

## **Columbus Energy Resources plc**

### **Corporate Governance Report**

The Company intends to adhere to the recommendations of the QCA Corporate Governance Code (“**QCA Code**” or “**Code**”) to the extent it considers them appropriate in light of the Company’s size, liquidity and capital resources. The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles and reasons for any non-compliance.

#### **DELIVER GROWTH**

##### **Principle One**

###### ***Strategy and Business Model for promotion of long-term value for shareholders***

The Company has implemented its Strategy Roadmap to explain the Company’s purpose, business model and strategy over a 3-5 years period. The Strategy Roadmap is updated, from time to time, as required and is clearly displayed on the Company’s website. In addition, the strategy was reinforced in the Company’s 2017 Annual Report which was sent to all shareholders in mid-June 2018. This also referred to the Strategy Roadmap.

The Company has also highlighted six (6) Company Values which it will apply across the business and with all stakeholders: totally trusted; personally responsible; safe and sustainable; creative excellence; stronger together and positive energy. These Values are clearly highlighted on the Home Page of the Company’s website (and also in detail in the “About Us” section) and were also re-stated in the Annual Report.

##### **Principle Two**

###### ***Understanding Shareholder needs and Expectations***

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company’s Directors regularly make themselves available to large and small shareholders to understand their needs and expectations. This takes place:

- Via direct communication with shareholders.
- Via the Company’s Q&A section on its website ([www.columbus-erp.com](http://www.columbus-erp.com)) which is updated to address specific questions posed from time to time from shareholders and other stakeholders.
- At the Company’s Annual General Meeting where all shareholders are encouraged to attend to raise issues and provide feedback.
- Via the Company’s broker and public relations advisors and their interaction with shareholders.

The Executive Chairman (Leo Koot) and Chief Financial Officer (Gordon Stein) are also available to speak to shareholders to address particular issues.

##### **Principle Three**

###### ***Considering wider Stakeholder and Social Responsibilities***

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Company’s risk management framework identifies relevant stakeholders and the Company manages its interaction with those stakeholders as is appropriate. Examples include:

- Internal stakeholders: Employees – daily team meetings, regular town halls and annual performance reviews which are designed to allow two-way communication and feedback on performance, goals, targets and aspirations.
- External stakeholders:
  - Government of Trinidad and Tobago (including Petrotrin and Environmental Authorities): regular meetings, as required, and regular formal approval processes as required by Trinidad law/regulation.
  - Contractors, JV Partners, Funding bodies including lenders – regular meetings and/or communications, as required.
  - Local Communities – the Company’s main asset, the Goudron production field, is in a very remote rain-forest with the nearest town being some 40 minutes’ drive away. The only affected locals are hunters who are active near the field during hunting season and the Company maintains a regular dialogue with their representatives for good HSE purposes. The Company’s other two fields (Bonasse & Icacos) are also in very remote locations in the south-west of Trinidad. Dialogue with local communities is undertaken on an “as needs” basis due to this.

The Company also introduced a Whistle-blowing Policy in October 2017. The objectives of such a Policy and its use in 2017/18 are highlighted on page 39 of the Company’s Annual Report for the year ended 31 December 2017.

#### **Principle Four**

##### ***Risk Management***

The Board considers risk assessment to be important in achieving its strategic objectives. As such, the Directors regularly monitor the risks, internal and external, to the Company and seek to mitigate these as is practical and feasible.

The Company’s risk management framework and analysis is updated at least once per year and is subject to review by the Audit Committee. The Company is in the process of implementing a more frequent review of the risk register during the year (at least quarterly).

The Directors recognise that the success of the Group depends on its ability to efficiently manage its assets and grow in a capital disciplined manner.

The Group’s risk management system identifies key business risks and how these risks may be mitigated.

The Board regularly reviews the business and its processes, including annual work programme and budgets, management reporting, financial operating procedures, HSSE systems, securities trading policies and anti-bribery management systems.

The Board regularly monitors external factors that may impact upon the Group.

The Directors have identified certain principal risks and these are highlighted on pages 34 and 35 of the Annual Report and Accounts 2017 which also confirm the mitigations in relation to the Group’s future performance.

### ***Internal Controls***

The Directors have established procedures for the purpose of providing a system of internal control. 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 executive directors. However, the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Company Group Financial Controller and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

## **MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK**

### **Principle Five**

#### ***A Well-Functioning Board of Directors***

The Board of Directors comprises two Executive Directors (Leo Koot and Gordon Stein) and one Non-Executive Director (Michael Douglas). Biographical details of the current Directors are set out within Principle Six below. Executive and Non-Executive Directors are subject to re-election at intervals of no more than three years. At least one director must be re-appointed to the Board every year with approval from shareholders being sought at the Annual General Meeting.

The Directors are of the opinion that the Board comprises a well-balanced team suitable for a Company of this size. The Board, through the roles of the Executive Chairman and the Chief Financial Officer, maintains regular contact with its advisors and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board meets regularly throughout the year. For the year ended 31 December 2017, the Board met seven times in relation to normal operational matters together with additional meetings in relation to non-routine matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and the Company Secretary ensures necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

The Company complies with the QCA Code in the following:

- The Board (and the Audit and Remuneration Committees) are provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.
- Directors commit the time necessary to fulfil their roles.

Under the QCA Code, the Company is not compliant with the following:

- Leo Koot is the Executive Chairman and the Company does not employ a separate CEO. The Company considers the dual role appropriate for the size of the Company and its current stage of development. The role of Executive Chairman is kept under constant review and the Board has set various metrics to help judge when the roles of Chairman and CEO should be held by two people.

- Under the QCA Code, it is recommended that the Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.

The Company only has one (1) independent non-executive director (Michael Douglas). The Company, however, considers the size of the Board appropriate for the size of the company and its current stage of development. The size and composition of the Board is kept under constant review and the Board has set various metrics to help judge when a larger Board would be appropriate. It is recognised that an independent non-executive director with appropriate operational and technical experience will benefit the Company as the financial and operational size and complexity of the Company grows. The Company will appoint such independent non-executive at the appropriate time.

The Board considers Michael Douglas to be independent. The Company is aware that Michael Douglas holds 1,472,917 shares in the Company representing 0.23% of the Company's issued share capital (see page 41 of the Company's latest Annual Report) and also holds a number of Share Options in the Company (see RNS 2 July 2018 and page 41 of the above-mentioned Annual Report). The Company does not believe the quantum of those Shares and Share Options are sufficient to bar Mr Douglas from being an independent non-executive director. As mentioned under Principle 6, Michael Douglas is an extremely experienced and world-renowned advisor on leadership and Board dynamics (he has advised the Chairs, CEO's and/or Boards of some of the world's largest public companies for the past 10-15 years). The two executive directors consider Mr Douglas to be independent of mind for Board purposes and decision-making.

Michael Douglas is the Company's senior independent non-executive director, and acts in accordance with the expectations of that role. Executive directors keep the NED up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy. This is achieved both through formal reports/updates, at meetings and through regular informal communications. In August 2018, Mr Douglas visited Trinidad for a week with the Executive Directors, spending all that time with them on Company matters.

- Under the QCA Code, it is recommended that the Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. These are set out under Principle Nine below.

The Company is aware that the Audit Committee would benefit from a chair with suitable accounting qualifications. The Company considers the current arrangements appropriate for the size of the company and its current stage of development. As confirmed before, the Board composition is kept under constant review.

#### ***Attendance at Board and Committee Meetings***

The Company reports annually on the number of Board Meetings held during the year and the attendance record of individual Directors. To date in the current financial year the Directors have a 100% record of attendance at such meetings. In order to be efficient, the Directors meet formally and informally both in person and by telephone. To date there have been at least bi-monthly meetings of the Board, and the volume and frequency of such meetings is expected to continue at this rate.

## **Principle Six**

### ***Appropriate Experience, Skills and Capabilities of Directors***

The Board currently consists of three Directors and believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Director's has experience in public markets.

The Board recognises that it currently has a limited diversity and this will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

#### **Leo Willem Koot**

##### *Executive Chairman*

Leo Koot is a Dutch national with over 28 years of industry experience. During his extensive career, he has run oil and energy businesses and has been an active board member, most recently with AIM listed Sterling Energy plc as Senior Independent Non-Executive Director.

Mr Koot's global energy experience includes his role as Managing Partner of MENA Gulf Investment Partners (Abu Dhabi), President of Abu Dhabi National Energy Company's TAQA Iraq and Managing Director of TAQA UK where he built the organisation from a few people to an organisation of over 2,000 staff and contractors and delivered a mature E&P operating company that managed 60,000 bopd production with US\$1.7 billion in annual revenues.

Prior to TAQA, Mr Koot was CEO of Energy Development Partners, an oil and gas business creating ways to match capital and resources with developing production, for which he helped raise a US\$350 million private equity fund. Mr Koot has a Masters in Petroleum Engineering and a business degree from Harvard Business School.

#### **Gordon Bowman Stein**

##### *Chief Financial Officer*

Gordon Stein is a member of the Chartered Institute of Public Finance & Accountancy and was the CFO and an Executive Director of AIM-traded Madagascar Oil Limited from June 2013 to October 2016. He has previous experience on the boards of a number of private and public companies, both as an executive and as a Non-executive director. He is currently also Non-Executive Chairman of Kaezen Limited, a private company operating in the international retail arena.

Mr Stein was previously CFO at Cadogan Petroleum plc which is a main London-listed independent oil and gas exploration, development and production company with onshore gas and condensate assets in Ukraine. Preceding this, he was CFO at Acorn Oil & Gas Limited, Vanguard Energy Limited and Regal Petroleum plc. He has also held senior financial and operational management positions in Fairfield Energy Limited, LASMO plc, Monument Oil & Gas plc, Centrica plc and BG plc. Mr Stein has over 25 years' experience in the upstream oil and gas sector in the UK and internationally, including working and living in Ukraine, Tunisia, Venezuela, Algeria, Madagascar and Turkmenistan.

**Michael Douglas**

*Non-Executive Director*

Michael Douglas has worked in the business consultancy sector for 40 years. He was Managing Partner for PA Consulting Group's International People Practice where his responsibilities covered the Group's Organisational Development, Pay & Rewards, Search & Selection, Advertising & Development and Process Enhancement activities.

Subsequently in 1993 Mr Douglas founded the Quo Group, a consultancy specialising in behavioural change, performance and talent management, leadership development and executive coaching. Over two decades, Michael has positioned Quo as one of the world's leading change specialists.

Michael himself works extensively with leadership teams where he fulfils the role as coach for senior executives across an international portfolio in many sectors.

Mr Douglas chairs the Remuneration Committee and sits on the Audit Committee.

***Compliance with the QCA Code***

The Board is balanced in terms of skills and experience given the size of the Company and its stage of development.

The Board is aware that the size, skillset and composition of the Board will need to evolve as the Company grows. The size and composition of the Board is kept under constant review and the Board has set various metrics to help judge when a larger Board would be appropriate, which would include the appointment of at least one other independent director with a specific skillset/experience which would complement the existing Board.

The current Board is made up of three directors with significant experience of working on and with the Boards of both public and private companies. This includes experience as both executive directors and as Non-Executive directors and all three Board members also sit on the boards of other entities as directors at this time. The three directors all have a different skillset and qualifications, and have strong personalities, ensuring no one person is able to dominate Board proceedings and decision-making.

**Principle Seven**

***Evaluation of Board Performance***

The Board's performance (and its committees) are formally reviewed annually, with informal reviews a regular occurrence. The Board benefits from its senior non-executive director (Michael Douglas) being an extremely experienced and world-renowned advisor on leadership and Board dynamics (he has advised the Chairs, CEO's and/or Boards of some of the world's largest public companies for the past 10-15 years).

The Board reviews its performance internally at present and may consider introducing an external review process when the Company's size justifies the cost of such an exercise. The Chairman and independent director have recently reviewed Board mechanics and, as a result, are introducing a new Agenda format and have changed Board attendees. It is also intended to introduce an external company secretarial service to improve Board processes before, during and after the meetings.

The Board was refreshed in 2017 with the appointment of two new directors during the year (January & May) and the departure of three directors who had been on the Board for a number of years. See the latest Annual Report, page 40, for details.

## **Principle Eight**

### ***Promoting an Ethical Corporate Culture***

The Company has a clear set of values, implemented across the Group: totally trusted; personally responsible; safe and sustainable; creative excellence; stronger together and positive energy. These Values are clearly highlighted on the Home Page of the Company's website (and also in detail in the "About Us" section) and were also re-stated in the Annual Report and Accounts 2017, pages 5 & 12.

These values are also highlighted in the Company's Roadmap. The Company also introduced a Whistle-blowing Policy in October 2017. The objectives of such a Policy and its use in 2017/18 are highlighted on page 39 of the Company's latest Annual Report.

It is considered by the Board that the corporate culture is recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Company, including in RNS' released to the market.

## **Principle Nine**

### ***Maintenance of Governance Structures and Processes***

Ultimate authority for all aspects of the Company's activities rests with the Board, the respective responsibilities of the Executive Chairman and Chief Financial Officer arising as a consequence of delegation by the Board. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board. The Company has a corporate governance structure appropriate for its size and stage of development.

### ***Audit Committee***

The Audit Committee is responsible for overseeing the Group's financial reporting disclosure process; this also includes the choice of appropriate accounting policies. It also monitors internal financial controls as well as overseeing the hiring and performance of the external auditors. The Audit Committee comprises two Directors: Michael Douglas (Chairman) and Leo Koot.

### ***Remuneration Committee***

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration for Directors and Senior Management. Financial packages for Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognised job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company. It comprises one Non-Executive Directors and one Executive Director, Michael Douglas (Chairman) and Gordon Stein.

### ***Nomination Committee***

The Directors do not consider that, given the size of the Board, it is appropriate to have a Nomination Committee. The appropriateness of such a Committee will, however, be kept under regular review by the Board.

The Company employs people with experience in AIM regulatory compliance and compliance in the oil & gas industry (notably Anti-Bribery and Corruption).

## **Principle 10**

### ***Communication with Shareholders and Other Relevant Stakeholders***

The Company's Directors regularly make themselves available to stakeholders to understand their needs and expectations. Stakeholders can contact the Company in a number of different ways:

- Via direct communication with shareholders.
- Via the Company's Q&A section on its website ([www.columbus-erp.com](http://www.columbus-erp.com)) which is updated to address specific questions posed from time to time from shareholders and other stakeholders.
- In interviews and presentations which are recorded and shown on the Company's website from time to time to address specific pertinent issues.
- At the Company's Annual General Meeting where all shareholders are encouraged to attend to discuss issues and provide feedback.
- Via the Company's broker and public relations advisors and their interaction with shareholders.

The Company also issues a business, financial and operational update at least at the end of every quarter. The Executive Chairman (Leo Koot) and Chief Financial Officer (Gordon Stein) are also available on occasion to speak to shareholders to address particular issues.

It is intended that the communication processes with shareholders will be described in greater detail in the next Annual Report.