

POWERHOUSE

ENERGY GROUP

Corporate Governance Statement

Powerhouse Energy Group PLC

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Corporate Governance Statement

Quoted Companies Alliance: QCA Corporate Governance Code

Updated: 29 June 2020

Introduction

Whilst Powerhouse Energy Group plc (Powerhouse) has always applied an appropriate approach to governance and communications, changes to the AIM Rules for Companies in 2018 require AIM companies to apply a recognised corporate governance code.

Powerhouse is a company with a clear business model and growth strategy. Our objective is to be a leading technology provider that allows the rapid deployment of modular distributed electricity, distributed hydrogen, and other valuable chemical precursors produced from non-recyclable and end-of-life waste material. The members of the Board believe strongly in the importance of solid and exemplary corporate governance to help achieve our corporate goals. The Board takes its accountability to each of Powerhouse's stakeholders very seriously. In the statements that follow, we highlight our approach to governance, and how the Board and its committees operate.

The corporate governance framework within which the Company operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the current size, risks, complexity and operations of the business and is reflective of the Company's values. Of the two most widely recognised formal codes of Corporate Governance, we have selected the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (QCA Code) which was revised in April 2018 to meet the new requirements of AIM Rule 26.

The QCA Code makes clear it is the prime responsibility of the Chairman to ensure the Company applies the QCA Code to best advantage of all stakeholders of the Company.

The QCA Code is constructed around ten principles, appropriate disclosures, and prudent transparency. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide its explanation as to how they are adhering to the principles. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

Our compliance with the QCA Code is based on the Company's current practices and intended governance improvements.

We trust that the result of our communication efforts to date has provided and will continue to allow all stakeholders with access to an appropriate level of information. The Board of Powerhouse believes that corporate governance compliance is integral to the Company's growth and ultimate success.

Dr Cameron Davies
Non-executive Chairman

Principle 1

Establish a strategy and business model which promote long-term value for shareholders.

Business Strategy

Powerhouse Energy Group PLC designs, delivers and licenses Distributed Modular Generation (DMG®) technology, a proprietary design which converts calorific waste streams into synthetic gas (syn-gas), a valuable intermediate product that can be used for power generation and as a source of hydrogen for fuel cell vehicles.

The process converts non-recyclable waste plastic or end of life tyres to produce clean syn-gas into these 'end of waste' products:

- Hydrogen
- Electrical power and heat
- Natural gas replacement
- Chemical feedstocks.

Powerhouse will license the proprietary control systems with associated paid services for specific client feedstock analysis and laboratory services, engineering during project development, and then operational support services when projects are in operation.

Distributed Modular Generation (DMG®) Technology

The company product, the commercial DMG unit is currently marketed in nominal 25 tonnes per day (tpd) and 40 tpd waste plastic processing sizes, to generate up to 3.8MW of electricity, export 3.4MW of electricity and produce up to 2 tonnes of hydrogen. DMG takes waste plastics that cannot be recycled and regenerates them into clean energy that can be separated into hydrogen for delivery either as clean fuel for fuel cell transport or as a feedstock in other applications in the chemicals and plastics industries.

UK Sales

At an early stage, the Powerhouse Board identified that a key success factor for DMG technology would be the development of partnerships with suitably resourced companies which share its vision for clean energy from previously untreatable plastic waste. In 2019, Powerhouse successfully completed its alignment with a major development partner for the UK in Peel L&P Environmental. For the United Kingdom Powerhouse Energy will be partnered by Peel Environmental as the exclusive development partner and revenues will be principally from operating licenses, with project services paid for under contracted fees arrangements.

The pipeline of prospects developed by Powerhouse has been transferred to Peel which is integrating these potential clients into the roll out programme. These prospective clients include international waste companies, local authorities, and companies in the plastics and consumer goods production sectors. These are now being further developed by Peel with pre-project planning activities on the next intended sites already underway.

International Sales

For international sales, Powerhouse anticipates securing regional and territory-by-territory partnership agreements to roll out DMG technology with major energy and waste management companies, resulting in license fees and sales revenues being paid on a country-by-country basis. Powerhouse will continue marketing DMG to potential industrial partners, by building relationships, reviewing project opportunities and signing exclusive marketing agreements.

Project Activities

The first application of the Powerhouse DMG technology is to be built at the Protos Site, a Peel L&P energy park development on a 54-hectare site known as 'Protos' near Ellesmere Port, Cheshire, England. The planning permission for the application was submitted in September 2019 and, on 3 March 2020, the Cheshire West and Chester Council planning committee approved the planning application for the DMG Technology to be utilised on the Protos Site. The

Company will be engaged with Peel's contractors as they deliver the plant and Powerhouse will undertake validation and direction of the design to ensure the Protos project meets the design criteria.

Powerhouse expects to undertake an ongoing remote and onsite monitoring and periodic servicing role in operations for Peel's special purpose vehicle (SPV).

Organisation and Management Systems

The Company intends to expand its operational teams in a phased manner, investing prudently in operational personnel, management systems and equipment to ensure the required delivery of the project services but will not look to increase staffing levels until demonstrably necessary for the growth of the business.

The Company's management and IT systems will be enhanced as they begin to address the delivery of engineering and operational support for projects. Powerhouse anticipates it will achieve ISO 9001 and 14001 for these systems as part of the requirement to have repeatable quality assured process systems.

Offices & Research Facilities

Powerhouse currently operates out of the Thornton Energy Centre, near Chester in North West England where the laboratory facilities and research demonstrator, the principal test-bed for the underlying engineering and testing, are located. The Thornton office will also serve as a project support office for Protos.

At the appropriate time, the Company will consider moving to dedicated business premises, however, such a move will only be initiated when the demands of budget, personnel, systems and customer interfaces can all be satisfied by a single location, and will not be as a result of any decision based around image perception.

Longer Term Strategies

In the longer term, Powerhouse will endeavour to increase its portion of project revenues potentially expanding licensing, engineering and management services into manufacturing and delivery with local partners, such expansion will be prudent in line with financial capability.

The Company will develop a product development catalogue and the best opportunities will be identified from the initial new product screening programme and development programmes tabled and included in future plans. The current strategic route of hydrogen economy related technologies, equipment and services will be followed.

Further details of the Company's operations and strategy are set out in the Chief Executive Officer's Strategic Report in the 2019 Annual Report and Accounts.

Key challenges and how they will be addressed:

The Company is subject to various risks relating to technical, health and safety operations, political, economic, legal, social, industrial, general business, and financial conditions. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system.

The Board has established a comprehensive risk register relating to significant aspects of the Company's business using effective internal control systems to identify risks and implement appropriate processes to monitor, manage and mitigate known risks. There are a number of potential risks and uncertainties that could challenge the execution of the Company's strategy and these are set out in the Principal Risks section of the Strategic Report of the Annual Report and Accounts.

The Board is committed to the maintenance of high standards of corporate governance and seeks to implement best practice as appropriate for smaller listed companies by reference to the provisions of the QCA Code.

Principle 2

Seek to understand and meet shareholder needs and expectations.

Powerhouse is committed to open communication with all its shareholders. The Company believes it is important to explain business development and financial results to its shareholders and to ensure that suitable arrangements are in place so that the issues and concerns of major shareholders are heard and understood.

Copies of the Annual Report and Accounts are issued to all shareholders who have requested them and copies are available on the Company's website at www.Powerhouseenergy.net. The Company's interim results are also made available on the Company's website. The Company makes full use of its website to provide information to shareholders, other stakeholders, potential customers, and other interested parties.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available both before and after the meeting for further discussion with shareholders. As a matter of policy, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at the meeting. In the event there were a significant number of votes against a resolution, the directors would seek to communicate with the shareholder concerned to discuss their issues.

The CEO is primarily responsible for shareholder liaison. The Company's shareholder base is currently largely comprised of retail shareholders. The CEO attends and presents at shareholder events from time to time where investors have the opportunity to discuss the Company's progress and performance. Trading updates and press releases are issued as appropriate via the Stock Exchange Regulatory News Service that can be accessed through the Company's web site.

The Board receives regular share register analysis reports to monitor the Company's shareholder base and help identify the types of investors on the register.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Company regards its shareholders, employees, neighbours, customers, contractors, consultants and advisors, business partners and suppliers as forming part of the wider stakeholder group. The Company recognises the contribution of each of these stakeholder groups and seeks to build meaningful and mutually beneficial relationships with them all.

As the needs and growth of the business matures, management identifies key relationships and effort is directed to ensuring they are managed appropriately.

The Company's internal stakeholders are its employees and its consultants. The Company is fully committed to promoting a working environment of equal opportunities for all without discrimination or harassment and regardless of part-time working, gender, sexual orientation, age, race, ethnicity, nationality, religion or disability. The Company will report against this commitment in future annual reports.

The Company proactively seeks feedback to enable the management to make improvements and changes to products and processes. All of the Company's stakeholders have access to contact information for communication with the Company. Feedback is respectfully acknowledged by the Company and appropriately dealt with.

The Board believes that its investment in the wider stakeholder network should assist the Company's management in achieving its long-term goals creating an environment of trust and communication which will have positive implications for the long term success of the Company.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system.

The Board has established a comprehensive risk register relating to significant aspects of the Company's business. The Board regularly considers the risk register and the mitigation and removal measures on a risk-by-risk basis focusing on those deemed most critical.

Specifically, to address the technology challenges the Company has instigated a detailed and comprehensive engineering and technology risk management programme that has continued since the design phase, the programme is termed the Technology Risk Management Programme. The Programme is derived from its own test and design activities and informed by the DNV GL Technical Assurance process. The Technology Risk Management Programme will be reviewed by the Powerhouse Board, and individual risks addressed through studies allowing the register to be continuously updated.

For further details of the Company's approach to risk and its management, please refer to the Principal Risks and Uncertainties section of the Strategic Report in the 2019 Annual Report and Accounts.

Principle 5

Maintain the board as a well-functioning, balanced team led by the chair.

The Board, chaired by Dr Cameron Davies, comprises one executive and four non-executive directors and it oversees and implements the Company's corporate governance programme. David Ryan is the Chief Executive Officer. The non-executive directors are Dr Cameron Davies, Brent Fitzpatrick, James Greenstreet and Myles Kitcher.

As chairman, Dr Davies is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Dr Davies, Brent Fitzpatrick and James Greenstreet are the Company's independent directors and, as such, are independent of management and any business or other relationships which would interfere with the exercise of their independent judgment. Further details pertaining to the Board are set out in the Corporate Governance section of the Annual Report and Accounts.

Each board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend board meetings and join ad hoc board calls and offer availability for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However, in exceptional circumstances all board members understand the need to commit additional time.

Board packs include information on Research activities, project execution, health and safety, business developments, progress and risks faced as well as financial performance and are circulated ahead of board meetings. Key issues are highlighted and explained, providing board members with sufficient information to enable a relevant discussion in the board meeting. From time to time, members of the Company's senior management present to the Board to update them on issues and developments. The number of Board meetings held throughout the course of the financial year are set out in the Corporate Governance section of the Annual Report and Accounts.

The Board is supported by its Audit Committee and its Remuneration Committee. Further details of these committees are set out in the Corporate Governance section of the Annual Report and Accounts.

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The Corporate Governance report included in the Annual Report and Accounts identifies each member of the Board and describes the Board's responsibilities as well as the relevant experience, skills and personal capabilities and qualities that each member brings to the Board.

The Board comprises one executive director and four non-executive directors, three of whom are independent.

Executive Director:

David Ryan, Chief Executive Officer

David Ryan has had a 39 year Professional Engineering career solely within the energy industry. He is qualified through experience with a breadth of project experience and has run major energy projects, set up and developed a blue chip engineering company serving energy companies and the investment community and run the international organisation of a multinational conglomerate.

David's academic and professional qualification for the role are an MBA from Durham University and a BSC in Energy Technology. He is a Chartered Engineer, Fellow of the Energy Institute, Fellow of the Institution of Engineering and Technology and a Fellow of the Association of Project Managers.

Non-Executive Directors:

Dr Cameron Davies, Non-Executive Chairman

Dr Davies is a capable business leader who has successfully grown revenues and profits in a quoted alternative energy company. As founder, CEO, and Executive Director of AIM-quoted Alkane Energy plc (now Alkane Energy Limited), he led that company through each phase of its development. He built Alkane from its initial concept to the point of providing over 160MW of connected power generation, and a successful exit for his shareholders – a c. £60 million sale to Balfour Beatty Infrastructure Partners in October 2015. Prior to Alkane Dr Davies led a number of other start-up companies and is currently a Non-executive Director of AIM-quoted Ascent Resources plc.

Dr Davies was awarded a PhD in Applied Geochemistry from Imperial College London. Over the course of the past 20 years Dr Davies has evaluated numerous gasification technologies and projects. He is also a Fellow of the Geological Society of London a member of the European Petroleum Negotiators Group, and the Petroleum Exploration Society of Great Britain.

Brent Fitzpatrick, Non-Executive Director

Mr Fitzpatrick has over 20 years experience as a corporate finance consultant. In the last 15 years he has been instrumental in advising a number of companies on their acquisitions and subsequent flotations.

Mr Fitzpatrick was Non-Executive Chairman of Global Marine Energy plc- an AIM listed oil services company and Non-Executive Chairman of Risk Alliance plc, an insurance broker consolidator. Mr Fitzpatrick is also an adviser to ECO Capital, a global clean tech fund and is a member of the Audit Committee Institute.

James Greenstreet, Non-Executive Director

Mr Greenstreet has over 20 years of corporate and structured finance experience. Having started his career at Arthur Andersen, he joined BAE Systems in 1994 to work in the corporate finance team.

After leaving BAE, Mr Greenstreet held corporate finance positions at IBM and XL Capital, once more focussing on asset and lease finance. In 2001 he co-founded Orbis Capital a successful corporate and structured finance business. Over the past 10 years Mr Greenstreet has been instrumental in sourcing, structuring, packaging and managing transactions for a number of high profile clients across a wide range of sectors.

Myles Kitcher, Non-Executive Director

With over 20 years' experience in the energy and waste industries, Myles has a career spanning local government, public sector and private enterprise. As Managing Director of Peel L&P Environmental, a developer of real estate and infrastructure in the energy, waste and mineral sectors, he is the leading force behind Protos – Peel's flagship destination for energy, innovation and industry near Ellesmere Port, north west England.

He is also Executive Director of Natural Resources & Energy, Peel L&P and he works with investors, technology providers and private and public sector partners to deliver innovation and investible project opportunities. In recognition of the strategic importance of Peel L&P to the development of Powerhouse in UK, Myles was a welcome addition to the Board in 2020, bringing his extensive experience from sustainable industrial property development and management to lead the Protos project roll-out in the UK.

Board Skills

The Chairman believes that the Board should always have a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both operationally and strategically. The nature of the Company's business requires the Directors to keep their skillset up to date. Periodic advice on regulatory matters is given by the Company's professional advisers.

The Board is supported and advised by a Chief Financial Officer, a chartered accountant with extensive experience, who works closely with the Board and is managing financial procedures and controls.

The Company Secretary is a non-executive director of the Company and reports directly to the Chairman on governance matters.

Principle 7

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

Board performance effectiveness process

The assessment of the Board's performance has to date been largely focused on the achievement of the Company's financial and strategic goals. To date, the Company has not highlighted the processes by which it evaluates Board performance whilst it has been focusing on commercialising its technology and the development of revenue generating partnerships. However, as the Company has entered commercial operations it intends to address this.

Each Board member is subject to a review by the Remuneration Committee based on their professional contribution as well as their contribution to the performance of the Company. The terms and conditions of the arrangements, including remuneration, are currently set by the entire Board of Powerhouse. The Board intends to highlight its process of review and progress against company objectives. The Board will consider proportionate use of external consultants to carry out this role.

Board appointments and succession planning

Board appointments

The Remuneration Committee meets as and when necessary to consider the appointment of new directors. Board members all have appropriate notice periods so that if a board member indicates his intention to step down, there is sufficient time to appoint a replacement, whether internal or external.

Board appointments are made after consultation with advisers in all cases. The Nomad undertakes due diligence on all new potential board candidates.

Each director is required to offer themselves for re-election at least once every three years as per the Company's articles of association. New directors are subject to election at the first Annual General Meeting of the Company following their appointment.

Succession planning

Succession planning has been undertaken to date on an informal basis by the Chief Executive Officer in consultation with the Board. The Board is satisfied that this is appropriate for this stage in the Company's development. The Board will implement a more formal succession planning scheme through 2020 as the Company moves into operating mode.

Principle 8

Promote a corporate culture that is based on ethical values and behaviours.

The strategy of Powerhouse is based on sound ethical and environmental principles by addressing two of society's most pressing problems, the eradication of unrecyclable plastic waste and the production of clean hydrogen energy for fuel cell vehicles such as buses and trucks with the resultant improved air quality around our communities.

Consistent with Principle 3 above, the Company operates with an inclusive, transparent and respectful culture. The Board places particular emphasis on operating to the highest ethical and environmental standards. HS&E is a specific agenda item at every board meeting.

The Company directors take personal ownership of maintaining high standards of business conduct throughout the organisation and for delivering the Corporate Social Responsibilities.

The Company's objectives include observing the highest level of health and safety standards, developing our staff to their highest potential and being a good corporate citizen in our chosen countries of operations.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The Board is confident that its processes and culture are appropriate for the Company's current size and complexity but is aware that it must continue to review its practices as the Company evolves and grows.

The Chief Executive Officer has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy. The Board comprises:

- Dr Cameron Davies, independent Non-Executive Chairman, who is responsible for leadership of the Board and for corporate governance and a member of the Audit and Remuneration committees.
- David Ryan, Chief Executive Officer, who has overall responsibility for managing the Group's affairs, including the activities arising from Powerhouse being a publicly quoted company, funding and investor relations. David has overall responsibility for health and safety, operations and project activities and oversees the technical operations of the Company .
- Brent Fitzpatrick, who is the Group's senior independent Non-Executive Director, and chairman of the Audit and Remuneration committees. Brent is the Company Secretary.
- James Greenstreet, independent Non-Executive Director, who is a member of the Audit and Remuneration.
- Myles Kitcher, Non-Executive Director, is using his extensive experience from sustainable industrial property development and management to lead the Protos project roll-out in the UK.

The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities.

Audit Committee

The duties of the Audit Committee include reviewing, in draft form, the Company's annual and half-yearly report and accounts and providing advice to the board. Members of the Audit Committee are also responsible for reviewing and supervising the financial reporting process and internal control systems of Powerhouse. The Audit Committee is comprised of the Non-Executive Directors of the Board.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the scale and structure of the executive Directors' remuneration and the terms of their service contracts with the Company, including share option schemes and any bonus arrangements. The terms and conditions of the arrangements, including remuneration, with non-executive Directors are set by the entire Board of Powerhouse.

The appropriateness of the Company's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance. Regular communication enables the Board to receive shareholders' views by various means as set out in Principle 2 above.

The Company regularly releases appropriate price sensitive information regarding its activities and progress to the market. The CEO and other management team members regularly participate in industry forums and investor conferences to keep stakeholders apprised of company developments.

The Board discloses the result of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. In order to improve transparency, the Board has committed to announcing proxy voting results in future and disclosing them on the Company's website. In the event that a significant portion of voters have voted against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

The roles and responsibilities of the committees supporting the Board are set out in the Corporate Governance section of the Annual Report and Accounts.