

Drax Group plc
**Modern Slavery
Statement 2017**

Background

“We believe in doing the right thing”

Drax Group plc is helping change the way energy is generated, supplied and used for a better future. The Group has more than 2,300 employees and operates an integrated value chain across three principal areas: sustainable wood pellet production; flexible, reliable electricity generation; and energy sales and services provision to business customers.

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 and contractors. We respect our employees’ rights in areas such as freedom of association and collective bargaining and we do not tolerate forced, compulsory or child labour.

We are establishing working practices that enable us to monitor and reduce modern slavery risk within our business and supply chains. Last year, we published our first Modern Slavery Statement as required by the UK Modern Slavery Act.

In this document we describe the progress made in 2017 and the improvements we aim to progress during 2018. This statement is made in compliance with Section 54 of the Modern Slavery Act 2015 and constitutes the Group’s slavery and human trafficking statement for the financial year ending December 2017.

Our approach

“We’re committed to identifying and addressing modern slavery that could be connected to our business and supply chain”

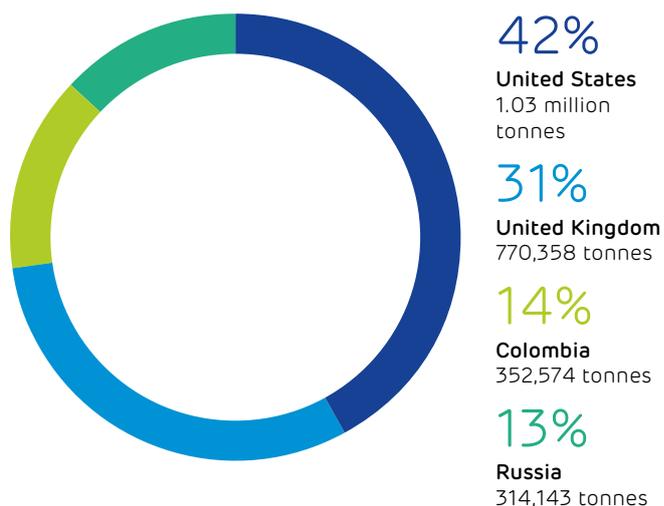
Risk assessment

A supplier risk assessment was completed to identify geographic and industry specific risks that had the potential to impact our supply chains. Our compliance programme initially focused on direct suppliers linked to these higher-risk geographies and industries.

Whilst no instances of modern slavery were identified, we acknowledge that our supply chains include countries with a moderate to high risk exposure rating, as identified by the [Global Slavery Index](#)¹. Examples being Russia, Colombia, Latvia and Estonia.

In 2017 we requested that suppliers incorporated in these jurisdictions complete a new modern slavery survey as part of an updated due diligence process. We will expand this work as part of our compliance programme in 2018.

Drax coal sourcing by country of origin, 2017



¹The Global Slavery Index is an annual study of world-wide slavery conditions by country published by the Walk Free Foundation

Due diligence

Our supply chain is complex. We engage with suppliers in many different industries including forestry, mining, freight and logistics, engineering, construction, IT and site services.

Before commencing business with a supplier in a new jurisdiction, a country assessment is performed and presented to a risk management committee for consideration and approval. This assessment takes account of various risk factors, including human rights standards² and the prevalence of modern slavery.

Due diligence checks are carried out on the supplier and its associated persons. Should concerns be identified during the process, further detailed analysis may be procured from a specialist service provider, prior to escalation to the Group Ethics and Business Conduct Committee for decision.

We use a third party platform to perform continuous monitoring of our suppliers. Alerts raised by the platform are provided to our compliance team for assessment. To further strengthen our due diligence process, we intend to move to a new platform in 2018.

In 2017, Drax Power Limited began to implement a new procurement supplier registration system. Prior to registration, potential suppliers will be required to satisfactorily complete a due diligence exercise covering modern slavery and human trafficking. Once embedded, we will monitor the performance of the new system and consider implementation across the Group.

Policies and procedures

We expect our people to work in accordance with our business values. Our policies and procedures seek to 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 document forms part of our compliance framework. It sets out our values and the behaviours expected from our people.

The handbook is supplemented by various policies and procedures that provide additional information and guidance on the obligations applicable to the Group and how we aim to comply with those obligations. We have a policy in place that provides specific detail in respect of modern slavery.

Contracts

Provisions on human rights and modern slavery have been incorporated into our [Corporate Responsibility Statement](#).

Suppliers must commit to having 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.

Training

During 2017, a classroom based modern slavery awareness package was developed and rolled out to teams at a higher risk of encountering modern slavery. The package provides awareness of modern slavery indicators that may help identify issues within our supply chain.

Modern slavery awareness has also been incorporated into our standard contract owner training package. In addition, our biomass sustainability team have commenced a programme to promote modern slavery awareness when conducting biomass supplier site visits.

"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 compliance team or a member of the Group Ethics and Business Conduct Committee.

An independently operated whistleblowing hotline is available, enabling internal stakeholders to raise concerns anonymously. Those expressing genuine concern will not be exposed to sanction by the company.

We take allegations of any type of unethical or illegal behaviour very seriously. Issues raised to the compliance team will be investigated and reported to the Group Ethics and Business Conduct Committee, which is chaired by our Chief Financial Officer.

In 2017, no concerns relating to modern slavery were raised through our reporting processes.

² The country assessment incorporates multiple indices including the Physical Integrity Rights Index, the Empowerment Rights Index and the Global Rights Index

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 its [website](#).

Bettercoal

Drax is an actively 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 its [website](#).

UN Global Compact

During 2017, we commenced a programme of work to become a participant 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 line with participation requirements, we will produce an annual "Communication on Progress" from 2019, detailing actions taken to demonstrate our commitment to the ten UNGC principles including areas such as labour and human rights.

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

Stakeholder engagement

Like many businesses, we have a diverse group of stakeholders who are affected by our activities across the United Kingdom, Europe and the US. These include our shareholders, employees, customers, suppliers, communities, government regulators and policymakers, academia, non-governmental organisations (NGOs), opinion formers and the media.

We conduct an ongoing mapping exercise to assess how the stakeholder landscape is developing and to ensure we recognise the expectations of a broad range of stakeholders. This helps us to do the right thing every day across our businesses.

Looking ahead

"We are committed to continual improvement and aim to strengthen our compliance programme year on year"

Planned initiatives for 2018

In 2018, we will explore strengthening our activities in the area of human rights and modern slavery. This will include:

- Moving to a single, Group-wide modern slavery risk register
- Improving modern slavery awareness and delivering refresher training to teams at a higher risk of encountering modern slavery
- Adding a modern slavery feature to a planned Group-wide compliance induction/refresher video
- The development of a Group code of conduct
- The development of a Group supplier code

Key Performance Indicators (KPIs)

We have internal modern slavery KPIs that measure the effectiveness of our compliance programme, including: the delivery of mandatory training; the completion

of risk based due diligence refreshers; and improving awareness and conducting risk assessments during site visits. Our Ethics and Business Conduct Committee will be regularly updated and consulted on progress and performance.

In 2018, we will continue to develop our modern slavery KPIs and seek to incorporate them into wider Group KPIs to provide greater visibility of our performance.

Supplier engagement

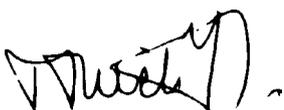
In addition to the improvements identified above, we aim to strengthen our compliance programme by engaging with others to improve our understanding of modern slavery and to benchmark our processes and practices.

Building on our external engagement in 2017, we aim to increase interaction with our supply chain, on fuel procurement activities and the supply of goods and services to the Group. We will continue to engage with our suppliers at higher risk of modern slavery and, going forward, seek to widen engagement across our supply base.

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 ending 31 December 2017. This statement applies to companies within the Drax Group that are required to have a Modern Slavery Statement.



Will Gardiner
Chief Executive Officer
Drax Group plc

May 2018