

## Statement of Compliance with the QCA Corporate Governance Code

### Executive Chairman's Introduction

“At Aggregated Micro Power Holdings plc we are strongly committed to upholding the values of good corporate governance and in our accountability to all of AMP’s stakeholders including shareholders, staff, suppliers and clients. The Board understands that good corporate governance is a significant factor in creating a sustainable and efficient business while mitigating risks; this is therefore a key responsibility of the Board in ensuring that AMP maintains long-term benefit for all stakeholders.”

Neil Eckert  
Executive Chairman

### Background

Changes to AIM Rules in March 2018 require that all companies listed on AIM need to apply to a recognised corporate code by 28 September 2018. AMP has chosen to implement the QCA Corporate Governance Code (“QCA”). The QCA is based on ten broad principles and a corresponding set of disclosures and states what they consider to be appropriate arrangements for growing companies and ask them to provide an explanation about how they are meeting each principle through various disclosures.

The Board considers that it does not depart from any of the principles of the QCA and our statement of compliance sets out how we comply. This will be reviewed annually in line with the requirements of the QCA code.

### Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Aggregated Micro Power Holdings plc (“AMP”, the “Company”, the “Group”) is as a specialist aggregator of distributed heat, power and renewable fuels. At AMP we have three main divisions and our strategies for each are as follows:

#### 1. Wood Fuels

AMP is the UK’s leading supplier of premium grade, RHI compliant, wood pellet and wood chip serving nearly commercial 4,000 customers and servicing 900 boiler systems.

#### 2. Project Development

AMP develops, finances and manages distributed energy projects focussing on biomass heat/steam and CHP. AMP also develops and finances gas-fired peaking plants to provide reserve power and frequency stability for the National Grid.

### **3. Investments**

AMP's strategy is to grow assets under management and to build up the off-balance sheet carried interest in AMPIL together with making long-term investments in companies aligned to our corporate strategy.

By using our economy of scale and specialist knowledge in the heat, power and renewable fuels industries, AMP can deliver a profitable business and competitive advantages over other providers within the sector. This in turn enables AMP to provide high quality goods and services at an attractive price point for all stakeholders.

Furthermore, all investments in the commercial boiler buybacks (ESCOs), must meet specific investment criteria which is run through financial models and subject to vigorous financial and technical due diligence.

AMP also recruits and retains staff with the appropriate skillset and characteristics for the job; the ability of AMP to execute its strategy effectively is dependent on the staff that are employed. AMP fosters good relationships with staff to ensure a high retention rate and ensure that remuneration packages are competitive.

#### **Principle 2: Seek to understand and meet shareholders needs and expectations**

AMP is committed to maintaining an open dialogue with shareholders, both retail and institutional, to ensure that our strategy, model and performance is understood by all those with an interest in AMP.

We ensure that, as a company, investor relations is a priority. This helps us understand what analysts and investors think about us as a business. The way in which we maintain close relations with our shareholders is through roadshows, regular reporting, social media and traditional media routes.

The Company maintains communication with shareholders through regulatory announcements, via the company's website and by direct contact with its major shareholders. The Board values the views of its shareholders and fosters continuing dialogue with investment and fund managers, other investors and equity analysts to ensure that the investing community receives an informed view of AMP's prospects, plans, and progress.

#### *Private Shareholders*

The Annual General Meeting ("AGM") is our main forum for dialogue with retail shareholders, where we invite all holders of AMP shares to have their say to the Board. The AGM is led by our Executive Chairman, Neil Eckert, and the Board attends in full (wherever possible) so that they are on-hand to answer any questions put to them by shareholders. The Notice of AGM is sent out in advance, the requirement is at least 21 days prior to the meeting, however, at AMP we aim to have the Notice of AGM and Proxy voting card sent out around 6 weeks ahead of the AGM.

The results of the AGM are announced via RNS, published on the AMP website following the meeting and all resolutions and the company accounts are also filed at Companies House.

#### *Institutional Shareholders*

The Board is active in building and maintaining open dialogue with institutional investors. Shareholder relations are managed primarily by the Executive Chairman, Chief Executive Officer, Chief Financial Officer and Investor Relations team generally. The CEO and Executive Chairman aim to meet with the institutional investors twice annually; following the announcement of year end results and again following interim results. Feedback from investors, along with that of analysts, is of key importance and always welcomed. Any areas of concern and areas where investors feel we have particularly excelled is delivered back to the Board and staff so that AMP remains accountable; this is delivered anonymously by the corporate brokers who have arranged the meetings.

For any investor relations queries, please get in touch with Izzy Deterding at:

[izzy.deterding@ampplc.co.uk](mailto:izzy.deterding@ampplc.co.uk)

### **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

As with all businesses, AMP recognises that long-term success relies upon good relations being fostered with a range of stakeholders both internally and externally. Feedback as to how we perform as a Company to all our stakeholders is important and we try and continue to improve and develop systems we have in place.

#### *Employees*

The ability for AMP to continue to deliver the high-quality goods and services to its customer base is heavily reliant on the staff we employ. To this end, AMP understands the importance of hiring and retaining a highly skilled workforce and keeping employee satisfaction high through a number of initiatives. A few examples of these initiatives are:

- Competitive remuneration package including health benefits and annual leave;
- Employee share options scheme;
- AMP Company Day (took place in May 2018 at Drayton Manor Hotel); and
- 'Open Door' policy so that all staff are able to seek guidance and assistance from key personnel

#### *Customers*

We are committed to continually striving to improve the quality of service we deliver to our customers. To this end, a customer survey, using the Net Promoter Score system, was carried out April 2018, to gauge the loyalty of our customer base. We have been using the results to shape the way we both deliver services to, and communicate with, our customers.

Across the fuels business we have streamlined our systems and processes to make ordering and receiving deliveries a more straightforward and simple process. We have invested in new software for orders, as well as scheduling systems, which can prompt customers to order fuel. We are introducing an 0800 telephone number for customers across the business and updating and automating our invoicing systems.

We appreciate the importance of the relationship between customers and drivers, so have produced a communications leaflet specifically for drivers to give to customers about the AMP re-brand and improvements to customer services. We have expanded our fleet of high-tech, low emission silo tankers

and tipper blowers and optimised our delivery routes to make best use of driver time and ensure reliable deliveries. Going forwards, we will be rationalising the depots from 40 to 16 to streamline operations and logistics and provide a more cost-effective service to customers.

We are offering a complete range of biomass heating services to customers including fuel supply, boiler installation, boiler care, boiler maintenance and our boiler buy back scheme. We have introduced a number of options under our Service & Maintenance contracts, including the ability to incorporate fuel supply into this.

### *Suppliers*

Due to the nature of AMP's business, it is important to maintain close working relationships with our suppliers. The commercial director has responsibility for the key relationships and the operations to provide our internal transport team with the right product, at the right location, at the right price in order to service our customers. There are regular meetings and calls with our suppliers to manage contracts and ensure quality control. The finance team ensures that relations are maintained by the efficient payment of invoices.

We view these relationships very much as partnerships where we work together to bring good quality biomass to the UK market place. Feedback about how other companies in different countries manage biomass supply is very much incorporated into our operations.

### *Regulators*

Ofgem are the regulatory body who control the Renewable Heat Incentive (RHI) and they are the administrator for all RHI payments for the boilers we provide fuel and servicing too. AMP has a good working relationship with Ofgem, so that we are able, to a limited perspective, consult them on future projects so we can consider risk of their eligibility for the RHI scheme. Ofgem also plays a role in other areas of AMP by dictating energy policy that impacts the market environment that our gas peaking and urban reserve projects operate. AMP's existing relationship with Ofgem enables the Company to consult both formally and informally on policy developments.

AMP are also have contracts with National Grid who administer the Capacity Market on behalf of Government and administer payments under the scheme.

### *Shareholders*

As a publicly listed company, AMP must provide transparent and easy-to-understand information to ensure that all shareholders understand the Company they are invested in. We are mandated to adhere to regulatory requirements and this includes:

- Regulatory News Releases on key events
- Maintaining an up-to-date website
- Annual reports and accounts posted to all shareholders
- AGM
- Maintaining close relations with investors by meetings and other general communications

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

*Financial*

AMP has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, Audit Committee and the Board.

- Credit risk - the Company attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering into contracts with customers with agreed credit terms as well as monitoring the trade receivables balances outstanding regularly and at the reporting date do not expect any losses from non-performance by counterparties. Credit risk also arises from cash and cash equivalents with amounts held by banks.
- Liquidity risk - this arises from the management of working capital and the finance charges and principal repayments on its debt instruments. Management's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Management also prepares 12 month cash flow projections as well as information regarding cash balances on a daily basis. At the end of the financial year, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.
- Exchange rate risk - the Company will consider forward buying of exchange rate instruments to protect its downside on importing fuels and machinery from abroad.
- Feedstock price risk - the Company will monitor prices and establish a policy for hedging exposures including managing merchant risk, including the development of a wood fuel supply model as a natural hedge against increasing biomass fuel prices. The Company also intends to establish supply contracts to minimise exposure and supply shortages where these are available at a reasonable price.

*Legal & Regulatory*

The Company ensures that it operates within is legal and regulatory parameters in several ways. There is a dedicated in-house legal team which advises the Group on all parts of the business. The in-house legal team also refers legal matters to Travers Smith LLP, the Company's legal counsel, where further legal corporate knowledge is required. The Company Secretary has a strong understanding of the regulatory requirements for the Company and guides both the Board and management in understanding what is required by AMP.

finnCap Ltd act as AMP's Nominated Advisor and guide the Company in its regulatory requirements for listing on AIM. There is open and frequent dialogue between AMP and finnCap to ensure that we are adhering to the highest levels of corporate governance.

*Environment Agency and Health & Safety Risks*

Industrial sites have potential exposure to environmental and Health and Safety issues.

Health and Safety risks assessment are undertaken on each site, and relevant policies are in place. Health and Safety review is given priority at management meetings and Board Meetings. Additionally, staff training is provided as appropriate.

### *Board*

The Board recognises effective systems and controls are imperative to the management of the business. At each Board meeting, the systems in place are evaluated for their effectiveness at promoting the business but also mitigating risk. It is also recognised by the Board that these need to be appropriate for the AMP's size, complexity and risk profile.

### *Attendance at meetings*

During the period there were nine Board meetings and the details of attendees are set out below:

Sir Laurence Magnus	(8/9)
Sir Brian Williamson	(6/9)
The Rt. Hon. Sir Nicholas Soames	(5/9)
Robert Bland DL	(5/9)
Neil Eckert	(9/9)
Richard Burrell	(8/9)
Mark Tarry	(7/9)

### **Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair**

The members of the Board 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.

### *Constitution of the Board*

During the period there were nine full Board meetings. The Audit Committee met twice during the period. The Remuneration Committee met once and the Nomination Committee did not meet.

The Board is comprised of the following:

Sir Laurence Magnus	Senior Non-executive
Sir Brian Williamson	Non-executive
The Rt. Hon. Sir Nicholas Soames	Non-executive
Robert Bland DL	Non-executive
Neil Eckert	Executive Chairman
Richard Burrell	Chief Executive Officer
Mark Tarry	Chief Financial Officer and Head of Projects

The Board is satisfied that there is a suitable balance between independence and in-depth knowledge of the Company on the Board.

The Board is supported by three committees: remuneration, audit and nomination.

**The Audit Committee** is made up of Sir Laurence Magnus (Chairman), Sir Brian Williamson, Robert Bland DL and The Rt. Hon. Sir Nicholas Soames, with the company secretary serving as secretary.

The Audit Committee's terms of reference requires the committee to meet at least two times per year to coincide with key dates in the company's financial reporting cycle and at such other times as the Committee Chairman shall require. The Committee is responsible for monitoring the integrity of the financial statements of the company including those which are relied upon by the Board. The Committee reviews the company's corporate reporting, risk management, financial statements and internal financial controls, considers the need for internal audits and the scope and planning of external audits and the findings of the audits and keeps under review the company's relationship with the external auditor.

**The Remuneration Committee** is made up of Sir Laurence Magnus (Chairman), Sir Brian Williamson, Robert Bland DL and The Rt Hon. Sir Nicholas Soames, with the company secretary serving as secretary.

The Remuneration Committee shall meet at such times as the Chairman of the Committee shall require. The purpose of the Committee is to recommend to the Board the company's general policy on remuneration and in particular to determine the remuneration packages for the Executive Chairman and the Executive Directors.

**The Nomination Committee** is made up of Sir Laurence Magnus (Chairman), Sir Brian Williamson, Robert Bland DL and The Rt. Hon. Sir Nicholas Soames, with the company secretary serving as secretary.

The Committee shall meet at such times as the Chairman of the Committee shall require. The purpose of the Committee is to review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes.

The Board has a schedule of regular business, financial and operations matters, and each Board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Executive Chairman is responsible for ensuring that, to inform decision-making, directors receive accurate, sufficient and timely information. The company secretary compiles the Board and committee papers which are then circulated to the directors in a timely manner ahead of the meetings. The company secretary provides minutes of each meeting and every director is aware of the right to have any concerns minuted and to seek independent advice at the Company's expense should they so require.

#### *Directors' conflict of interest*

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

#### *Bribery Act compliance*

In 2014 the company adopted an Anti-Bribery and Corruption Policy. This is kept under review by the Audit Committee under its terms of reference.

**Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The Board is satisfied that, between the directors, it has an effective and proportionate balance of skills and experience relating to the energy market. The blend of relevant experience, skills and personal qualities and capabilities enable AMP to successfully execute its strategy. The executive directors attend webinars, conferences and receive regular industry updates to keep their knowledge and expertise current.

#### *Appointment of Directors*

Directors are required to resign and be reappointed every three years in accordance with the Articles of Association of the Company. The Board makes decisions regarding the appointment or removal of directors and there is a formal procedure which is led by the nomination committee.

All directors were reappointed at the 2018 AGM, which was held on 10 September 2018.

#### *Executive Directors*

Neil Eckert became director in 2010. Neil's history and experience includes: co-founder and Chief Executive Officer of Climate Exchange plc until the sale of the company to InterContinental Exchange in July 2010 for approximately £400 million. Climate Exchange plc owned the Chicago Climate Exchange and the European Climate Exchange which traded in excess of 80 per cent of tradable carbon credits in the EU.

Richard Burrell became director in 2012. Richard's history and experience includes: began working with AMP in June 2012 when AMP started working with Mathieson Capital. Mr Burrell founded Mathieson Capital in 2010, in order to invest in renewable energy and related businesses. Mathieson Capital established Mathieson Biomass in 2011 to establish a pipeline of biomass boiler and CHP ESCO opportunities.

Mark Tarry became director in 2012. Mark's history and experience includes: joining AMP in 2011 to develop project opportunities before taking the role of CFO in May 2014 and Head of Projects in April 2016. Previously, he worked at Canopy Capital and at Barclays Capital where he focused on fixed income transactions. Mark has an MSc (Distinction) in Environmental Technology from Imperial College London and a BSc in Economics from University College London.

#### *Non-Executive Directors*

Sir Laurence Magnus, Senior Non-Executive Director. Sir Laurence is Deputy Chairman (Europe) of Evercore Partners Inc, the U.S listed corporate finance advisory business. He has over 35 years' of investment banking experience, successively with Samuel Montagu (later HSBC Investment Bank), Phoenix Securities, Donaldson Lufkin & Jenrette, Credit Suisse First Boston and Lexicon Partners (latterly as Chairman prior to its merger with Evercore in 2011). In the not-for-profit sector, he is Chairman of Historic England (formerly English Heritage) and was previously Deputy Chairman of the National Trust and an elected member of its Council. He is also Chairman of Windsor Leadership and a Trustee of English Heritage Trust and the Allchurches Trust.

The Right Honourable Sir Nicholas Soames MP has been a Conservative Member of Parliament since 1983. He was Agriculture Minister and subsequently Minister of State for the Armed Forces from 1994 to 1997. He served as Shadow Secretary of State for Defence and as a member of the Shadow Cabinet in Opposition. He is President of the Conservative Middle East Council. Sir Nicholas Soames is a Senior Adviser to Marsh Ltd; is on the International Advisory Board of GardaWorld and is a Trustee of the Amber Foundation.



Sir Brian Williamson is a former Director of HSBC Holdings plc, NYSE Euronext and Chairman of Gerrard Group plc. Amongst other numerous roles, Sir Brian was Chairman of the London International Financial Futures & Options Exchange; Chairman of Electra Private Equity plc, Chairman of Resolution plc, Chairman of the Advisory Board of the Armed Forces Common Investment Fund, Chairman of Waverton Investment Trust plc and a Director of Climate Exchange plc. He was also Member of the Court of the Bank of Ireland, Director of the Financial Services Authority and a Trustee of the Winston Churchill Memorial Trust

Robert Bland DL was a Director of Midlands Wood Fuel Limited from 2010 to 2016, a profitable premium grade wood fuels supplier acquired by AMP in 2016. He is Chairman of both Oakley's Ltd and Oakley's Fuel Oils Ltd, two companies specialising in the distribution of professional ground care and garden machinery and of heating oils and automotive fuels respectively. Mr Bland was instrumental in the formation of The Wood Heat Association, a UK trade association for businesses active in the wood heat industry which was launched as a subsidiary of the Renewable Energy Association in 2014.

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

**Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.**

Neil Eckert has been Executive Chairman of AMP since the Company was admitted to AIM in 2014. Individual assessments of all members of the AMP team are ongoing to ensure that:

- They are committed to the progress and long-term success of AMP
- Their contribution is meaningful and effective
- They are progressing within their role
- High standards of ethics and compliance within the regulatory framework
- If relevant, they maintain their independence

Due to the close-knit working environment and size of the AMP team, assessment is done on an ongoing and ad-hoc basis. The above is a non-exhaustive list.

**Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

In June 2014 the company adopted a schedule of Matters Reserved for the Board. This includes the approval of Group strategy and policies, major acquisitions and disposals, major capital projects and financing, Group budgets and material contracts entered into other than in the ordinary course of business, reviewing the functioning of the internal control environment and reviewing corporate governance arrangements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. It also retains oversight of the risk management and internal control systems with the aim that these are sound and protect shareholders' interests. This is kept under review by the Audit Committee under its terms of reference.

The Board and directors take a forward-looking, proactive approach to culture within AMP in order to achieve a level of discipline that aides with the management and oversight of risk of the business. There are several values that are important to AMP including:

- Promoting a culture of respect and tolerance: team members at AMP work well together across a broad range of projects; being a team player, honesty and straightforwardness in the office and among employees are values that are highly regarded at AMP.
- Importance of the customer: at AMP we recognise that the business would fail without the loyalty of our customers. Overall customer satisfaction is monitored through customer satisfaction surveys, so we are able to note areas of strength and improve areas of weakness.
- Innovation: there is a strong research and development theme at AMP in order to continue to develop ways to provide renewable energies to our customers.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

The Board provides strategic leadership for the group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the group implements in its business plans.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. During the period there were nine Board meetings. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar on the one hand, and its trading calendar on the other, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings on an ad-hoc basis as and when required.

*The Audit Committee*

The Committee is responsible for monitoring the integrity of the financial statements of the company including those which are relied upon by the Board. The Committee reviews the company's corporate reporting, risk management, financial statements and internal financial controls, considers the need for internal audits and the scope and planning of external audits and the findings of the audits and keeps under review the company's relationship with the external auditor.

*The Remuneration Committee*

The purpose of the Committee is to recommend to the Board the company's general policy on remuneration and in particular to determine the remuneration packages for the Executive Chairman and the Executive Directors.

*The Nomination Committee*

The purpose of the Committee is to review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board and make recommendations to the Board with regard to any changes.

*The Role of the Board, Executive Chairman and Chief Executive Officer*

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board: responsibility for overall Group strategy, approval of major investments, approval of annual and interim results, annual budgets, dividend policy and Board structure. The Board also monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, along with their annual budgets and their performance.

The Executive Chairman has overall responsibility for corporate governance and promoting high standards throughout the Group. Leading and chairing the Board is another key responsibility by ensuring that the committees are properly structured, quorate and have the appropriate information and resources with which to perform their functions. The Executive Chairman is instrumental in developing strategy and setting objectives for the Group and overseeing communication between the Group and its shareholders.

The Chief Executive Officer provides leadership and management to the Group. The CEO pushes the development of objectives, strategies and performance standards whilst also overseeing and managing key risks that may be present and also keeps the Board updated on employee and other key stakeholders on relevant matters. Investor relations are another key role to ensure that communications with the Group's existing shareholders and financial institutions is maintained.

The Chief Financial Officer is responsible for implementing and delivering the strategy and operational decisions as agreed on by the Board, making operational and financial decisions required in the day-to-day operation of the group.

The Company Secretary is responsible for providing a clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group continues to evolve.

**Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company communicates with shareholders through the Annual Report and Accounts, full and half yearly announcements, the AGM and one-to-one meetings with larger existing or potential new shareholders. AMP's Investor Relations team's key function is to encourage shareholder interaction and listening to feedback. Furthermore, a large range of corporate information, including all Regulatory News Service announcements and presentations, are available to shareholders, investors and the public on AMP's website: [www.amplc.co.uk](http://www.amplc.co.uk)

The Company communicates with institutional investors through regular briefings with management which usually happen around the end of year and interim financials. The Board is kept updated on key stakeholder views through the briefings by management, investor relations and the Company's brokers. The analysts' notes and brokers' commentary on market sentiment are also reviewed to achieve a wider understanding of investors' views.