



SDX Energy Plc

Quoted Companies Alliance Corporate Governance Code 2018

The Board of Directors recognises that good corporate governance is of fundamental importance to the success of SDX Energy Plc (“SDX” or the “Company”), and believes that the Quoted Companies Alliance Corporate Governance Code (the “Code”) provides the company with the right framework to sustain a strong level of governance, given its size and quotation on the AIM market of the London Stock Exchange.

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 aims to 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.

The Company believes that it is in compliance with the Code, other than the following:

- Principle 7: There has not been, to date, a formal board performance evaluation completed. This is planned for 2020.
- Principle 10: Historically the Company has not announced the detailed results of shareholder voting at its general meetings to the market. The Company will provide this detail in the future.

Chairman’s introduction to corporate governance

As Chairman of the Company, I am committed to ensuring that an effective and focused Board leads the business and continues its track record of delivery. Strong corporate governance helps underpin the foundations of a solid and successful business.

The Board seeks to embed good corporate governance throughout the business, from executive level to operations in country. In 2020, following our re-domicile from Canada to the United Kingdom last year, we have decided to adopt the Quoted Companies Alliance Corporate Governance

Code 2018, transitioning from its Canadian equivalent. My fellow directors and I believe that, in becoming a UK PLC, the Code is now the most appropriate recognised framework for the Company.

As we reflect on the successes of 2019, I look forward to continuing to build upon the existing values that we have in place and to ensuring that sound corporate governance supports our growth, for the benefit of all stakeholders.

Michael Doyle

Non-Executive Chairman

Annual Report and website disclosures:

The QCA Code requires us to apply the ten principles and publish certain disclosures in our Annual Report, for which please see the Company's most recently filed, 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

The Company engages with its shareholders through regulatory news flow, providing statutory financial results on a half yearly basis, operational and financial updates to maintain information on overall performance, releases relating to matters of material importance to the Company's business, releases of a regulatory nature and scheduled events such as capital markets days. The Company maintains an informative and regularly updated website at www.sdxenergy.com through which shareholders can obtain copies of the Company's annual reports, interim reports and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders and the general market and includes a facility under which shareholders may submit questions or make comments relating to the Company's business. The Company also includes contact details on all regulatory announcements. Whenever possible the Company endeavours to respond to enquiries.

The Company's Annual General Meeting is a regular opportunity for shareholders to meet with the Company and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting and informally following the meeting. The Chairman and the CEO are together responsible for shareholder liaison and act as a listening Board for shareholders. In all communications with shareholders and the general market the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations.

The Company also retains advisors, including public/investor relations and brokers, who maintain a regular dialogue with current and prospective shareholders and inform management of relevant feedback and market perceptions of the Company.

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

Details of the Company's business model and strategy are described in our Annual Report.

The Company is aware of its stakeholder and social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Company's host governments, employees, joint venture and industry partners, suppliers, customers and regulatory authorities across the Company's activities. These activities have the potential to impact on local communities where our assets are located and the environment more generally. Accordingly, the Company has in place positive strategies to engage with each stakeholder group, whether individually or collectively, as part of its ongoing operations, including a comprehensive Environmental, Social and Governance ("ESG") strategy, which is outlined in the Annual Report.

The Company's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups whilst maintaining a primary focus on the promotion of the success of the Company for the benefit of shareholders as a whole. A broad range of stakeholders, including our supply chain partners, our employees and taxing authorities benefit when the Group is successful.

Disclosure: Explain how the Company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products)

The Company values the feedback received from its stakeholders and takes every opportunity to ensure that where possible the wishes of stakeholders are considered. The operations of the Company need to be carefully managed and conducted in order to reduce environmental impact, enhance rather than impair communities, and to protect Company employees and others who operate at the Company's assets.

As outlined in Principle 2, the Company maintains a regular dialogue with its shareholders through various channels.

The Company meets with its asset partners frequently, including at scheduled Technical and Operating Committee Meetings. In-country personnel lead the day-to-day management of the relationships with host governments, represented by ONHYM in Morocco and EGPC, EGAS and GPC in Egypt. Plans and budgets presented to partners and host governments are updated for feedback received and for example may impact field development plans, production optimisation, JV organisation charts, etc..

The Company conducts regular employee engagement sessions, run by the executive team, where employees are able to voice their opinions and make suggestions.

During the development of the South Disouq project, following the solicitation of feedback from the local community as to how SDX could contribute to their needs, the Company funded the refurbishment of a local primary school. See further detail in the 2019 ESG report within the Annual Report.

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

Disclosure: Give a description of the Board performance evaluation process.

During 2019 the composition of the Board underwent a number of changes, including the appointment of a new CEO (Mark Reid, replacing Paul Welch), new CFO (Nick Box, replacing Mark

Reid), and the appointment of new major shareholder representative (Amr Al Menhali, replacing Michael Raynes).

During 2020, the Company intends to carry out a structured review and evaluation of the performance of the directors as a unit in order to maximise the effective and productive operations of the Board. The Board has not yet determined the extent to which the evaluation will bring in external contributions. However, the Board expects to repeat a form of evaluation exercises in each year and anticipates an element of external facilitation within the first two years.

The following areas will be covered by the review:

- Assess how well the Board is addressing the key business risks and adhering to internal controls;
- Assess the progress made in realising the assets and returning the net proceeds to shareholders;
- Understanding of the viewpoint of the Company's shareholders;
- Reduction of ongoing operating costs where possible;
- Compliance with current and prospective legislation and regulations;
- Sufficient succession planning;
- Performance of roles of committees;
- Directors' self-assessment of awareness of current issues faced by the Company;
- Personal development requirements and ensuring they are satisfied;
- Level and quality of information provided by service providers; and
- Additional relevant areas.

All Board members will be asked to complete questionnaires providing a rating across a variety of criteria. Completed questionnaires will then be submitted to the Company Secretary who, where necessary, will seek clarification on any responses given. The responses will be collated and consolidated so that the Board can have an open follow-up discussion, potentially involving third parties. Conclusions reached will result in an agreed set of actions, with timescales.

Disclosure: Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process.

Succession planning is undertaken by the Board.

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

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

The corporate culture of the Company is established from the Board of directors, led by the Chairman, and communicated to the Company through the Chief Executive Officer through scheduled internal meetings with the Executive Committee, who in turn disseminate it throughout the organisation. The corporate culture, which places strong emphasis on conducting business ethically, transparently and with clear lines of responsibility, underpins the delivery of our strategy of leveraging existing our organisational capabilities and competitive positions/relationships, supported by strong ESG values, to access organic and inorganic, low-cost, high-margin opportunities which generate stable cash flows and self-funded upside.

The Board receives feedback from the Executive Committee, whose meetings cover corporate culture and staff matters arising. The Board also aims to hold at least one scheduled meeting per year in Cairo or Rabat, as well as London, and during these visits town hall meetings are held with employees and contractors where all attendees are encouraged to express their views. The Board currently views the corporate culture as being embedded throughout the organisation and is confident that any concerns or issues can be dealt with in a timely manner.

The Company operates a feedback system with direct access to the Chairman, Chief Executive Officer or Chairman of the Audit Committee which provides the mechanism to enable the Company to become aware of any deviation from the Company's ethical values. On a day-to-day basis, the Executive Committee members take responsibility for monitoring values and behaviours through engagement with their teams.

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.

Other than as described elsewhere in this document, there are no specific individual responsibilities or remits.

Disclosure: Describe the roles of any committees setting out any terms of reference and matters reserved by the board for its consideration

Please refer to the Company Committee descriptions and reports in the 2019 Annual Report.

Further information relating to the Company's Committees can be found on the Company's website: <https://www.sdxenergy.com/about/corporate-governance/>

Company's terms of reference are published on the corporate website. The following matters are a summary of the matters which require the approval of the Board.

Strategy and Plans: responsibility to supervise the formulation of strategic direction, plans and priorities for the Company; approve capital expenditure budgets and related operating plans; approve material divestitures and acquisitions;

Financial and Corporate Issues: responsibility to take steps to ensure implementation and integrity of the Company's internal control and management information systems; approval of financial statements and approve the release thereof by management;

Identification and Management of Risks: responsibility to ensure that management has identified the principal risks of the Company's business and implemented appropriate strategies to manage the risks;

Policies and Procedures: responsibility to monitor compliance with all significant policies and procedures by which the Company is operated;

Oversight of Communications and Public Disclosure: ensuring that the Company has in place effective, accurate and timely disclosure and communication processes with shareholders and financial, regulatory and other recipients;

Corporate Governance Matters: review of the Company's overall corporate governance arrangements;

Other: Empowered to retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.

Disclosure: Describe any plans for evolution of the governance framework in line with the company's plans for growth.

The Board will monitor the governance framework on an ongoing basis and develop additional procedures and policies as required, in line with the Company's growth.

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

Disclosure: Disclose the outcomes of all votes in a clear and transparent manner. Where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, 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.

Historically the Company has not announced the detailed results of shareholder voting at its general meetings to the market. The Company will provide this detail in the future. Should there be a situation where there is a significant vote against a resolution at a general meeting the Company will provide an explanation of what action it intends to take to understand the reasons behind the vote result and any action it has taken or will take as a result of the vote.

Disclosure: Include historical annual reports and other governance-related material, including notices of all general meetings over the last five years.

Copies of the Company's Annual Report, and all other shareholder and governance communications are maintained on the Company's website