

## Compliance with Governance Code

Following the recent consultation by the London Stock Exchange, new [AIM Rules](#) were published in March 2018. One of the key amendments is in respect of AIM Rule 26 (as set out in [AIM Notice 50](#)), which now requires AIM companies to state on their website which recognised corporate governance code they apply and how they have applied that code.

The Board of Directors of Pires Investments PLC (“Pires” or “the Company”) is committed to developing and applying high standards of corporate governance. The Board of Directors has applied the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies.

A revised version of the QCA Code (the “Revised Code”) was published in April 2018, based on the ‘comply or explain’ principle.

The QCA Code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under ‘application’) and a set of disclosures. The Code states what is considered 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.

The table below sets out the principles, the application recommended by the QCA code. It then sets out how the Company complies with these requirements and departures from code, and provides links to appropriate disclosures. These are based upon the recommended disclosures provided in the QCA code.

These disclosures were last reviewed on the 28 September 2018.

QCA Principle	Application	How Company complies	Departure and Reason
1. <b>Establish a strategy and business model which promote long-term value for shareholders</b>	The board must be able to express a shared view of the company’s purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.	<p>The Company is an Investing Company and the Board has adopted a strategy appropriate for its status.</p> <p>The Company’s Investing Policy is to invest principally, but not exclusively in the resources and energy sectors and is set out in full on the Company’s website.</p> <p>The Company may be either an active investor and acquire control of a single company or it may acquire non-controlling shareholdings. Once a target has been identified, additional funds may need to be raised by the Company to complete a transaction.</p> <p>The proposed investments to be made by the Company may be in either quoted or unquoted securities made by direct acquisition and may be in companies, partnerships or joint ventures; or direct interests in projects and can be at any stage of development. The Company’s equity interest in a proposed investment may range from a minority position to 100 per cent. ownership.</p>	None

		<p>The Company will identify and assess potential investment targets and where it believes further investigation is required, intends to appoint appropriately qualified advisers to assist.</p> <p>The Company intends to deliver shareholder returns principally through capital growth rather than capital distribution via dividends. Given the nature of the Company's Investing Policy, the Company does not intend to make regular periodic disclosures or calculations of net asset value.</p> <p>The objective of the Directors is to generate capital appreciation and any income generated by the Company will be applied to cover costs or will be added to the funds available to further implement the Investment Policy.</p> <p>In view of this, it is unlikely that the Directors will recommend a dividend in the early years. However, they may recommend or declare dividends at some future date depending on the financial position of the Company.</p>	
2. Seek to understand and meet shareholder needs and expectations	<p>Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company.</p> <p>In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.</p> <p>Investors also have access to current information on the Company through its website, <a href="http://www.piresinvestments.com">www.piresinvestments.com</a>, and via Peter Redmond, Chairman who is available to answer investor relations enquiries and can be contacted on <a href="mailto:predmond@piresinvestments.com">predmond@piresinvestments.com</a> or <a href="mailto:enquiries@piresinvestments.com">enquiries@piresinvestments.com</a></p>	<p>The Company does not currently have a dedicated investor relations role. The Board feels that this is appropriate given the size and stage of development of the Company.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	<p>Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others).</p> <p>The board needs to identify the company's stakeholders and understand their needs, interests and expectations.</p> <p>Where matters that relate to the company's impact on society, the communities within which it</p>	<p>The Board recognises that the long term success of the Group is reliant upon the efforts of its directors. The Company does not currently have any other employees, and upon its contractors, suppliers and regulators.</p> <p>The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships.</p> <p>For example, the Board ensures that all key relationships with, for example, customers and suppliers are the responsibility of, or are closely supervised by, one of the directors or the Company's accountant.</p>	<p>None</p>

	<p>operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.</p>																		
<p>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).</p>	<p>In addition to its other roles and responsibilities the Audit and Compliance Committee (see composition details in Corporate Governance section of website) is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company.</p> <p>The risk assessment matrix below sets out those risks, and identifies their ownership and the controls that are in place.</p> <p>This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Audit Committee reviews the risk matrix and the effectiveness of scenario testing on a regular basis.</p> <p>The following principal risks, and controls to mitigate them, have been identified:-</p> <table border="1" data-bbox="927 1093 1862 1556"> <thead> <tr> <th>Activity</th> <th>Risk</th> <th>Impact</th> <th>Control(s)</th> </tr> </thead> <tbody> <tr> <td>Management</td> <td>Recruitment and retention of key staff</td> <td>Reduction in operating capability</td> <td>Stimulating and safe working environment. Balancing salary with longer term incentive plans.</td> </tr> <tr> <td>Regulatory adherence</td> <td>Breach of rules or product requirements</td> <td>Censure or withdrawal of authorization</td> <td>Strong compliance regime</td> </tr> <tr> <td>Strategic</td> <td>Damage to reputation Inadequate disaster recovery procedures</td> <td>Inability to secure new customers. Loss of key operational and financial data.</td> <td>Effective communications with shareholders. Secure off-site storage of data.</td> </tr> </tbody> </table>	Activity	Risk	Impact	Control(s)	Management	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment. Balancing salary with longer term incentive plans.	Regulatory adherence	Breach of rules or product requirements	Censure or withdrawal of authorization	Strong compliance regime	Strategic	Damage to reputation Inadequate disaster recovery procedures	Inability to secure new customers. Loss of key operational and financial data.	Effective communications with shareholders. Secure off-site storage of data.	<p>None</p>
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<p>5. Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The board members have a collective responsibility and legal obligation to promote the interests of the company, 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 (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.</p>	<p>The directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition there are a range of Company policies that are reviewed at least annually by the Board. These policies cover matters such as share dealing and insider legislation. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and due to the close day to day executive control exercised by the Chairman, with the oversight / review of the other directors. However, the Board will continue to monitor the need for an internal audit function.</p> <p>The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Company, that an internal audit function was not required.</p> <p>As noted in the Strategic Report in the Annual Report, the Board regularly reviews operating and strategic risks and considers in such reviews financial and non-financial information including:</p> <ul style="list-style-type: none"> <li>• a review of the business at each Board meeting, focusing on any new decisions/risks arising;</li> <li>• the performance of investments;</li> <li>• selection criteria of new investments; and</li> <li>• reports prepared by third parties.</li> </ul> <p>The Board comprised, the Chairman Peter Redmond, who has key responsibility for the day to day management and two non- executive directors, John May and Nick Lee.</p> <p>The Board is assisted by Robert Porter with respect to financial accounting and as Company Secretary.</p> <p>The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. Biographical details of the current directors are set out within Principle Six below.</p> <p>Executive and non-executive directors are subject to re-election intervals as prescribed in the Company’s Articles of Association.</p> <p>At each Annual General Meeting one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The</p>	<p>The Company currently has only one independent director due to the current size of the Company, however it is committed to reviewing the independence requirements in line with the Companies growth.</p>				

	<p>The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement. The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively. Directors must commit the time necessary to fulfil their roles.</p>	<p>letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.</p> <p>The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.</p> <p>They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.</p> <p>The Board meets as regularly as necessary given its AIM status. It has established an Audit Committee and a Remuneration Committee, particulars of which appear hereafter. The Board agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.</p> <p><b>Board Meetings</b> The Board retains full control of the Company with day-to-day operational control delegated to the Chairman and the Non-Executive Directors. The full Board meets on occasions it considers necessary.</p> <p>The Directors believe that their broad collective experience together with their extensive network of contacts will assist them in the identification, evaluation and funding of suitable investment opportunities. When necessary, other external professionals will be engaged to assist in the due diligence of prospective opportunities. The Directors will also consider appointing additional directors with relevant experience if the need arises.</p> <p>In the past 12 months there have been 6 board meetings and the Audit and Remuneration Committee has met on 2 and 2 occasions respectively.</p> <p>Attendance at the board meeting is set out below</p> <p>Peter Redmond 6/6 John May 6/6 Nicholas Lee 6/6</p>	
<p>6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition. The board</p>	<p>The Board currently consists of three directors and, in addition, the Company uses the services of Robert Porter for ad hoc financial accounting and advisory services and also to act as Company Secretary.</p> <p>Nicholas Lee, although a non-executive director, is not considered independent as he is a director of Paternoster Resources PLC that has a Substantial Shareholding (26%) in Pires.</p> <p>John May is currently the Company's only independent non-executive director.</p>	<p>None</p>

	<p>should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.</p>	<p>The Company notes the guidance in the QCA Code is for a company to have at least two independent non-executive directors. However, the Directors are satisfied that the Company's board composition is currently appropriate but is committed to reviewing the situation in the forthcoming financial year with the objective of appointing a further independent non-executive director.</p> <p>Peter Redmond, Chairman</p> <p>Peter is a corporate financier with over 30 years of experience in corporate finance and venture capital. He has acted on and assisted a wide range of companies to attain a listing over many years on the Unlisted Securities Market, the Main Market of the London Stock Exchange and AIM, whether by IPO or in many cases via reverse takeovers, across a wide range of sectors, ranging from technology through financial services to natural resources and, in recent years has done so as a director of the companies concerned. He was a founder director of Cleeve Capital plc (now Satellite Solutions Worldwide Group plc) and Mithril Capital plc (now Be Heard Group plc), both listed on the Standard List, and took a leading role in the reconstruction and refinancing of AIM-quoted Kennedy Ventures plc and 3Legs Resources plc (now SalvaRx Group plc). He is a director of Hemogenyx plc and URA Holdings plc.</p> <p>John May - Director</p> <p>John is a Fellow of the Institute of Chartered Accountants in England and Wales. He is the Managing Partner of City &amp; Westminster Corporate Finance LLP, an FCA registered partnership. He is chairman of the Small Business Bureau Limited and The Genesis Initiative Limited, lobbying groups for small business to the UK Parliament. Mr May has been the principal of his own chartered accountancy practice since 1994. From 1977 to 1994, Mr May was a senior partner with what is now Crowe UK, where he served for eight years on the managing board and for nine years as chairman of its Thames Valley offices. In his capacity as UK national marketing partner and head of its property consultancy division, he was a director of its UK and international associations. Mr May was finance director of AIM listed Security Research Group plc, until December 2005 and Tomco Energy Plc until July 2011 and a non-executive director of AIM listed Petrolatina Energy plc until March 2012. He is the executive chairman of Red Leopard Holdings plc and was non-executive chairman of Hayward Tyler Group Plc until August 2017 which were both listed on AIM.</p> <p>Nicholas Lee - Director</p> <p>Nicholas has more than 25 years of experience in international investment banking and working as a company director. Nicholas was with Dresdner Kleinwort and its antecedent firms from 1988 to 2009, starting at Kleinwort Benson Group plc and rising to Managing Director, Head of Banking, Hedge Fund Solutions Group. Previously as a Managing Director in mergers and acquisitions at Dresdner Kleinwort Wasserstein, Nicholas advised leading companies from a number of different industries, including the natural resources, financial services, consumer and retail sectors. Nicholas is currently executive chairman of AIM-listed Paternoster Resources plc and non-executive chairman of AIM-listed MX Oil plc, and a director of Immotion Group plc. Nicholas qualified as a chartered accountant with Coopers &amp; Lybrand and has an MA in engineering from St</p>	
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		John's College, Cambridge.	
<b>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</b>	The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.	<p>Evaluation of Board Performance</p> <p>Internal evaluation of the Board, the Committees and individual directors is important and will develop as the status of the Company changes in the future. The expectation is that board reviews will be undertaken on annual basis in the form of peer appraisal, questionnaires and discussions to determine the effectiveness and performance in various areas. The Company currently has the Chairman (Peter Redmond) in an executive capacity.</p> <p>The Chairman is the person responsible for guiding the business of the Board and ensuring long-term strategic focus and investments. The QCA Code recommends that this role should be undertaken as a non-executive role.</p> <p>As the Company develops and grows, it is committed to strengthen and reorganise the Board with the appointment of further experienced non-executive directors in order to maintain appropriate balance.</p> <p>The Company undertakes to review the appropriateness of the role of an executive Chair in the following year in the context of its overall strategy.</p>	Pires has yet to carry out a formal assessment of board effectiveness. The board will keep this under consideration and put in place procedures when it is felt appropriate
<b>8. Promote a corporate culture that is based on ethical values and behaviours</b>	The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company	<p>Corporate Culture</p> <p>The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company.</p> <p>The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. The Company does not currently have any other employees.</p> <p>Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives.</p> <p>The Board places great importance on this aspect of corporate life and seeks to ensure, through regular discussions between all directors, that this flows through all that the Company does.</p> <p>The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, there is open dialogue within the Company and there is a commitment to best practice operations.</p> <p>The Board is able to ensure ethical behaviour and values are recognised and respected through its due diligence process when directing the investing strategies of the Company. All investment decisions are made in furtherance of the Company's strategy and business model.</p>	None

<p>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>The company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.</p>	<p>Maintain Appropriate Governance Structures and Processes</p> <p>The Board schedule provides for quarterly meetings and, in addition, meets ad-hoc as required. Similarly for the Audit and Remuneration Committees.</p> <p>Notwithstanding the above the Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion.</p> <p>Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company’s management.</p>	<p>None</p>
<p>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders’ views to the board; and • the shareholders’ understanding of the unique circumstances and constraints faced by the company. It should be clear where these communication practices are described (annual report or website).</p>	<p>The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders.</p> <p>A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company’s corporate website, <a href="http://www.piresinvestments.com">www.piresinvestments.com</a>.</p> <p>There have been no votes where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting.</p>	<p>None</p>