

Chairman's Corporate Governance Statement

Introduction

The Board of Jersey Oil and Gas plc ("JOG," "Company" or the "Group"), believes that a sound corporate governance policy, involving a transparent set of procedures and practices, is an essential ingredient to the Company's success both in the medium and long term. The application of these policies enables key decisions to be made by the Board as a whole, and for the Company to function in a manner that takes into account all stakeholders in the Group, including employees, suppliers and business partners.

As a company quoted on AIM, and effective from 28 September 2018, JOG is also required to comply with a recognised corporate governance code. At the current stage of the Company's development, the Board believes it appropriate for the Group to comply with the QCA Corporate Governance Code (the "QCA Code"), which is a code designed for growing companies and provides an effective and proportionate governance framework that is reflective of the Group's culture and values.

The Board of Directors

The Board is the main decision-making body of the Group, being responsible for: a) the overall direction and strategy of the Group; b) monitoring performance; c) understanding risk; and d) reviewing controls. It is collectively responsible for the success of the Group.

The Board of Directors currently comprises a Non-Executive Chairman, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer and one other Non-Executive director. The respective skills that each bring to the board are listed in the following section.

The Chairman's role is part-time, and he is a non-executive director. His key responsibility is the leadership of the Board and this is primarily effected through regular Board meetings as well as contact with other Board members and interested parties between Board meetings. The Chairman is also responsible for the establishment of sound corporate governance principles and practices.

The Chief Executive Officer is responsible for the day-to-day running of the Group's operations and for implementing the strategy agreed by the Board. He plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the other Directors.

The Chief Operating Officer is responsible for, a) the licence-related activities of the Group, b) maintaining and applying the Group's Health, Safety, Security and Environment (HSSE) Policy, c) the Group's Procurement Policy, d) in conjunction with the Chief Financial Officer, the Group's policies and procedures relating to risk management and e) GDPR matters.

The Chief Financial Officer is responsible for the Company's finances, in addition to other aspects of the business, including risk management, property matters, insurance and human resources.

All of the Executive Directors are employed under service contracts and work full time on the Company's affairs.

The Non-Executive Directors work part time, approximately four to five full days each month, with additional time commitments depending on new Company developments as they arise. The Board considers that both of the non-executive directors, Marcus Stanton and Frank Moxon, are independent in character and judgement. Although both have shareholdings (acquired with their own funds) and limited share options (granted as part of the annual remuneration process and approved by the Board), the Board considers that this does not impair their judgement.

At the end of each month the Chief Executive briefs the Non-Executive Directors on current developments.

There is a formal schedule of matters specifically reserved for the Board, in addition to the formal matters required to be considered by the Board under the Companies Act. This list includes matters relating to: a) strategy and policy; b) acquisition and divestment proposals; c) approval of major capital investments; d) risk management policy; e) proposals from the Audit Committee, the Remuneration Committee and the Nomination Committee; f) significant financing matters; and g) statutory reporting to shareholders.

At each Annual General Meeting one third of the Directors are subject to reappointment by rotation, as are Directors who have been appointed during the year.

The Board is assisted by Ian Farrelly, the Company Secretary, whose services are retained through a contract with MSP Services, a company that provides company secretarial and corporate support services.

Board Effectiveness

The Board, as a whole, seeks to maintain an appropriate mix of experience, skills, personal qualities and capabilities in order to deliver the strategy of the Company. As a small but growing company this presents its own challenges, with board members taking on responsibilities for dealing with corporate developments as and when opportunities, or problems, arise.

The Group currently undertakes an annual remuneration review, for all Directors and staff, in December of each year. For the 2018 year, a formal board evaluation process was undertaken that was led by the Chairman, assisted by the Company Secretary. Individual directors responded to a very detailed questionnaire covering numerous aspects of the effectiveness of the Board's performance as a unit, as well as that of its committees and the individual directors. The results of this questionnaire were compiled into a formal report that was reviewed and discussed by the Board. Whilst the overall results of the report were encouraging in that the consensus was that the Board, its committees and individual directors were felt to be performing well, a number of improvement recommendations were made. These recommendations were mainly of an administrative nature and concerned the mechanics of how the Board and committee meetings operated. The improvement recommendations have now been implemented and will be monitored and reviewed on an on-going basis.

The board evaluation process also reviewed succession planning and it was considered that the Company's succession planning activities were appropriate given the Company's stage of development, complexity and size. Were the Company to expand from its current size, it was recognised that additional independent non-executive board members would be likely to be sought.

Board Committees

The Company operates an Audit Committee, a Remuneration Committee and a Nomination Committee, each comprised of non-executive directors.

Audit Committee Frank Moxon, (NED)	Chair: Marcus Stanton, (Non-Exec Chairman)	Other Member:
Both members of the Audit Committee are regarded as having recent and relevant financial expertise.		
Under its terms of reference, the Audit Committee is required to meet at least twice a year, at which executive directors may attend by invitation, and its responsibilities include: Monitoring the independence and objectivity of the Auditors; Reviewing and approving the external auditor's terms of engagement, scope of work, fees, the findings arising from the external audit work and external audit performance; Monitoring the integrity of the Group's published financial information; Reviewing the risk identification and risk management processes of the Group; and Reviewing the Group's procedures to prevent bribery and corruption in addition to ensuring that appropriate whistleblowing arrangements are in place.		
Notes: Due to the current size of the business, it is not considered appropriate to have an internal audit function.		
Remuneration Committee (Non-Exec Chairman)	Chair: Frank Moxon, (NED)	Other Member: Marcus Stanton,
Under its terms of reference, it is required to meet at least twice a year and its responsibilities include: Determining and agreeing with the Board the broad policy for the remuneration of the executive directors; Determine the individual remuneration package of each executive director; Review all share incentive plans; and Recommending option grants for the executive directors and other employees, as considered appropriate.		
No Director is involved in deciding their own remuneration. The Non-Executive Directors' remuneration is decided by the Executive Directors.		
Nomination Committee (Non-Exec Chairman)	Chair: Frank Moxon, (NED)	Other Member: Marcus Stanton,
Under its terms of reference, it is required to meet at least twice a year and its responsibilities include: Evaluating the balance of skills, experience and diversity on the Board; and Approving candidates for Board vacancies, save for the appointment of the Chairman of the Board or the Chief Executive Officer, which are matters for the whole Board.		
Due to the size of the Company, no meetings of the Nomination Committee were held during 2018 as its functions have been properly carried out as part of the work of the Remuneration Committee and the Board.		

Corporate Culture

The Board believes that long-term success of the Company, based on our business model, is underpinned by a corporate culture that is based on ethical values and behaviours.

We do this using certain rule-based procedures (such as a formal Code of Conduct) and, more importantly, by the behavioural example of individual Board members, particularly the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. These values, which we seek to instil throughout the Group, include integrity, respect, honesty and transparency. As a small company, these characteristics are far more visible to staff than might otherwise be the case. We also hold internal meetings at which Directors and staff discuss matters, both formally and informally, in addition to a two day offsite, to which all employees, and directors, are encouraged to attend.

The Company operates a well-defined organisational structure through which we seek to determine that these ethical values and behaviours are recognised and respected, in addition to which every employee is aware of our established whistleblowing procedures.

Internal Control

The Board is responsible for the Group's system of internal control (in accordance with Financial Reporting Council guidance) and for regular reviews of its effectiveness.

These internal procedures include, a) Board approval for all policies, procedures and significant projects, b) a budgeting and planning process, requiring approval by the Board, c) the receipt of regular reports covering the Company's financial affairs, d) internal controls as articulated in the Group's Financial Reporting Procedures, and e) a review of the draft annual and interim reports by the Audit Committee, before being recommended to the Board.

This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Risk Management

During the year consideration was given as to whether the oversight of risk, and risk management, should be within the remit of the Audit Committee. It was decided that at this stage of the Company's development, it would be preferable for this to continue to be the responsibility of the Board as a whole, rather than a sub-committee. As part of this process, the Company's Risk Register is now formally maintained by the Chief Operating Officer and presented to all of the Directors at every Board meeting.

Health & Safety

The Board firmly believes that Health, Safety, Security and the Environment ("HSSE") is of the highest importance to the Group and expects all Directors, officers, managers, employees and contractors to consider HSSE as part of their normal duties and responsibilities.

The Board's commitment to high HSSE standards is set out in its HSSE Policy, which is:

- Endorsed by the Board for implementation by management, staff, contractors, partners and stakeholders; and
- Reviewed periodically and, where appropriate, updated and re-issued.

In addition, certain operational HSSE goals are established by our joint venture operator for our joint venture projects. These goals are set in the context of compliance with existing legislation and industry best practice.

Management at all levels provide visible and active leadership within the Group promoting a positive HSSE culture and a common understanding of its expectations.

The HSSE function is managed by the Chief Operating Officer, who reports on these matters to the Board regularly.

Relations with Shareholders

The Board considers that good communication with shareholders, based on the mutual understanding of objectives, is important. In addition to the information included in the Group's Annual and Interim reports, there is regular dialogue between the Board (led by the Chief Executive Officer) and shareholders, in addition to required public announcements. The Chief Executive Officer and Chief Operating Officer also give regular presentations to investors, including one-to-one meetings with major shareholders during the year, in addition to specific meetings with shareholders relating to major transactions.

A constant and up-to-date information flow is also maintained on the Group's website which contains all press announcements and financial reports as well as extensive operational information on the Group's activities.

The Board also encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions and present a summary of the year's activity and the corporate outlook for the Group.

Ongoing Review of Corporate Governance

During 2018, we decided to adopt the QCA Code and, as a result, a number of changes have been introduced to our corporate governance procedures. Going forward, these corporate governance policies and procedures will be reviewed regularly and are likely to change further as our business develops, or in response to further regulatory and other relevant guidance.



Marcus Stanton
Non-Executive Chairman
20 May 2019