

LR Independent Assurance Statement

Relating to the Drax Group Plc Environmental and Social Governance data for Annual Reporting for the period January 1, 2020 to December 31, 2020.

This Assurance Statement has been prepared for Drax Corporate Limited (hereafter referred to as 'Drax') in accordance with our contract.

Terms of Engagement

Lloyd's Register (LR) was commissioned by Drax to provide independent assurance of selected Environmental and Social Governance data (hereafter referred to as 'Selected Information'), for the period January 1, 2020 to December 31, 2020, against the assurance criteria below, to a limited level of assurance and at a materiality of the professional judgment of the verifier using LR's verification procedure. LR's verification procedure is based on current best practise and is in accordance with ISAE 3000 and ISAE 3410.

Our assurance engagement with Drax covered the following requirements:

- Verifying conformance with:
 - Environmental and Social Governance (ESG) Databook. Drax Group Procedure.
 - World Resources Institute / World Business Council for Sustainable Development Greenhouse Gas Protocol: A corporate accounting and reporting standard, revised edition (otherwise referred to as the WRI/WBCSD Protocol) for the GHG data¹.
- Evaluating the accuracy and reliability of data and information for only the Selected Information listed below:
 - Group Greenhouse Gas (GHG) emissions (Scope 1 and 2);
 - Group GHG emissions (Scope 3);
 - Water abstraction and discharge;
 - Total Recordable Injury Rate;
 - Employment data on headcount;
 - Group energy consumption;
 - Percentage of emissions in the UK;
 - Group generation emissions intensity; and
 - Group emissions intensity.

Our assurance engagement excluded the data and information of Drax's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to Drax. LR disclaims any liability or responsibility to others as explained in the end footnote. Drax's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the Selected Information and for maintaining effective internal controls over the systems from which the Selected Information is derived. Ultimately, the Selected Information has been approved by, and remains the responsibility of Drax.

LR's Opinion

Based on LR's approach, except for the effect of the matters described in the Basis for Qualified Opinion, nothing has come to our attention that would cause us to believe that Drax has not, in all material respects:

- Met the requirements of the criteria listed above; and
- Disclosed accurate and reliable performance data and information in the Selected Information.

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

¹ <http://www.ghgprotocol.org/>

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Basis for Qualified Opinion

- LR did not verify any graphical representation of the selected data.
- The Scope 3 GHG emissions exclude Category 13 Downstream leased assets.
- The Scope 3 GHG emissions have been quantified using software models. These have not been verified by LR. In addition, no evidence was presented to otherwise verify their reliability.
- The Basis of Reporting (Appendix 1 of the Environmental and Social Governance (ESG) Databook (Drax Group Procedure) is available on the webpage: www.drax.com/sustainability.
- Drax Group Plc utilise a rolling base year for the GHG emissions inventory but have not established a quantified recalculation threshold as described in the Basis of Reporting. The 2019 base year has not been recalculated.
- The GHG emissions have been calculated using, where practicable, the Global Warming Potential factors from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report.
- The Drax Biomass Calculator V2.0 that is used to calculate the GHG intensity of wood pellets has been verified to reasonable assurance during a separate assurance engagement. This was not undertaken by LR.
- Drax Power Station has been verified to limited assurance as follows. This was not undertaken by LR. The scope of the verification engagement covered sustainability data reported in Section 5 (Part A - Monthly Biomass Usage Statement) and Section 6 (Part B - Annual Biomass Statement for the period 1 April 2018 to 31 March 2018) of the 'Drax Power Station Unit 1, SC Annual Compliance Report and SC Audit Report, 1 April 2019 to 31 March 2020, Prepared for: Low Carbon Contracts Company Limited, Date: 29 July 2020.
- Drax Power Station has been verified to limited assurance as follows. This was not undertaken by LR. The scope of the verification engagement covered sustainability data reported in Sections 4 (Part A - Monthly Biomass Usage Statement) and Section 5 (Part B - Annual Biomass Statement for the period 1 April 2018 to 31 March 2019) of the 'Drax Power Station (RB) - A,C,E Sustainability Audit Report, 1 April 2019 to 31 March 2020, Prepared for: Ofgem, Date: 18 June 2020.

LR's Approach

LR's assurance engagements are carried out in accordance with our verification procedure and with the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board (December 2013)

The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Review of the evidence pack;
- Conducted virtual interviews with relevant personnel of Drax;
- Review of the data collection and consolidation processes used to compile the Selected Information, including assessing assumptions made, the data scope and reporting boundaries;
- Reviewed a sample of the Selected Information against the corresponding source documentation provided by Drax; and
- Performed a selection of aggregation calculations of the Selected Information.

LR's Recommendations

- Drax are advised to implement prospective validation for any future changes to the data management system, especially associated software including integral spreadsheets.
- Drax need to fully implement formal controls on spreadsheets involved in the data management system.
- Drax should fully implement data quality management system elements that adequately and formally address data errors, omissions and misstatements to ensure effective corrective and preventive action with subsequent analysis and review. This review should also consider any gaps in data driven by internal and external factors and identify and formalise any opportunities for improvement. Any findings from the external assurance report should also be considered and addressed through this review process.
- The Property Portfolio spreadsheet should be improved to further enhance transparency.
- Drax must obtain and retain evidence to demonstrate the reliability of the Scope 3 quantification modelling.

LR's Competence and Independence

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LR (as part of the Lloyd's Register Group Ltd) is:

- Drax Power Limited's certification body for ISO 14001 and OHSAS 18001;
- Drax Generation Enterprise Limited's certification body for ISO 45001; and
- Drax Power Station installation's EU ETS verification body.

The verification and certification assessments, are the only work undertaken by LR for Drax and as such does not compromise our independence or impartiality.

Paul Jackson
LR Lead Verifier
For and on behalf of Lloyd's Register Quality Assurance Ltd
1 Trinity Park, Bickenhill Lane, Birmingham, UK.

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