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Drax Group plc  
**Modern Slavery  
Statement 2018**

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## Introduction

*"We believe in doing the right thing"*

Drax Group has over 2,700 employees and operates an integrated value chain across three principal areas of activity in the US and the UK: sustainable wood pellet production; flexible, low carbon and renewable energy generation; and energy sales and services to business customers. Our activities are underpinned by safety, sustainability and operational excellence.

- We are committed to conducting business with honesty, integrity and in accordance with applicable laws and regulations.
- We have clear policies and standards in place to safeguard our employees, temporary employees and contractors.
- We respect our employees' rights in areas such as freedom of association and collective bargaining.
- We do not tolerate any form of human trafficking, forced or bonded labour or the exploitation of children or vulnerable persons in our own business or our supply chains.

This is our third Modern Slavery Statement as required by the UK Modern Slavery Act.

In this, we outline the progress made in 2018 and the improvements planned for 2019.

**Further information on Drax Group, and earlier Modern Slavery Statements, can be found on our websites**

- [www.drax.com](http://www.drax.com)
- [www.havenpower.com](http://www.havenpower.com)
- [www.opusenergy.com](http://www.opusenergy.com)
- [www.draxbiomass.com](http://www.draxbiomass.com)

## Governance structure and modern slavery programme

*"We're committed to identifying and addressing modern slavery that could be connected to our business and supply chain"*



### Governance

Our Group Ethics and Business Conduct Committee ("EBCC"), a subcommittee of the Executive Committee, oversees our modern slavery programme. An annual report on the activity and decisions of the EBCC is provided to the Audit Committee, which comprises executive and non-executive directors.

The EBCC has approved a protocol, based on guidance from the Home Office, that must be followed if modern slavery is discovered in our business or supply chain. Whilst no cases have been escalated to date, we continue to work with our employees and suppliers to raise awareness and promote transparency in our supply chains.

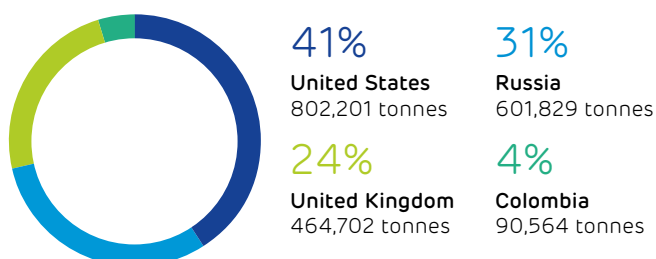
## Risk assessment

Our progress in 2018:

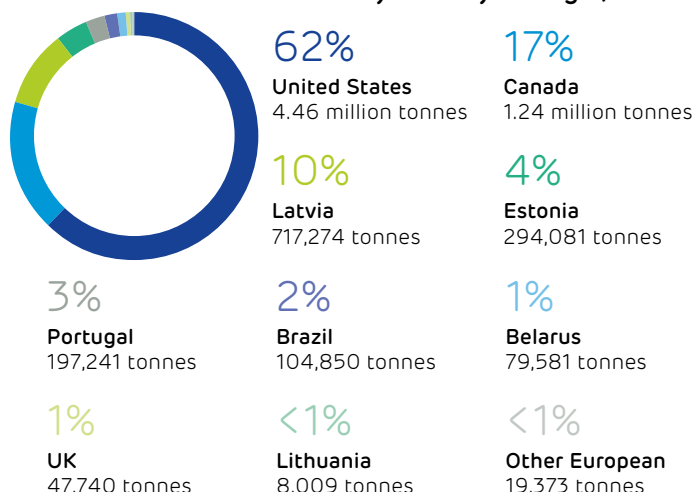
- We completed our annual risk assessment, in line with Home Office guidance.
- We updated our Group-wide modern slavery risk register. The register is reviewed on an ongoing basis by our Modern Slavery Working Group, with oversight provided by the EBCC.
- We implemented a new counterparty due diligence platform across the Group. This enables an initial supplier risk assessment to be carried out against various indices, including the Global Slavery Index:
  - If a supplier is incorporated in, or operates in, a high-risk jurisdiction for modern slavery, then our supplementary modern slavery survey is issued for completion and subsequent scrutiny by the relevant due diligence team.
  - The survey includes questions on underage workers, employee rights and freedoms, use of foreign and migrant workers, due diligence processes, policies and procedures.
  - The platform also enables us to add affiliate companies and associated persons (i.e. Directors, Shareholders, Ultimate Beneficial Owners) to a potential supplier so that they can be risk assessed and continually monitored too, where appropriate.
- We received the output of a report, commissioned from an independent third party, to assess human rights in the forestry supply chain. The report was to better understand the risks associated with our woody biomass procurement:
  - Several recommendations, such as more in-depth assessment of our freight and logistics supply chains, were highlighted to enhance our approach.
  - We implemented several of the recommendations in 2018 and will complete implementation during 2019.

From a geographical risk perspective, we consider our higher-risk supply chains as those that relate to our fuel supply. These supply chains continue to be the focus of additional due diligence. We review the output of our biomass onsite visits and seek to improve our approach where appropriate.

### Drax coal sourcing by country of origin, 2018



### Drax biomass feedstock mix by country of origin, 2018



## Due diligence

### Country approval

Geographic risk is factored into our country due diligence and third party due diligence systems. Conducting business in higher risk countries must receive prior approval from the Group Operational Risk Management Committee.

### Supplier approval

Following country approval, potential suppliers residing in those jurisdictions can be put forward for due diligence. Further strengthening our due diligence process, we moved to a new platform in 2018. This platform is used by all our business units, both in the UK and the US. Due diligence checks are carried out on the supplier and, where appropriate, its associated persons and supply chain. Should concerns be identified during the process, enhanced due diligence may be procured from a specialist service provider, before escalation to the EBCC for a decision on whether to appoint the supplier.

We use the platform to perform both the initial due diligence and continuous monitoring of suppliers. Monitoring alerts are reviewed by designated employees at the local business unit and escalated to the Business Ethics team.

We engage with suppliers in many different industries including forestry, mining, freight and logistics, engineering, construction, IT and site services. Whilst we have reasonable transparency over our fuel supply chains, mapping the supply chain for the component parts of items, such as smart meters or a replacement turbine, is much more challenging. In these circumstances, we seek to ensure due diligence is carried out on our contractual counterpart and endeavour to include obligations within our agreements to cascade our standards to our suppliers' sub-contractors (reference section – Supplier contracts).

In 2019, we plan to:

- Further enhance our due diligence process and procedures, including optimising the functionality of our due diligence platform.
- Benchmark available tools, to facilitate the mapping of more challenging supply chains (involving multiple components from industries and countries where there is an increased risk of modern slavery).

## Modern slavery instances

No instances of modern slavery were identified in 2018. One media monitoring alert was investigated and closed following direct engagement with the counterparty and receipt of satisfactory assurances.



## Policies and procedures

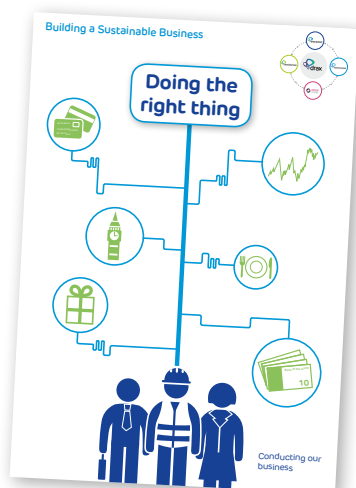
We expect our people to work in accordance with our business values. Our HR policies and procedures ensure our people have the appropriate rights to work and are employed in accordance with applicable legislation.

We provide online access to our [“Doing the right thing” handbook](#).

This mandatory, principles-based policy forms part of our compliance framework and sets out our values and the behaviours expected from our people. The handbook is supplemented by additional policies and procedures that provide further information and guidance on the obligations applicable to the Group and how we aim to comply with them. We have a Corporate Crime policy in place that provides specific detail in respect of modern slavery, in addition to our due diligence procedure.

Should an employee fail to meet the standards expected by the business, it will be fully investigated in line with the relevant terms of employment and disciplinary procedures.

In 2019, we will develop improved guidance for employees and suppliers in the form of a Group Code of Conduct.



## Employment practices

A safe and healthy workplace is paramount to our business. Our “creating a great place to work” people strategy focuses on developing skills and talent, valuing our people and driving business performance. Our employees are at the heart of our success and are key enablers of our business strategy and our ethical culture.

Our employees benefit from a range of policies to support them in the workplace. These include policies designed to enable different work and lifestyle preferences, to encourage employees to raise any grievances or concerns, and to support a diverse, inclusive and ethical workplace.

Drax Group maintains high standards in its employment practices and we strive to give employees employment security. A high proportion of our employees are on permanent contracts.

Although the risk of modern slavery taking place within our business is much lower than through our supply chain, our recruitment procedures nevertheless incorporate several steps that are designed to eliminate such risks. These include:

- Carrying out “right to work” checks and ensuring that agencies used to supply temporary workers carry out equivalent checks.
- Carrying out pre-employment checks to verify the identity of prospective employees and to ensure that such employees are aged over 16.
- Ensuring that an employment contract is in place prior to the commencement of employment at Drax Group.

Overall, 19% of the workforce across the Group is covered by a collective bargaining agreement. For the rest of the workforce, employee forums are in place, enabling a two-way dialogue between the business and our employees. We maintain healthy relationships with our trade union partners and attend monthly meetings to discuss potential issues that may affect members. Matters such as terms and conditions of employment, learning and development and business change are discussed at these meetings. Annual pay and conditions of employment negotiations are also undertaken.

We communicate with employees on a formal and informal basis, including through posters and leaflets, our internal intranet, a quarterly newsletter and open forum meetings involving members of the senior leadership team. Each week the CEO takes questions from across the Group on a wide range of topics. His responses are shared with the whole workforce.



## Supplier contracts

Provisions on human rights and modern slavery have been incorporated into our Corporate Responsibility Statement.

Suppliers are expected to have policies and procedures in place that aim to safeguard against direct or indirect engagement in activities that would constitute an offence under the Modern Slavery Act 2015.

In 2019, we will develop improved guidance for employees and suppliers in the form of a new Group Code of Conduct. A Group led, targeted supplier audit programme is also scheduled to commence in Q1 2019.



## Awareness and training

Our progress in 2018:

- Over 3,000 people received training via a series of six short videos, reflecting the content of our 'Doing the right thing' handbook. These videos, which include information on modern slavery and the tell-tale signs of modern slavery, were deployed to all Group, temporary employees and office-based contractors. Mandatory completion with a re-call test was required.



- Members of our Business Ethics and Procurement teams attended the 3rd and 4th Modern Slavery & Human Rights in Supply Chain Conferences, arranged by Front Group. Relevant best practice was shared with our Modern Slavery Working Group to assess and, as appropriate, add to our programme of works.
- Our Group Sustainability team has continued its programme to promote modern slavery awareness when conducting biomass supplier site visits and to reinforce our ethical requirements.
- Articles on "the UN Global Compact principles" and "the importance of third-party due diligence" have been published on our Group intranet, to improve colleague awareness of our human rights commitments.
- A modern slavery specific eLearning package was selected and is due to be added to the Group's Learning Management System in 2019. This package will initially be assigned, as mandatory learning, to teams at higher risk of encountering modern slavery. It will also be used to provide annual refresher training.



## "Speak up" culture

We encourage those working on behalf of Drax Group to challenge unethical behaviour and promote a "speak up" culture. Concerns can be raised with line managers, the Business Ethics team or a member of the EBCC.

An independently operated whistleblowing hotline is also available, enabling employees to raise concerns anonymously. Those expressing genuine concern will not be exposed to sanction by the company. We provide contact details for suppliers wishing to "speak up" in our Corporate Responsibility Statement and will strengthen this with the publication of our Group Code of Conduct in 2019.

We take allegations of any type of unethical or illegal behaviour very seriously. Issues raised to the Business Ethics team are investigated and reported to the EBCC.

In 2018, no concerns relating to modern slavery were raised through our reporting processes.



## Working together

*"We seek to work in partnership with others to strengthen our learning and approach"*

### Sustainable Biomass Program

In 2013, Drax co-founded the Sustainable Biomass Program (SBP) together with six other energy companies. The SBP is a certification system designed for woody biomass, mostly in the form of wood pellets and wood chips, used in industrial, large-scale energy production.

SBP proactively encourages the adoption of standards and due diligence processes that promote human rights. For suppliers to be approved under the certification scheme, they must satisfy multiple requirements, including those relating to modern slavery due diligence.

Further information on the Sustainable Biomass Program can be found on their [website](#).

### Bettercoal

Drax is an engaged member of Bettercoal. Bettercoal is a global, not-for-profit initiative established by a group of major European utilities to promote the continuous improvement of corporate responsibility in the coal supply chain.

The organisation provides greater assurance that the coal we procure comes from mines that take a responsible approach to safeguarding workers, communities and their local environment.

Further information on Bettercoal can be found on their [website](#).

### UN Global Compact

In 2018, we became participants in the UN Global Compact (UNGC). The UNGC is a voluntary corporate sustainability initiative that encourages businesses worldwide to adopt sustainable and socially responsible practices. In addition to our general participation, we are members of both the UNGC's Advisory Group (which governs the UK Network) and its Modern Slavery Working Group. Such involvement enables us to collaborate with and benchmark our activities against our peers.

Our Annual Report for financial year end 2018 will contain the detail required for our "UNGC Communication on Progress", including the actions taken to demonstrate our commitment to the ten UNGC principles and the Sustainable Development Goals we are actively progressing.

Further information on the UNGC can be found on their [website](#).



### Stakeholder engagement

Like many businesses, we have a diverse group of stakeholders who are affected by our global activities. These include our shareholders, employees, temporary employees, contractors, customers, suppliers, communities, government regulators and policymakers, academia, non-governmental organisations (NGOs) and opinion formers.

We conduct an ongoing mapping exercise to assess how the stakeholder landscape is developing and to ensure we are recognising and responding to the expectations of a broad range of stakeholders across our businesses.

### Supply Chain Sustainability School

We invited the Chair of the Supply Chain Sustainability School ("SCSS") to one of our Modern Slavery working group meetings. The session improved understanding of the SCSS's activities, prompted discussion on process improvements and identified opportunities to strengthen our relationship with the SCSS.

### Modern Slavery registries

In 2018, we engaged with the [Modern Slavery Registry](#) and [TISCreport.com](#) to improve the transparency of our Modern Slavery Statement reporting.

### Charitable donations

We have a practice of collecting Christmas gifts provided by suppliers and raffling them to raise funds for charity.

In December 2018, the Salvation Army was selected to be the beneficiary because, amongst other reasons, of their work to support victims of modern slavery.

## KPIs and looking ahead

*“We are committed to continual improvement and aim to strengthen our compliance programme year on year”*

### Key Performance Indicators (KPIs)

We have internal modern slavery KPIs that measure the effectiveness of our compliance programme. Our EBCC is consulted on progress and performance.

2018 KPI	Progress
<b>Employee training levels</b>	Building on our 2016/2017 programme for teams at higher risk, in 2018 all employees, temporary employees and office-based contractors received training. Over 3,000 trained to date.
<b>Identify and use opportunities for collaboration to verify and resolve risk issues</b>	Participation in the UN Global Compact secured in January 2018, including membership of their Modern Slavery working group. Also engaged with: The Supply Chain Sustainability School, Front Group (including other conference participants), International Maritime Organisation and others.
<b>Steps taken to upskill our high-risk suppliers</b>	Our Sustainability team have continued their programme to promote modern slavery awareness when conducting biomass supplier site visits.
<b>Actions taken to strengthen our supply chain auditing and verification</b>	Continuation of relationships with SBP and Bettercoal, including review of their audit materials. New due diligence platform and procedure implemented across the Group. A Group led, targeted supplier audit programme scheduled to commence in Q1 2019.
<b>Investigations undertaken into reports of modern slavery and remedial actions taken</b>	Escalation protocol (based on Home Office guidance) approved by the EBCC. One potential media monitoring alert followed up and adjudicated.
<b>Maintain up to date due diligence information on supply chains that are high risk for modern slavery</b>	Refresher due diligence questionnaires issued and chased as necessary.

### Planned initiatives for 2019

In 2019, we will explore strengthening our activities in human rights and modern slavery. This will include:

- Finalising the actions identified in the “Assessing Human Rights in the Forestry Supply Chain” report.
- Implementing a Group-led, targeted supplier audit programme, to complement our existing third party led audits.
- Further enhancements to our due diligence process and procedures, including optimising the functionality of our due diligence platform.
- Publishing a Group Code of Conduct for employees and suppliers.
- Benchmarking available tools, to facilitate the mapping of more challenging supply chains (involving multiple components from industries and countries where there is an increased risk of modern slavery).
- Strengthening our eLearning offering to teams at higher risk of encountering modern slavery.
- Integrating Drax Generation Enterprise Limited (following our acquisition of ScottishPower assets on 31 December 2018) into our modern slavery programme.

## Statement approval

We consider that the measures being taken, in conjunction with our overall commitment to doing the right thing, demonstrates an effective approach to identifying and addressing modern slavery that could be connected to our business and our supply chain.

This statement has been approved by the Drax board of directors and is made according to the requirements of section 54, part 6 of the Modern Slavery Act 2015 for the year ended 31 December 2018.

This statement applies to all companies within the Drax Group that are required to have a Modern Slavery Statement including:

- Drax Power Limited
- Haven Power Limited
- Opus Energy Limited
- Opus Energy (Corporate) Limited
- Opus Energy Renewables Limited
- Opus Gas Supply Limited
- Drax Smart Sourcing Holdco Ltd
- Drax Smart Supply Holdco Ltd
- Drax Corporate Ltd
- Drax Group Holdings Ltd
- Opus Energy Group Ltd

Following the acquisition of assets on 31 December 2018, Drax Generation Enterprise Limited will be integrated into the Group's modern slavery programme during 2019 and will be included in the 2019 statement.

This statement was signed by:

**Will Gardiner**  
**Chief Executive Officer**  
**Drax Group plc**

18 March 2019