

## Statement of Compliance with QCA Code

### Chairman's Introduction

The board of directors of ITM Power PLC (the "**Board**") believes this is vital to creating a sustainable, growing business and is a key responsibility of the Group. This culture supports ITM Power PLC's objectives to grow the business through acquiring and retaining customers.

Our values are based on working with integrity, for embracing innovation and creating value for our customers, people, suppliers and shareholders.

It is the Board's job to ensure that ITM Power PLC and its wider business group ("**Group**") is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

From 28 September 2018, AIM companies will be required to provide details of a recognised corporate governance code that it has decided to apply and explain how the company complies with that code or, where it departs from the code, provide an explanation of the reasons for doing so.

ITM Power PLC ("**ITM Power**" or the "**Company**") is committed to high standards of corporate governance. The application of a corporate governance code and a review of the corporate governance position of the Company is welcomed by the Board and is noted to be timely with reference to the position the Company finds itself in at the current point.

The Board considers that the most appropriate code for ITM Power to adopt, based on its development, sector and size, would be The Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"). The QCA Code provides a flexible, principle based model that will allow the execution of the Group's corporate governance principles to evolve with the business.

ITM Power has reviewed the ten principles of the QCA code and has set out below how these principles are applied, providing appropriate disclosures where necessary, specifically where the Group does not comply fully with the expectations of the QCA code and setting out an explanation of the reasons. We will provide annual updates on our compliance with the QCA Code as required.

The Board has been strengthened in the past year through the appointment of Andy Allen as Finance Director, and the Group has made senior appointments to the After Sales Support, Quality, Procurement and Legal teams.

This statement was approved by ITM Power plc's Board on 27 September 2018.

Roger Putnam

Chairman

**PRINCIPLE 1: Establish a strategy and business model which promotes long term value for shareholders**

**Summary**

ITM Power designs and manufactures integrated hydrogen energy systems for energy storage, clean fuel production and renewable chemistry.

The Group has a suite of product platforms based on Proton Exchange Membrane (PEM) technology. The Group has a product offering that is scalable above 100MW in size. Of particular importance is the ability to respond rapidly and to generate hydrogen at a pressure, flow rate and purity appropriate to its application.

The overarching principle is the capacity to take excess energy from the power network, convert it into hydrogen and use it in one of three broad applications.

**Power-to-Gas**

Demand for energy storage solutions is being driven by the increasing proportion of power from renewables in electricity generation in many countries. This, in turn, is being driven by emissions reduction targets set out most recently in the COP21 Paris Agreement on climate change. We believe that the simplest and most cost effective solution to address the need to store intermittent renewable power is electrolysis with the hydrogen produced then used either as clean fuel or injected into a gas grid.

The Power-to-Gas model is a commercial proposition which offers utility companies energy storage options of a scale and duration relevant to the challenges presented by the growing deployment of renewable power generation. The equipment provides grid balancing services which consume excess energy in the power network converting it to hydrogen for injection into the gas network.

**Clean Fuels**

The refuelling model is one that incorporates the work of national hydrogen infrastructure initiatives to support the growth of hydrogen as a transport fuel, both for use in cars and buses initially, and with further transport applications in the future. The roll-out of fuel cell electric vehicles (FCEVs) is underway, led by Toyota and closely followed by Hyundai, and Honda. A hydrogen station produces hydrogen on site via ITM Power's rapid response electrolyser system, and can refuel a fuel cell electric vehicle in minutes. A growth market is in bus refuelling. Inner city air quality is a major new driving force for Fuel Cell Electric Bus (FCEB) deployment, as air pollution is a major contributor to poor health in the UK.

**Renewable Chemistry**

Refineries currently use hydrogen to improve the quality of fractional distillation products and most of this hydrogen is produced from steam-reforming. 15% of the total CO<sub>2</sub> emissions from the European refinery sector can be attributed to hydrogen production. In order to comply with stringent legislation and avoid fines, refineries need a cost effective green hydrogen solution that reduces carbon emissions while allowing them to maintain output.

In addition, natural gas reformers have long start-up times. With their rapid start up times, ITM Power's PEM electrolyzers could provide an immediate backup solution to prevent production downtime and preserve security of hydrogen supply.

Finally, in steel making, iron ore requires chemical reduction before being used to produce steel; this is currently achieved through the use of carbon, in the form of coal or coke. When oxidised, this leads to emissions of about 2.2 tonnes of CO<sub>2</sub> for each tonne of liquid steel produced. The substitution of hydrogen for carbon has the potential to significantly reduce CO<sub>2</sub> emissions, because hydrogen is an excellent reducing agent and produces only water as a by-product.

**Revenue Streams for the Group**

As well as having potential revenue streams from three large application markets, potential opportunities exist globally for ITM Power. The Group has a model of locating agents in key territories to position ITM Power as a world leading developer and supplier of electrolyser products. There are a variety of ways in which the Company can generate revenue:

- ***Sales of Systems***

ITM Power positions itself as the provider of hydrogen systems solutions and can sell electrolysers and systems to customers globally. The Group offers both standard systems and modules as well as bespoke offerings based around standard core stack modules in order to meet customer specifications.

- ***Design and Consultancy Revenue***

Many system contracts that are bespoke are preceded by a design study or a Front End Engineering Design (FEED) contract that defines solutions to customer-specific specifications.

- ***Maintenance Revenue***

ITM Power offers warranties on systems, which are valid alongside ITM Power maintenance contracts and thus the Group expects to manage a growing income stream as system deployments continue.

- ***Fuel Sales Revenue (Own and Operate model)***

The Group has been the beneficiary of funding from EU bodies, which has helped accelerate research activity as well as infrastructure development.

- ***Grant Funding for Innovation and scale up***

The Group utilises funding from grant bodies to contribute towards the technical advancement of the electrolyser product through offering greater efficiencies which manifest as cost reduction of the ITM Power systems.

Further information is available in the Annual Report of the Group, which is available on the website [www.itm-power.com](http://www.itm-power.com). This includes the principle challenges, risks and uncertainties for ITM Power.

**PRINCIPLE 2: Seek to understand and meet shareholder needs and expectations**

The Company values the views of shareholders and recognises their interests in the Group's strategy and performance.

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major shareholders rests with the Chief Executive Officer ("**CEO**"), who makes himself available to meet shareholders for this purpose. Press coverage packs and analyst notes are made available to the Board at each regular Board meeting. The CEO is often accompanied at investor presentations by either the Chairman or the Chief Financial Officer. Shareholder communication is mainly co-ordinated by the company's Corporate Communications Consultants, Tavistock Communications Limited ("**Tavistock Communications**"). ITM Power is committed to maintaining a good dialogue with shareholders through proactively organising meetings and presentations with fund managers, retail brokers and analysts, as well as responding to a wide range of enquiries. The Company also recognises the importance of communicating appropriately any significant company developments, this is done via the Stock Exchange Regulatory News Service that can be accessed through the Company's new web site.

The Company reports to institutional shareholders twice a year through roadshows correlating to financial statements (interim and full year reports). The report and accounts are available on the Company's website: [www.itm-power.com](http://www.itm-power.com). All shareholders are encouraged to attend the

Company's Annual General Meeting, at which the CEO gives an account of the progress of the business over the year and provides the opportunity for shareholders to ask questions. The Board attends the meeting and is available to answer questions from shareholders present. The Company also has a newsletter which is forwarded to interested parties, including shareholders on a monthly basis.

In all communications and events, care is taken to ensure that no price sensitive information is released and that any price sensitive information is released to all shareholders at the same time in accordance with AIM Rules.

The Company seeks feedback from regular engagement events through Tavistock Communications and Investec Bank Plc (“**Investec**”) as nominated advisor (“**NOMAD**”) and broker and considers the communication strategy with shareholders in light of feedback. The Company also welcomes significant investors and potential investors to our head offices by appointment and have done so on a number of occasions in the past year. The board is kept apprised of the views and concerns of major shareholders by briefings from Investec and the executive directors of the Company (“**Executive Directors**”).

Details of the contact point for investor relations is found at <http://www.itm-power.com/contact>

**PRINCIPLE 3: Take into account wider stakeholder and social responsibilities and their implication for long term success.**

ITM Power, as an innovative and socially responsible company, ensures that the business model is at the heart of the discussions both at an executive level and at the full board. As the needs and growth of the business evolves and materialises, the business model informs the resources and relationships that the business require to execute its plan for growth.

ITM Power considers itself to be an innovating organisation. Obtaining and learning from employee, customer and other stakeholder feedback is an integral part of what we do and how we are developing the business. We proactively seek feedback to enable us to make improvements and changes to our products and processes.

***Workforce***

ITM Power strives to be a responsible, sustainable and ethical employer and as part of this we encourage training and Continuing Professional Development (CPD). With the new technologies market we are proud to be a part of, the Company is grateful for the vast knowledge that its employees encompass. The Company encourages improving upon this knowledge basis by supporting its staff through training courses and qualifications, ranging from single day courses up to Master's degree level qualifications. ITM Power is proud to have a number of apprentices as part of its workforce.

In the last financial year, ITM Power has grown almost twice in size in terms of employee numbers.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Every year, the Executive Committee present the annual results to its workforce and ITM Power staff are able to engage and ask questions.

The Company also has an open-door management policy which enables regular feedback. Whilst the current informal methods of obtaining feedback have proved useful and are often used by the Company to drive improvement and innovation, as ITM Power grows in size it is considering a

review of its staff feedback methods with a view to introducing more formal mechanisms, including in respect of how such feedback can be incorporated by the Company.

We have consistently sought to recruit and retain the best employees in our sector and this has contributed to the advancement and successes of the products we manufacture. We also recognise the importance of employee retention and we offer our staff benefits including childcare vouchers and a cycle purchase scheme as well as formal training relevant to the employee's role. We believe this maintains high levels of employee satisfaction and motivation.

As part of ITM Power's 2019 goals, it is looking to introduce a wellbeing programme. This is in discussion with staff.

### ***Customers***

For current customers, the Company operates an email reporting system for customers, [feedback@itm-power.com](mailto:feedback@itm-power.com), as well as having a support centre in Sheffield and an out of hours service. Customer and staff feedback is built into the "lessons learnt" process within ITM Power's quality system and highlighted improvements to products and services are regularly fed back.

As the Company executes projects, customers benefit from both a key account manager as well as a Project Manager specific to the deployment which improves on customer engagement.

Fuel customers benefit from a 24-hour helpline, support from the Control room in Sheffield as well as from the Company's mobile support team. Fuel customers also have access to the Company's App which details locations and availability of refuelling stations. Feedback can also be sent to [fuel@itm-power.com](mailto:fuel@itm-power.com)

### ***Potential Customers***

The Company exhibits annually at the Hannover Messe which gives an opportunity to engage with existing and potential customers as well as seek partnership with other like-minded businesses. The Group has enjoyed a greater level of customer engagement in the past year than at any other time. The Hannover Messe enables the Company to showcase and demonstrate its products on site. In the last 18 months the Group has delivered a number of landmark events, including deployment and opening of the first refuelling stations in the UK on a forecourt [in partnership with Shell] and under a main canopy.

### ***Suppliers***

We seek to establish and maintain long term relationships with suppliers. We work closely with our suppliers in the deployment of all projects and provide them with assistance to improve their adherence to ITM Power's standards of quality and ethics.

Our commitment to source our products and services, locally where possible, has seen ITM Power develop a supplier control program that assists and develops our supply chain with Health, Safety and Environmental goals and objectives.

Our commitment to our supply chain promotes and develops ITM Power's ethics towards Health, Safety and Environmental within the supply chain. ITM Power is proposing to launch a supplier code of conduct over the coming months.

### ***Regulators and industry bodies***

ITM Power works with key committees and standards groups both in the UK, the European Union and other countries. ITM Power's Compliance Officer is Chair of BSI committee PVE/3/8, an active member of ISO Technical Committee 197 on "hydrogen technologies" and the secretary for the ISO TC 197 Working Group 24 covering general requirements for hydrogen stations. In addition, ITM Power's Compliance Officer contributes to working groups including the ISO TC 197 working

groups for electrolysers, dispensers and hydrogen quality. The Company's Compliance Officer is also the lead UK expert to CEN/CENELC Technical Committee 6 on "hydrogen in energy systems", the secretary of BCGA Technical Sub-Committee 9 on alternative gaseous fuels, contributes to the BCGA Code of Practice 41 for alternative fuel vehicle filling stations, and to the Blue Book hydrogen addendum with EI, APEA and BCGA. ITM Power contributes to consultations in the UK and European Union through direct responses and contribution to working groups.

ITM Power works with partners through its membership of key industry associations in a number of territories. In the UK this includes UK Hydrogen Fuel Cell Association, British Compressed Gases Association, Scottish Hydrogen and Fuel Cell Association, Hydrogen London, UKH2 Mobility, the Society of Motor Manufacturers and Traders. In France this includes the Association Française de l'Hydrogene et des Piles à Combustible and H2 Mobilité France, in Germany, Bundesverband Energiespeicher (BVES) (German Energy Storage Association), DWV (the German Hydrogen and Fuel-cell Association) and (DVGW) German Technical and Scientific Association for Gas and Water. In the US, this includes NH3 – Fuel Association and in Denmark, Brintbranchen (Hydrogen Denmark) and at European level, Hydrogen Europe and EuroGas.

ITM Power works closely with organisations such as FCJHU, Innovate UK, OLEV and BEIS as funders of its grant funded projects. ITM Power has also responded to and provided input into relevant Government consultations, including on hydrogen for heat and hydrogen mobility.

### **Local Communities**

ITM Power values the communities that it operates within. ITM Power and its staff engage with its local community. This includes local events focused on encouraging alternative forms of travel (such as hydrogen vehicles), student and school events and engaging with local events showcasing apprenticeships.

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

#### **Audit, risk and internal financial controls**

The Company has an established framework of internal financial controls, the effectiveness of which is periodically reviewed by the Executive Committee, Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

The Board is responsible for reviewing and approving overall Company strategy, financial plans, fundraising requirements and for structure of the Company. Each month, results and variances from budgets and projects are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and related operational and financial controls, working the Finance Director ("FD") and Group Financial Controller.

There are appropriate procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for projecting expected performance over the remainder of the financial period. Monthly results are reported against budget and projections for the current financial year are revised in light of actual performance.

#### **Non-financial controls**

The Board recognises that maintaining sound controls and discipline is critical to managing the risks to ITM Power's strategy. The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group but given the rapid growth of ITM Power, this remains under active review.

Close management of the day-to-day activities of the Group by the Executive Directors and detailed monthly financial reporting of performance against budget and expected performance and operational needs is a key part of the internal management and control system.

The Group's Financial Controller oversees budgeting, cash flow forecasts and financial statements and the operation of the Group's financial systems, working with ITM Power's auditors.

ITM Power is increasing commercial operations and preparing for its move in 2019 to new larger facilities which will increase its annual production capacity significantly and bring the operations into a single site. Ahead of this move, ITM Power is in the process of putting in place additional key controls and making senior appointments to support its business plan and address the resulting additional risk management requirements.

ITM Power has appointed a new Head of Procurement to drive improvements in its procurement processes, enhance relationships with supply chain and improve supply chain costs.

ITM Power has recently appointed a Head of Legal to ensure legal risk is properly managed, to add greater legal rigour in its negotiations, to review corporate governance and key processes as part of improved managed of risk.

ITM Power has appointed a new Head of Quality and Health and Safety Management.

### **Quality Management Systems and Health, Safety and Environmental risk management**

Quality management systems underpin ITM Power's business systems. ITM Power operates management systems in accordance with ISO 14001 2015 and OHSAS 18001 2007. However, ITM Power's aim in the coming year is to incorporate all our management systems under one integrated management system and to continue with our UKAS accreditation program.

The Board monitors health and safety performance through the Board Health and Safety Committee. This provides a performance update, together with proactive measures being undertaken as part of increasing ITM Power's health and safety culture. Separately there is a monthly Health and Safety Committee including representatives from each function in ITM Power. This is increasing reporting, which in turn assists the "lessons learnt" process, and is a key indicator of improved safety culture.

Safety at ITM Power is defined as the relationship between board members and its management team, promoting the safety through leadership within the business activities and its key principles this provides the structure through which the vision and commitment to safety is set, the means of attaining safety objectives are agreed, the framework for monitoring performance is established and compliance with the legislation is ensured, combined with a promoted health and wellbeing culture. ITM Power employs safety professionals all NEBOSH trained.

A new three-tiered structure has been implemented for staff training which improves the focus on competency and self-understanding of competency. This includes detailed training records, occupational competency review and identified training needs.

### **Standards and policies**

The Board is committed to maintaining appropriate standards for all the Company's business activities. ITM Power's staff handbook provides a code of conduct that provides guidance for key issues from managing personal data, use of IT, keeping safe, anti-bribery, gifts and managing intellectual property rights. ITM Power is proposing to issue a supplier code of conduct in coming months.

All material contracts are required to be reviewed and signed by a director of the Company and are reviewed by the Company's Head of Legal.

**PRINCIPLE 5: Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board considers all the non-executive directors (“**Non-Executives Directors**”) to be independent in character and judgement, notwithstanding in the case of Mr Putnam, his being a director for more than nine years and holding a small number of legacy share options or, in the case of Mr Pendlebury, his connection with J.C. Bamford Excavators Limited (“**JCB**”).

The Non-Executive Directors have provided excellent independent advice and challenge throughout the year. In concluding that all its Non-Executive Directors are independent the Company considered, inter-alia, the fact that all of the Non-Executive Directors are directors of other corporations and are not reliant on any shares or share options they hold in, or income they receive from, ITM Power Plc.

All of ITM Power’s Executive Directors are full-time employees and officers. The Non-Executive Directors provide a minimum of 12 days per annum and the Chair of the Board commits approximately 3 days per month in his duties.

The Board scheduled 3 regular meetings in the year ended 30 April 2018 and two additional meetings were convened when required. The table below shows the attendance of Directors at regular Board meetings and at meetings of the committees during the year.

	Board Meetings	Remuneration Committee	Audit Committee
No. of meetings held	5	1	2
<b>Non-Executive Directors</b>			
Lord R Freeman	5	1	2
Mr P Hargreaves	4	1	-
Prof R Putnam (Chairman)	5	1	2
Sir R Bone	4	1	2
Mr R Pendlebury	5	-	-
<b>Executive Directors</b>			
Dr S Bourne	5	-	-
Dr R Smith	5	-	-
Dr G Cooley	5	-	-

**PRINCIPLE 6: Ensure that between the Directors have the necessary up to date experience, skills and capabilities**

The Board is satisfied that the members of the Board possess an appropriate balance of skills, experience, personal qualities and capabilities as required by the QCA Code. ITM Power remains aware of the need to keep this balance under review and intends to consider this as part of the proposed Board evaluation process to be implemented in the next 12 months. Amongst other matters, the Company envisages that this evaluation process will consider the composition of the Board, including the diversity and gender balance, and will explore ways in which it can evaluate how directors keep their skillset up-to-date.

The Company has a separate Chairman and Chief Executive Officer, each having his own separate responsibilities. The Chairman is responsible for the effective working of the Board and the Chief Executive Officer is responsible for all operational matters and the financial performance of the Group. The Board is balanced, both numerically and in experience, with the intention that no individual or small group of individuals should be able to dominate decision-making. The Board has not appointed a Senior Independent Director. However, any of the Non-Executive Directors are available on request as a conduit of communication to the Board in the event that the Chairman and/or the Chief Executive Officer are not appropriate conduits for shareholder concerns and issues.

### **Director Biographies**

#### **Professor R Putnam, Non-executive Chairman**

Roger Putnam, the former Chairman of Ford of Britain and President of the Society of Motor Manufacturers and Traders was a member of the Government's Energy Review Partnership. The Partnership reported to the Chancellor on the country's future energy strategy. He was also Chairman of the DTI's Retail Motor Strategy Group and a member of the Department for Business, Enterprise and Regulatory Reform (DBERR)'s Automotive Innovation and Strategy Team. Roger's distinguished career in the automotive industry began at Lotus Plc. In 1982 he joined Jaguar Cars Ltd as Director, Global Marketing and UK Sales Operations. In 1985 Roger was appointed to the board of Jaguar as Director, Sales and Marketing, a role he retained until he was appointed Chairman of Ford of Britain in 2002.

#### **Dr G Cooley, Chief Executive Officer**

Dr Graham Cooley joined ITM Power on 29 June 2009 as Chief Executive Officer. Before joining, Graham was CEO of Sortec and Universal Sensors, founding CEO of Metalysis Ltd, a spin out of Cambridge University, and founding CEO of Antenova Ltd. Graham spent 11 years in the power industry developing conducting polymers, fuel cells, batteries and energy storage technologies. He was Business Development Manager for National Power plc and International Power plc and developed the Regenesys energy storage technology which was acquired by RWE from Innogy. He has a Degree in Physics, PhD in Materials Technology and an MBA.

#### **Sir R Bone, Non-executive Director**

Sir Roger was President of Boeing UK from 2005 to 2014. He is the senior independent director of Foreign and Colonial Investment Trust plc, and Chairman of Over-C Ltd, a small high tech company in the telecoms sector. He is a non-executive director and trustee of the National Centre for Universities and Business (NCUB), and was one of the Prime Minister's honorary Ambassadors for British business from 2009 to 2015. He was British Ambassador to Brazil from 1999 to 2004 and to Sweden from 1995 to 1999, and prior to that an Assistant Under-Secretary of State in the Foreign and Commonwealth Office. He is a Trustee of the Royal United Services Institute, and is an honorary fellow of the Institution of Engineering Designers. He was educated at Oxford University and holds an honorary doctorate in engineering from Sheffield University.

#### **Lord R Freeman, Non-executive Director**

Lord Roger Freeman joined ITM Power in October 2010 as a Non-Executive Director. Lord Freeman is a member of the House of Lords and is currently a member of the Advisory Boards of Thales SA and PricewaterhouseCoopers (UK). During a distinguished political career, Lord Freeman was the Conservative MP for Kettering from 1983 to 1997 and served as the Parliamentary Secretary for the Departments of Health and Armed Forces and as Minister of State for Public Transport and Defence Procurement. He concluded his political career as a Cabinet Minister in the government of John Major. He became a Life Peer in 1997. Lord Freeman is a graduate of Balliol College and a Chartered Accountant. He was a Partner and Managing Director

with Lehman Brothers in New York and London (1972 to 1985), specialising in cross border mergers and acquisitions. Other directorships include: Chemring Group plc, Big DNA Ltd and Parity Group plc.

**Dr S Bourne, Chief Technology Officer (“CTO”)**

Dr Simon Bourne joined ITM Power at its incorporation in 2002 as a Technical Manager and has been one of the leading scientists involved in the development of ITM Power’s product platform. Before joining the Company, Simon was a project engineer with Sonatest plc and a researcher with the Ministry of Defence. Simon has a BSc Hons in Materials Science from UMIST and a PhD from Cranfield University.

**R Pendlebury, Non-executive Director**

Mr Bob Pendlebury has worked in senior management positions in both Ford Motor Company and JCB. Joining JCB in 1991, he became their Engineering and Research Director. He remains a consultant to JCB, Associate Engineering Director to the JCB Academy and a Visiting Professor to Loughborough University. He is a Mechanical Engineering graduate of Leeds University, Chartered Engineer and Fellow of the Institution of Mechanical Engineers.

**Dr R Smith, Executive Director**

Dr Rachel Smith joined ITM Power at its incorporation in 2002 as a Scientific Manager and has been one of the leading scientists involved in the development of the Group’s core IP. Rachel has developed and led various externally funded projects from the EU and UK and now acts as the funding co-ordinator for the Group’s activities. Rachel also manages the Group’s patent and trademark portfolio.

**Mr A Allen, Executive Director**

Mr Andy Allen joined ITM Power in 2011 as Financial Controller and later served as Chief Financial Officer and Company Secretary.

ITM’s key advisers are set out here: <http://www.itm-power.com/investors/advisors>

ITM Power sought advice from Investec, the Company’s NOMAD, for the placing of the fundraising exercise undertaken in 2017.

In addition, the Board has access to Andy Allen who remains as Company Secretary and the Company’s Head of Legal.

**PRINCIPLE 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

With the full support of the Board, the Chairman leads an evaluation of the performance of the Board and its committees on a yearly basis. The last review concluded that the Board and its committees are currently effective and each Director continues to demonstrate commitment to their role.

ITM Power has had a more informal approach to Board evaluation than advocated by the QCA Code. In light of the QCA Code guidelines, the Board is currently considering a more formal evaluation process to implement. It is expected that this will start with an internal evaluation but will progress to an externally facilitated evaluation over the medium term.

The Chair is currently working with the Finance Director and Head of Legal to decide on an appropriate evaluation process and will present the proposal for consideration by the Board. In

considering the evaluation, it is intended that views from beyond the Board will be sought, including those of senior managers and other stakeholders. This could also help facilitate feedback mentioned above.

New Directors are subject to election at the first Annual General Meeting of the Company following their appointment. In addition, all Directors who have been in office for three years or more since their election or last re-election are required to submit themselves for re-election at the Annual General Meeting of the Company. At each Annual General Meeting of the Company all those Non-Executive Directors who have been in office for nine years or more since the date on which they were originally elected as a Non-Executive Director of the Company are required to retire from office, but may stand for re-appointment.

The Company considers that it has a strong Board. Board succession has been organic to date, with an emphasis on recruiting individuals who bring significant value to the Board as the Group's business develops. More formal succession planning as the Group's business continues to develop is expected to form part of the board evaluation process.

#### **PRINCIPLE 8: Promote a culture that is based on ethical values and behaviours**

ITM Power seeks to engage staff across its business. ITM's core values are openness, embracing innovation, integrity, delivering on commitments and providing value to shareholders.

ITM Power seeks to promote this culture through an open-door policy to senior managers and leaders, a flat structure, leading by example and close-knit team-working.

ITM Power is transitioning to be a larger employer of over 130 employees, operating in several countries and to significantly larger premises and capacity in 2019. As part of this transition, the Board and Executive Committee are reviewing how best to maintain engagement with staff to ensure a successful transition and maintain respect for ITM Power's culture and values.

ITM Power is an equal opportunities employer which is reflected in our workforce. We positively encourage recruitment applications from suitably qualified and eligible candidates regardless of sex, race, disability, age, sexual orientation, gender reassignment, religion or belief, marital status, or pregnancy and maternity.

As part of ITM Power's formal induction process, we focus on bringing key policies to the attention of new staff and all staff are given access to the Company Handbook which details the level of behaviour that is expected of our staff. Updates to policies or procedures, or reminders, are communicated to all staff. ITM Power's HR Manager works with and is available for all staff and line managers discuss any queries or advice regarding all policies and staff expectations.

As part of ITM Power's commitment to safety through its dedicated health, safety, environmental risk management and quality (HSEQ) team members, it provides specific training to provide awareness of their environments and surroundings and ITM health and safety policies for all new staff. ITM Power believes in a top down approach and as part of this, our team of directors undertake workplace inspections with the Company's HSEQ team members.

#### **PRINCIPLE 9: maintain governance structures and processes that are fit for purpose and support good decision- making by the Board**

Roger Putnam is the Company's Chairman. He was appointed as a Non-Executive Director to ITM Power in June 2007 and subsequently became Chairman in December 2009. The role of the Chairman is to lead and manage the business of the Board to provide direction and focus, while ensuring that there is a clear structure for the effective operation of the Board and its committees.

He sets the agenda for Board discussions to promote effective and constructive debate and to support a sound decision-making process, ensuring that the Board receives accurate, timely and clear information, in particular about the Company's performance.

The Chairman and the Chairmen of the Board committees communicate regularly with the CEO and other Board and committee members. The Company is very clear that there is a division of responsibilities between the role of Chairman and the CEO.

Graham Cooley was appointed as the Company's CEO in July 2009. The CEO is responsible for the executive management of the Company's operations in charge of the management team and to whom all other executive managers report. The CEO must answer to the Board for the way the business is run and its performance.

Andy Allen was appointed Company Secretary with effect from October 2016. Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. The Company Secretary is responsible for advising the Board through the Chairman on all governance matters. All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

The Board operates through clearly identified Board committees to which it delegates certain powers. These are the Remuneration Committee, the Audit Committee, the Nominations Committee, the new Board Health and Safety Committee and the Executive Committee. They are properly authorised under the constitution of the Company to take decisions and act on behalf of the Board within the guidelines and delegations laid down by the Board. The Board is kept fully informed of the work of these committees and each committee has access and support from the Company Secretary and the Head of Legal. Any issues requiring resolution are referred to the full Board. A summary of the operations of these committees is set out below.

The Remuneration Committee's role is to determine and recommend to the Board the terms and conditions of service, the remuneration and the grant of options to Executive Directors under the EMI scheme adopted by the Company.

The Audit Committee's primary responsibilities are to monitor the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditor relating to its accounting and internal controls in all cases having due regard to the interests of the shareholders.

The Nominations Committee leads the process for Board appointments. It vets and presents to the Board potential new Directors, particularly Non-Executive Directors. All new appointees undergo a rigorous nomination process before the Board agrees on their appointment.

The Executive Committee comprises Prof Roger Putnam as Chairman, Dr Graham Cooley (CEO), Dr Rachel Smith, Dr Simon Bourne (CTO) and Mr Andy Allen (FD). The committee regularly meets to consider business development, management issues and the financial performance of the Company.

The Manufacturing & Engineering Committee comprises Robert Pendlebury, Simon Bourne, Andy Allen and Rachel Smith and technical staff from departments within the Company. The primary responsibilities of the committee is to review the Company's product portfolio and development plans and assess the cost composition of the product portfolio and the suitability of existing process to satisfy anticipated market developments.

The Board Health and Safety Committee comprises Robert Pendlebury, Simon Bourne, Andy Allen, Graham Cooley and Rob Crawford, Head of Quality, Health, Safety and Environment. The

primary responsibility of the committee is to review the Company's structure and performance against health and safety objectives.

The Board proposes to review the terms of reference for each of the above-mentioned committees to ensure that they continue to be appropriate to the Company over the next 12 months.

The Board has a formal schedule of matters reserved for its decision including the following areas:

- Management structure and appointments;
- Strategic/Policy considerations;
- Material transactions;
- Finance; and
- General governance and capital matters.

**PRINCIPLE 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

As noted under Principal 2 above, the Company reports to shareholders and other stakeholders through roadshows, the AGM, its website and more informally on an ad hoc basis and through newsletters.

All votes put to the shareholders of the Company at the 2017 Annual General Meetings and all general meetings since have been passed.

The Annual Reports for the Company, including the latest 2018 Annual Report, can be found on ITM Power's website at <http://www.itm-power.com/investors>. Further governance-related material can also be found at <http://www.itm-power.com/investors/aim-info>.