

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

All members of the Board believe strongly in the value and importance of good corporate governance and in accountability to all of ADM Energy's stakeholders. The statement below, explains the approach to governance, and how the Board and its Committees operate.

The corporate governance framework which the Company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

The following paragraphs set out the Company's compliance with the ten principles of the QCA Code.

- **ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS**

The Company is an investing company quoted on AIM. Its principal focus is investing in the natural resources sector, particularly in oil and gas where it believes that it can make an attractive return for shareholders. The Company expects to generate returns for shareholders through the development of its investments. Currently, the Company's principal investment is in the Nigerian offshore licence OML 113 and to date the Company has been involved with maintaining and progressing its investment in OML 113 together with the joint operators from the development stage through to production. It is therefore expected that a return to shareholders will be delivered principally through capital growth.

The Board recognises that a challenge of the natural resource sector is the critical time and financial investment often required to commercialise a resource or reserve. In respect of OML 113, the Company is a small but important stakeholder and therefore a key challenge is to continually appraise the OML 113 opportunity from a financial and technical standpoint and to ensure that all further investment in this asset delivers realistic value opportunities for all shareholders.

- **SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS**

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. Shareholders have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting ("AGM"). Investors also have access to current information on the Company through its website, www.admenergyplc.com and via Osamede Okhominia, CEO who is available to answer investor relations enquiries and can be contacted on osamede@admenergyplc.com or hello@admenergyplc.com.

- **TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS**

The Board recognises that the long-term success of the Company is reliant upon the efforts of its directors and employees, the efforts and activities of the joint operation partners and upon their contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships.

As an investing company, the Company recognises that it is likely further investment will be required as it develops the OML 113 asset and its portfolio of other investments. Accordingly, ensuring that the Company continually understands the requirements of shareholders in the context of the broader developments in its sector of operation is extremely important.

The Company's CEO is in regular dialogue with a number of the Company's shareholders, and feedback from this contact is used to shape subsequent communication with shareholders as a whole and the market more generally.

- **EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION**

In addition to its other roles and responsibilities, the Audit and Compliance Committee (see composition details in Corporate Governance section of website, www.admenergyplc.com), is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

In terms of investment appraisal, this process is usually led by the CEO and COO. The opportunities are then presented and discussed by the Board as a whole. Where necessary, the Company will also involve third party experts in the overall appraisal process.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition, there are a range of Company policies that are reviewed at least annually by the Board. These policies cover matters such as share dealing and insider legislation. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Directors. However, the Board will continue to monitor the need for an internal audit function.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Company, that an internal audit function was not required.

As noted in the Strategic Report on pages 8-12, the Board regularly reviews operating and strategic risks and considers in such reviews financial and non-financial information including:

- ▶ a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- ▶ the performance of investments;
- ▶ selection criteria of new investments; and
- ▶ reports prepared by third parties.

- **MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR**

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent.

The Board comprises Non-executive Chairman Oliver Andrews, CEO Osamede Okhomina, COO Richard Carter, and Non-executive Directors Lord Henry Bellingham, Dr Stefan Liebing and Manuel Lambole. The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. Biographical details of the current directors are set out within Principle Six below and on pages 15-16. Execut-

ive and non-executive directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting, one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Directors' receive fees for their services as directors which are approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board meets as regularly as necessary. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. Appointments to the Board are made by the Board as a whole and so the Company has not created a Nominations Committee.

The Board retains full control of the Company with day-to-day operational control delegated to the CEO and other Directors.

- **ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS AND CAPABILITIES**

All members of the Board bring either relevant sector experience or public market's experience which the Company considers to be fundamentally important in its chosen area of operation and investment appraisal process. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Please see biographies of the Board of Directors on pages 15-16.

- **EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT**

Internal evaluation of the Board, its Committees and individual directors is important and will develop as the Company grows in the future. The expectation is that Board reviews will be undertaken on an annual basis to determine the effectiveness and performance in various areas as well as the directors' continued independence

- **PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS**

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places foremost importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, open dialogue within the Company and a commitment to best practice.

The Company has also adopted an anti-bribery policy which is clearly set out on the Company's website.

- **MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD**

The Board schedule provides for six board meetings per annum and, in addition, meets ad-hoc as required. Notwithstanding the above, the Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distrib-

uted 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. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

The Audit and Compliance Committee monitors the integrity of financial statements, oversees risk management and control, and reviews external auditor independence. It also ensures that the Company is compliant with its relevant regulatory requirements.

The Non-executive Chairman has overall responsibility for corporate governance and in promoting ambitious standards throughout the group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The Executive Directors are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The Non-executive Directors contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the group is operating within the governance and risk framework approved by the Board.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

- **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 its period announcement, the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.admenergyplc.com.



CHAIRMAN'S GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Board is committed, where practicable, to developing and applying exacting standards of corporate governance appropriate to the Company's size and stage of development. The Board seeks to apply where appropriate the QCA Code as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

Board Structure

The Board has six directors, four of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the Directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

The roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication.

Attendance at Meetings

It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments, and that all Directors will attend the AGM.

During the year, the Board met 8 times and all the Directors attended the meetings.

Board Committees

REMUNERATION COMMITTEE

The Remuneration Committee consists of Oliver Andrews (Committee Chairman), Manuel Lamboley and Dr Stefan. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Committee makes recommendations to the Board, within agreed terms of reference regarding the levels of remuneration and benefits.

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial period ended 31 December 2021. This report sets out the activities of the Remuneration Committee during 2021.

The Committee met twice during the year to determine the remuneration arrangements of the Directors and senior employees.

Remuneration policy

The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations. The objectives and core principles of the remuneration policy are to:

- ▶ ensure remuneration levels support the Group's strategy;
- ▶ ensure that there is an appropriate link between performance and reward;
- ▶ ensure alignment of Directors, senior management and shareholder interests;
- ▶ ensure that long-term incentives are linked to shareholder return;
- ▶ enable the Group to recruit, retain and motivate individuals with the skills, capabilities and experience to achieve its objectives; and
- ▶ strengthen teamwork by enabling all employees to share in the success of the business.

There are four elements of the remuneration package for Executive Directors and senior management:

- ▶ basic annual salary;
- ▶ benefits in kind;
- ▶ discretionary annual bonus; and
- ▶ long-term incentive plan.

AUDIT COMMITTEE

The Audit Committee consists of Oliver Andrews (Committee Chairman), Manuel Lamboley and Dr Stefan. The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee report for the financial period ended 31 December 2021. This report sets out the activities of the Audit Committee during 2021.

The Audit Committee is governed by terms of reference which are agreed by the Board and subject to annual review.

Principle responsibilities of the committee:

- ▶ Ensuring the financial performance of the Group is properly reviewed, measured and reported;
- ▶ Monitoring the quality and adequacy of internal controls and internal control systems implemented across the Group;
- ▶ Receive and review reports from the Group's management and auditors relating to the interim and annual accounts;
- ▶ Reviewing risk management policies and systems;
- ▶ Advising on the appointment, re-appointment and remuneration of independent external auditors, besides scheduling meetings with external auditors independent of management for discussions and reviews; and
- ▶ Reviewing and monitoring the extent and independence of non-audit services rendered by external auditors.

Areas of focus during 2021

The Committee met three times in 2021 to execute its responsibilities. Meetings focussed on audit planning, risk management, internal controls and the approval of the interim and final results including the key judgements associated with acquisition accounting, asset impairment review assumptions and calculations, creditor completeness reviews and the going concern requirements and statement.

Internal controls and risk

The Board assigns to the Committee the responsibility of monitoring and improving the Group's internal controls governing the finances of the business. The system of internal controls is vital in managing the risks that face the Group and safeguarding shareholders' interests.

Audit Process

The Committee reviews the findings of the external auditors and then approves the scope of work to be undertaken for the next financial reporting year, including the associated audit fees. In addition, a review of the effectiveness of the external audit process is undertaken and an annual assessment of the external auditor's independence is made.

Company Culture and Ethics

The Board of Directors seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours. A culture of ethics and compliance is at the core of a strong risk management program.

The Board of Directors of ADM Energy plc has adopted this code of ethics, to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; promote the full, fair, accurate, timely and understandable disclosure of the Company's financial results in accordance with applicable disclosure standards; promote compliance with applicable governmental laws, rules and regulations; and deter wrongdoing.

OLIVER ANDREWS
NON-EXECUTIVE CHAIRMAN
22 June 2022