

Climate Policy

drax

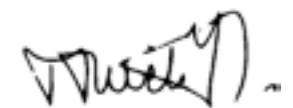
Foreword

Tackling climate change is at the heart of our purpose: to enable a zero carbon, lower cost energy future. Over the last decade we have transformed from one of the largest coal-fired power generators in western Europe to become the UK's largest single site renewable electricity generator and Europe's largest decarbonisation project. We recognise the scale of the challenge that climate change represents and the pivotal role that businesses must play in tackling it, which is why we have a world leading ambition to become a carbon negative company by 2030. By pioneering bioenergy with carbon capture and storage (BECCS) technology, we aim to remove more carbon from the atmosphere than we emit, helping the UK and the world achieve its climate change targets.

Our purpose – to enable a zero carbon, lower cost energy future – means we'll play a leading role in the UK's journey to a net-zero economy

We are committed to the management and disclosure of climate change risks and opportunities in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). We disclose against the four TCFD recommendations in our Annual Report & Accounts and respond annually to the CDP Climate questionnaire.

This policy outlines Drax's approach to integrate effective management of climate-related risks and opportunities into everyday decision-making and delivery of our business strategy.



Will Gardiner, CEO



1. Governance

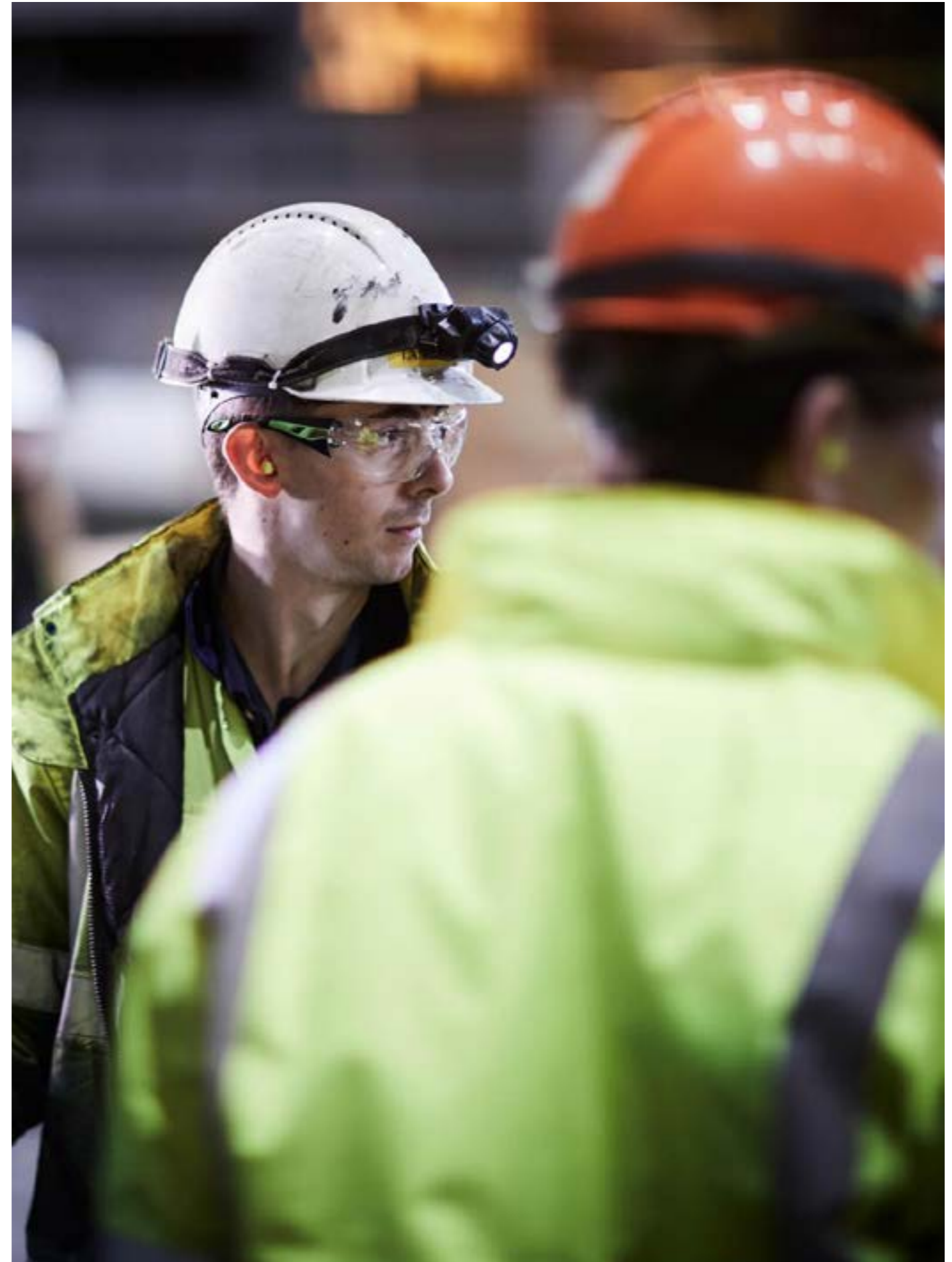
Strong governance that embeds climate change in decision-making at all levels of the business

Our Group governance framework supports effective decision-making and the delivery of our strategy. Climate change in all our practices is a core component of this framework.

The Group CEO oversees and ensures effective implementation of Drax's business strategy. The CEO reports quarterly to the Board on Environment, Social and Governance (ESG) performance, including climate-related matters. The ESG update includes a section from our Head of Sustainable Business, updating the CEO and the Board on climate-related matters and Drax's progress towards our 2030 carbon negative ambition.

Our [Independent Advisory Board](#) provides independent advice on sustainable biomass and its role in Drax's decarbonisation.

We report on climate-related matters within our Annual Report & Accounts and measure performance within the Group's corporate scorecard, which is used to assess executive performance and remuneration.



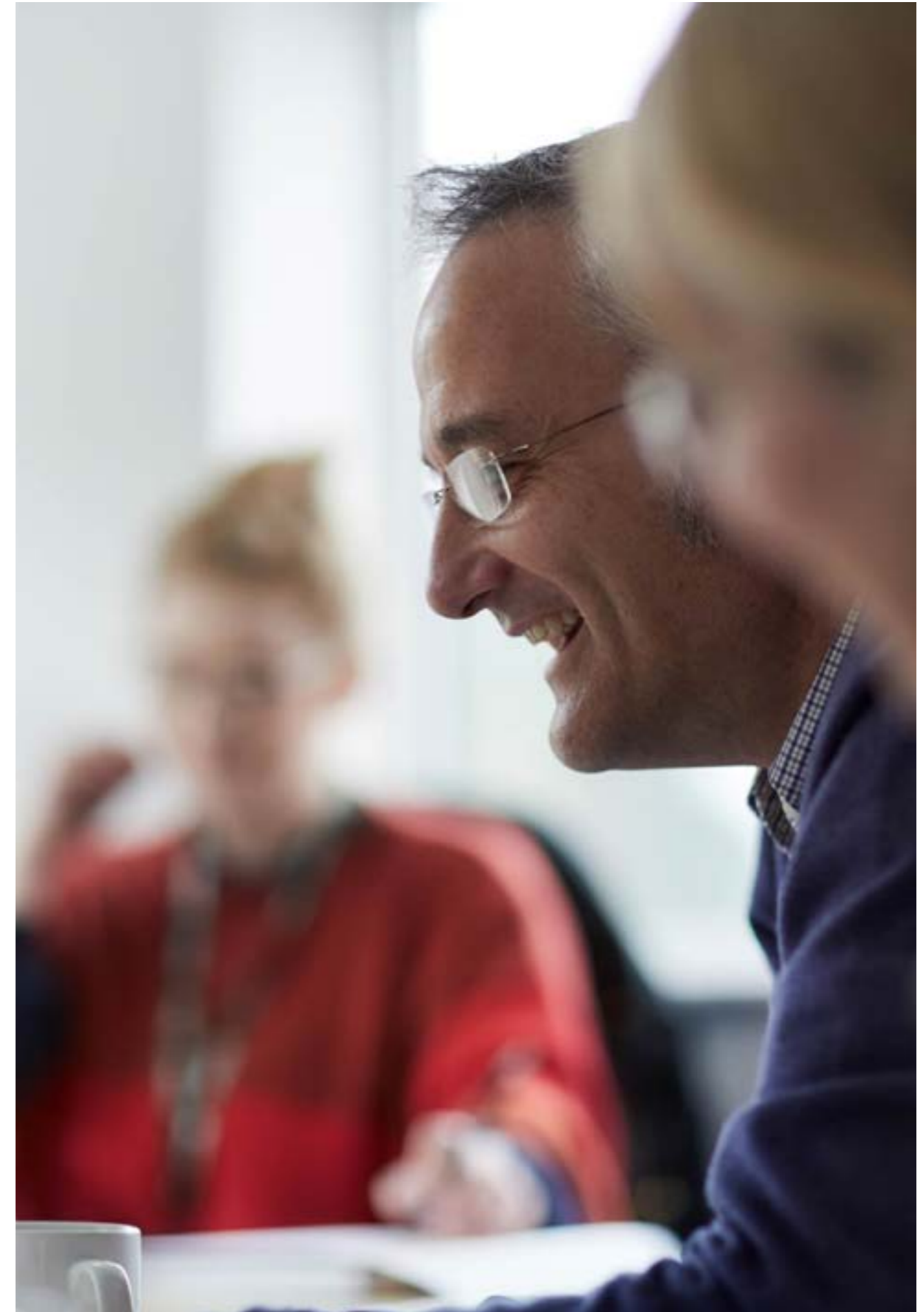
2. Strategy

A purpose, strategy, and ambition that places climate change at the heart of what we do

Our purpose – to enable a zero carbon, lower cost energy future – informs the three pillars of our strategy:

- 1. To build a long-term future for sustainable biomass:** A lower cost biomass supply chain with the potential for carbon negative generation.
- 2. To be the leading provider of power system stability:** A portfolio of dispatchable flexible assets to support the energy system's growing use of intermittent renewable energy.
- 3. To give our customers control of their energy:** Through insight and digitisation we will provide control over energy use and access to markets to optimise use, source and cost.

Our strategy is informed by a range of net zero carbon by 2050 scenarios and supports the UK Government target to achieve net zero carbon emissions by 2050. We will ensure that Drax's strategy continues to align with UK Government policies that are implemented on the journey to net zero. Our ambition is to become a carbon negative company, across our direct business operations globally, by 2030.



2. Strategy

a) To build a long-term future for sustainable biomass

Biomass Conversion

With the end of commercial coal generation at Drax in 2021, we expect to have converted Drax Power Station from the UK's largest coal-fired power plant to a 100% renewable power plant – utilising sustainable biomass to become the largest single source of renewable electricity in the UK. This transformation demonstrates our ability to deliver change and adapt, on time and on budget. Replacing fossil fuel with sustainable biomass to generate power has reduced our Group carbon emissions by over 85% since 2012.

Bioenergy with Carbon Capture and Storage (BECCS)

The Intergovernmental Panel on Climate Change finds that all pathways to limit global warming to 1.5 degrees require carbon dioxide removal technologies. The Climate Change Committee recognises that negative emissions technologies have a critical role to play to deliver the UK Government's target of [net zero](#) emissions by 2050.

[BECCS](#) has an integral role to play in meeting this target. Drax's pilot schemes have already demonstrated CO2 capture on biomass and the potential to deliver up to four million tonnes of negative emissions per unit, giving rise to a carbon negative power station and contributing towards the Group's ambition to be carbon negative by 2030. Our partnership with industry through the [Zero Carbon Humber](#) project could introduce the world's first zero carbon industrial cluster by 2040.

Sustainable biomass supply chain

In North America, we are expanding our sustainable biomass supply chain in tandem with greater control of our sourcing, to further reduce both cost and carbon emissions and to support our world leading biomass sustainability policy. In doing so, we are helping to secure a long-term future for sustainable biomass.

b) To be the leading provider of power system stability

System support

IPCC projections show that, by 2050, up to 85% of generation could come from intermittent renewables, such as wind and solar. Through our flexible and renewable generation portfolio, we are enabling greater deployment of intermittent renewables in the UK by providing increasingly important non-generation services, which we believe the UK will need as the use of intermittent renewables increases.

Asset optimisation

Across our Generation portfolio, we are committed to the continual optimisation of our assets. We evaluate all commercial opportunities and developments environmentally to ensure that our decisions maintain or improve the Group's environmental performance.

c) To give our customers control of their energy

Electrification

The Group's Customers business aims to give our customers control of their energy. We are developing new products and services to transition from an electricity supply business to one that gives customers control of their energy source, use and cost.

3. Risk management

Integration of climate-related risks into our Group-wide risk management approach

The Board is responsible for determining risk appetite and ensuring the effectiveness of risk management and internal controls across the Group.

The assessment and management of climate-related risks is integrated into our Group-wide approach to risk management, as defined by the Group Risk Management Policy. Climate Change is a principal risk category assessed within this approach. The Climate Change principal risk is owned by a member of the Executive Committee and subject to an annual review by the Executive Committee. An analysis of all Principal Risk categories, including Climate Change, is made and presented to the Executive Committee twice a year.

The Audit Committee reviews the suitability and effectiveness of risk management process and controls twice each year. Risks are reported to the Board, and the Board assesses the principal risk categories twice each year.

Key Climate risks and mitigations are disclosed in our [Annual Report & Accounts](#).

4. Metrics and targets

Our ambition is to become carbon negative by 2030

Using technologies such as BECCS, and identifying emissions reduction and efficiency projects, our ambition is to become carbon negative by 2030. We are committed to the Science Based Targets initiative to externally assure that our target is aligned with climate science.

Across our Customers business and facilities, our ambition is to achieve zero carbon by 2025.

Drax will ensure that its targets are aligned with UK Carbon Budgets.

We measure and disclose our Scope 1, 2 and 3 greenhouse gas emissions. We monitor our business performance in other key climate areas such as waste, water, and biodiversity. We disclose data on our key metrics in our [Annual Report & Accounts](#).

