

## CORPORATE GOVERNANCE REPORT – AIM RULE 26

(AIM Rules for Companies September 2018)

### Inspirit Energy Holdings PLC

Quoted Companies Alliance Code (“QCA Code”)	
Principles:	Application:
<b>1) Strategy and business model to promote long-term values for shareholders</b>	<p>Inspirit Energy Holdings PLC (“INSP”) has made improvements to the design announced last year of the Group’s Stirling engine technology, including simplification as part of the ‘design for manufacture (“DMF”) process and has encouragingly maintained the peak electrical output up to 3.2kW in internal tests.</p> <p>The engineering department has throughout the last period made significant developments in our regenerator technology. The increased efficiency in the regenerator will allow the Stirling engine to be manufactured from a commodity grade stainless steel derivative, which is both stronger and cheaper to manufacture than the previous proprietary “Inconel” materials.</p> <p>The DMF process continues to yield several engineering improvements and manufacturing cost reductions, whilst others are still expected. Whilst this DMF process remains ongoing, the Group is now looking to proceed to the certification process whereby the Inspirit Charger will be subjected to testing by a competent authority. Once this has been achieved, the Company can then look towards commencing field trials with commercial partners. The Company will update investors as these milestones are met over the forthcoming year.</p> <p>The operating board believe that the process over the last six months has been positive. Whilst INSP remain well positioned in the microchip boiler technology market, ongoing funding for the development and commercialisation of our product remains a challenge. Accordingly, the Company continues to manage resources whilst pushing forward with the product and expect this to continue in the near future.</p> <p>The company will also potentially make investments in complementary areas and technologies that will utilise the Company's existing technical expertise.</p>
<b>2) Meeting and understanding shareholders needs and expectations</b>	<p>INSP has a close and ongoing relationship with its shareholders. The Company also places great importance on effective and timely communication with its shareholders. Shareholders are encouraged to attend the Company’s meetings (including the Annual General Meeting) to provide feedback and to actively engage with the management on a regular</p>

	<p>basis. Furthermore, the INSP's shareholders and investors can keep themselves updated about the current Company's position by visiting the INSP's website <a href="http://www.inspirit-energy.com/">http://www.inspirit-energy.com/</a>.</p>
<p><b>3) Considering stakeholders and social responsibilities and their implications for long term success</b></p>	<p>INSP's Board recognises that the long term success of the Company is reliant on efforts of its employees, consultants, suppliers, regulators and stakeholders.</p> <p><u>Employees:</u> In order to support employees' growth and enforce social responsibilities INSP's Board has implemented systems to monitor and evaluate employees' performance and to encourage well performing employees to progress further by supporting them to attend courses. Employees' performance is monitored through a process designed to encourage open and confidential communication between the management and the employees on a regular basis.</p> <p><u>Consultants:</u> The Board recognises that consultants play a vital part for INSP as they bring knowledge and expertise for specific areas, and in some instances, they also provide training for existing staff.</p> <p><u>Suppliers:</u> INSP maintains a good working relationship with its suppliers to provide for its growing business and to support its existing needs.</p> <p><u>Regulators:</u> The Board monitors and implements any legal or regulatory changes where possible both domestically and overseas and is fully committed to compliance.</p> <p><u>Stakeholders:</u> INSP encourages its shareholders to actively participate in meetings and shareholders are provided with the opportunity to give feedback on a regular basis.</p>
<p><b>4) Risk Management</b></p>	<p>The risks in the Company are managed by the audit committee which is responsible to the Board for work closely with the executive directors to identify, implement and manage risks faced by the Company.</p> <p>INSP has robust controls and procedures in place to manage internal controls of the Company and these are considered to be appropriate to the size and complexity of the organisation. The audit committee has been set up to evaluate and manage significant risks faced by the Company.</p> <p>Control is established mainly through the Company's directors who monitor and support the day to day running of the Company and where possible comply with the Boards' and shareholders concerns and requirements.</p> <p>INSP has identified and implemented the following risks and controls to mitigate risks:</p>

Activity:	Risk	Impact	Control(s)
<b>Management</b>	High turnover of staff and other recruitment issues.	Operational and reputational impact.	<p>Recognition and support for well performing existing employees.</p> <p>Implementing and monitoring of robust health and safety measures at workplace.</p>
<b>Regulatory / legal adherence</b>	Non-compliance.	Loss of licences resulting in inability to comply with the regulatory / legal requirements.	<p>Robust policies and procedures to be followed.</p> <p>Maintaining effective communication with the Company's Auditors and NOMAD on regular basis.</p>
<b>Strategic</b>	Failure of systems and controls.	Loss of key data and inability to operate effectively.	<p>Disaster recovery policy to be followed in case of crisis.</p> <p>Maintaining strong IT systems and controls in place.</p>
<b>Financial</b>	<p><u>Internal:</u> Inadequate systems and controls of accounting in place and liquidity risk.</p> <p><u>External:</u> Market and credit crisis Short term liquidity freezes Commercialisation</p>	<p>Loss of business.</p> <p>Inability to continue trading as a going concern.</p>	<p>The Board to regularly review operating and strategic risks.</p> <p>The audit committee to provide adequate and sufficient information to the Company's external auditors.</p>

		Brexit.		Robust capital and liquidity levels in place alongside effective accounting systems and controls.
	<b>Regulatory environment in domestic power market</b>	<u>External:</u> Changes in legislation regarding domestic power market.	Potential to undermine microchip boiler product.	Understanding regulatory environment and adapting system accordingly.
	<b>Product Risk</b>	<u>Internal:</u> Failure to develop commercial product.	Potential for significant financial loss.	Testing of product Certification Understanding of market place and competition

The above matrix is kept up to date and regularly reviewed as changes arise in order to mitigate risks.

**5) Maintain the board as a well-functioning and balanced team led by the chair**

At the date of this publication the Board comprises of the Chairman (John Gunn), the Chief Financial Officer (Nilesh Jagatia) and the independent Non-Executive Director (Anthony Samaha). Further detail about the skills and capabilities of these directors are set out in the principle six below.

The letter of appointment of the Company's Directors and Secretary are available for inspection at the Company's registered office and all directors are subject to re-election at intervals no more than three years.

The Board is responsible for strategy and performance of major capital projects and the framework of internal controls. All directors have access to seek an independent advice should they feel that their knowledge of the given task is insufficient. There is a clear balance between the executive director and the non-executive director.

Furthermore, the directors liaise with the Company Secretary (Nilesh Jagatia), who is responsible for compliance with the Board procedures and that applicable rules and regulations are complied with.

The Board meets quarterly. The Board established the following committees; Audit Committee and Remuneration Committee. All Directors are encouraged to participate and attend meetings on a regular basis and the attendance is closely monitored.

	<p>Despite the QCA recommendation of having two independent directors INSP has adopted to have only one non-executive director and a joint role of Chief Executive Director and the Chairman as they feel that this is appropriate to the current size and complexity of the organisation. INSP is still in the R&amp;D phase of its business cycle and therefore relies on a team of consultants in developing the product. Following conclusion of this process, certification is managed externally, and then commercial trials would commence. As such the role of the Board, at this stage, is to oversee this process, review strategy, hold high level discussions regarding possible commercial trials and ensure adequate funding. As such, the current Board is deemed sufficient. As and when the business develops beyond this stage the Board will review its requirements at this stage. The Company is actively looking to appoint an additional non executive director to provide a balance of the non executive directors and executives as per the QCA.</p>
<p><b>6) Directors experience, skills and capabilities</b></p>	<p><b><u>The Chairman: John Gunn</u></b>  Mr Gunn is the founder of INSP and a X% shareholder of the Company. Mr Gunn is also the managing director and majority shareholder of Global Investment Strategy UK Limited and a majority shareholder of Octagonal PLC. With a career spanning over 30 years in the financial services industry, Mr Gunn began his career in 1987 at Hoare Govett and has since worked at Carr Sheppards Limited, Assicurazioni Generali S.p.A. and Williams de Broe, where he was a senior investment manager until 2002.</p> <p><b><u>Chief Financial Officer: Nilesh Jagatia</u></b>  Mr Jagatia currently serves as Finance Director at INSP and also currently holds Finance Director position with AIM quoted Octagonal Plc and Limitless Earth Plc (LME). Nilesh has been involved with several IPO's and was previously Group Finance Director of an AIM quoted Online Media and Publishing Company for a period of five years until July 2012. Nilesh has over 20 years' experience, including senior financial roles in divisions of both Universal Music Group and Sanctuary Group plc. He served as a Finance Director for an independent record label that expanded into the US. Nilesh is a qualified accountant and holds a degree in finance.</p> <p><b><u>Non-Executive Director: Anthony Samaha</u></b>  Mr Samaha is a Chartered Accountant (Australia) who has over 20 years' experience in accounting and corporate finance. Mr Samaha has worked for over 10 years with international accounting firms, including Ernst &amp; Young, principally in corporate finance, and mergers and acquisitions. He has extensive experience in the listing and management of AIM quoted companies, such as Equatorial Palm Oil plc, and Altona Energy Plc and is currently Executive Director of AIM traded Reabold Resources Plc.</p> <p>In addition to the Board directors above INSP uses Beaumont Cornish Limited as their nominated adviser (NOMAD) and Hill Dickinson LLP to assist with legal and regulatory matters and FTB ITC Services Ltd to support the IT systems.</p>

<p><b>7) Evaluation of the Board's performance</b></p>	<p>INSP is fully committed to uphold Directors independence and to regularly evaluate their performance.</p> <p>Where appropriate, INSP sets targets which the Directors have to adhere to. Each Director is assigned with an individual target which is linked to the corporate and financial targets of the Company. Career support, development and training may also be provided to the Directors where necessary.</p>
<p><b>8) Promoting corporate culture, ethical values and behaviours</b></p>	<p>INSP is committed to ethical conduct and to the governance structures that ensure that the Company delivers long term value and earns the trust of its shareholders. The shareholders are encouraged at General Meetings to express their views and expectations in an open and respectful dialogue.</p> <p>The Board is fully aware that their conduct impacts the corporate culture of the Company as a whole and that this will impact the future performance of the Company. The Directors are invited to provide an open comprehensive dialogue and constructive feedback to the employees, and to promote ethical values and behaviours within the Company.</p> <p>INSP also believes that doing business honestly, ethically, with integrity helps to build long-term, trusting relationship with our employees, customers, suppliers and stakeholders. Our Code of business Conduct means that our employees understand that we provide ourselves in high ethical standards. INSP has zero tolerance for bribery and corruption among our employees.</p>
<p><b>9) Maintenance of governance structures and processes to support good decision making by the board</b></p>	<p>The Board is responsible for the ultimate decision making, the structures and processes adopted by INSP. The Board is headed by the Chairman. In order to comply with the Companies Act 2006 the Board recognises that it must comply with the following principles set out by the Act:</p> <ul style="list-style-type: none"> <li>- duty to exercise independent judgement;</li> <li>- duty to exercise reasonable care, skill and due diligence;</li> <li>- duty to avoid conflicts of interest;</li> <li>- duty not to accept benefits from third parties; and</li> <li>- duty to declare interest in a proposed transaction or arrangement.</li> </ul> <p><u>The Chairman</u> is responsible for leading the Board, sets the agenda and ensures it is an effecting working group at the head of the Company. The Chairman is also responsible for promoting culture of openness and effective communication with shareholders and to ensure that all board members receive accurate, timely and clear information.</p> <p><u>The Executive Directors</u> are responsible for day to day running of the Company and effective communications with the Board and the Shareholders. They represent the Company to ensure quality of information</p>

	<p>provision, they challenge and monitor performance of the teams, and they set business plans and targets for the Company.</p> <p><u>Non-Executive Director</u> INSP has one Non-Executive Director who is an independent director. This is to reinforce the Company’s commitment to a transparent and effective governance structure which encourages and provides ample opportunity for challenge and deliberation. The Non-Executive Director’s objective is to scrutinise the performance of the Board and senior management as well as to monitor performance, agree goals and objectives. They will satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and fit for purpose. The Non-Executive Director is also closely working with Remuneration Committee as they are responsible for determining appropriate levels of remuneration of Executive Directors and have a prime role in appointing / removing senior management.</p> <p>The Company established the following committees to help with processes, structures and support good decision making by the Board.</p> <p><u>Audit Committee</u> – The Audit Committee is currently chaired by Anthony Samaha and its other member is Nilesh Jagatia . The Committee provides a forum for reporting by the Group’s external auditors. The committee is also responsible for reviewing a wider range of matters, including half-year and annual results before their submission to the board, as well as monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Audit Committee will advise the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and it will also discuss the nature, scope and results of the audit with the external auditors. The committee will keep under review the cost effectiveness, the independence and objectivity of the external auditors.</p> <p><u>Remuneration Committee</u> – The Remuneration Committee is currently chaired by Anthony Samaha and its other member is John Gunn. The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company’s framework of executive remuneration and costs. The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes and compensation payments. The Board itself determines the remuneration of the non-executive directors.</p> <p>It is recognised that if the Company grows, it may be necessary to review the current structure in order to provide better segregation of the responsibilities and clear lines of reporting, that are consistent with industry standards.</p>
<p><b>10) Shareholders communication</b></p>	<p>The Company recognises that its shareholders are imperative for future growth and prosperity of the Company. The Shareholders are treated equally both in relation to participation at meetings and in the exercising of</p>

	<p>voting rights. INSP's shareholders are encouraged to attend the annual general meetings and the Company provides regulatory news updates and any other matters the Board feels fit. The Company maintains the following website <a href="https://www.inspirit-energy.com/investors">https://www.inspirit-energy.com/investors</a> for investor relations.</p>
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