

Greenergy Group Holdings II Limited  
Corporate Governance Report 2021

**Greenergy**

## **Corporate Governance Report**

Under the Companies (Miscellaneous Reporting) Regulations 2018, large private companies are required to disclose their corporate governance arrangements to ensure sustainable and responsible governance practices extend to private limited companies.

All entities in the Greenergy Group operate under the Group Corporate Governance Framework mandated by the Board of Directors (the 'Board') of the parent company, Greenergy Group Holdings Limited. The Group has adopted the Wates Principles as part of its governance framework, and considers these an integral part of its approach to governance.

### **Purpose and Leadership**

The Group's mission is to deliver long-term value for our stakeholders through the production and distribution of waste-derived renewable transportation fuels. We are guided by our values and do this by evolving our supply chain, retaining strong customer relationships, delivering change through innovation and acting responsibly and being accountable. Our mission is more than supplying products and services, it includes the way we do our business, our interactions with customers, our governance and values.

Our values underpin every interaction we have, whether with colleagues, customers, suppliers and the communities in which we operate. The close relationship between effective Governance and effective Executive authority and action is at the heart of this process and our business.

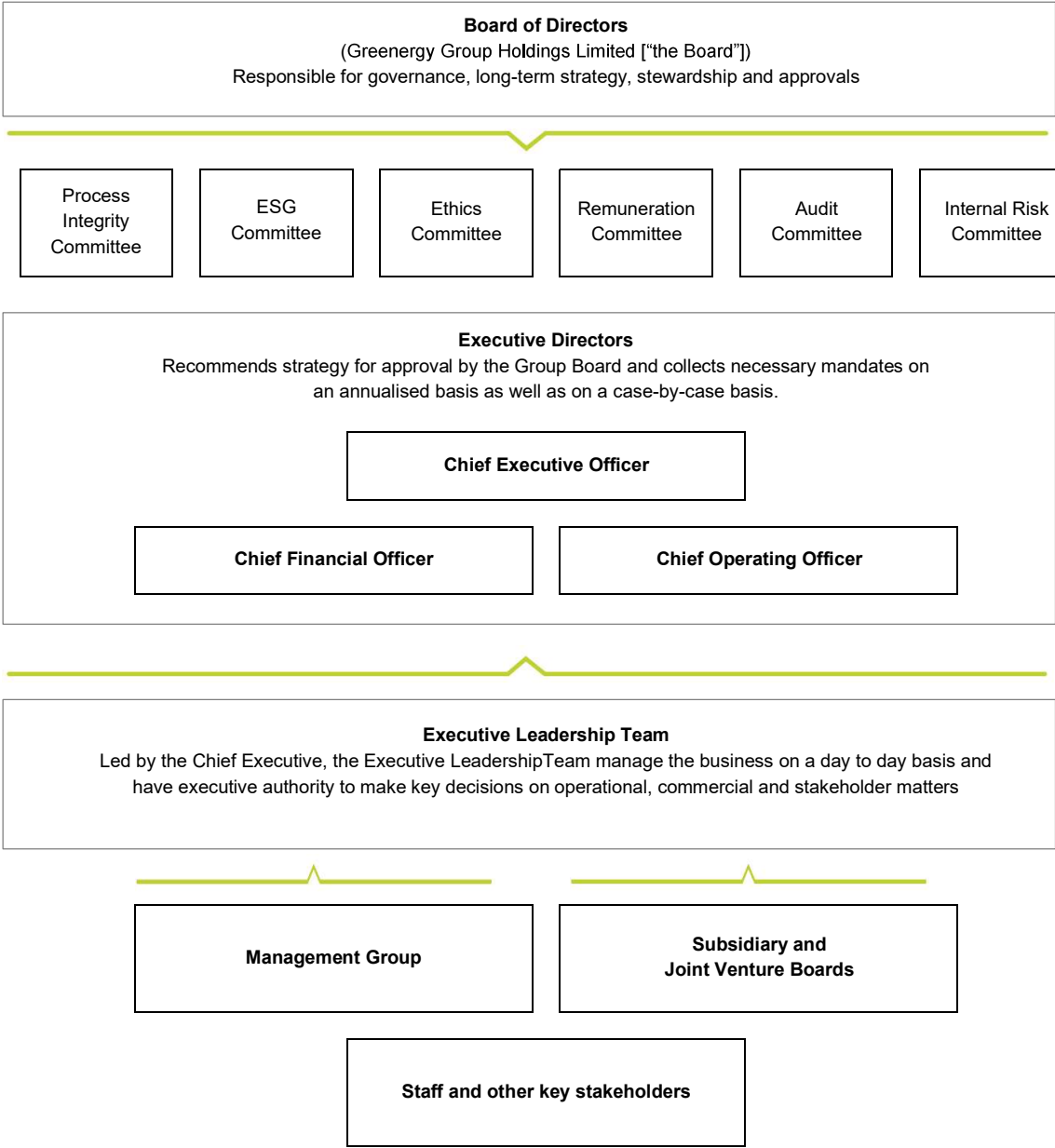
Day-to-day operations of the Group are managed by the Executive Leadership Team, comprising thirteen members of senior management (female: three) who have executive authority to make key decisions on operational, commercial and key stakeholder matters. The Executive Leadership Team meet formally and informally on a weekly basis to discuss key stakeholder matters and make decisions within their Executive Authority. In addition to these meetings, the Executive Directors also meet on a weekly basis.

The Executive Leadership Team receives its mandates and guidance from the Board and the Committees, each with a particular mandate, which have been established to directly advise and engage with the company. They in turn give mandates and guidance to the senior management team with weekly Management meetings as well as regular engagement through emails, blogs and stewardship meetings with the functional heads.

This framework ensures that the Greenergy Group's executive and core management team are empowered with the appropriate level of authority to make decisions on behalf of the individual operating entities. Throughout the year, the primary focus for the Board and Executive Leadership Team was to ensure the Group was able to successfully navigate through the pandemic, and actively review projects to drive the energy transition and grow the business.

As the energy transition accelerates, Greenergy's history of being an innovative transportation fuel producer and supplier remains a key focus for the Board, as we look to continue developing cleaner, greener fuels. This is supported through the Group's purpose and mission, supported by our business plan and strategy.

**Governance Framework**



## Governance Framework (continued)

### Board composition

The Board remains unchanged, and comprises three executive directors, the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer and seven non-executive directors, including a non-executive Chairman. Certain reserved matters such as governance, long-term strategy, mergers and acquisitions, restructuring and commercial deals over a certain size or duration are submitted to the Board for advice and ultimate approval.

The size and experience of the Group Board is considered appropriate for the size of the Group, with the directors bringing a wide range of commercial and industry experience, ensuring a well-balanced range of views and experience.

The directors recognise the Board composition lacks diversity. We are committed to supporting diversity and inclusion across the entire workforce and in particular continuing to improve diversity among the senior management and executive leadership teams.

### Directors' responsibilities

The Board is continuously improving its approach to Corporate Governance ensuring clear responsibilities are allocated to individuals and sub-committees and reviewing if the strategy is still fit for purpose, requesting updates from the sub-committees and subject matter experts.

At the beginning of each year, Quarterly recurring board meetings for Greenergy Group Holdings Limited are scheduled for the year and dates are set. Two additional strategic board meetings are set to discuss and define the Group's strategy and five year strategic plan.

Board meetings are a mechanism to evaluate and review business operations and how they align with the Group's overall strategy and the impact on our key stakeholders. The key activities and decisions undertaken by the Board in 2021 are outlined in the 'Section 172(1) Companies Act 2006 Statement' on pages 16 to 20.

Each board meeting follows a considered agenda, agreed in advance by the Board. Within the set sections there are certain standing items such as review and discussion on Process Integrity data and events and Governance. There are also special topics which are added to individual sections as required with non-board Executives and key management periodically invited to Board meetings for specific items to provide their expertise to the Board discussion dependent on matters under consideration.

Prior to COVID-19, Board meetings would be held at different locations to allow the non-executive board members the opportunity to meet staff at different locations. It is planned that these will resume in 2022.

### Opportunity and risks

Greenergy's mission, values and overall Group strategy guide the Board's decisions to promote and deliver long-term value, taking advantage of opportunities which arise whilst ensuring an appropriate risk framework is in place to manage the risks we face in our business.

The Group's Risk Committee, chaired by the Chief Financial Officer, aims to assist the Board in the fulfilment of its corporate governance, establishment of procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Principal risks are identified across the business at all levels, to ensure those are registered and reported to the Board along with the mitigation plans associated with them. The risks we face in our business, and the action we take to mitigate those risks, are formalised in a risk register on pages 5 to 8 which is reviewed by the Risk Committee and formally approved by the Board.

Different business units assess the risk in their area of expertise, with the Board being informed of such risks to establish the level of risk accepted to meet its strategic objectives.

## **Governance Framework (continued)**

### **Remuneration**

The role of Greenergy's Remuneration Committee is to determine the strategy and policy in relation to terms and conditions of engagement (including remuneration) of the senior management of the Greenergy Group and to determine the specific total remuneration of the Senior Management (including payments and awards under annual bonus plans, share incentive schemes, pension schemes and any other compensation arrangements).

The Committee is responsible for the development of the remuneration policy which ultimately is approved by the Board. It also regularly reviews the on-going appropriateness and relevance of the remuneration policy to ensure compliance and appropriate consistency and effectiveness of application, and, if necessary, make proposals for changes.

Greenergy strives to be and remain a preferred employer, attracting and retaining talent at all levels, developing and promoting where possible from within.

### **Stakeholders**

Stakeholder engagement is considered crucial by the Board, and this is applied at all levels of the organisation supported by the Leadership Team and reported to the Board.

All stakeholders are appropriately considered throughout our decision-making process and consulted and engaged regularly through dedicated surveys or meetings, including tailored initiatives. The impact that activities might have on each stakeholder is balanced and assessed throughout the decision-making process to ensure the stakeholder's interests are appropriately considered.

Our key stakeholders, how we engage with them, and the effect stakeholders have on Board decision making is outlined in the 'Section 172(1) Companies Act 2006 Statement'

**Section 172(1)<sup>7</sup> – Companies Act 2006 Statement**

During the year, the Company operated under the Group Corporate Governance Framework mandated by the Board of Directors (the "Board") of the parent company, Greenergy Group Holdings Limited.

Our relationships with our stakeholders are essential for us to deliver on our mission. This section summarises our key stakeholders and their interests, how we regularly engage with them, and the effect stakeholders have on Board decision making.

The directors consider the key stakeholders to be the shareholders and lenders and, as such, the sections related to the shareholders and lenders are directly related to the company, with the rest related to the overall group. Greenergy Group Holdings Limited does not have employees or customers as it acts solely as a treasury vehicle for the wider group.

**Stakeholders**

<b>Shareholders</b>	
Our shareholders support the growth of our business to achieve our long-term growth objectives, through investment within the wider group.	
<p><b>Our priorities</b></p> <ul style="list-style-type: none"> <li>Demonstrate that we are able to service our borrowings, in line with the Group strategy.</li> </ul>	<p><b>How we engage and communicate</b></p> <ul style="list-style-type: none"> <li>Involvement at board meetings</li> <li>Regular communications such as financial updates, investment plans and capital allocation.</li> </ul>
<b>Financial institutions</b>	
We rely on support from our banks to fund our ongoing working capital requirements to allow us to operate in the way in which we do.	
<p><b>Our priorities</b></p> <ul style="list-style-type: none"> <li>Develop long-term relationships with a syndicate of banks and other institutions to support our ongoing business.</li> </ul>	<p><b>How we engage and communicate</b></p> <ul style="list-style-type: none"> <li>Monthly financial and operations update provided to our lenders</li> <li>Annual all banks presentation on our results and outlook and strategy for the years ahead</li> <li>Regular ad hoc meetings with all lenders to discuss business operations.</li> </ul>
<b>Environment</b>	
Our business was founded in the 1990s to supply low emission diesel, and our commitment to do no harm to people or place continues today.	
<p><b>Our priorities</b></p> <ul style="list-style-type: none"> <li>We recognise the urgent need to further reduce greenhouse gas emissions in the transportation sector</li> <li>We continuing to invest in the sector and progress projects to further expand our renewable fuel production and explore new, innovative ways of producing fuel from renewable resources.</li> </ul>	<p><b>How we engage and communicate</b></p> <ul style="list-style-type: none"> <li>Reducing the environmental impact of our activities by continued investment in process improvements at our plants to improve efficiency of our operations</li> <li>Manufacturing biodiesel from waste raw materials, rather than virgin vegetable oils, giving higher carbon savings and reducing land-use impacts</li> <li>Involvement in round table discussions and industry consultations on best practice</li> <li>Encouraging all employees to play a role in our continual improvement of processes to improve the sustainability of our operations</li> <li>Introduction of Sustainability Report to include detailed carbon reporting, increasing transparency of our operations.</li> </ul>

<sup>7</sup>In accordance with Companies Act 2006 Regulations, the Directors are required to provide a 'S172(1) statement'.

**Section 172(1) – Companies Act 2006 Statement (continued)**

<b>Communities</b>	
We believe in supporting our communities. Our charity programme and our STEM projects help support our communities.	
<p><b>Our priorities</b></p> <ul style="list-style-type: none"> <li>Through our employee-led charity programme, help fund a range of charity initiatives with a directly identifiable benefit</li> <li>Engage with our local communities through STEM projects that provide information and inspiration to young people considering their future careers.</li> </ul>	<p><b>How we engage and communicate</b></p> <ul style="list-style-type: none"> <li>While the total charity budget is set by the Board, the allocation of funds is nominated by charity teams that involve all employees of the Group, and final approval by the employee Charity Committee</li> <li>Employees are encouraged to work closely with the charities to understand how funds will be used</li> <li>The Charity Committee is made up of volunteer staff, and each team within the business is led by a Captain to encourage engagement</li> <li>Through our STEM projects, we aim to work with local schools and educational colleges to inspire students and demonstrate tangible career options that are available through STEM. COVID-19 restrictions have limited our ability to deliver this programme, however we look forward to progressing it further in 2022.</li> </ul>
<b>Board Activities</b>	
<b>Financial</b>	
<p><b>Issuance of unsecured loan notes</b></p> <p>The Board met to consider and approve the issuance of additional unsecured loan notes.</p>	
<p><b>Our decision process</b></p> <ul style="list-style-type: none"> <li>The Board gave consideration to issuance of additional loan notes, including the subscription price, and number of loan notes to be issued</li> <li>The Board gave consideration to recipient and their involvement as a director of the parent entity</li> <li>The Board noted that recipient was also issued ordinary share capital in the parent entity</li> </ul>	<p><b>Our decision</b></p> <ul style="list-style-type: none"> <li>The Board was satisfied that it would promote the success and be in the best interests of the Company to approve the issuance of the loan notes.</li> </ul>
<p><b>Interested stakeholder groups</b></p> <ul style="list-style-type: none"> <li>Shareholders</li> </ul>	
<b>Legal and regulatory</b>	
<p><b>Approval of statutory accounts</b></p> <p>The Group prepares statutory financial reports which are not only a legal requirement but are used by our stakeholders to understand the financial performance and decisions taken by the Group.</p>	
<p><b>Our decision process</b></p> <ul style="list-style-type: none"> <li>The final statutory accounts and any adjusting items are presented to the Audit Committee.</li> <li>The audit committee reviews these and once satisfied, recommends to the Board to approve the statutory accounts.</li> </ul>	<p><b>Our decision</b></p> <ul style="list-style-type: none"> <li>On the recommendation of the Audit Committee, the Board approved the statutory accounts and authorised them for issue.</li> </ul>
<p><b>Interested stakeholder groups</b></p> <ul style="list-style-type: none"> <li>Shareholders</li> <li>Financial Institutions</li> </ul>	

Section 172(1) – Companies Act 2006 Statement (continued)

<b>Environment, Social &amp; Governance (ESG)</b>	
<b>Climate Change</b>	
<p>The Board recognises the Group has a responsibility to address climate change.</p> <p>Sustainability is integral to the way in which Greenergy operates. It is embedded in our history and is a key part of our values and culture</p> <p>Our business was founded to supply low emission diesel that offered significant air quality benefits. As we have grown, we have remained committed to reducing emissions in transport fuels.</p>	
<p><b>Our decision process</b></p> <ul style="list-style-type: none"> <li>• The Board discussed setting appropriate sustainability targets and the desire to have ones which are both ambitious and achievable</li> <li>• The Board reviewed where the business was today, and discussed ways in which it could get to the desired outcome and what impact this would have on the business</li> </ul>	<p><b>Our decision</b></p> <p>The Board agreed to the following key priorities for the Group to address carbon emissions:</p> <ul style="list-style-type: none"> <li>• Expand production and supply of waste-based biodiesel</li> <li>• Establish diverse and sustainable supply chains with robust certification systems</li> <li>• Develop new forms of renewable liquid fuels</li> </ul>
<p><b>Interested stakeholder groups</b></p> <ul style="list-style-type: none"> <li>• Our shareholders</li> <li>• Our communities</li> <li>• The environment</li> <li>• Financial institutions</li> </ul>	
<b>People</b>	
<b>Culture, mission, values</b>	
<p>In 2020, the Board agreed it was appropriate to review and update the Values and Mission of the Group to reflect the Group's position in the Energy transition, and these were launched in 2021.</p> <p>The Values and Mission remain core to how the Greenergy Group operates.</p>	
<p><b>Our decision process</b></p> <ul style="list-style-type: none"> <li>• The Board reviews these as part of the overall Group five year business plan and discusses whether any changes are required to ensure these remain appropriate for our business and our stakeholders, and that the Group continues to evolve.</li> </ul>	<p><b>Our decision</b></p> <ul style="list-style-type: none"> <li>• The Board approved changes to the Group's Values and Mission to ensure that they more accurately reflect the Group's position in the global energy transition</li> </ul>
<p><b>Interested stakeholder groups</b></p> <ul style="list-style-type: none"> <li>• Our shareholders</li> <li>• Our communities</li> <li>• The environment</li> <li>• Financial institutions</li> </ul>	



Section 172(1) – Companies Act 2006 Statement (continued)

<b>Process Integrity</b>	
<b>Identification of resource gap</b>	
With expansion into retail in Canada, it was recognised that our existing process integrity team was not resourced sufficiently	
<b>Our decision process</b>	<b>Our decision</b>
<ul style="list-style-type: none"> <li>The Board discussed the Process Integrity (PI) resources the business had following the acquisition of the Canadian retail footprint in 2020.</li> <li>The Group's PI Committee Chairman presented an update on resourcing and the challenges the business faced in addressing PI across its growing retail estate</li> </ul>	<ul style="list-style-type: none"> <li>The Board agreed it would be appropriate for the business to increase resources in Canada to support the growth in its business.</li> </ul>
<b>Interested stakeholder groups</b>	
<ul style="list-style-type: none"> <li>Our shareholders</li> <li>Our communities</li> <li>The environment</li> </ul>	
<b>Financial</b>	
<b>Capital expenditure for IT project</b>	
The Group uses a number of IT systems to operate its business. An ongoing project to rationalise the systems where possible is being undertaken to simplify the end-to-end platform	
<b>Our decision process</b>	<b>Our decision</b>
<ul style="list-style-type: none"> <li>The CFO presented an investment case and rationale systems and expand its main trade capture and operational management system</li> <li>The Board considered the investment and the benefits of having the systems integrated</li> <li>This investment would allow for end-to-end supply chain management and integration into its primarily ERP system, Oracle Cloud</li> </ul>	<ul style="list-style-type: none"> <li>The Board approved a capital budget to invest in the expansion of the capability of its primary trade capture system</li> </ul>
<b>Interested stakeholder groups</b>	
<ul style="list-style-type: none"> <li>Our shareholders</li> <li>Financial institutions</li> </ul>	