the Remuneration and Nominations Committee.

James Parsons, as well as being chairman of the Company, is chairman of the Remuneration and Nominations Committee.

The Audit Committee meets at least twice 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. Martin Hull, Chief Executive Officer, attends and presents to the Audit Committee at each meeting.

The Remuneration and Nominations Committee meets twice a year to consider all material elements of remuneration, including the executive director's remuneration and performance.

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

The Board retains full and effective control over the Company and holds regular Board meetings at which financial, operational and other reports are considered and where appropriate voted upon. The Board is responsible for the Group's strategy and key financial and compliance issues.

There are certain matters that are reserved for the Board which are reviewed on an annual basis, they include:

- approval of the Group's strategy and objectives;
- approval of the Group's budgets including annual operating and expenditure budgets;
- Growth of activities into new business or geographical locations;
- Material changes to the group's structure and management;

- Changes to the Company's listing, governance and business processes;
- Financial reporting and controls;
- Matters of corporate governance; and
- Internal controls.

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.**

The Resolution to re-elect James Parsons as a director of the Company at the 2020 AGM, whilst passed received 35% of those votes cast against his resolution. The resolution required votes of at least 50% of those votes cast in favour to pass. Whilst the Board takes the opinions of shareholders seriously, the Company notes that total votes received by shareholders in respect of the resolutions put at the AGM amounted to just over 9% of the Company's share capital and, therefore, that the votes against Mr Parsons re-election represented 3% of the shareholder base. However, the directors take the views of shareholders seriously and will continue to regularly assess the suitability of the Board in ensuring that it continues to possess an appropriate mix of skills, qualifications and qualities to meet the Company's needs going forward.

**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).   | 2019 annual report: p 5-7  |
| 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. | 2019 annual report: p16-17   |
| 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.  | Gavin Graham, James Parsons and Stephen Whyte are considered to be independent.  |
|                    | Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors).  | The chief executive director is expected to devote substantially the whole of his time to the duties with the Company. The non-executives have a lesser time commitment. It is anticipated that each |

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|   |  | of the non-executives, including the chairman will dedicate 12 days a year.   |
|   | Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director.  | 2019 annual report: p29   |
| 6 | Identify each director.  | 2019 annual report: p32-33; <a href="#">Our Team</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. | 2019 annual report: p32-33  |
|   | Explain how each director keeps his/her skillset up-to-date.   | see Website disclosures: Principle Six above and 2019 annual report p27   |
|   | Where the board or any committee has sought external advice on a significant matter, this must be described and explained.   | No such advice was sought in 2019.  |
|   | 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 both the Chairman and Chief Executive Officer and is available to other members of the Board if required. |
| 7 | Include a high-level explanation of the board performance effectiveness process.   | see Website disclosures: Principle Seven above  |
|   | 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.  | No such evaluation took place in 2019.  |
| 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  | see Website disclosures: Principle Eight above. See 2019 annual report p24  |

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|    | 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. |   |
| 10 | Describe the work of any board committees undertaken during the year.   | <a href="#">2019 annual report: p28</a> |
|    | Include an audit committee report (or equivalent report if such committee is not in place).   | <a href="#">2019 annual report: p28</a> |
|    | Include a remuneration committee report (or equivalent report if such committee is not in place).   | <a href="#">2019 annual report: p28</a> |
|    | 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: [6 August 2020](#)