

# LIMEJUMP ENERGY LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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**Liquidity** – in the year ended 31 December 2020 the Company's parent received two capital injections from Shell in order to facilitate delivery on the business plan. The Company will continue to rely upon the support of its parent as it matures and develops.

**Regulation** – The UK power market is highly regulated and Limejump needs to remain vigilant of changes to legislation to ensure compliance and avoid the risk of product and technical obsolescence. The recent Reserve and Frequency review by National Grid is an example of an area where Limejump keeps in close consultation with the ESO National Grid over proposed and announced changes – including the launch during 2020 of Dynamic Containment. There is an increasing requirement for Flexible power to help balance the grid and Limejump needs to ensure its technology and product offer remains aligned to regulation going forward.

The suspension of the Capacity Market during 2019 created uncertainty for developers of new assets to which the Limejump Group provides flexibility services.

This suspension was lifted during 2020 however the industry is heavily regulated and Limejump continually monitors and contributes to industry legislative reviews such as the Targeted Charging Review being undertaken by Ofgem.

**Credit** – Limejump Energy diversifies credit risk by transacting with a wide range of clients. The Company also completes thorough assessment of client creditworthiness before new customers are onboarded.

**External Factors** – Limejump is exposed to external economic and geopolitical environment which affect the UK power industry. Issues like COVID-19 and the macro-economic slowdown can impact wholesale energy prices and also the development of new renewable and flexible assets coming onto the system. These external factors can impact the ability of Limejump to grow its renewable portfolio and also the returns which can be generated from the assets in the portfolio.

#### KEY PERFORMANCE INDICATORS

The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed in Royal Dutch Shell's Annual Report and the key performance indicators through which the Group's performance is measured are also set out in the Group Report.

	Year Ended 31.12.2020	Year Ended 31.12.2019
	£	£
<b>Turnover</b>	88,813,704	100,206,439
<b>Operating Profit</b>	646,852	843,067

Turnover during the year fell by 11% though this was largely due to £25m of ROC inventory which was held on the Balance Sheet at December 2020 and sold during January 2021.

#### SECTION 172(1) STATEMENT

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

This Section 172 Statement explains how the Directors have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its member(s) as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct;
- the need to act fairly as between members of the company; and

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- employee interests, the need to foster the company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Ahead of matters being put to the Board for consideration, significant levels of engagement are often undertaken by the broader business ahead of many of Shell projects or activities. This engagement is often governed by formulated policies, control frameworks, regulation, legislation and may differ by region. Dependent on the project or activity, Board members may participate in some of this engagement.

#### PRINCIPAL DECISIONS

We define Principal decisions taken by the Board as those decisions in 2020, that are of a strategic nature and that are significant to any of our key stakeholder groups.

To remain concise, we have categorised our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders.

#### Key stakeholder groups

- Investor Community
- Employees/Workforce/Pensioners
- Regulators/Governments/NGOs
- Communities
- Customers
- Suppliers/Strategic Partners

#### Principal Decisions in 2020

In the table below we outline the principal decisions made by the Board over recent years, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

The level of information disclosed on principal decisions in the table below is consistent with the size and the complexity of the business.

#### How Were Stakeholders Considered

We describe how regard was given to likely long-term consequences of the decision including how stakeholders were considered during the decision-making process.

#### What Was The Outcome

We describe which accommodations/ mitigations were made, if any, and how Directors have considered different interests and the factors taken into account.

<p><b>Sale of share capital to Shell</b></p> <p>As part of raising equity to fund the Limejump business plan the previous shareholders agreed to sell 100% of Limejump Shares to Shell Petroleum Co Ltd.</p> <p><b>How were stakeholders considered</b></p> <p>The sale ensured that the company could execute on its business plan. This provided security for both staff and clients and was deemed to be in the best interests of all stakeholders.</p>	<p><b>What was the outcome</b></p> <p>The sale was executed on 28<sup>th</sup> February 2019.</p>
<p><b>Adoption of Shell Group policies</b></p> <p>Shell Group policies and the Shell control framework are there to ensure that Shell group companies have strong process and controls to drive performance, to organise activities and to ensure legal and ethical compliance.</p>	<p><b>What was the outcome</b></p> <p>The following policies were adopted on 28<sup>th</sup> February 2019;</p> <ul style="list-style-type: none"> <li>• Shell General Business Principles</li> <li>• Shell Code of Conduct</li> <li>• HSSE policy</li> <li>• Treasury policy</li> <li>• Manual of Authorities</li> </ul>

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<p>The Board considered that this framework was important and applicable to Limejump.</p> <p><b>How were stakeholders considered</b>  All stakeholders should benefit from the adoption of the Shell Control Framework as it strengthens the company and seeks to reduce risk.</p>	
<p><b>Recapitalisation of business</b></p>	<p><b>What was the outcome</b></p>
<p>The Board considered the need to recapitalise Limejump in order to equip the company to deliver on its growth plan and achieve its business objectives.</p> <p><b>How were stakeholders considered</b>  The Board considered alternative courses of action and alternatives uses of the funds within the Group and concluded that the equity injection was in the best interests of all stakeholders.</p>	<p>The Board approved an equity injection into Limejump on 23 May 2019, and subsequently two capital injections were received by the parent company during 2020.</p>
<p><b>Implementation of staff incentive scheme</b></p>	<p><b>What was the outcome</b></p>
<p>The Board considered the need to retain, motivate and incentivise Limejump staff and to introduce a more structured and formalised mechanism for reward.</p> <p><b>How were stakeholders considered</b>  The scheme is intended to motivate and reward employees. An effective scheme should result in strong business performance which should in turn benefit all stakeholders.</p>	<p>The Board approved the implementation of a staff bonus scheme on 2 April 2019. The scheme was based on the company Balanced Scorecard performance on an annual basis starting in 2019.</p>

**EMPLOYEE ENGAGEMENT**

The principal route by which the Directors of the Company effect engagement with employees of the Company are the processes and practices of the Shell Group.

The Shell Group, of which the Company is a member, transacts its business through legal entities whilst internally organising its activities along business and function lines. This extends to Shell's engagement with its employees, where this is aligned to the businesses and functions of the Shell Group where those employees are engaged.

On a regular basis, Shell Group management engages with employees on a global, country, region, business or function basis through a range of formal and informal channels, including: emails from the Shell Group Chief Executive Officer, Country Chairs and Senior Leader communications and blogs, webcasts, townhalls, team meetings, Intranet articles, online publications and social media.

Employee Forums (organised by business and function line) are well established and meet on a quarterly basis. This is an additional mechanism through which management engages with employees on business decisions for provision of information, staff consultation purposes and for employees' views.

In addition, the annual Shell People Survey, which measures employee engagement, is an opportunity for employees to give their opinion on a series of topics ranging from leadership, business direction, communication, inclusion, and pride in the company. The purpose of the survey is to enable an ongoing, constructive dialogue between management

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and employees, enabling trends to be identified and areas for focus to deliver business outcomes. The Shell Group operates a number of share plans designed to align employees' interests with performance through share ownership. These are discussed further within the Royal Dutch Shell plc (RDS) Annual Report.

#### **GOVERNANCE CONTROLS**

The Company is a subsidiary entity of a listed Company, RDS, which is subject to the UK Corporate Governance Code.

As a member of the Shell Group, the Company is part of an organisation which follows a highly developed and formalised governance and oversight framework. The Directors consider this a suitable corporate governance arrangement for the Company and have full confidence in its operating effectiveness.

The Shell Group internally organises its activities principally along business and function lines, but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each Board of Directors. Each legal entity, for legal and tax purposes, exercises control of its own assets and employees. This is achieved by legal entities taking formal binding decisions or actions through corporate authorities. It is the task of the businesses and functions to provide prior advice to the legal entities with respect to such decisions and actions. Shell has an integrated, consistent process to delegate authority from the RDS Board and other Shell company boards to organisations, individuals and committees. The objective of delegating authorities is to ensure that decisions are made at the appropriate level in the organisation and that transactions are carried out by the appropriate company. Support from the business or functional line is achieved through organisational authorities. Organisational support, as a general rule, precedes corporate approval.

Shell operates in an environment of uncertainty and significant volatility, that provides risks (upside and downside) to meeting individual company and Group objectives. Shell has therefore adopted a risk-based approach to the overall design of the Shell Control Framework and its components. It requires management in businesses and functions to understand the relationship between the business environment, objectives, risks and performance, and to establish appropriate risk responses and assess their effectiveness.

The Board of RDS, Chief Executive Officer and Executive Committee have defined accountabilities and authorities and set the overall strategy, objectives and the boundaries within which these are achieved, which includes approval of the Shell Control Framework.

The strategic aims of the Company are considered to be derived from those of the Shell Group, which are discussed in the Group Report.

Ahead of each board meeting, Directors are asked to confirm that there is no conflict of interests between those of the Company and their own interests in the business being considered.

The Shell Group maintains a code of business conduct and ethics for all employees which are established in the Shell General Business Principles and the Shell Code of Conduct. Employees, contract staff, third parties with whom Shell has a business relationship (such as customers, suppliers and agents), and any member of the public (including shareholders) may raise ethics and compliance concerns (anonymously if preferred) through the Shell Global Helpline. This is a worldwide confidential reporting mechanism.

Remuneration policy for employees is set on a country by country basis but individual performance is rewarded by reference to the business or function in which the employee works. Individual Directors are generally not remunerated in connection with the management of the affairs of the company on whose board they serve but rather in relation to the role they perform in their business or function.

Legal entity directorships are allocated to individuals of sufficient seniority on the basis of business or functional expertise that reflects the operating requirements of the particular company. The level of activity and complexity of the company is also taken into account when considering the size and structure of the board.

#### **HUMAN RIGHTS**

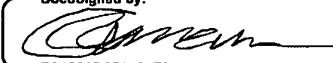
Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

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The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities. The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at [www.shell.com/uk-modern-slavery-act.html](http://www.shell.com/uk-modern-slavery-act.html).

On behalf of the board

DocuSigned by:  
  
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C Newman  
Director

Date: 10 September 2021