

## **Proton Motor Power Systems PLC**

### **Statement of compliance with the QCA Corporate Governance Code – Updated 10 August 2021**

#### **Chairman’s statement**

All members of the board strongly believe in the importance and value of good corporate governance and in our accountability to all of Proton Motor Power Systems’ stakeholders, including shareholders, staff, clients, and relevant suppliers. In the statement below, we explain our approach to governance, and how the board and its committees operate.

The AIM rules require AIM companies to apply a recognised corporate governance code.

The corporate governance framework which the group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the board believes are proportionate to the size, risks, complexity and operations of the business and is reflective of the group’s values. We have therefore decided to adhere to the Quoted Companies Alliance’s (QCA) Corporate Governance Code (“QCA Code”) for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. 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. The board considers that it does not depart from any of the principles of the QCA Code.

#### *Board composition and compliance*

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors. At the date of this statement the Board is composed of two non-executive Directors (including the Chairman) and four executive Directors. The Board Committees are comprised as follows:

Remuneration Committee: Chair: CEO, second member: Group Finance Director

Audit Committee: Chair: Chairman of the Board, second member: Director Sales and Marketing

Nominations Committee: Chair: CEO, second member: Group Finance Director

#### *Shareholder engagement*

In this respect it is necessary to take note of the fact that the Directors regard SFN Cleantech Investment Ltd to be the ultimate controlling party of Proton Motor Power Systems with a holding in excess of 83%. Dr. Faiz Nahab is connected to SFN Cleantech Investment Ltd, and is also CEO of the Proton Motor Power Systems group. In this capacity Dr. Nahab is fully involved in the operations of the group. Additionally the Directors ensure that the remaining

shareholders of the Proton Motor Power Systems Group are kept up to date via RNS statements with respect to all major developments within the group. Furthermore the Directors regard the AGM as a forum to present to and meet with shareholders.

The board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its audit committee. The directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Helmut Gierse, Chairman

10 August 2021

The decision to apply the QCA Code was formally made by the Board on 27 September 2018 and the information was last reviewed and last updated on 9 August 2021.

The following paragraphs set out Proton Motor Power Systems' compliance with the ten principles of the QCA Code.

### **Principle 1 - Establish a strategy and business model which promote long-term value for shareholders**

Proton Motor is a provider of power solutions using CleanTech technologies such as industrial fuel cells, fuel cell and hybrid systems with more than 20 years of experience in this sector. Proton Motor offers complete fuel cell and hybrid systems from a single source - from the development and production through the implementation of customized solutions. The focus of Proton Motor is on back-to-base systems, for example, for mobile, marine and stationary applications. The product portfolio consists of base-fuel cell systems, standard complete systems, as well as customized systems.

Proton Motor serves IT, Telecoms, public infrastructure and healthcare customers in Germany, Europe and Middle East with power supply solutions for DC and AC power demand. In addition to power supply, the SPower product range also offers solutions for Solar Systems.

The PLC Board has formulated the strategic framework for the business, which includes the identification of target market segments, and how each segment is to be approached when matched against the resources available. Further essential elements of the strategy relate to the areas of production, product development and the forms of strategic cooperations being sought.

Key challenges we face include:

- **Increasing the awareness of the market with respect to the group's offer of clean technologies** – the group with its innovative and clean technology (environmentally friendly emission free) is competing against long established fuel technologies with

strong lobbies (e.g. diesel fuel). The group's marketing activities are directed towards increasing market awareness for its technology offer.

- **Recruiting and retaining suitable staff** – the group's ability to execute its strategy is dependent on the skills and abilities of its staff. We undertake ongoing initiatives to foster good staff engagement and ensure that remuneration packages are competitive in the market.

We believe we have the right strategy and service in place to deliver strong growth in sales and other income forms such as licensing over the medium to long term, which will enable us to deliver sustainable shareholder value.

## **Principle 2 - Seek to understand and meet shareholder needs and expectations**

Responsibility for investor relations rests with the CEO, supported by the Group Finance Director, one of the non-executive directors and Brendan Bilton. During 2020 and up to 10 August 2021 the following activities were pursued to develop a good understanding of the needs and expectations of all constituents of the group's shareholder base:

<b>Date:</b>	<b>Event:</b>	<b>Participants:</b>	<b>Comments:</b>
Jul 20 & Jun 21	AGMs	CEO, Group Finance Director, Auditor, NOMAD, Shareholders	All shareholder questions answered

In 2020 and 2021 the AGMs were conducted virtually via videoconferences.

The group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. We communicate with shareholders through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting (AGM). A range of corporate information (including all Proton Motor Power Systems announcements) is also available to shareholders, investors and the public on our website.

**Private shareholders:** The AGM is the principal forum for dialogue with private shareholders, and we encourage all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The Chairman of the board and/or the CEO, together with the Group Finance Director, attend the AGM and are available to answer questions raised by shareholders. The results of shareholder voting are issued as RNS announcements and are published on the website.

Details of the people responsible for shareholder liaison and the point of contact for such matters can be found on the Investor Relations section of the Company's website.

## **Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long-term success**

<b>Stakeholder</b>	<b>Reason for engagement</b>	<b>How we engage</b>
<b>Staff</b> – our ability to fulfil client demand and develop and enhance the technology provided relies on having talented and motivated staff.	Good two-way communication with staff is a key requirement for high levels of engagement, fostering a culture of innovation.	<p>Quarterly staff meetings – virtual.</p> <p>Staff can ask questions of management at these meetings.</p> <p>Topics covered include: Financial Results Sales Pipeline Status of technology offer</p>
<b>Clients</b> – our success and competitive advantage are dependent upon fulfilling client requirements, particularly in relation to the quality and reliability of the technology offer and post sales service, together with its speed of delivery and security.	Understanding current and emerging requirements of clients enables us to develop a new and enhanced technology offer and service.	Seek feedback on technology offer and service levels.
<b>Shareholders</b> – as a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence.	Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and performance of management.	<p>Regulatory news releases.</p> <p>Keeping the investor relations section of the website up to date.</p> <p>Annual and half-year reports.</p> <p>AGM.</p>

#### **Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The group risk profile in terms of risk pertaining to individual orders and to the business environment in which the company is operating is evaluated on a regular basis by Group Management and Board Members in the monthly GmbH Board meetings and in the quarterly PLC Board meetings.

Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

Pages 16 and 17 of the Company's Annual Report for the year ended 31 December 2020 include details of the key risks to our business, and how these are mitigated.

#### **Principle 5 - Maintain the board as a well-functioning, balanced team led by the chair**

The members of the board have a collective responsibility and legal obligation to promote the interests of the group, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board consists of six directors of which four are executive and two are independent non-executive directors. The board is supported by three committees: nomination, audit and remuneration.

Non-executive directors are required to attend four quarterly board meetings per year (at the Puchheim operational location in Germany, or via videoconference) and to be available at other times as required for face-to-face and telephone meetings with the executive team.

Meetings held to date in 2021 up to 10 August and the attendance of directors is summarised below:

<b>Executive Directors</b>	PLC Board Meetings* Possible	PLC Board Meetings* Attended	Audit committee Meetings Possible	Audit committee Meetings Attended
Sebastian Goldner	2	2	N/A	N/A
Roman Kotlarzewski	2	2	N/A	2 as guest
Dr. Faiz Nahab	2	2	N/A	N/A
Manfred Limbrunner	2	2	2	2
<b>Non-Executive Directors</b>				
Helmut Gierse	2	2	2	2
Antonio Bossi**	N/A	N/A	N/A	N/A
<b>Executive Directors</b>	Remuneration Committee Meetings Possible	Remuneration Committee Meetings Attended	Nomination committee Meetings Possible	Nomination committee Meetings Possible
Sebastian Goldner	N/A	N/A	N/A	N/A
Roman Kotlarzewski	2	2	1	1
Dr. Faiz Nahab	2	2	1	1
Manfred Limbrunner	N/A	N/A	N/A	N/A
<b>Non-Executive Directors</b>				
Helmut Gierse	N/A	N/A	N/A	N/A
Antonio Bossi**	N/A	N/A	N/A	N/A

\*\* Antonio Bossi was appointed on 5 August 2021

The board has a schedule of regular business, financial and operational matters, and each board committee has compiled a schedule of work to ensure that all areas for which the

board has responsibility are addressed and reviewed during the course of the year. The chairman is responsible for ensuring that, to inform decision-making, directors receive accurate, sufficient and timely information. The company secretary compiles the board and committee papers which are circulated to directors prior to meetings. The company secretary provides minutes of each meeting and every director is aware of the right to have any concerns minuted and to seek independent advice at the group's expense where appropriate.

**Principle 6 - Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The members of the board bring relevant sector and public market experience and one member is a chartered accountant. All five directors are male. The board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Directors attend seminars and other regulatory and trade events to ensure that their knowledge remains current.

***Helmut Gierse, Chairman***

*Term of office:* Appointed as Director on 20 January 2009 and as Chairman on 20 December 2017; Chair of the Audit Committee.

*Background and suitability for the role:* Helmut Gierse has over 30 years of international industry experience covering the fields of factory automation, process industry and power generation. His experience comes from his work in R&D, production, sales and marketing. His expertise has been gained from a range of industry positions at the management level, most recently as the CEO and President of the Siemens Group in Automation and Drive in Germany. Helmut Gierse is currently an independent industry consultant.

Helmut Gierse studied Electronic Engineering at the University Erlangen in Germany. He speaks German, English, French and Spanish.

*Time commitment:* three to four days per quarter.

***Dr. Faiz Nahab, CEO***

*Term of office:* Joined as CEO on 1 September 2008; Chair of the Nomination Committee and Chair of the Remuneration Committee.

*Background and suitability for the role:* Dr. Faiz Nahab has over 35 years of executive management experience in company restructuring and expansion. For more than 20 years he served as consultant to major international companies on technical and high technology projects with focus on product sales, marketing and product development. He has a strong background in project management including project finance and control. As entrepreneur Faiz successfully developed a medical infrastructure company and developed an expert team for installing and commissioning of industrial equipment and machinery covering areas such as clean and waste water projects, cement and urea factories. The main business of his companies is based in the Middle East with involvement in country infrastructure construction in partnership with major international partners as MSD, Siemens AG, Carl Zeiss

and others.

He still holds various Directorships at companies in the pharmaceutical, medical and technology sector, some of them as CEO and Chairman. Faiz Nahab had academic undergraduate education in Electronics at Southampton, postgraduate PhD at Kent University UK in Electronics and full membership of MIEEE.

*Time commitment:* four to five days per month.

***Sebastian Goldner, COO/CTO***

*Term of office:* Appointed as Director on 20 February 2018, originally in the role of Director Customer Project Management and Service, and appointed COO on 14 September 2018, and to CTO on 25 January 2019

*Background and suitability for the role:* Sebastian Goldner has more than 10 years' experience in the design and construction of mobile, marine and stationary fuel cell applications. His experience is based on various leadership positions in sales & marketing, project management and development. Currently, Sebastian Goldner is the COO responsible for production, customer projects and customer service. As CTO, Sebastian Goldner is responsible for the further development of the company's technology offer.

Sebastian Goldner studied engineering computer science with a focus on electrical engineering at the University of Paderborn. As part of his studies, he completed his diploma thesis at Infineon Technologies in Munich.

*Time commitment:* full time.

***Roman Kotlarzewski ACA, Group Finance Director and Company Secretary***

*Term of office:* Appointed as Group Financial Controller in February 2017 and became Group Finance Director on 10 August 2017 and Company Secretary on 20 February 2018. Member of the Nomination Committee and member of the Remuneration Committee.

*Background and suitability for the role:* Roman Kotlarzewski is an Associate of the Institute of Chartered Accountants in England and Wales. Roman Kotlarzewski has over 30 years of industry experience including significant private and public company experience also on an international level via financial leadership roles within the Boots Company PLC, Standex International Corporation and BASF AG. Roman Kotlarzewski occupied the position of CFO Europe at the private company goetzpartners Corporate Finance, was CFO with the startup Carfrogger GmbH and is Director at the Globe Business College Munich.

Mr Kotlarzewski studied Modern Languages and Economics at Northumbria University and speaks English, German and French.

*Time commitment:* full time.

***Manfred Limbrunner, Director Sales and Marketing***

*Term of office:* Appointed as director on 20 February 2018. Member of the Audit Committee.

*Background and suitability for the role:* Manfred Limbrunner joined Proton in November 2000 as a design engineer and project manager for various mobile and maritime projects. In his early years he was also in charge of the systems engineering and the homologation of the Fuel Cell Hybrid Systems of Proton. As the company developed further he formed and led the design department, played a significant role in implementing the quality management system and rotated in October 2009 to the product management position, until he was appointed as CTO in March 2011. By November 2016 he took over the newly founded Mobility Business Unit and he is now responsible for Sales and Marketing at Proton. Prior to joining Proton, Manfred Limbrunner worked for 5 years in the pulp & paper plant engineering business. His main duties and responsibilities were in the design of complex plant sub assembly groups, supervising their mounting through external suppliers, plant engineering, customer support, supervising the mounting team as well as the project management.

Manfred Limbrunner studied mechanical engineering with a focus on design at the University of Applied Science in Kempten and started his career at Hoerbiger Fluidtechnik GmbH in 1995.

*Time commitment:* full time.

***Antonio Bossi, Non-Executive Director***

*Term of office:* Appointed as Director on 5 August 2021.

*Background and suitability for the role:* Antonio has over 25 years' experience in corporate finance, equity capital markets and M&A including over seven years with ING Barings and ABN AMRO working across a number of sectors. He is currently a Corporate Finance Director at Arden Partners having previously spent 18 years with Stockdale Securities and its predecessor company, which became part of Shore Capital in 2019. Antonio is an Italian national and an engineer by education (Politecnico di Milano).

*Time commitment:* as required and up to two days per week.

**Principle 7 - Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

For many years we have supported the principle to review regularly the effectiveness of the board's performance as a unit, as well as that of its committees and individual directors.

The board evaluation process, usually led by the chairman, comprises interviews with directors, with the exception of the CEO. The chairman then reviews the results of these interviews with the CEO. It is expected that, going forward, the board evaluation exercise will be undertaken annually.

The review considers effectiveness in a number of areas including general supervision and oversight, business risks and trends, succession and related matters, communications, ethics and compliance, corporate governance and individual contribution.



As the business expands, the executive directors will be required to identify potential internal candidates who could potentially occupy board positions, and set out development plans for these individuals.

### **Principle 8 - Promote a corporate culture that is based on ethical values and behaviour**

Our long-term growth is underpinned by five core values, which are:

1. We place our **customers first**, putting ourselves in their shoes to understand the current and future needs of those who use our products and services, and always striving to exceed their expectations.
2. We have an enduring **positive attitude** that stems from being self-motivated, adaptable and agile and feeling fully empowered to make a difference, speaking out with ideas and suggestions to make things better.
3. We are **team players** who recognise that Proton Motor Power Systems is a company worth much more than the sum of its parts, we are passionate about communicating with colleagues and with our customers and are committed to learning from one another.
4. We are committed to **innovation** in what we do and how we do it, and to working smarter rather than harder to reduce costs, increase efficiency and make lives easier by being creative, pragmatic and different.
5. We **respect** one another and are courteous, honest and straightforward in all our dealings, we honour diversity, individuality and personal differences, and are committed to conducting our business with the highest personal, professional and ethical standards.

The culture of the group is characterised by these values which are communicated regularly to staff via the quarterly staff meetings. The board believes that a culture that is based on the five core values is a competitive advantage and consistent with fulfilment of the group's mission and execution of its strategy.

### **Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The **PLC Board** provides strategic leadership for the group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the group implements in its business plans. The board defines a series of matters reserved for its decision and has approved terms of reference for its audit and remuneration committees to which certain responsibilities are delegated. The chair of each committee reports to the board on the activities of that committee.

The **Audit Committee** is primarily responsible for monitoring the quality of internal control and ensuring the proper measurement of and reporting on the financial performance of the Group as well as for reviewing reports from the Group's auditor.

The **Remuneration Committee** is responsible for the determination of terms and conditions of service of executive directors.

The **Nomination Committee** is primarily responsible for reviewing the balance and effectiveness of the Board and identifying the skills needed and those individuals who might best provide them, and shall ensure a formal and transparent appointment procedure of the Board.

The **GmbH Executive Board**, consisting of the executive directors, operates as a management committee, chaired by the CEO, which reviews operational matters and performance of the business, and is responsible for significant management decisions while delegating other operational matters to individual managers within the business.

The **Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the group. He leads and chairs the board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The **CEO** provides coherent leadership and management of the group, leads the development of objectives, strategies and performance standards as agreed by the board, monitors, reviews and manages key risks and strategies with the board, ensures that the assets of the group are maintained and safeguarded, leads on investor relations activities to ensure communications and the group's standing with shareholders and financial institutions is maintained, and ensures that the board is aware of the views and opinions of employees on relevant matters.

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The **Company Secretary** is responsible for providing clear and timely information flow to the board and its committees and supports the board on matters of corporate governance and risk.

The matters reserved for the board are:

- Setting long-term objectives and commercial strategy.
- Approving annual operating and capital expenditure budgets.
- Changing the share capital or corporate structure of the group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends, if applicable.
- Approving major investments, disposals, capital projects or contracts.
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.
- Approving changes to the board structure.

The board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

## **Principle 10 - Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

In addition to the investor relations activities described above, the following audit and remuneration committee reports are provided.

### **Audit Committee Report**

During the year, the Audit Committee has continued to focus on the effectiveness of the controls throughout the group. The Audit Committee consists of Helmut Gierse, Chair, and Manfred Limbrunner. The committee met once via a telephone conference, and the external auditor and Group Finance Director were invited to attend this telephone call. Consideration was given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in both the annual and interim reports. The Chair also met with the auditors with no executives present.

### **Remuneration Committee Report**

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the board on the remuneration of executive directors. The Remuneration Committee consists of Dr. Faiz Nahab, chair, and Roman Kotlarzewski. Various meetings of this committee took place in 2020, as evidenced by the respective minuting thereof.

### **Nomination Committee Report**

The remit of the Nomination Committee is to review the balance and effectiveness of the Board and identifying the skills needed and those individuals who might best provide them, and shall ensure a formal and transparent appointment procedure of the Board.

The Nomination Committee consists of Dr. Faiz Nahab, chair, and Roman Kotlarzewski. The committee met in August 2021 to confirm the appointment of a new non-executive Director.

The Company's principal means of communication with shareholders is through the Annual Report and Accounts, the full-year and half-year announcements and the Annual General Meeting (AGM). Investor queries may be addressed via the Investor Relations page of the Company Website.

The Company will disclose outcomes of all votes at shareholder meetings in a clear and transparent manner by either publishing a market announcement or by reporting it on the Company's website. If a considerable proportion of votes (20%) have been cast against a resolution at any meeting of shareholders, the Company will include 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.

In addition, the Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, the Chief Financial Officer and the

Company's broker. Dialogue with individual shareholders also takes place in order to understand their views.