

Biomass Sustainability

Capital Markets Day

17 October 2013



Agenda

Nigel Burdett – Head of Environment

Sustainable Biomass

Drax Sustainability Policy

UK Legislation



Sustainability

Sustainability underpins everything we do

At the heart of our biomass procurement

Industry-leading sustainability policy

- Implemented in 2008

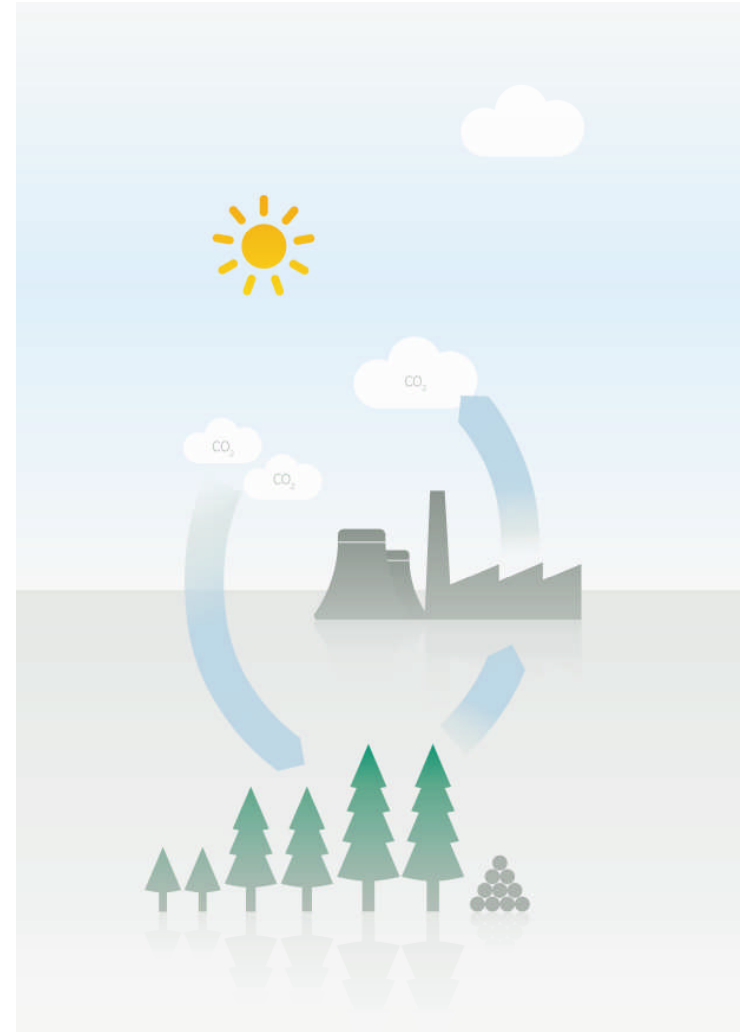
Only burn biomass from sustainable sources

- Delivers major carbon savings

5th year of carbon footprinting all biomass

High level of confidence Drax will comply with UK sustainability standards

- Mandatory from April 2015



Sustainable Biomass

Sustainable biomass is a low carbon fuel

Carbon neutral at point of combustion

- Takes carbon out of the atmosphere when growing and returns it when burnt

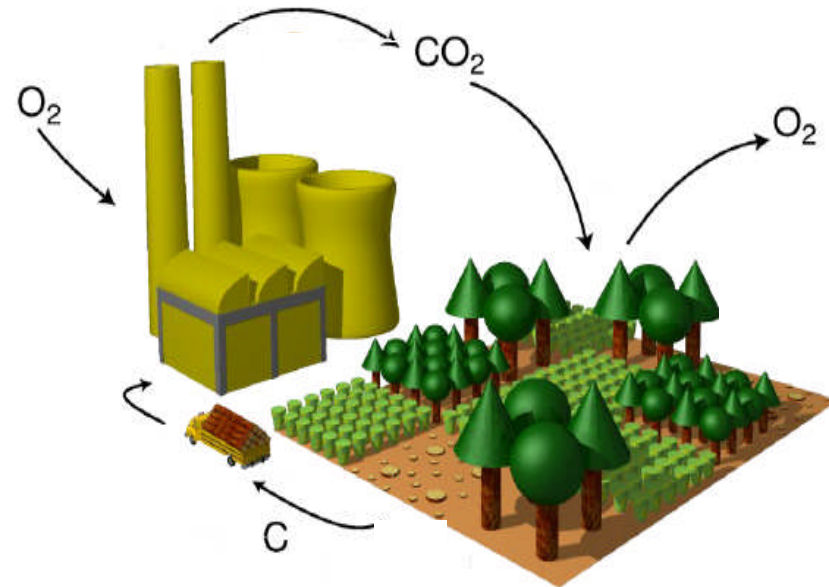
Sourced from sustainably managed forests or agriculture

- More productive and absorb more carbon than undermanaged forests or agriculture
- Maintain / increase carbon stock

Low carbon emissions from supply chain

- Assessment of full life cycle carbon footprint now well developed – forest / field to furnace

Significant carbon savings relative to coal-fired and gas-fired generation



Drax Sustainability Policy

Builds on existing practices in agriculture and forestry

Reject all illegal or non-sustainable biomass

Use of well tried systems and procedures

- Risk assessment on country and catchment area
 - E.g. forest management, local environmental sensitivities
- Pre-contract audits
- Minimum performance standards
 - E.g. carbon stock, life cycle GHG⁽¹⁾ savings, biodiversity protection

Regular independent update audits and own supplier visits

- Compliance assessment
- Policy and risk areas assessment

Annual ISAE 3000 audit to confirm compliance

(1) GHG = greenhouse gas



Drax Sustainability Policy Objectives

- **Contributing to a significant reduction in carbon emissions**
- **Maintaining forest productivity**
- **Not contributing to deforestation**
- **Not using prime agricultural land**
- **Not converting high carbon stock land into use for bioenergy**
- **Using good environmental practices**
- **Not using biomass from highly bio-diverse areas**
- **Not 'land-grabbing'**
- **Not displacing indigenous populations**
- **Contributing to local social well-being**

Legislation

Strongly support introduction of robust mandatory sustainability criteria

UK leading the way in sustainability standards

- Drax integrated into process of UK policy and standard development

UK – mandatory sustainability standards with effect from April 2015

- Carbon footprinting all biomass
 - Trajectory of reducing limits to 2030
- Audited procurement to demonstrate sustainability
- High level of confidence Drax procurement will comply

EU – no mandatory sustainability standards

- EU timber directive in place since March 2013

UK Mandatory Standards – GHG Life Cycle Savings

	Drax Results ⁽¹⁾	UK Mandatory Standards ⁽¹⁾		
	2012	From April 2015	From April 2020	From April 2025
GHG Emissions Saving	80%	60%	72%	75%

Summary

Sustainability underpins everything we do

Industry leading sustainability policy well established

High level of confidence Drax will comply with UK mandatory standards

Future development

Cross-industry cooperation to develop common standards

Full engagement with forestry certification bodies

Expect further development of sustainability reporting and certification as industry grows





Appendix: Sustainability Policy

Sustainability Policy for Biomass



Introduction

Drax aspires to be a leader in the responsible and economic evolution of sustainability in biomass power generation.

We aim to be at the forefront of sustainable biomass practices and have a policy of driving our fuel procurement activities through a set of sustainability principles that are applied across our biomass business.

Sustainability Principles

Our policy is designed to ensure that we can verify that the biomass consumed in our generation facilities has been legally produced and is environmentally sustainable. We will comply, as a minimum, with the sustainability requirements being introduced by the UK Government.

In addition, our procurement process is aimed at ensuring that the production and delivery of biomass will:-

- Significantly reduce greenhouse gas emissions compared to coal-fired generation and give preference to biomass sources that maximise this benefit.
- Not result in a net release of carbon from the vegetation and soil of either forest or agricultural lands.
- Not endanger food supply or communities where the use of biomass is essential for subsistence (for example, heat, medicines, building materials).
- Not adversely affect protected or vulnerable biodiversity and where possible we will give preference to biomass production that strengthens biodiversity.
- Deploy good practices to protect and/or improve soil, water (both ground and surface) and air quality.
- Contribute to local prosperity in the area of supply chain management and biomass production.
- Contribute to the social wellbeing of employees and the local population in the area of the biomass production.

Implementation

These biomass sourcing principles are based on the developing regulatory and policy initiatives of the UK, European Union and other markets. Over time we will seek to amend or improve them by working with accredited bodies to develop the use of internationally recognised standards and principles which will apply to all of our biomass procurement activities. In so doing we hope to foster environmental leadership today and in the future.

Accordingly we will:-

- Use our purchase contracts to ensure our suppliers address these principles and provide Drax with the required information to demonstrate that these sustainability principles are being met.
- Participate with applicable regulatory and policy initiatives to share experience, learn and help shape policy that will ensure sustainable biomass fuels throughout the UK and abroad.
- Systematically review these principles and their application to anticipate, meet and lead sustainability policy in the UK and all the countries in which we operate.
- Engage a qualified third party to implement a rigorous programme of audit and verification of biomass supply chains to ensure compliance against these principles and our policy.

Signed on behalf of Drax Group plc

A handwritten signature in blue ink, appearing to read "Dorothy Thompson".

Dorothy Thompson CBE
Chief Executive, Drax Group plc

August 2013