

CORPORATE GOVERNANCE REPORT

Inspirit Energy Holdings plc

Quoted Companies Alliance Code ("QCA Code")	
Principles:	Application:
1) Strategy and business model to promote long-term values for shareholders	<p>This section complies with the requirements of the QCA Code.</p> <p>Inspirit Energy Holdings plc has maintained its focus on the application of the Stirling engine in various sectors as well as progressing the commercialisation efforts of the Group's micro combined heat and power ("mCHP") boilers amidst the backdrop of the challenges posed by the COVID-19-pandemic. Despite these market headwinds, Inspirit achieved a number of significant milestones including the signing of a letter of support with world-leading marine engine manufacturer Volvo Penta for the development of a Waste Heat Recovery system as well as entering discussions with a leading gasification technology company regarding a possible collaboration.</p> <p>These milestones demonstrate how the previous year has been a pivotal one for the business and its strategic direction as an R&D company. The operating Board has worked throughout to identify differing potential applications for the technology where there is significant potential for growth, as well as considering the future strategy and funding of its operating subsidiary.</p> <p>As recently announced by the UK Government and set out in its Energy White Paper entitled 'Powering our net zero future', new measures will be introduced to advance the decarbonisation of heat and transport including the switching of home heating, at scale, to low-carbon alternatives with the Government outlining a 'decisive shift' away from new gas boiler installations which are expected to be phased out by mid-2030s.</p> <p>The Directors believe that the positive progress over the last year in the alternative applications of the Stirling technology in the Marine and Waste Heat Recovery (WHR) sectors is strong evidence of the need to refocus our strategic objectives towards these areas. It should be noted that this is by no means an abandonment of our MicroCHP boiler technology - on the contrary, we are actively looking into the application of the technology in the rapidly emerging hydrogen market. Additionally, with the continued growth demand for electric cars, the Board will be looking at the automotive sector to utilise the Stirling engine to provide a source of power to charge electric motor cars.</p> <p>The Group will also potentially make investments in complementary areas and technologies that will utilise the Group's existing technical expertise.</p>
2) Meeting and understanding shareholders needs and expectations	<p>This section complies with the requirements of the QCA Code.</p> <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 basis. Furthermore, the INSP's shareholders and investors can keep themselves updated about the current Company's position by visiting the INSP's website http://www.inspirit-energy.com.</p>

<p>3) Considering stakeholders and social responsibilities and their implications for long term success</p>	<p>This section complies with the requirements of the QCA Code</p> <p>INSP's Board recognises that the long-term success of the Group is reliant on efforts of its employees, consultants, suppliers, regulators and stakeholders.</p> <p>Employees: 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>Consultants: 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>Suppliers: INSP maintains a good working relationship with its suppliers to provide for its growing business and to support its existing needs.</p> <p>Regulators: The Board monitors and implements any legal or regulatory changes where possible both domestically and overseas and is fully committed to compliance.</p> <p>Stakeholders: 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>4) Risk Management</p>	<p>This section complies with the requirements of the QCA Code.</p> <p>The risks in the Group are managed by the audit committee which is responsible to the Board to work closely with the executive directors to identify, implement and manage risks faced by the Group.</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 Group.</p> <p>Control is established mainly through the Group's directors who monitor and support the day to day running of the Group 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> <table border="1" data-bbox="497 1563 1393 2027"> <thead> <tr> <th data-bbox="497 1563 694 1615">Activity:</th> <th data-bbox="694 1563 943 1615">Risk</th> <th data-bbox="943 1563 1118 1615">Impact</th> <th data-bbox="1118 1563 1393 1615">Control(s)</th> </tr> </thead> <tbody> <tr> <td data-bbox="497 1615 694 1915">Management</td> <td data-bbox="694 1615 943 1915">High turnover of staff and other recruitment issues.</td> <td data-bbox="943 1615 1118 1915">Operational and reputational impact.</td> <td data-bbox="1118 1615 1393 1915">Recognition and support for well performing existing employees. Implementing and monitoring of robust health and safety measures at workplace.</td> </tr> <tr> <td data-bbox="497 1915 694 2027">Regulatory legal adherence</td> <td data-bbox="694 1915 943 2027">Non-compliance.</td> <td data-bbox="943 1915 1118 2027">Loss of licences resulting in inability to</td> <td data-bbox="1118 1915 1393 2027">Robust policies and procedures to be followed.</td> </tr> </tbody> </table>	Activity:	Risk	Impact	Control(s)	Management	High turnover of staff and other recruitment issues.	Operational and reputational impact.	Recognition and support for well performing existing employees. Implementing and monitoring of robust health and safety measures at workplace.	Regulatory legal adherence	Non-compliance.	Loss of licences resulting in inability to	Robust policies and procedures to be followed.
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			comply with the regulatory / legal requirements.	Maintaining effective communication with the Company's Auditors and NOMAD on regular basis.
	Strategic	Failure of systems and controls.	Loss of key data and inability to operate effectively.	Disaster recovery policy to be followed in case of crisis. Maintaining strong IT systems and controls in place.
	Financial	Internal: Inadequate systems and controls of accounting in place and liquidity risk. External: Market and credit crisis; Short term liquidity freezes; Commercialisation Brexit.	Loss of business. Inability to continue trading as a going concern.	The Board to regularly review operating and strategic risks. The audit committee to provide adequate and sufficient information to the Company's external auditors. Robust capital and liquidity levels in place alongside effective accounting systems and controls.
	Regulatory environment in domestic power market	External: Changes in legislation regarding domestic power market.	Potential to undermine microchip boiler product.	Understanding regulatory environment and adapting system accordingly.
	Product Risk	Internal: 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	<p>This section does not comply with the requirements of the QCA Code as the board composition does not include a Non-Executive Chairman and two Non-Executive Directors.</p> <p>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.</p> <p>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 of no more than three years.</p> <p>The Board is responsible for strategy and performance of major capital projects and the framework of internal controls. All directors have access to seek 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.</p>			

	<p>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.</p> <p>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> <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&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 Group 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>6) Directors experience, skills and capabilities</p>	<p>This section complies with the requirements of the QCA Code.</p> <p>The Chairman: John Gunn Mr Gunn is the founder of INSP and a 24.4% (Direct and indirect) 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>Chief Financial Officer: Nilesh Jagatia 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>Non-Executive Director: Anthony Samaha 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 & Young, principally in corporate finance, and mergers and acquisitions. He has extensive experience in the listing and management of AIM quoted companies 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), Hill Dickinson LLP to assist with legal and regulatory matters and FTB ITC Services Ltd to support the IT systems.</p>
<p>7) Evaluation of the Board's performance</p>	<p>This section complies with the requirements of the QCA Code.</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 Group. Career support, development and training may also be provided to the Directors where necessary.</p>
<p>8) Promoting corporate culture, ethical values and behaviours</p>	<p>This section complies with the requirements of the QCA Code.</p> <p>INSP is committed to ethical conduct and to the governance structures that ensure that the Group 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 Group as a whole and that this will impact the future performance of the Group. 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 Group.</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>9) Maintenance of governance structures and processes to support good decision making by the board</p>	<p>This section complies with the requirements of the QCA Code.</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 or QCA code the Board recognises that it must comply with the following principles set out by the Act:</p> <ul style="list-style-type: none"> - duty to exercise independent judgement; - duty to exercise reasonable care, skill and due diligence; - duty to avoid conflicts of interest; - duty not to accept benefits from third parties; and - duty to declare interest in a proposed transaction or arrangement. <p>The Chairman 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>The Executive Directors 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 provision, they challenge and monitor performance of the teams, and they set business plans and targets for the Company.</p> <p>Non-Executive Director INSP has one Non-Executive Director who is an independent director. This is to reinforce the Group'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>Audit Committee - 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>Remuneration Committee - 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 Group 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>
10) Shareholders communication	<p>This section complies with the requirements of the QCA Code.</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 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 https://www.inspirit-energy.com/investors for investor relations.</p>

