



COMPANY GOVERNANCE

Business background and ownership

Dragon LNG Group Limited is a joint venture between BG Energy Holdings Limited (BGEH) - a UK registered company controlled by Royal Dutch Shell plc, and Ancala LNG Limited - a UK registered company owned by investment funds managed by Ancala Partners LLP, who each own 50% of the issued share capital. The company owns 100% of Dragon LNG Limited.

Dragon LNG Limited owns and operates a liquefied natural gas (“LNG”) import and storage terminal in Milford Haven, West Wales.

Dragon LNG Limited has signed a twenty-year Throughput Agreement with its customers Shell Energy Europe Limited and Petronas Energy Trading Limited who each have access to 50% of the terminal capacity. This agreement commenced in 2009. Subject to maintaining the operational availability of the terminal, this largely fixes the group’s main revenue stream over this period.

SECTION 172(1) STATEMENT

Decision making

The board of directors comprises of four directors – two from each of the shareholders of Dragon LNG Group Limited – Royal Dutch Shell plc and Ancala Partners LLP.

The board meets on a quarterly basis at meetings that are also attended by the Extended Leadership Team (ELT) of Dragon LNG Limited. The ELT are responsible for the day to day management of the group. The ELT includes the Managing Director who is seconded from Royal Dutch Shell plc and the Head of Finance and Administration who is seconded from Ancala Partners LLP.

The board regularly meets to discuss a broad range of topics including;

- Health, safety & environmental performance (HSE)
- Financial performance
- Cash flow
- Continuous improvement
- Industry benchmarking
- Commercial performance and opportunities
- Audit & compliance
- Business risk management
- Operations and asset integrity
- Company performance scorecard
- Major projects

On an annual basis the Board reviews and approves the annual plans for HSE Improvement, Audit, Stakeholder Engagement, Corporate Social Responsibility, Business plans and Budgets.

In addition to the board meetings the directors also attend annual business risk and process safety workshops at the terminal where they have the opportunity to tour the site and speak with staff.

The strategic objectives of the group are to be Safe, Reliable, Competitive and Agile in a changing market. These objectives are central to all the decisions made by the directors.

The board believes that the long-term success of the group is dependent on how it works with a range of key stakeholders. These stakeholders are considered in their decision making and therefore ensures the directors' duties under Section 172 of the Companies Act 2006 are met.

Stakeholder engagement

Employees

People and safety are the group's main priorities, our terminal operates safely, reliably and competitively because of our team of highly skilled, experienced and qualified employees. The group has a structured annual training plan and regularly assesses the competency of all key staff through its robust Competency Assurance Framework – performance against this framework is a KPI that is reported to and reviewed by the Board as part of the group's overall asset integrity.

Employee engagement in decision making is achieved through regular staff communications briefings to update staff on topical issues and regular meetings of the Works Council which is made up of employee representatives and chaired by the Managing Director. Employee engagement surveys are also carried out on a regular basis to highlight opportunities for improvement and development of an action plan, which is shared with the Board.

Further channels of communication are provided by a weekly Staff Connect meeting, 'Fit For the Future' continuous improvement scheme, safety observation cards which can be submitted by any employee or business partner and a confidential 'Speak Up' line.

Dragon operates a company scorecard, performance against which is measure on a monthly basis and communicated to staff. This also forms part of our reward and recognition and provides a basis for discussion around prioritisation, decision making and business performance.

Community

Community engagement includes regular meetings of the Community Liaison Committee at which members of the local community can meet with members of the ELT to discuss plant operations and raise any concerns that they may have.

The group also nominates and supports a local charity of the year, arranges charity volunteering days for employees, sponsors various local events and has a close working relationship with Pembrokeshire College.

With Dragon LNG's corporate social responsibility (CSR) strategy being youth development and training in Pembrokeshire, its principal charitable donations since 2005 have focused on delivering the UK award winning 'Dragon LNG Darwin Experience' (DLNGDE) through registered charity The Darwin Centre.

Environmental

Prior to construction of the terminal, the group undertook an Environmental Impact Assessment (EIA), consulting with over 50 organisations, including local interest groups and statutory and non-statutory bodies.

Key concerns were addressed to safeguard the Pembrokeshire Marine Special Area of Conservation by reducing the visual impact of the facility and minimising loss of terrestrial habitat. In all cases, a minimum impact philosophy was adopted and the final landscaping and water features provide environmental gain in terms of biodiversity and nature conservation. The group has completed several projects to enhance the natural environment such as planting a wildflower meadow, developing a reptile friendly area and grazing rare breeds.

The group has an Environmental Management System (EMS) which meets the requirements of ISO14001. This ensures all our operational activities that impact the environment are risk assessed. Based on the environmental risk assessment, actions are put in place to eliminate, reduce and mitigate environmental impact.

Customers

The group has two key customers who have each contracted to purchase 50% of the available terminal capacity in a twenty-year throughput agreement (TA) that runs until 2029.

Regular monthly customer calls are held with the customers and representatives of the group's ELT to discuss any issues or concerns and potential opportunities. The Board is aware of these topics through the quarterly commercial board paper and other briefings where required.

Customer representatives regularly visit the site and enjoy frequent interaction and discussion with the ELT and staff.

Suppliers

The group values the importance of good relationships with suppliers and business partners and relies on them to provide a high level of service where safety is always paramount.

To promote this relationship and encourage two-way conversations the group invites key vendors to a Contractor Forum. At this event the group has the opportunity to share its strategic objectives with the vendors and reinforce the message that safety is at the heart of everything that we do. The meetings also allow best industry practices to be shared and for vendors to raise any issues or suggestions that they may have to improve the quality of our working relationship.

The group operates and maintains an approved vendor list, where suppliers have been approved through a robust qualification process and regular vendor audits.

Major contracts, including high value, long term and key contracts, are highlighted to the Board in the quarterly commercial board paper and approved by them at Board meetings.

Regulators and Governmental Organisations

The group has excellent relationships with key regulatory and governmental organisations which include National Resources Wales (NRW), the Health and Safety Executive (HSE), HM Revenue and Customs (HMRC), National Grid, Milford Haven Port Authority, Pembrokeshire County Council and the Centre for the Protection of National Infrastructure (CPNI).

We co-operate with all requests for information and encourage site visits where the ELT and other employees are available to provide any information requested.

Relationships with regulators are regularly discussed in various HSE, commercial, operations and asset integrity Board papers.