

Item #	Principles	New draft
A	THE CHAIR MUST PREPARE A CORPORATE GOVERNANCE STATEMENT WHICH:	
		The Board have adopted the Quoted Companies Alliance Corporate Governance Code ("the QCA Code") following the London Stock Exchange's requirement for AIM listed companies to adopt and comply with a recognised corporate governance code. As Chairman of Flowgroup plc it is my responsibility to establish the strategy of the Company in compliance with the principles of the QCA Code, and work with the Board to achieve that.
	<ul style="list-style-type: none"> <li>Clearly articulates the chair's role and demonstrates his/her responsibility for corporate governance;</li> </ul>	
	<ul style="list-style-type: none"> <li>Explains, at a high level, how the QCA Code is applied by the company and how its application supports the company's medium to long-term success;</li> </ul>	
	<ul style="list-style-type: none"> <li>Explains, in a clear and well-reasoned way, any areas in which the company's governance structures and practices differ from the expectations set by the QCA Code; and</li> </ul>	
	<ul style="list-style-type: none"> <li>Identifies any key governance related matters that have occurred during the year, including any significant changes in governance arrangements.</li> </ul>	
1	Establish a strategy and business model which promote long-term value for shareholders	<p>The Company does not currently have a strategy to promote long term value for shareholders and does not comply with this provision of the Code. Following the sale of Flow Energy and the mCHP Assets, the remaining liabilities of the continuing group will be predominantly comprised of liabilities in respect of transaction costs, closure costs, admission cancellation costs and amounts owed to external creditors currently estimated at circa £2.9 million. Following completion, unless an appropriate opportunity to undertake a reverse takeover as required under AIM rule 15 is pursued, the Company will consider options available to it to effect the distribution of the proceeds of the sale to stakeholders. Under all likely scenarios following completion, the cash distribution to shareholders will be £nil.</p> <p>The cash distribution to the Group's Company Convertible Loan Note holders (or Preference Share holders, should the Company Convertible Loan Notes be converted into Preference Shares), after repayment of the Working Capital Loan Notes will be materially below the face value of the Company Convertible Loan Notes and/or Preference Shares held by them.</p> <p>The principal creditors and contingent liabilities of the Company following the disposal of Flow Energy will relate to the costs of terminating the remaining activities of the Company and discharging the remaining liabilities relating to the mCHP and battery businesses.</p>
2	Seek to understand and meet shareholder needs and expectations	<p>The Company engages closely with its principal shareholders, several whom have representative Directors on the board, primarily via face-to-face meetings and publishes announcements of significant activity consistent with market requirements. Contact details for the Company are maintained on this website and on Regulatory News Service announcements. The Board seeks to maintain relationships with its institutional shareholders and are primarily managed by the Chairman and supported by other members of the Board.</p> <p>Alan Lovell, Chairman, and Nigel Canham, Director, are primarily responsible for shareholder liaison.</p>

3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board has identified its key stakeholders as being its creditors and shareholders, given it has no employees. It maintains contact with shareholders via Regulatory News Service and periodic feedback from these parties.
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	<p>The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit committee reviews the effectiveness of these systems primarily by discussion with the external auditor and by considering the risks potentially affecting the Company.</p> <p>The Company does not consider it necessary to have an internal audit function due to the small size of the administration function. Instead there is a detailed Director review and authorisation of transactions.</p> <p>The Company maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims of the Company. The insured values and type of cover are comprehensively reviewed on a periodic basis.</p>
5	Maintain the board as a well-functioning, balanced team led by the chair	<p>The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent.</p> <p>The Board comprises six Directors:</p> <ul style="list-style-type: none"> <li>• three shareholder Directors</li> <li>• two Non-Executive Directors, one of which is Chairman, and</li> <li>• one Executive Director.</li> </ul> <p>The role of the Chairman is to oversee Board meetings and field all concerns regarding the executive management of the Company.</p> <p>Each of the directors have considerable experience in their respective fields of expertise and act collectively in all decision making of the Company. The Board is satisfied that it has a suitable balance between independence and knowledge of the Company's activities, to allow it to properly discharge its responsibilities and duties. Directors are expected to use their judgement and experience to challenge and assess the appropriateness of operations and decision making at all times.</p> <p>The Board aims to meet at least ten times per year.</p>

6	Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	<p>The Board believe that the Directors have the required skills and experience as detailed in the Board of Directors biography section of this website.</p> <p>The Board regularly takes advice from its Nominated Advisor, Cenkos Securities plc, and other external advisors, such as its external solicitors.</p>
7	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	<p>The Board has a process for evaluation of its own performance which is carried out annually.</p> <p>Given the stage of the business' maturity, the responsibilities of a nomination committee are delegated to the Board, and there are no formal succession planning processes in place. The Board intends to keep this under review.</p>
8	Promote a corporate culture that is based on ethical values and behaviours	<p>Flowgroup plc supports the awareness of social, environmental and ethical matters when considering business practices. These statements provide an outline of the policies in place that guide the Company and its employees when dealing with social, environmental and ethical matters in the workplace.</p> <p><u>Code of Conduct</u> The Company maintains and requires the highest ethical standards in carrying out its business activities in regard to dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistle-blowing.</p> <p>The Company maintains a zero tolerance policy towards bribery and corruption.</p> <p><u>Equal Opportunity and Diversity</u> The Company promotes and supports the rights and opportunities of all people to seek, obtain and hold employment without discrimination.</p> <p>It is our policy to make every effort to provide a working environment free from bullying, harassment, intimidation and discrimination on the basis of disability, nationality, race, sex, sexual orientation, religion or belief.</p> <p>Periodic feedback from stakeholders, as described in relation to principle 3, allows the Board to monitor the culture of the Company, as well as its ethical values and behaviours.</p>

9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The Board operates to manage and direct the affairs of the Company via close contact between Board members and through both regular scheduled and ad-hoc Board meetings. The Board aims to meet at least ten times per year, with formal agendas and papers delivered in advance supporting key matters for consideration or approval. Additionally, contact is maintained between the directors via email and telephone
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Company traditionally communicates with shareholders through the annual report and accounts, annual and half year results announcements, the Annual General Meeting, and periodic meetings with significant institutional shareholders and analysts. Per the RNS announced on 20 June 2018 the Company has not yet published full year accounts for the year ending 31 December 2017, its shares are currently suspended.</p> <p>Corporate information, including all Company publications and announcements, are available to all shareholders, prospective investors and the public are available on this website.</p> <p>The Directors' Report, Independent Auditor's Report and details of the Directors' remuneration are set out in the Company's latest annual report.</p>