

SECTION 172 STATEMENT

Drax Pumped Storage Limited

Companies Act, Section 172 statement

The Directors have a duty to promote the success of the Company, having regard to a range of matters and stakeholders. The Board is responsible for ensuring effective engagement with stakeholders it recognises that decisions taken today will have an impact upon stakeholders, as well as shape the longer-term performance of the business. Appropriate consideration is important in enabling Drax to deliver positive outcomes for the climate, nature and people, and to deliver sustainable value creation.

Examples of the how the Board have had regard to the matters set out in Section 172, to the extent relevant to the Company, are set out below. Comprehensive details in respect of stakeholders identified across the Group and how we engage with them and have regard to their interests, can be found from page 27 to 33 in the Drax Group plc 2022 Annual Report and Accounts.

The likely consequences of any decision in the long term

Our purpose is to enable a zero carbon, lower cost energy future. With multi-year time horizons for many of our strategic and investment decisions, we recognise that these decisions can have an impact far beyond our business and well into the future. Our decisions support the Group's long-term strategy: to be a global leader in sustainable biomass pellets; to be a global leader in carbon removals; and to be a UK leader in dispatchable, renewable power.

The interests of the Company's workforce

Engaging with our colleagues is a priority and starts with listening to, and better understanding, their views. Established in 2019, our workforce engagement forums ("MyVoice Forums") are a valuable way for the Board and senior management to undertake such engagement. The MyVoice Forums are made up of colleague members from each part of our business, to ensure representation for every function. They provide us with a view of colleague sentiment and key topics that are on colleagues' minds. In respect of our annual employee engagement survey, our engagement and inclusion scores have improved since 2021. The 2021 engagement survey highlighted that leading change, our social and environmental commitment, and providing opportunities for careers and development are what matter most to our colleagues. In 2022, our survey results showed that good progress has been made on leading change on and careers and development. However, there is more work to do to help build colleague understanding around our social and environmental commitments.

A member of the Group Executive Committee and an HR representative support these forums and attend each meeting. The MyVoice Forum chairs meet quarterly with the Chair and CEO of the Group to discuss colleague sentiment and to provide feedback on key topics.

We also maintain regular dialogue with our workforce through our colleague briefings, weekly updates from the Group CEO with a question-and-answer section responding to colleague questions, our pulse and annual engagement surveys, and communication about the Group's strategy, plans and performance. During 2022, communications included updates about progress against the Group-wide scorecard, which includes KPIs in relation to financial, strategic, safety and sustainability performance. Annual bonuses for colleagues are linked to the scorecard performance, ensuring that employee reward and Group performance are aligned. We actively encourage participation in the Group-wide all-employee Sharesave scheme, offering the maximum discount of 20% and waiving any length of service requirements.

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The need to foster the Company's business relationships

Suppliers

Our relationships with suppliers are governed by contracts that include our minimum standards including compliance with relevant regulatory and legal requirements, anti-bribery and corruption, modern slavery and supplier code of conduct. These minimum standards are regularly reviewed by our Procurement, Legal, and Business Ethics functions. The Group has also signed up to the Prompt Payment Code, and monitors performance to both continue to improve payment performance and maintain positive supplier relationships.

Regulators and network operators

Engagement with Ofgem, BEIS, and the Electricity System Operator allows us to promote the delivery of a secure, reliable energy system offering best value for consumers. Engagement with Ofgem, environmental agencies and the ICO enables us to promote best practice and ensure we remain compliant with latest guidance.

The impact of the Company's operations on the community and the environment

Tackling climate change is at the heart of our purpose, and our strategic objectives are aligned to global renewable energy and decarbonisation agendas. Our Group ambition is to become carbon negative by 2030. For more information see pages 47 to 65 in the Drax Group plc 2022 Annual Report and Accounts.

Drax is an active participant in the communities in which it operates. Strong community relationships and effective engagement strengthen our ability to operate effectively in those regions. We engage regularly with communities through supporting local initiatives and holding drop-in sessions. To read more about our positive social impact across the Group, see pages 28 and 31 to 33 in the Drax Group plc 2022 Annual Report and Accounts.

Drax is committed to being a global force for good. In 2022, the Group approved a proposal to set up a global corporate giving model to support this vision. In 2023, the Group launched the Drax Foundation, which will manage and distribute a fund for community investment and giving across the Group's core territories. Covering the UK, US and Canada, the Foundation will be under the governance of a new sub-committee of the Drax Group plc Board. The Foundation will enable Drax to invest in larger-scale and longer-term projects in each of our territories, and to provide financial support and sponsorship to local community projects and charities. The Foundation will provide a tangible link to the Group's sustainability strategy. All projects will require an assessment to ensure they have the potential to deliver at least one of the following outcomes:

- Climate positive: Contributing to tackling the climate crisis
- Nature positive: Contributing to creating and maintaining thriving, sustainable natural environments
- People positive: Helping those most at risk in the transition to net zero to find sustainable, meaningful work and to support education

The desirability of the Company maintaining a reputation for high standards of business conduct

At Drax, we are committed to conducting business ethically, with honesty and integrity, and in compliance with relevant laws and regulations. We do not tolerate any form of bribery, corruption, human rights abuse, or other unethical business conduct.

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Our business ethics compliance framework identifies the behaviours expected from colleagues on a broad range of topics. In 2022, we delivered our annual eLearning refreshers and provided additional training to certain 'at higher risk' teams throughout the year on business ethics related topics. For more details on how the business ethics programme is managed, see pages 71 to 73 of the Drax Group plc 2022 Annual Report and Accounts.

The need to act fairly as between members of the Company

Our ultimate parent company is Drax Group plc and therefore we act in the best interests of our immediate and ultimate parent companies and, in doing so, in the best interest of the investors and shareholders of the Group. This ensures that the interests of all relevant stakeholders, and the need to act fairly between members of the Company, are considered during decision-making.

Engagement with shareholders of the Group allows us to understand the concerns and priorities of current and prospective investors, in areas such as climate change; sustainability; executive pay; dividends; longer-term capital allocation policy; and strategy, which are taken into account in our decision making.

This statement was approved by the Board on 21 June 2023 as part of the Company's 2022 Annual Report and Accounts.