

SECTION 172 STATEMENT

Drax Pumped Storage Limited

Companies Act, Section 172 statement

The Directors have a duty to promote the success of the Company, having regard to a range of matters and stakeholders. The Board is responsible for ensuring effective engagement with stakeholders it recognises that decisions taken today will have an impact upon stakeholders, as well as shape the longer-term performance of the business. Appropriate consideration is important in enabling Drax to deliver positive outcomes for the climate, nature and people, and to deliver sustainable value creation.

Examples of how the Board have had regard to the matters set out in Section 172 are set out below. Comprehensive details in respect of stakeholders identified across the Drax Group plc group (the “Group” or “Drax”) and how we engage with them and have regard to their interests, can be found from page 33 to 36 in the Drax Group plc 2023 Annual Report and Accounts.

The likely consequences of any decision in the long term

Our purpose is to enable a zero carbon, lower cost energy future. With multi-year time horizons for many of our strategic and investment decisions, we recognise that these decisions can have an impact far beyond our business and well into the future. Our decisions support the Group’s long-term strategy: to be a global leader in sustainable biomass pellets; to be a global leader in carbon removals; and to be a UK leader in dispatchable, renewable power.

The interests of the Company’s workforce

Engaging with our colleagues is a priority and starts with listening to, and better understanding, their views. Established in 2019, our workforce engagement forums (“MyVoice Forums”) are a valuable way for the Board and senior management to undertake such engagement. The MyVoice Forums are made up of colleague members from each part of our business, to ensure representation for every function. They provide us with a view of colleague sentiment and key topics that are on colleagues’ minds. In 2023, to support the implementation of our listening strategy, we moved to a new colleague survey platform that will help us track cultural metrics which we believe can help identify areas of improvement for colleague experience. In addition, during 2023, we worked on responding to our key actions from 2022 through our new Wellbeing, Diversity, Equity and Inclusion and Community strategies.

A member of the senior leadership team and an HR representative support these forums and attend each meeting. The MyVoice Forum chairs meet with the Chair and CEO of the Group to discuss colleague sentiment and to provide feedback on key topics. Each of these meetings features a discussion about the feedback on topics previously agreed to be important to the workforce. Topics discussed in 2023 included BECCS, the ongoing cost-of-living crisis, wellbeing of employees, and the new community strategy.

We also maintain regular dialogue with our workforce through our colleague briefings, weekly updates from the Group CEO with a question-and-answer section responding to colleague questions, our engagement surveys, and communication about the Group’s strategy, plans and performance. During 2023, communications included updates about progress against the Group-wide scorecard, which includes KPIs in relation to financial, strategic, safety and sustainability performance. Annual bonuses for colleagues are linked to the scorecard performance, ensuring that employee reward and Group performance are aligned. We actively encourage participation in the Group-wide all-employee Sharesave scheme, offering the maximum discount of 20% and waiving any length of service requirements.

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The need to foster the Company's business relationships

Suppliers

Our relationships with relevant suppliers are governed by contracts that include compliance with relevant regulatory and legal requirements, anti-bribery and corruption, modern slavery and supplier code of conduct, to which suppliers are expected to adhere. These are regularly reviewed by our Procurement, Legal, and Business Ethics functions. Drax has also signed up to the Prompt Payment Code, and monitors performance to both continue to improve payment performance and maintain positive supplier relationships.

Regulators and network operators

Engagement with Ofgem, DESNZ, and the Electricity System Operation allows us to promote the delivery of a secure, reliable energy system offering best value for consumers. Engagement with Ofgem, environmental agencies and the ICO enables us to promote best practice and ensure we remain compliant with latest guidance.

The impact of the Company's operations on the community and the environment

Tackling climate change is at the heart of our purpose, and our strategic objectives are aligned to global renewable energy and decarbonisation agendas. Our Group ambition is to become carbon negative by 2030. For more information see pages 50 to 55 in the Drax Group plc 2023 Annual Report and Accounts.

We believe strong community relationships and effective engagement strengthen our ability to operate effectively. We engage regularly with communities through supporting local initiatives and holding drop-in sessions. To read more about our positive social impact across the Group, see pages 33 to 39 in the Drax Group plc 2023 Annual Report and Accounts.

Drax is committed to being a good neighbour in the communities where we operate. We achieve this by combining active community engagement with corporate giving. In 2023, the Drax Foundation was established to provide grant funding for non-profit organisations that share our commitment to improving equitable access to STEM education, community green spaces, and renewable energy. We prioritise projects and programmes that support underrepresented and underserved groups.

The desirability of the Company maintaining a reputation for high standards of business conduct

At Drax, we are committed to conducting business ethically, with honesty and integrity. We do not condone any behaviour that could lead to actual or perceived bribery or corruption.

Our business ethics compliance framework identifies the behaviours expected from colleagues on a broad range of topics. In 2023, we strengthened our Ethical Due Diligence programme by establishing a second line assurance structure and activity plan. Additional training was provided on Business Ethics and Privacy to 'high risk' teams to reinforce our resilience. For more details on how the business ethics programme is managed, see pages 70 to 71 of the Drax Group plc 2023 Annual Report and Accounts.

The need to act fairly as between members of the Company

Our ultimate parent company is Drax Group plc and therefore we act in the best interests of our immediate and ultimate parent companies and, in doing so, in the best interest of the investors and shareholders of the Group.

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This ensures that the interests of all relevant stakeholders, and the need to act fairly between members of the Company, are considered during decision-making.

Engagement with shareholders of the Group allows us to understand the concerns and priorities of current and prospective investors, in areas such as climate change; sustainability; executive pay; dividends; longer-term capital allocation policy; and strategy, which are taken into account in our decision making.

This report was approved by the Board on 26 June 2024 as part of the Company's 2023 Annual Report and Accounts.