

Enabling a secure energy transition

Drax Group plc Annual report and accounts 2025

Welcome to our 2025 Annual Report

Drax is a renewable energy company engaged in generating renewable power, producing sustainable biomass, and selling renewable electricity to businesses. We are the UK's largest single source of renewable electricity.

This year's key takeaways

What we do

Keeping the lights on: how we support the UK's energy security.

 See page 8

Responsible biomass sourcing

Our responsibility, policies, and information around the carbon cycle.

 See page 22



Looking ahead

Putting in place the structures to allow the Group to succeed and grow.

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Our year in numbers

Financial highlights

Adjusted EBITDA⁽¹⁾

£947m

(2024: £1,064m)

Dividend per share

29.0p

(2024: 26.0 pence)

Total operating profit

£241m

(2024: £850m)

Cash generated from operations

£1,000m

(2024: £1,135m)

Total revenue

£5,391m

(2024: £6,163m)

Net debt⁽¹⁾

£784m

(2024: £992m)

Adjusted basic earnings per share⁽¹⁾

137.7p

(2024: 128.4 pence)

Total basic earnings per share

20.7p

(2024: 137.5 pence)

Non-financial highlights

Group carbon emissions Scope 1 and 2 (location-based)

557 ktCO₂e

(2024: 546 ktCO₂e)

Total recordable incident rate

0.33

(2024: 0.24)

Wood pellets produced

4.2Mt

(2024: 4.0Mt)

Employee engagement score

7.2

(2024: 7.4)

Group emissions per GWh of electricity generation⁽²⁾

35 tCO₂e/GWh

(2024: 35 tCO₂e/GWh)

Group carbon emissions Scope 3⁽²⁾

1,504 ktCO₂e

(2024: 1,808 ktCO₂e)

Total UK renewable electricity generated (%)

10.6%

(2024: 10%)

Find out more



Read our ESG report
www.drax.com/esg-performance-report-2025

Read the CFO's
 Financial Review

📄 See page 13

Find out how we
 source our biomass

📄 See page 22

(1) Alternative performance measures are described in note 2.7 to the Consolidated financial statements on page 163.

(2) 2024 comparator number re-calculated (see page 21).

Overview and business model

Our purpose is to enable a zero carbon, lower-cost energy future

Our diversified, dispatchable, and renewable portfolio generates consistent, flexible and secure energy for the UK

The energy we generate equates to c.5% of the UK's total power demands

Number of countries in which we operate

4

Employees worldwide

2,974

Our enablers

People

See page 29

Flexible, renewable, generation assets

See page 8

Integrated supply chain

See page 8

Financial strength

See page 13

How we deliver



Flexible Generation & Energy Solutions (FlexGen)

Pumped storage, hydropower, Open Cycle Gas Turbines (OCGTs), battery energy storage systems (BESS), energy solutions



Pellet Production

14 plants: own-use and third-party supply of responsibly sourced pellets



Drax Power Station site

The UK's biggest power station and largest source of renewable power



Options for growth

Disciplined capital allocation policy supports investment for growth and returns to shareholders

Targeting post-2027 Adjusted EBITDA of £600-700m p.a.

Our stakeholders

Workforce

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Shareholders and investors

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Communities

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Government, political bodies and regulators

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Customers and suppliers

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Overview and business model continued

A portfolio aligned to energy security and the transition to net zero.



FlexGen

Our portfolio of flexible generation and energy solutions includes c.2.1GW of long- and short-duration storage and flexible generation:

0.4 GW capacity
Cruachan pumped storage hydro power station

0.1 GW capacity
Lanark and Galloway hydropower schemes

0.9 GW capacity
OCGTs (when fully commissioned)

0.7 GW capacity
BESS (when fully commissioned)



Options for growth

Options to invest in growth – energy security, data centres, and flexible, renewable energy, including GW scale pipeline of BESS opportunities.

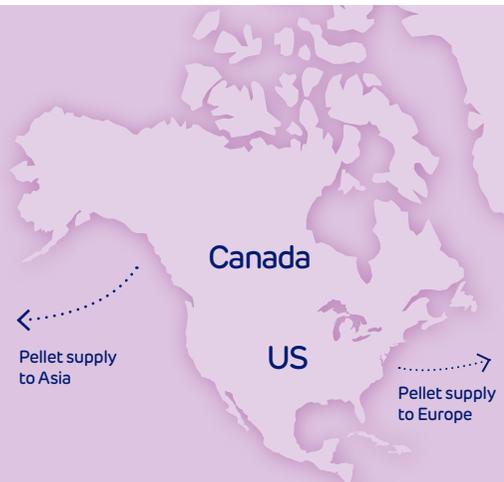
Drax Power Station site – development of options to utilise 4GW of capacity and grid access. Planning application in development for potential option for c.100MW data centre. Ambition to grow to >1GW data centre post 2031. Develop system support capabilities and FlexGen.

Pellet Production

A vertically integrated producer, user, buyer, and seller of sustainable biomass. Producing wood pellets for use for generation at Drax Power Station and for contracted sales to third parties in Asia and Europe.

c.5Mt p.a. of capacity

Across **14** plants in the USA and Canada



Drax Power Station site

The 4GW site comprises four fully flexible and independent biomass units providing 2.6GW of capacity for secure 24/7 renewable power – capable of generating enough renewable electricity to power the equivalent of over eight million homes – and a wide range of system support services.

In addition, the site has a further 1.3GW of grid access.



Market context

The global energy landscape in 2025 continued to evolve amid a complex landscape of geopolitical, economic, and trade tensions, the prioritisation of energy security, and accelerating demand for power.

Ongoing conflicts in Ukraine and the Middle East, combined with the reshaping of international trade and supply chains, have influenced global energy markets and heightened concerns over energy resilience.

As a result, security of supply has re-emerged as the defining energy priority.

This shift has influenced how countries design and support their energy transition. In some advanced economies, the emphasis has moved from net zero towards ensuring reliable, affordable, and secure energy. Emerging industries – from AI and data centres to electrified manufacturing – are driving increased demand for reliable energy. The system will need to manage supply to meet these growing demands, while also balancing affordability and decarbonisation.

Drax, through our flexible generation strategy, sustainable biomass production, and in the longer term potential for carbon removals, is aligned to this change. By delivering dispatchable, low-carbon power where it matters most, and leveraging our sustainable biomass supply chain, we are well placed to support global energy systems and continue to develop our business with benefits to our investors and stakeholders.



Market context continued

Strengthen focus on UK security of supply

Drax continues to contribute to security of supply and grid resilience in the UK. In 2025, across our biomass, pumped storage, and hydro assets, Drax generated around 11% of the UK's renewable power.

In 2025, Drax agreed a new low carbon dispatchable contract for difference (CfD) with the UK Government for the operation of Drax Power Station from 2027 to 2031.

The low carbon dispatchable CfD will support UK energy security into the 2030s and deliver a net saving for consumers compared to alternative sources of dispatchable low carbon or renewable generation, whilst supporting the rollout of intermittent renewable generation (wind and solar).

An independent analysis⁽¹⁾ estimated consumer savings of up to £3.1 billion over the four-year term, while ensuring Drax Power Station helps to keep the lights on for millions of homes and businesses, no matter the weather. The new agreement includes enhanced biomass sustainability requirements, which the Group is confident it can meet due to its commitment to delivering positive outcomes for the climate, nature, and people.

Alongside these developments, energy storage solutions, primarily short duration battery energy storage systems (BESS) is increasingly recognised as a potentially effective means of helping to manage power systems which are becoming increasingly dependent on intermittent renewables.

Evolving policy frameworks

Despite a more challenging global political, regulatory and policy landscape, support remains favourable to dispatchable generation and renewables, which can support energy security. While carbon removals remains an important feature of long-term policy, in the short-term support now less certain.

In the UK, the Clean Power 2030 Action Plan and the National Energy System Operator's (NESO's) long-term system planning explicitly recognise biomass will play an important role by providing flexible or firm generation. The UK Government also widely acknowledges the role that carbon dioxide removals (CDRs) will play in achieving the UK's Carbon Budgets and legally binding net-zero target.

The UK Government's Common Biomass Sustainability Framework proposes ambitious but achievable new sustainability criteria for future biomass schemes. However, clarity about the final sustainability criteria as well as action from industry, Government and regulators to implement them and communicate more fully the value of sustainable biomass to the system is also required.

In the US, the Trump Administration is placing a fresh emphasis on domestic energy infrastructure whilst simultaneously moving away from international climate change organisations. President Trump's landmark legislation aims to strengthen energy resilience to support the electrification of the US economy and growth in data centres with a focus on baseload power – primarily via fossil fuels. The Administration and Congress remain strongly supportive of carbon capture, one of the few incentives preserved and enhanced during the recent reconciliation process that overhauled the Inflation Reduction Act. Similarly, the Administration supports sound forest management practices and recognises the potential for biomass domestically and internationally.

In the EU, policymakers are considering an extension to the EU Emissions Trading Scheme (ETS) to include CDRs and linking the EU ETS with the UK ETS. This has the potential to align carbon pricing between the UK and the EU, as well as create a sizeable compliance market for high-integrity carbon removals.

Delivering the power behind a reliable transition

Globally, the market focus continues to shift, increasingly centred on reliable and dispatchable generation. New demand, which we believe will continue to grow, requires power that is not just clean, but dispatchable. This is in line with NESO's Future Energy Scenarios, which show a potential doubling of total demand for electricity in the UK over the coming decades, as well as an increase in curtailment of wind and reduction in dispatchable thermal generation.

Our FlexGen and Biomass Generation strategies are well suited to meet these evolving needs, and the Group is actively taking steps to add BESS to enable it to provide fast response and a wider range of system support services from its FlexGen portfolio. Similarly, the new low-carbon dispatchable CfD provides options to ensure Drax Power Station continues to support the regional economy and the UK's energy system.

As the global energy architecture evolves, Drax remains committed to creating value and growth in the short, medium, and long term, aligned to global energy needs. With our generation portfolio, resilient biomass supply chain, and carbon removal ambitions, we are well placed to enable a zero carbon, lower cost energy future.

(1) https://www.drax.com/wp-content/uploads/2025/02/Baringa_Report_February_2025.pdf

Chair's statement



Andrea Bertone
Chair

We aim to deliver c.£3 billion of free cash flow from the business which can support investment in energy security, data centres, and flexible, renewable energy

Introduction

2025 was a strong year for the Group. Operationally, we produced large volumes of flexible and renewable energy to the UK, supporting energy security, and backed up by our North American supply chain. Financially, our earnings and cash flows were strong, supporting a strong balance sheet, investment in the business and returns to shareholders.

Strategy

Between 2025 and 2031, we aim to deliver c.£3 billion of free cash flow from the business which can support investment in energy security, data centres, and flexible, renewable energy in the UK, underpinning long-term value creation and attractive returns for shareholders.

Reflecting growing UK power demand, combined with an increased reliance on intermittent and inflexible generation, Drax expects to grow its FlexGen portfolio which can support energy security and the continued deployment of renewables. We see battery energy storage systems (BESS) as an important new technology for our FlexGen portfolio and are developing a gigawatt (GW)-scale pipeline of opportunities. Since October 2025, Drax has signed an agreement to acquire three BESS projects which, when fully commissioned, will provide capacity totalling 260MW, and an asset optimisation platform. We also agreed long-term tolling agreements for a further 450MW. The Group is assessing options for other renewables, which can complement its FlexGen model.

The Group is also focused on options to maximise value from the Drax Power Station site. This could utilise multiple generation technologies – including its existing biomass generation as well as flexible, renewable energy, to continue to support energy security. This could also, potentially, meet the power demands of a large-scale data centre.

In November 2025, we signed a low carbon dispatchable CfD with the UK Government to cover all four biomass units at Drax Power Station over the period April 2027 to March 2031. This was a significant milestone for the Group and will help support UK energy security into the 2030s and deliver a net saving for consumers compared to alternative sources of dispatchable generation.

People and values

Throughout the year I continued to engage with stakeholders, including shareholders and colleagues, regulators and suppliers.

I would like to thank all colleagues for their hard work, dedication, and expertise in helping us deliver a strong result in 2025, and their continued commitment to our purpose and the delivery of our strategy. Will Gardiner and I continue to enjoy meeting colleagues and attending the employee MyVoice Forums, which always provide open, rich conversations on a wide range of topics and which help to inform Board discussions.

Following the signing of the low carbon dispatchable CfD, we are working to put in place the right organisation and operating models, combined with a high-performance culture which can support growth and success in the future. As a result, during 2025, the Group commenced a reorganisation process on changes to roles in certain areas of the business. This process will continue in 2026.

Governance, compliance and sustainability

Good governance, compliance and sustainability are prerequisites for a well-run company and long-term success.

We recognise the importance of these matters and over the last five years we have continued to invest in governance and compliance functions as the footprint of the business has grown. Progress is a journey and there are always opportunities to evolve and improve.

In August 2025, the UK's Financial Conduct Authority (FCA) commenced an investigation into the Company, covering the period January 2022 to March 2024, relating to certain historical statements regarding Drax's biomass sourcing and the compliance of Drax's 2021, 2022 and 2023 Annual Reports with the Listing Rules and Disclosure Guidance and Transparency Rules. This process is ongoing, and we will continue to co-operate with the FCA as part of their investigation.

In December 2025, the Group was awarded an A rating by CDP for its carbon and forestry reporting. This is a year-on-year improvement and reflects the Group's continued commitment to sustainability in its widest sense. This places Drax in the top 4% of those companies that the CDP reports on globally.

Chair's statement continued

Board changes

In December 2024, Andy Skelton, Chief Financial Officer (CFO), announced his intention to retire from the Board and his role as CFO. Andy continued to work until August 2025 and stepped down from the Board on 1 September 2025 and retired from the Group in December 2025. I would like to thank Andy for his outstanding service to the Group over the past six years.

Throughout 2025, the Nomination Committee worked on the recruitment of Andy's replacement, and on 1 September 2025 we were delighted to welcome Frank Lemmink as the new CFO. Frank has held senior finance and risk management roles over a 20-year international career with Shell plc. Frank's experience includes upstream energy with responsibility for business performance, strategies for long-term, sustainable growth and performance, and he has also worked in renewables and energy solutions, M&A, and internal audit. Frank's experience is invaluable as we develop our plans for the Group.

In February 2026, we were pleased to appoint Mark Clare as a Non-Executive Director.

Finally, Nicola Hodson stepped down from the Board in May 2025. I would like to thank Nicola for her contribution to Drax.

Summary

In 2025, we generated a record level of renewable generation across our portfolio of flexible and renewable generation assets as we continue to play an important role in the UK energy system, supporting energy security. This has resulted in a strong financial performance and returns to shareholders.

At the same time, we have made good progress with our strategy, which is well aligned with our purpose and the challenge of energy security, affordability, and decarbonisation (the energy trilemma). We are excited for the opportunities that 2026 and beyond will bring, as we seek to deliver long-term value creation for stakeholders and realise our purpose of enabling a zero carbon, lower cost energy future.

Andrea Bertone
Chair

25 February 2026

“

I would like to thank all colleagues for their hard work, dedication, and expertise in helping us deliver a strong result in 2025, and their continued commitment to our purpose and the delivery of our strategy.”



CEO's review



Will Gardiner
CEO

During 2025, Drax was the sixth largest source of power, the third largest source of dispatchable power, and the second largest source of renewable energy in the UK

Introduction

Energy security, affordability, and decarbonisation remained important themes in 2025 and at Drax – which sits at the heart of the UK energy system – we are continuing to play our part in addressing these issues.

In 2025, we delivered a strong operational and financial performance, providing the reliable renewable electricity, flexibility, and system support services that the grid needs.

During 2025, Drax was the sixth largest source of power, the third largest source of dispatchable power, and the second largest source of renewable energy in the UK. Our dispatchable 24/7 generation portfolio, backed up by our resilient North American supply chain, enables us to supply large-scale reliable renewable power to the UK. And through our flexibility, we are an enabler of more renewables on the system, supporting lower overall system costs and decarbonisation.

In 2025, we also celebrated 60 years of operations at Cruachan Power Station and 10 years of operations for our Pellet Production business in the US South. These milestones show our continuing long-term support for energy security and the advancement of renewable energy. I would like to thank all our dedicated colleagues in these businesses and across the Group for their continued professionalism and commitment.

The 'Future Energy Scenarios' report, published by NESO, shows a potential doubling of electricity demand over the next 25 years as electrification supports decarbonisation and economic growth. Our four operational power stations are helping to meet this challenge and we are developing a further three Open Cycle Gas Turbine (OCGT) and three BESS projects, with additional tolling agreements.

We also see more opportunities to meet this rise in demand and, to that end, we are continuing to develop options for investment in flexible, renewable energy and for the utilisation of the 4GW Drax Power Station site. The latter could utilise multiple generation technologies – including its existing biomass generation, as well as other flexible, renewable energy – to continue to support energy security. Using multiple technologies also has the potential to meet the power demands of a large-scale data centre and, in the long term, has the potential for carbon removals from bioenergy with carbon capture and storage (BECCS), subject to the right Government policies and commercial arrangements.

The Group is also assessing options for other renewables, which can complement its FlexGen model.

These opportunities are built on a firm base. Our balance sheet is strong, and the business is generating significant free cash flow. We stand ready to invest in our strategy and opportunities to create value from our asset base, and will be disciplined on capital allocation, as we seek to maximise shareholder value.

Safety

Safety must always be a primary focus, and, in 2025, we have not performed at the level we expect. The Total Recordable Incident Rate (TRIR) was 0.33 (2024: 0.24). The increase is partly attributable to the disposal of the Opus Energy business, where a significant number of hours were worked with a very low incident rate. We also continue to track leading indicators of near miss and hazard identification rates, where performance has been much stronger, in addition to the lagging TRIR indicator, and these both represent key targets for the Group.

Summary of 2025

Adjusted EBITDA of £947 million, represents an 11% decrease on 2024 (£1,064 million). This reflects a strong operational and financial performance, with a continued high level of renewable power generation and system support services, partially offsetting lower average achieved power prices.



“
Our balance sheet is strong, and the business is generating significant free cash flow.”

CEO's review continued



Through a disciplined approach to capital allocation and development costs, we expect to create opportunities for investment in growth and value creation, underpinned by strong cash generation and attractive returns for shareholders."

Our balance sheet is strong, with total cash and committed facilities of £942 million and Net debt of £784 million. Net debt to Adjusted EBITDA is less than 1 times – significantly below the Group's target of around 2 times.

In line with our policy to pay a sustainable and growing dividend, the Group plans to pay a total dividend for 2025 of 29.0 pence per share. This is an increase of over 11% on 2024 (26.0 pence per share). Since the policy's inception in 2017, the annual average rate of dividend growth has been c.11%.

Throughout the year, the Group has remained focused on shareholder value. In October 2025, the Group completed a £300 million share buyback programme, which had commenced in August 2024. The Group subsequently began a £450 million share buyback programme (first announced in July 2025), with an initial £75 million tranche. In aggregate, during 2025, the share buyback programmes have purchased c.34 million shares for c.£221 million. When combined with dividend payments this represents total returns to shareholders of c.£317 million during 2025.

Low carbon dispatchable CfD

In November 2025, Drax signed a low carbon dispatchable CfD with the UK Government to provide c.6TWh of biomass generation pa between April 2027 and March 2031 – equivalent

to c.30% of baseload output – with a strike price of £109.90/MWh (2012 real). In addition, we have the option to produce merchant generation above the cap, and provide system support and ancillary services.

The agreement includes a mechanism for Drax to request up to 500MW to power a data centre during this period. This mechanism is subject to agreement with the UK Government, taking into account factors including value for money for consumers, energy security, and sustainability.

We expect the contract to provide increased visibility on EBITDA from the asset between 2027 and 2031. We also believe that Drax Power Station will continue to play a long-term role in the UK energy system through the 2030s.

Flexible Generation & Energy Solutions (FlexGen)

Pumped Storage and Hydro

Adjusted EBITDA was £111 million (2024: £138 million). During 2025, we progressed a major programme of planned outage works at Cruachan Power Station. This included an upgrade to the main inlet valves on all four units, in addition to a programme of works to upgrade transformers that completed in January 2026.

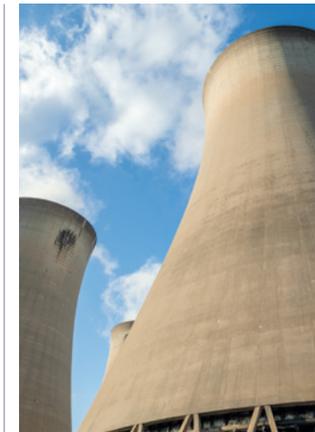
Taking into account this planned programme of outage we believe that this represents a good underlying performance, and reflects continued demand for dispatchable and renewable power generation and system support services.

Work continues on the £80 million investment to refurbish and upgrade units 3 and 4 through to 2027. This is underpinned by a 15-year Capacity Market agreement worth over £220 million in revenue. The work is expected to add 40MW of additional capacity by 2027 and improve unit operations.

OCGTs

In the first half of 2026, we expect to take control of Hirwaun Power, the first of three new OCGTs. The second and third sites are expected to commence commissioning in 2026, which is later than originally planned, primarily due to delays in grid connection by the relevant authorities.

The OCGTs will provide combined capacity of c.900MW and be remunerated under 15-year Capacity Market agreements, worth over £260 million in revenue. This is in addition to revenues from peak power generation and system support services.



Between October 2024 and September 2025 Drax Power Station generated over 5% of the UK's electricity and c.10% of its renewable power."

We have previously considered divestment of these assets, once commissioned, but the changing generation mix in the UK means that flexible generation assets will become more important to the energy transition. This increased value informs our decision to retain these grid-balancing assets in the portfolio once commissioned.

Energy Solutions

Adjusted EBITDA in Energy Solutions was £49 million (2024: £51 million) comprised of £54 million from our Industrial and Commercial (I&C) and renewables services business (2024: £81 million) partially offset by a loss of £5 million from our Small- and Medium-sized Enterprise (SME) business (Opus) (2024: a loss of £30 million).

Alongside supplying renewable energy, our I&C business is increasingly active in the provision of value-adding services. These services include asset optimisation and a route-to-market for around 2,000 embedded third-party renewable assets with capacity of over 800MW.

In May 2025, the Group completed the sale of the remaining non-core Opus Energy SME customer meter points. We expect the sale to be supportive of the Group's target for post-2027 Adjusted EBITDA, with a leaner and more focused I&C business better able to support customers' energy needs and decarbonisation objectives.

CEO's review continued

Pellet Production

Adjusted EBITDA of £129 million was a 10% decrease on 2024 (£143 million), although production increased incrementally and included the full-year impact of the expansion of the Aliceville pellet plant (commissioned in H1 2024).

The lower level of EBITDA reflects the cost-plus transfer pricing methodology used for biomass supplied from operations in the US South to Drax Power Station. Under this established arrangement, if the Pellet Production business reduces its cost base, its sales revenues to the UK business also reduce, resulting in lower Adjusted EBITDA. The offset to this is a lower cost of biomass for Drax Power Station, which results in higher EBITDA at the Group level. This situation illustrates the benefit of the integrated value chain between operations in the US South and Drax Power Station, and our ongoing focus on opportunities to reduce cost.

The Group's Canadian business, which primarily sells pellets into Asia under legacy contracts, is more challenged, and we continue to assess options to improve its financial performance. This contributed to the decision, announced in December 2025, to close the pellet plant in Williams Lake, British Columbia. In addition, we closed two small satellite plants in the US, with volumes consolidated into larger plants in the region.

Separately, reflecting lower biomass requirements under the low carbon dispatchable CfD, the Group does not currently expect to invest in additional capacity – including the paused Longview project in Washington State (US) – in the short to medium term.

Drax Power Station

Adjusted EBITDA of £725 million was a decrease of 11% on 2024 (£814 million). This reflects a combination of lower forward contracted prices compared to 2024, partially offset by a continued high level of generation and value from renewable certificates. In addition, there were no major planned outages in 2025.

Between October 2024 and September 2025 (the most recent period for which data is available), Drax Power Station generated over 5% of the UK's electricity and around 10% of its renewable power. During this period, it produced, on average, 19% of the UK's renewable power at times of peak demand and on certain days over 50%.

During 2025, low wind speeds led to lower proportions of wind generation and higher demand for electricity from Drax Power Station, illustrating its ongoing importance to security of supply in the UK.

The Group remains focused on opportunities to maximise value from its existing asset base. In March 2025, we entered into a 20-year joint venture agreement with Power Minerals Limited that will allow for the development of a facility adjacent to Drax Power Station. This facility which will process pulverised fuel ash into a material which can be sold to the construction industry and used in the production of cement with a lower carbon footprint.

The new facility is expected to begin operations by the end of 2026, and we believe the project could generate incremental Adjusted EBITDA of c.£5 million pa for Drax post-2027 through to 2046. There is no capital investment required by Drax.

Development expenditure

Development expenditure of £74 million in 2025 was a reduction of 5% on 2024 (£78 million). This reflects a significant reduction in the Elimini business, following one-off costs during its establishment in 2024 and minimal spend on BECCS, partially offset by additional OCGT commissioning costs.

The current regulatory environment in the UK and US makes the risk-return profile on carbon removal projects less attractive in the short term. Through its Elimini business, the Group continues to see carbon removals via biomass and other technologies as a cost-effective way to deliver both energy security and high integrity carbon removals at scale. Accordingly, the Group will maintain its options for long-term development in the carbon removals market but expects to commit limited resources for the foreseeable future. Elimini will also support the development of new biomass markets.

Reflecting these considerations, the Group expects future development costs to increasingly focus on more short- and medium-term opportunities in FlexGen and Drax Power Station.

Adjusted EBITDA and free cash flow targets from the existing business

The Group continues to target post-2027 Adjusted EBITDA of £600-700 million pa before development expenditure.



Our balance sheet is strong, with total cash and committed facilities of £942 million and Net debt of £784 million. Net debt to Adjusted EBITDA is less than 1 times – significantly below the Group's target of around 2 times."

Reflecting growing UK power demand, combined with an increased system reliance on intermittent and inflexible generation, Drax expects to grow its FlexGen portfolio to comprise a greater proportion of total Adjusted EBITDA over time.

Drax is targeting free cash flow of c.£3 billion (2025-2031), based on strong cash flows from the current business (2025-2026), together with targeted Adjusted EBITDA (2027-2031), plus working capital, less maintenance capital expenditure, interest and tax.

The Group's capital allocation policy is unchanged. Drax expects to initially allocate more than £1 billion of free cash flow to shareholder returns (2025-2031). This is inclusive of the ongoing £450 million three-year share buyback programme, and the continuation of its long-standing policy to pay a sustainable and growing dividend.

Drax expects to allocate up to c.£2 billion to incremental investment, primarily in the flexible and renewable energy the UK needs, as well as opportunities to maximise value from the Drax Power Station site.

Returns to shareholders and investment for growth follow a capital ranking process which aims to maximise risk adjusted returns to shareholders.

CEO's review continued

Putting in place the structures to allow the Group to succeed and grow

Delivery of the Group's targets and strategy is underpinned by disciplined cost management and an operating model adapted to reflect the structure of the new low carbon dispatchable CfD, combined with a high-performance culture.

Options to invest in growth – FlexGen – flexible and renewable energy

The continued decarbonisation of the UK power system and new sources of demand, are leading to a greater reliance on intermittent renewables. The system is becoming cleaner but more volatile, driving a growing need for dispatchable power and system support services. This creates long-term earnings opportunities for, and value from, the Group's FlexGen assets. While the trend is clear, it is hard to forecast from year-to-year, being dependent on weather and associated renewable activity as much as underlying commodity prices.

This position informs the Group's view on the value of its FlexGen portfolio and opportunities for growth, which can support energy security and the continued deployment of renewables. Since acquiring the pumped storage and hydro assets in 2018, utilisation of these assets has increased significantly, delivering a five-year payback on investment.

In addition to its existing operational assets and developments, the Group sees BESS as an important new technology for its FlexGen portfolio. Adding fast response capabilities to existing long-duration pumped storage and OCGT assets, BESS could allow the portfolio to provide a wider range of system support services to the grid.

Drax is developing a GW-scale pipeline of BESS opportunities. These comprise both physical assets and the capabilities to optimise third-party assets by providing route-to-market, floor, and tolling structures. These can complement its existing route-to-market offering for renewable assets in Energy Solutions.

In October 2025, Drax signed an agreement with Apatura to acquire three BESS projects for £157.2 million which, when fully commissioned, will provide capacity totalling 260MW. In January 2026, Drax announced the acquisition of Flexitricity for £36 million, providing an optimisation platform for the development of the Group's FlexGen portfolio, including BESS.

Also in January 2026, Drax agreed a 10-year tolling agreement with Fidra, which gives the Group operational control and dispatch rights over 250MW of new BESS capacity from 2028, and a 15-year tolling agreement with Zenobè, which gives the Group operational control and dispatch rights over 200MW of new BESS capacity from 2028.

The Group is also assessing options for other renewables projects to complement its FlexGen model.

Options to invest in growth – Drax Power Station site

The Drax Power Station site comprises over 1,000 acres and 4GW of capacity and grid access, with 2.6GW of active dispatchable generation, cooling systems, and proximity to the UK fibre network.

The Group is actively evaluating options to utilise inactive legacy units to provide system support services. For example, by using power from the system to spin these inactive turbines we can synchronise them to the system and use their physical mass to provide inertia, thereby helping to stabilise the system.

Drax is also considering a range of options for the site which could utilise its existing land, grid access, active generation, cooling solutions, site security, location, and skilled workforce to meet the needs of data centre developers.

Drax is preparing a planning application to support the potential option for a first phase data centre of c.100MW on land identified



“
As a purpose-led organisation, our growth should lead to positive outcomes for climate, nature, and people.”

£317 million

Total returns to shareholders, including dividends, in 2025

at Drax Power Station. This could use the existing infrastructure and transformers previously used to support coal generation to import power directly from the grid (front-of-the-meter). This could support the operation of a data centre at Drax Power Station as soon as 2027, subject to the necessary consents and agreements.

In the long term, Drax is developing options for over 1GW of data centre capacity. This could utilise existing generation capabilities at Drax Power Station to provide a distributed (behind-the-meter) energy solution with around-the-clock renewable power directly to a data centre under a long-term Power Purchase Agreement, subject to necessary consents and agreements.

Any decision to develop data centres at Drax Power Station will require a full assessment of the capital cost and investment case, as well as establishing the commercial and development structures.

Pellet Production

As a part of the Group's post-2027 targets, the low carbon dispatchable CfD at Drax Power Station is expected to utilise c.2Mt of own-use pellets from the US South (in addition to third-party volumes). This, together with existing sales to third parties, primarily in Asia, provides a good underpin to the current level of value generated for the Group from Pellet Production.

Long-term development of biomass and carbon markets

In the long term, Drax remains positive on the role of biomass in industrial decarbonisation and carbon removals via its Elimini business. Drax continues to assess options for own-use and third-party sales, from existing and new markets, including Sustainable Aviation Fuel (SAF), which could represent a new market opportunity through the 2030s.

Sustainability

In addition to delivering a strong operational and financial performance and value for shareholders, the Group has remained focused on the development of its sustainability programme. In 2025, we launched a new Sustainability Framework, Biomass Sourcing Policy, and a Climate Transition Plan.

CEO's review continued

As a purpose-led organisation, our growth should lead to positive outcomes for climate, nature, and people. Our operations can help sustain more healthy, safe, and economically viable working forests that continue to provide jobs and opportunities in communities where we operate.

Working in partnership with industry, communities, scientists, and civil society organisations will be vital to achieving our ambitions. We aim to work openly and constructively with these groups to help deliver improvements.

We are fully aligned with the Task Force on Climate-related Financial Disclosures (TCFD). We are also an early-adopter of the Taskforce on Nature-related Financial Disclosures (TNFD). In addition, we are members of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) Alliance. These independent taskforces align directly with the three pillars of our new Sustainability Framework; Climate, Nature, and People. We are also a signatory to the UN Global Compact (UNGC) and we are committed to promoting the UNGC principles concerning respect for human rights, labour rights, the environment, and anti-corruption.

Drax is one of the world's largest users of sustainable biomass for energy generation. We are committed to ensuring the woody biomass we source comes from forests managed in accordance with standards designed to support their health and growth over the long term. Forests in the areas where Drax sources material are subject to national and regional regulation and are typically supported, and independently monitored for compliance, by forest certification schemes. These include the Forestry Stewardship Council® (FSC®) (FSC C123692), the Sustainable Forestry Initiative (SFI)*, and the Programme for the Endorsement of Forest Certification® (PEFC) (PEFC/29-31-286).

We supplement this regulation through our own Biomass Sourcing Policy and supply chain checks. This includes third-party verification under the Sustainable Biomass Program (SBP), in respect of woody biomass used at Drax Power Station, which is also fully compliant with the UK Government's rule on the use of sustainable biomass.

Outlook

We are continuing to target post-2027 Adjusted EBITDA of £600-700 million pa from our FlexGen, Pellet Production, and Biomass Generation businesses, maximising value from the business today, while continuing to identify opportunities for growth across our strategies for flexible, renewable energy.

We will continue to apply our capital allocation policy with a focus on balance sheet strength, investment in the core business, and a sustainable and growing dividend. To the extent there are residual cash flows beyond the current needs of the Group, we will also consider additional returns to shareholders.

Through a disciplined approach to capital allocation and development costs, we expect to create opportunities for investment in growth and value creation, underpinned by strong cash generation and attractive returns for shareholders.

Will Gardiner
CEO

25 February 2026



Through a disciplined approach to capital allocation and development costs, we expect to create opportunities for investment in growth and value creation, underpinned by strong cash generation and attractive returns for shareholders."

* SFI marks are registered marks owned by the Sustainable Forestry Initiative Inc.

CFO's financial review



Frank Lemmink
CFO

Adjusted EBITDA of £947 million represents strong operational and underlying financial performance across all segments of our business

		Year end 31 December	
		2025	2024
Financial performance (£m)	Total gross profit	1,513	1,877
	Operating expenses	(641)	(761)
	Depreciation, amortisation and impairment of non-current assets	(621)	(256)
	Other	(10)	(10)
	Total operating profit	241	850
	Exceptional items and certain remeasurements	430	(50)
	Adjusted operating profit	671	800
	Adjusted depreciation, amortisation and similar charges and share of losses from associates	275	264
	Adjusted EBITDA	947	1,064
	Capital expenditure (£m)	Capital expenditure	202
Cash and Net debt (£m unless otherwise stated)	Cash generated from operations	1,000	1,135
	Net debt	784	992
	Net debt to Adjusted EBITDA (times)	0.8	0.9
	Cash and committed facilities	942	806
Earnings (pence per share)	Adjusted basic	137.7	128.4
	Total basic	20.7	137.5
Distributions (pence per share)	Interim dividend	11.6	10.4
	Proposed final dividend	17.4	15.6
	Total dividend	29.0	26.0

Throughout this document we distinguish between Adjusted measures and Total measures, which are calculated in accordance with International Financial Reporting Standards (IFRS). We calculate Adjusted financial performance measures, which exclude income statement volatility from derivative financial instruments and the impact of exceptional items. This allows management and stakeholders to better compare the performance of the Group between the current and previous period without the effects of this volatility and one-off or non-operational items. Adjusted financial performance measures are described in more detail in the APMs glossary, with a reconciliation to their closest IFRS equivalents in note 2.7. Return on Capital Employed (ROCE) is calculated as Adjusted operating profit divided by the average of opening and closing capital employed (capital employed is gross assets less current liabilities). Tables in this financial review may not add down or across due to rounding.

Introduction

Adjusted EBITDA of £947 million represents strong operational and underlying financial performance across all segments of our business. The decrease compared to £1,064 million in 2024 primarily reflects a lower achieved power price. Total operating profit was impacted by impairments, as discussed in the 'Total operating profit' section. During the period, we generated cash from operations of £1,000 million (2024: £1,135 million). Our Net debt: Adjusted EBITDA ratio of 0.8 times (2024: 0.9 times) remains significantly below our long-term target of around 2 times and during the year we further strengthened our balance sheet, extending the average maturity of our debt and extending the Revolving Credit Facility (RCF) by a year to 2028.

Financial performance

Adjusted EBITDA by business

Flexible Generation & Energy Solutions (FlexGen)

Adjusted EBITDA in our Hydro business of £111 million reduced compared to 2024 (£138 million), reflecting planned outage work at Cruachan Power Station as part of refurbishment and upgrade works.

Adjusted EBITDA in Energy Solutions of £49 million (2024: £51 million) comprised £54 million from our I&C and renewables services business (2024: £81 million) partially offset by a loss of £5 million from our Small and Medium-sized Enterprise (SME) business (Opus) (2024: a loss of £30 million). I&C and renewables services earnings reflect a similar margin on contracted power prices to 2024. The sale of the remaining meter points in the SME business completed in May 2025. The wind down of this business is now substantially complete.

CFO's financial review continued

Pellet Production

Adjusted EBITDA of £129 million was below 2024 (£143 million). The reduction reflects the cost-plus transfer pricing methodology for shipments to Drax Power Station. This means that cost savings in the Pellet Production business lead to a lower transfer price, impacting Adjusted EBITDA. Production in the period totalled 4.2Mt, a record volume for the business (2024: 4.0Mt). Shipments totalled 5.1Mt (2024: 5.1Mt). Of the 5.1Mt shipped, 3.1Mt was to Drax Power Station (2024: 3.0Mt). During the period, 1.0Mt of pellets were acquired from third parties (2024: 1.1Mt).

The US business has performed well, with record production volumes and margins commensurate with our long-term targets. The legacy contracts in the Canadian business mean profitability here is lower, and this is an area of focus for the Group, as discussed in the CEO review.

Impairments in relation to the Pellet Production business are documented in the 'Total operating profit' section.

Biomass Generation

Adjusted EBITDA from Biomass Generation was £725 million (2024: £814 million), partially offset by a continued high level of generation and value from renewable certificates. In addition, there were no major planned outages in 2025.

Drax Power Station produced 15.0TWh (2024: 14.6TWh) of electricity, a record year for biomass generation and making it the UK's largest single source of renewable energy during the period.

Options for Growth (Innovation, Capital Projects, and Other)

Development expenditure in 2025 totalled £74 million (2024: £78 million). The reduction reflects the timing of large capital projects, as described in the CEO review, and therefore a reduction in the associated spend. We will continue to be disciplined in the capital and development expenditure deployed to these projects.

In Other, intra-group eliminations moved to a credit of £7 million in 2025 from a charge of £3 million in 2024, predominantly due to a reduction in the volume of pellets in transit compared to the previous year end.

Total operating profit

Total operating profit was £241 million, compared to £850 million in 2024. In addition to the factors discussed above, Exceptional items and certain remeasurements also reduced, from a credit of £50 million in 2024 to a charge of £430 million in 2025. This was attributable to impairments, gas prices, and foreign exchange movements. Impairments were recognised for certain pellet assets and UK BECCS, whilst continuing depreciation and amortisation was similar year-on-year.

In Pellet Production, impairment and related charges in Northern Pellets (Canadian business) were £198 million. Charges in relation to the Longview project were £138 million and UK BECCS impairments were £48 million. All of these were classed as exceptional items. The impairment to Northern Pellets was driven by a lower growth outlook for the global pellet market after 2027, particularly in Europe. Linked to this, the development project at Longview was paused and no development is expected in the near term. Whilst UK BECCS is still an attractive option for the Group in the long term, the current political environment and absence of an appropriate regulatory framework has led to a reduction in the likelihood of the project proceeding in the short- to medium-term. Accordingly, the capitalised value has been impaired.

Further information on other Exceptional items and certain remeasurements can be found in note 2.7.

Profit after tax and Earnings per share

Total net finance and foreign exchange costs for 2025 were £52 million, a reduction from 2024 (£97 million). Of the reduction, £24 million was attributable to capitalisation of interest, £15 million in foreign exchange, and £7 million as a result of lower costs in relation to the Energy Solutions receivables monetisation facility. This was partially offset by a £2 million reduction in interest received. At 31 December 2025, the weighted average interest rate payable on the Group's borrowings was 5.4% (31 December 2024: 5.4%).

The Adjusted effective tax rate for 2025 of 22% is lower than 2024 (30%), with a key factor being a £nil charge for EGL in the current year (2024: £161 million) reflecting lower achieved power prices. EGL is not allowable for corporation tax purposes and the corporation tax impact of this reduction in EGL was 6%. The

Adjusted effective tax rate is below the headline corporation tax rate in the UK of 25% because of benefits from the UK Patent Box Regime, partially offset by non-deductible expenses. The exceptional items and certain remeasurements tax credit of £16 million all related to deferred tax and was the net of deferred tax on all non-Canadian exceptional items and certain remeasurements partially offset by the non-allowable Canadian impairment charge and derecognition of Canadian deferred tax assets.

Adjusted basic EPS was 137.7 pence (2024: 128.4 pence) and Total basic EPS was 20.7 pence (2024: 137.5 pence). The average number of shares used in these calculations was 352.8 million (2024: 383.2 million). The number of outstanding shares at 31 December 2025 was 340.4 million, an 8% reduction on 31 December 2024 (369.9 million), reflecting the ongoing share buyback programme.

Capital allocation

Our capital allocation policy remains unchanged and focused on balance sheet strength, investment in the core business, a sustainable and growing dividend and, to the extent there are residual cash flows beyond the current needs of the Group, additional returns to shareholders.

Maintain credit rating

During the first half of 2025 the Group extended the maturity of the undrawn £450 million RCF and in July two term loans totalling c.£171 million were extended from 2027 to 2028. During December the Group signed a £190 million term loan with an interest rate of Sterling Overnight Index Average (SONIA) plus a customary margin. The facility has an option at Drax's discretion to extend by two six-month periods. The facility was undrawn at 31 December 2025 but was subsequently fully drawn in January 2026.

In August 2025 the CAD term-loan of £109 million was repaid. In October 2025 the remaining £125 million of the 2025 Euro bond was repaid. In January 2026, term loans totalling £62 million were repaid.

During the second quarter of 2025, the Group's Issuer Credit Ratings were reaffirmed as 'BB+' by Fitch and S&P and as 'BBB (low)' by DBRS, with a Stable Outlook in each case.

CFO's financial review continued

Invest in core business – capital expenditure

Capital expenditure of £202 million (2024: £321 million) consists of £98 million of growth expenditure, £72 million of maintenance, and £32 million of Other (including HSE and IT). Of the £98 million growth expenditure, £26 million related to BESS assets (2024: £nil) and £23 million related to the OCGTs (2024: £90 million). The first of the three OCGTs, Hirwaun, is expected to be under the Group's commercial control shortly and the other two units are expected to commence commissioning during 2026. Growth expenditure also included £15 million in relation to the ongoing upgrade of Cruachan units 3 and 4 (2024: £34 million).

In October 2025 we announced we had signed an agreement with Apatura to acquire three BESS projects for £157.2 million. Completion of the acquisition of the first two projects occurred in 2025 and completion of the third project is expected soon.

Sustainable and growing dividend

The Board expects to pay a dividend for the 2025 financial year of 29.0 pence per ordinary share, an 11.5% increase on 2024, consistent with our policy to pay a dividend which is sustainable and expected to grow. As has been our practice, 40% of the expected full year dividend, or 11.6 pence per ordinary share was paid as an interim dividend. Subject to approval at the 2026 Annual General Meeting, the final dividend will be paid on 15 May 2026.

Return surplus capital beyond current investment requirements

In October 2025, the Group completed a £300 million share buyback programme which had commenced in August 2024. The Group subsequently began a £450 million share buyback programme (first announced in July 2025), with an initial £75 million tranche. In aggregate, during 2025, the share buyback programmes have purchased c.34 million shares for c.£221 million. When combined with dividend payments this represents total returns to shareholders of c.£317 million during 2025.

During 2026, to 24 February 2026, the Group has repurchased £22 million. We expect the 2025 programme to conclude by the end of 2028.

Cash and Net debt

Net cash movements

Cash generated from operations, inclusive of working capital, was £1,000 million (2024: £1,135 million). The net working capital inflow of £86 million (2024: £122 million) predominantly reflects a reduction in inventory and receivables, partially offset by a decrease in payables.

Cash outflows on purchases of property, plant and equipment and intangibles include repayments of deferred letters of credit from previous periods. This led to a cash outflow of £294 million, more than the amount capitalised in the period of £202 million.

Liquidity

Cash and committed facilities of £942 million at 31 December 2025 (31 December 2024: £806 million) provided substantial headroom over our short-term liquidity requirements. No cash has been drawn under our RCFs since 2018.

Net debt and Net debt to Adjusted EBITDA

	31 December 2025 £m	31 December 2024 £m
Cash and cash equivalents	302	356
Current borrowings	(61)	(119)
Non-current borrowings	(918)	(1,058)
Impact of hedging instruments and NCI	(8)	(55)
Lease liabilities	(99)	(117)
Net debt	(784)	(992)
Adjusted EBITDA	947	1,064
Net debt to Adjusted EBITDA	0.8	0.9

Going concern and viability

The Group's operational and underlying financial performance in 2025 was strong. Cash and committed facilities at 31 December 2025 provides substantial headroom over our short-term liquidity requirements.

The Group refreshes its business plan and forecasts throughout the year, including scenario modelling designed to test the resilience of the Group's financial position and performance to several possible downside cases. Based on its review of the latest forecast, the Board is satisfied that the Group has sufficient headroom in its cash and committed facilities and covenants, combined with available mitigating actions, to be able to meet its liabilities as they fall due across a range of scenarios.

Consequently, the Directors have a reasonable expectation that the Group will continue to be in existence for a period of at least twelve months from the date of the approval of the financial statements and have therefore adopted the going concern basis. Further, the Directors have a reasonable expectation that the Group will be able to continue in operation over the five-year period of the viability assessment, as documented in the Viability Statement.

Other matters

In January 2026, the Group announced the acquisition of Flexitricity, an asset optimisation platform, for c.£36 million. Completion is expected in Q1 2026 and is conditional on completion of regulatory approvals and processes.

In January 2026, the Group announced a 10-year tolling agreement with Fidra for 250MW (500MWh) of BESS, expected to commence in 2028.

In February 2026, the Group announced a 15-year tolling agreement with Zenobē for 200MW (800MWh) of BESS, expected to commence in 2028.

Frank Lemmink
CFO

25 February 2026

Key performance indicators: Financial

Our risks:

- 1 Environment, Health & Safety
- 4 Biomass Acceptability
- 7 Information Systems & Security
- 2 Political & Regulatory
- 5 Plant Operations
- 8 Climate Change
- 3 Strategic
- 6 Trading & Commodity
- 9 People

Measure	Definition/why it matters	Performance	Target	Link to risks	Link to remuneration
Adjusted EBITDA (Emillion)	<p>This is our principal financial performance metric, combining the earnings of each business to give a Group outcome.</p> <p>The reconciliation of statutory earnings to Adjusted EBITDA is on page 167.</p>	<p>2025 947</p> <p>2024 1,064</p> <p>2023 1,009</p>	The 2025 Scorecard target range is £810 million to £990 million.	<p>2 3 4 5</p> <p>6 7 8</p>	<p>The Adjusted EBITDA performance measure has a 40% weighting on the Group Scorecard.</p> <p>See page 106</p>
Adjusted net cash flow (Emillion)	<p>This is a key aspect of measuring liquidity through assessing compliance with the Group's financial covenants and is used as a basis by debt rating agencies to assess credit risk.</p> <p>Adjusted net cash flow is defined as the net increase or decrease in cash and cash equivalents, adjusted for cash flows relating to share buyback programmes and the refinancing of borrowings.</p>	<p>2025 399</p> <p>2024 311</p> <p>2023 280</p>	Adjusted net cash flow targets for 2025 were £237 million to £337 million.	<p>3 4 5</p> <p>6 8</p>	<p>The 2025 bonus Scorecard has a 15% weighting on Adjusted net cash flow.</p> <p>See page 106</p>
Adjusted basic EPS (pence)	<p>Earnings per share (EPS) is a key profitability metric to assess the performance of the Group on a per share basis.</p> <p>The calculation of Adjusted basic EPS is on page 171.</p>	<p>2025 137.7p</p> <p>2024 128.4p</p> <p>2023 119.6p</p>	The LTIP uses a cumulative three-year adjusted basis EPS performance target of 252.5p to 308.7p. Further details are included on page 109.	<p>2 3 4 5</p> <p>6 7 8</p>	<p>Cumulative adjusted basic EPS is a performance condition of the LTIP and has a 50% weighting measured over a three-year period.</p> <p>See page 108</p>
Adjusted FlexGen & Energy Solutions EBITDA (Emillion)	<p>This is a key measure of the performance of these operating segments and our ability to manage our strategy for the combined business.</p> <p>The reconciliation of statutory earnings to Adjusted EBITDA and EBITDA by segment is included on page 167.</p>	<p>2025 160</p> <p>2024 189</p> <p>2023 302</p>	Targeting Adjusted EBITDA of £250 million post 2027.	<p>3 5 6</p> <p>7 8</p>	<p>This is linked to the Group's Adjusted EBITDA performance measure that has a 40% weighting on the Group Scorecard.</p> <p>See page 106</p>

Key performance indicators: Non-financial

- Our risks:
- 1 Environment, Health & Safety
 - 2 Political & Regulatory
 - 3 Strategic
 - 4 Biomass Acceptability
 - 5 Plant Operations
 - 6 Trading & Commodity
 - 7 Information Systems & Security
 - 8 Climate Change
 - 9 People

Measure	Definition/why it matters	Performance	Target	Link to risks	Link to remuneration
Total Recordable Incident Rate (TRIR)	<p>Keeping our people safe is a core principle. TRIR is an industry standard measure of fatalities, lost time injuries and medical treatment injuries per 100,000 hours worked.</p> <p>You can read more about health, safety, and wellbeing in People Positive on page 29.</p>	<p>2025 0.33</p> <p>2024 0.24</p> <p>2023 0.38</p>	TRIR of 0.20 per 100,000 hours worked.	1 9	<p>The safety performance measure has a 5% weighting in Group Scorecard.</p> <p>See page 106</p>
Group carbon emissions Scope 1, 2 and 3 (ktCO₂e)⁽¹⁾	<p>We are focused on reducing carbon emissions – as measured by reductions in our Scope 1, 2 and 3 footprint – which enables us to track progress towards achieving our near-term and net-zero SBTi targets. You can read more about this in Climate Positive on page 25.</p>	<p>2025 557 1,504</p> <p>2024 546 1,808</p> <p>2023 486 2,556</p> <p>● Scope 1 and 2 ● Scope 3</p>	To achieve our externally disclosed SBTi decarbonisation targets, set out on page 25, which includes a 42% reduction in Scope 3 emissions by 2030.	2 3 4 5 6 8	<p>The 2025 Group Scorecard has a 5% weighting on measures focused on reducing our carbon emissions.</p> <p>See page 106</p>
Biomass generation (TWh)	<p>This is an important measure of the renewable power generation at Drax Power Station and a key part of our strategy – to be a UK leader in dispatchable, renewable generation.</p>	<p>2025 14.98</p> <p>2024 14.63</p> <p>2023 11.45</p>	To be a UK leader in dispatchable, renewable generation.	1 2 3 4 5 6 8	<p>Biomass generation plays a significant role in the Group strategy and links to the financial performance as well as indirectly linked to other elements of the Group Scorecard, including progress on the future of Drax Power Station.</p> <p>See page 106</p>
Pellets produced (Mt)	<p>Reducing our all-in production cost is a key part of our strategy. By increasing our pellet production volumes the all-in cost per tonne reduces through the greater absorption of fixed costs.</p> <p>This represents the number of pellets produced in millions of tonnes.</p> <p>All-in production costs is defined as direct plant level production costs plus operations overheads and port costs.</p>	<p>2025 4.2</p> <p>2024 4.0</p> <p>2023 3.8</p>	To optimise the production volume of sustainable biomass pellets, delivering the lowest all-in cost per tonne.	3 4 5 6 8	<p>Progress of the pellet business model, and in particular all-in production costs, has a 6.25% weighting in the Group Scorecard.</p> <p>See page 106</p>

(1) 2023 and 2024 comparator numbers re-calculated (see page 25).

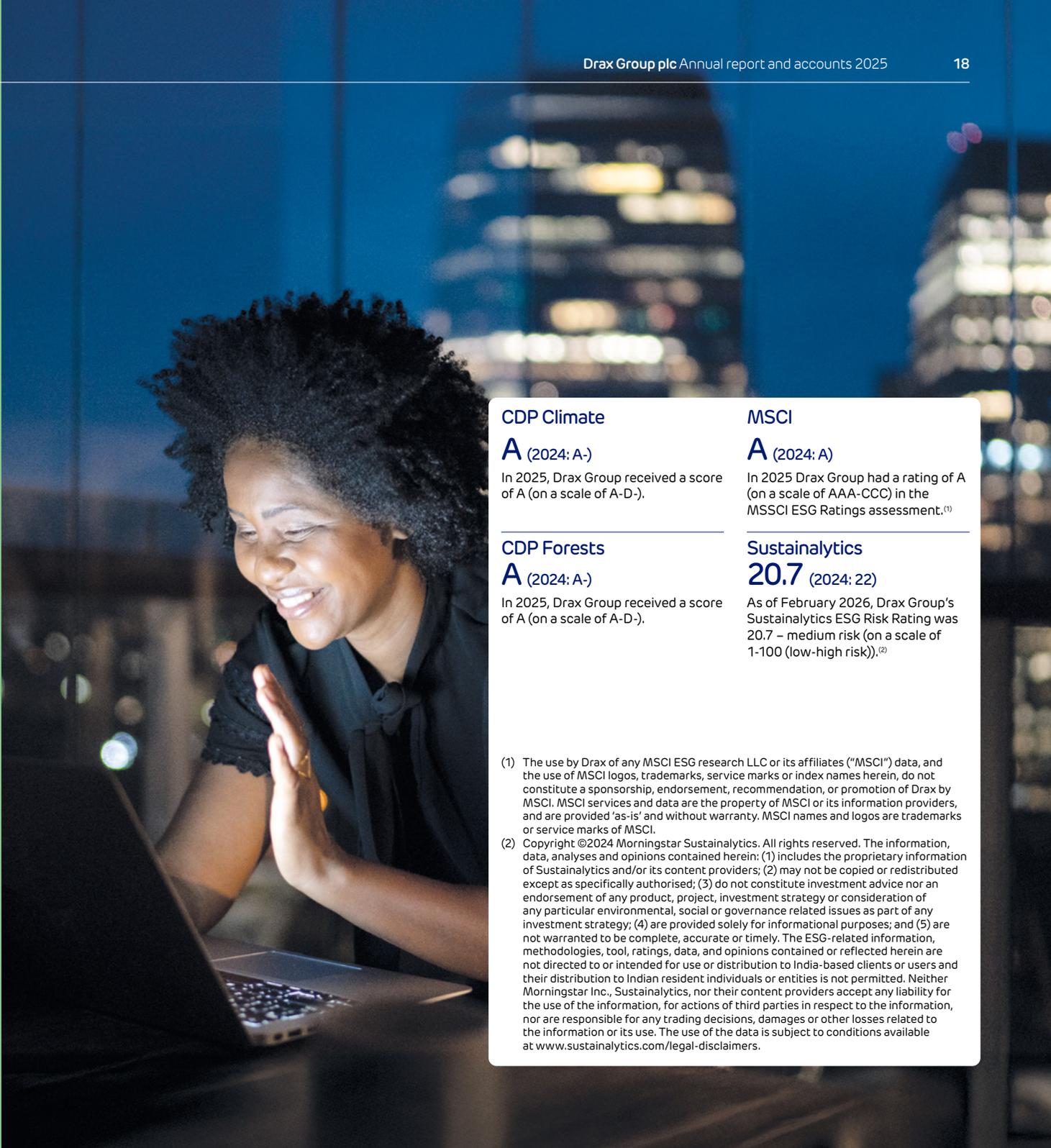
Sustainable development

Our assets continue to help keep the lights on for millions of UK households, no matter the weather.

...→ ENABLING A SECURE ENERGY TRANSITION

In this section

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- 27 Nature positive
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- 40 Assurance statements



CDP Climate

A (2024: A-)

In 2025, Drax Group received a score of A (on a scale of A-D-).

MSCI

A (2024: A)

In 2025 Drax Group had a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment.⁽¹⁾

CDP Forests

A (2024: A-)

In 2025, Drax Group received a score of A (on a scale of A-D-).

Sustainalytics

20.7 (2024: 22)

As of February 2026, Drax Group's Sustainalytics ESG Risk Rating was 20.7 – medium risk (on a scale of 1-100 (low-high risk)).⁽²⁾

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Introduction

Our mission is to help meet the world's increasing demand for secure energy, sustainably. For us, sustainability isn't about words, it's about action – to benefit the climate, nature, and people.



We recognise the important role we play in shaping a more sustainable future. The environmental, social, and economic challenges facing society today are complex and urgent, but they also present opportunities for transformation. Businesses must lead from the front, and we are fully committed to doing just that.

In 2025, we took meaningful steps to embed sustainability more deeply into our business, strategy, and purpose:

- we launched our Sustainability Framework, setting out the milestones ahead and strengthening transparency across our plans, processes, and operations;
- we voluntarily published our inaugural Climate Transition Plan, outlining our climate ambitions, targets, and pathways to delivery, as well as our contribution to the sector-wide transition to net zero. This significantly expanded the climate-related information we make publicly available; and
- we also published our Biomass Sourcing Policy, which sets out the core principles and sustainability commitments that apply to all biomass in our supply chain. Supported by external certification schemes, our internal assurance systems, and independent third-party audits, it demonstrates how we ensure our biomass is sourced in line with relevant legislation.

Throughout the year, we continued to make progress against our Science Based Targets initiative (SBTi) commitments, further detail is provided on page 25. We saw improved ratings across selected ESG benchmarks, and inclusion on CDP's A List for climate change and forests – recognition that reinforces our position as a responsible and transparent operator. These achievements reflect the dedication of our teams and the integration of sustainability into our strategic decision making.

Yet we remain responsive to the challenges ahead. The evolving global and regional regulatory landscape, particularly around biomass sustainability, carbon accounting, and climate disclosures, demands agility and continued investment. We continue to face scrutiny from investors, NGOs, and communities who rightly expect transparency, accountability, and evidence of impact.

We are committed to addressing these challenges with transparency and resolve. Our approach includes ongoing dialogue with stakeholders, continuous monitoring, evaluation and improvement of our framework and commitments.

One such stakeholder group is our Independent Advisory Board (IAB), established in 2019 to provide independent scientific challenge, insight, and advice on biomass sustainability across our business. The IAB focuses on the science underpinning each pillar of our Sustainability Framework, climate, nature, and people positive, and provides robust oversight of the biomass sustainability practices that support these pillars.

Our priority for the year ahead is to continue delivering against the Sustainability Framework and to accelerate progress towards the commitments and targets it sets out. This means embedding our principles across every part of the organisation, driving measurable improvements, and ensuring our actions remain aligned with long-term climate, nature, and people positive outcomes. By maintaining focus and accountability, we aim to demonstrate tangible progress and reinforce our leadership in sustainable business.

In February 2026, Chief Sustainability Officer, Miguel Veiga-Pestana, formally transitioned leadership to Ross McKenzie. Passion and commitment to sustainability across Drax has continued to be one of our core strengths, and Miguel's leadership and dedication have been instrumental in bringing the Company to this point. The Group looks forward with optimism as Drax continues to build momentum and deliver positive impacts for climate, nature, and people.

> Our Sustainability Framework

This framework is our roadmap to ensure we're reaching meaningful milestones – these pages are coloured in dark blue.

 See next page

Introduction continued

Our Sustainability Framework, launched in 2025, sets out how we're taking action to help decarbonise our operations, to protect and enhance nature, and to support people who work with and alongside us.

The Framework is a result of looking at our successes and setbacks, listening to stakeholders, and engaging with experts. Our goal is to ensure we're on the right path. Our Framework has 26 time-bound targets, grouped into three pillars: Climate, Nature and People. This is our roadmap with the ambition to ensure we're reaching meaningful milestones, while demonstrating transparency in our plans, processes, and operations.

📄 See more on pages 25, 27 and 29

🔗 See our 26 time-bound commitments at drax.com/drax-sustainability-framework/



Our Sustainability Framework

CLIMATE POSITIVE	NATURE POSITIVE	PEOPLE POSITIVE
<ul style="list-style-type: none"> > We will reach net zero by the end of 2040 across our value chain. > We will deliver evidence on forest carbon stocks in principal biomass feedstock sourcing areas by the end of 2026, using rigorous science-based approaches. > We will further address the global climate crisis with positive contributions to climate change mitigation and adaptation by the end of 2030. 	<ul style="list-style-type: none"> > We will mitigate harm and promote circular resource use across our operations by the end of 2030. > We will deliver biodiversity enhancements across all our sites by the end of 2030. > We will support biodiversity and ecosystem resilience in our value chain, contributing to measurable restoration and conservation outcomes by the end of 2030. 	<ul style="list-style-type: none"> > We will keep building a fair, safe and inclusive workplace. > We will continue to collaborate with our supply chain to promote fundamental human and labour rights, including those covered by the UN Global Compact and the UN Declaration on the Rights of Indigenous Peoples. > We will partner with the communities we operate in, seeking to make a positive contribution to their lives and livelihoods.
<h3 style="text-align: center;">SUSTAINABLE BIOMASS</h3> <p style="text-align: center;">We commit to sourcing biomass that delivers climate, nature and people positive outcomes, adhering to strict compliance, traceability, and third-party certification standards.</p>		

Introduction continued

While launching the Sustainability Framework represents a critical milestone, its true value lies in how effectively we measure progress against it and demonstrate tangible, meaningful outcomes. Transparent reporting mechanisms ensure that we move beyond intention to action.

ESG Performance Report 2025

This report provides additional environmental, social, and governance data.

Visit www.drax.com/esg-performance-report-2025



Policies

For publicly available policies referenced in this section:

Visit www.drax.com/about-us/corporate-governance/compliance-and-policies/

Metric	Unit	2025	2024	2020 (Baseline)
Climate positive				
Group total Scope 1	ktCO ₂ e	301 [Ⓐ]	266	1,691
Group total Scope 2 (location-based)	ktCO ₂ e	256 [Ⓐ]	280	277
Proportion of Group emissions (Scope 1 and 2 location-based) within UK	%	43 [Ⓐ]	43	87
Group total Scope 3	ktCO ₂ e	1,504 [Ⓐ]	1,808	3,088
Group total energy consumption	GWh	42,356 [Ⓐ]	41,521	44,451
Group total energy consumption within the UK	GWh	38,370	38,294	41,008
Group emissions (Scope 1 and 2) per GWh of electricity generation	tCO ₂ e/GWh	35 [Ⓐ]	35	117
Direct biogenic CO ₂ emissions ⁽¹⁾	ktCO ₂ e	14,085	13,932	13,615
Nature positive				
Nitrogen oxide (combined Generation & Pellet Production business unit)	t	7,489	7,636	
Particulates (combined Generation & Pellet Production business unit)	t	1,275	1,234	
Total water abstracted – Drax Power Station	m ³	44,857,626	44,491,595	
Total water returned – Drax Power Station	m ³	39,856,691	37,119,036	
Average biomass supply chain GHG emissions	kgCO ₂ e/MWh	87.1 ⁽²⁾	93.7 ⁽³⁾	
Total volume of woody biomass produced – Pellet Production	Mt	4.2	4.0	
Proportion of woody biomass pellets produced and sold with an SBP Compliant claim – Pellet Production ⁽⁴⁾	%	97	96.5	
Proportion of woody biomass consumed at Drax Power Station with SBP Compliant claim	%	99.9 ⁽²⁾	98.6 ⁽³⁾	
People positive				
Total Group employees ⁽⁵⁾	n	2,974	3,243	
Total Recordable Incident Rate (TRIR) ⁽⁶⁾	per 100,000 hours	0.33 [Ⓐ]	0.24	
Near Miss and Hazard identification Rate (NMHIR) ⁽⁷⁾	per 100,000 hours	208.96 [Ⓐ]	167.56	
Women in senior management	%	33.9	35.7	
Total donations (including Drax foundation)	£m	3.1	3.6	

[Ⓐ] This metric was subject to external independent limited assurance by PricewaterhouseCoopers LLP (“PwC”) as part of their assurance over metrics in the ESG Performance Report 2025.

⁽¹⁾ The biogenic CO₂ emissions, associated with direct combustion, across the Group are zero-rated under the GHG Protocol methodology and our SBTi targets. Biogenic CO₂ emissions are reported separately as “outside of scope” in ESG reports or under “Memo items” of UK Emissions Trading Scheme (UK ETS).

⁽²⁾ This metric was subject to external independent limited assurance by Bureau Veritas UK Limited using the assurance standard ISAE 3000. For assurance statement see drax.com/sustainability.

⁽³⁾ Equivalent limited external assurance was obtained over this metric in prior year and results of that assurance can be found in the ESG Performance Report 2024.

⁽⁴⁾ Reported figure reflects pellets produced and sold with an SBP Compliant claim. The remaining volume was produced and sold with an SBP Controlled claim.

⁽⁵⁾ Total number of Group employees as at 31 December for the reporting year.

⁽⁶⁾ TRIR is the total fatalities (2025: 0), lost time injuries, restricted work, and medical treatment injuries per 100,000 hours worked. Total includes incidents and hours of both employees and contractors across our sites and offices.

⁽⁷⁾ NMHIR is the total near misses and hazard incidents per 100,000 hours worked. Total includes both employees and contractors. The calculation methodology has been updated in 2025 to include employee overtime hours. See Basis of Reporting for more details.

Some of the 2024 and 2020 (Baseline) equivalents for Climate metrics have been restated following the completion of re-baseline in 2025. For further details on this re-baseline, see page 25.

Safeguarding responsible biomass sourcing

Our biomass operations

Sustainably sourced biomass plays an important role in supporting energy security as the world decarbonises, displacing fossil fuels with renewable generation like wind and solar. However, wind and solar are intermittent. The energy system needs dispatchable power, such as biomass, pumped storage, and battery storage that supports intermittent renewables when the sun doesn't shine and the wind doesn't blow.

Drax is committed to ensuring the woody biomass we source comes from forests that are managed in accordance with standards designed to support their health and growth over the long term. We aim for 100% responsibly sourced biomass that delivers climate, nature, and people positive outcomes, adhering to strict compliance, traceability, and third-party certification standards, where relevant.

Our North American operations are strategically located in the US South and Canada. This provides ready access to large tracts of responsibly managed working forests, modern infrastructure, and an available workforce of trained loggers, wood haulers, plant operators and other specialties.

Canadian operations

British Columbia and Alberta, in Western Canada, are among the world's largest exporters of wood products. The respective Governments of British Columbia and Alberta, in partnership with First Nations, have procedures, policies, and laws in place to help ensure sustainable forest management practices, protect important forest ecosystems and support the forest products sector.

In Canadian forests, removing the debris associated with the primary timber industry is part of a wider set of activities to mitigate wildfire risk and the spreading of disease and pests. It is not a good climate or economical outcome to burn forest residue in forests or at the roadside. We believe that it is better to utilise this fibre according to strict criteria and best practice, to generate social value and renewable electricity.

In Canada in 2025, we operated 10 pellet mills across British Columbia and Alberta, and towards the end of the year we closed our Williams Lake plant. 85% of our fibre from Canada came from sawdust and other sawmill residues created when the mills create wood products for construction and other industries.

Regions where we source our feedstock



1 US 60.3%	6 Portugal 0.3%
2 Canada 29.1%	7 Lithuania 0.2%
3 Latvia 8.9%	8 Brazil 0.1%
4 Estonia 0.6%	9 Other European 0.03%
5 UK 0.5%	

The remaining 15% of our fibre came from forest residues, including low-grade roundwood, tops, branches and bark and salvage trees. Typically, third-party customers in Asia purchase the pellets that Drax produces in Canada.

US operations

Drax operated seven wood pellet production facilities across the US South in 2025, with two of these facilities closing by the end of the year. In this region, over 85% of forestland is privately owned – primarily by families, with a smaller proportion held by large forestry enterprises.

Similar to our operations in Canada, our operations complement the broader forest products industry by creating a reliable market for forest residues, including low-grade roundwood and material from thinning operations that is unsuitable for sawtimber production or rejected by the sawmill. Thinning is a well-established and widely practiced method of sustainable forest management in the US South. It plays a critical role in enhancing forest health, increasing the yield of high-quality sawtimber, and improving overall ecosystem productivity.

CASE STUDY

The forests of the US South

The forests of the US South play an essential role in delivering climate, nature and people positive outcomes.

Working forests like these store carbon, protect soil and water quality, provide habitats for many species, and encourage biodiversity. And while we don't own or manage these forests, we're proud that our sourcing can assist forest owners in their forest management.

Harvests like the regeneration harvests that landowners carry out can mimic natural events – such as storm damage, forest fires, or disease. They allow full sunlight to reach the ground and new generations of trees to continue the cycle, absorbing carbon as they grow. It is important to us to support responsible forest management like this.

Safeguarding responsible biomass sourcing continued

Biomass Sourcing Policy

In 2025, we published a revised Biomass Sourcing Policy, which applies to all biomass that Drax sources. It covers our own pellet production, and pellets sold to third parties, or used at Drax Power Station (including biomass pellets purchased from third-parties). It also applies to potential future uses, such as pellets used to power data centres, remove carbon dioxide via BECCS, or use in SAF.

The revised policy is an evolution of the 2019 Responsible Sourcing Policy. It more accurately reflects our global business today and developments in regulation and global standards such as the Renewable Energy Directive III (REDIII) and SBP v2.0. We have structured the new policy around a series of core principles, building on the wider Sustainability Framework in seeking to deliver positive outcomes for climate, nature, and people. At the same time, it is underpinned by a commitment to compliance, traceability and transparency, and to conducting open stakeholder engagement.

Drax will continue to use independent third-party certification schemes as part of the implementation of the new policy.

Drax Power Station

The biomass that Drax Power Station uses must comply with the standards set out in law, regulations, and the requirements of the renewable support schemes under which the plant operates.

The UK Government outlines sustainability requirements for biomass generation to be eligible for renewable support. To qualify for subsidies, the biomass received at Drax Power Station must comply with the Land Criteria and the Greenhouse Gas (GHG) Criteria. The Land Criteria for wood pellets sets out a range of measures for sustainable forest management. The GHG Criteria is a limit, set out by the UK Government, which ensures that the totality of emissions involved in our biomass supply chain represents significant GHG reductions compared to fossil fuels. The current criteria for biomass, in the UK, is to ensure supply chain emissions do not exceed 180kgCO₂e/MWh.

We are required to demonstrate, and assure to an ISAE 3000 limited assurance standard, that the biomass we use at Drax Power Station is consistent with the UK's sustainability standards. We therefore report monthly on the amount of biomass and type of material used, where it came from, and the GHG emissions from the supply chain. Under UK regulations, we must also confirm if the biomass complied with the Land Criteria.

At the end of every compliance year, the renewable support schemes requires us to have an independent third-party audit to assess the accuracy of our monthly reporting. At Drax Power Station, to ensure we can identify and track material through supply chain, we are SBP and PEFC (PEFC/16-37-1769) certified. We are also FSC® certified (FSC® C119787).

In November 2025, Drax signed a contract with the UK Government for a low carbon dispatchable CfD. This will support electricity produced at Drax Power Station between April 2027 and March 2031. The contract includes strengthened sustainability criteria across three key areas: (1) increasing the proportion of biomass that must be sustainably sourced from 70% to 100%; (2) reducing the supply chain emission threshold from 180kgCO₂e/MWh to 131.76CO₂e/MWh (aligned with international best practice); and (3) including provisions to exclude material sourced from primary and old growth forests from receiving support payments.

Due to requirements under the low carbon dispatchable CfD, including lower contracted volumes, it was determined, during 2025, that effective from April 2027, Drax Power Station would no longer be supplied by the Group's Canadian pellet plants.

Third-party pellet sourcing

Beyond our own operations, we source third-party pellets from suppliers across North America, South America and Europe, for use at Drax Power Station. In addition, Drax trades pellets from North America and Europe to meet long-term commitments to third-party customers. Pellet sourcing undergoes due diligence, supported by established processes and procedures to ensure the material is sustainably produced and fully compliant with our biomass sourcing policy and applicable legislation.

Regulatory and standard developments

REDIII and EUDR

2025 was a crucial year for the implementation of new regulations covering biomass sourced for use in the EU. Notably REDIII strengthens biomass sustainability criteria and adopts the cascading principle to ensure that wood is utilised to its highest economic and environmental added value.

Meanwhile, despite the 12-month delay of the incoming EU Deforestation Regulation (EUDR) implementation, 2025 remained a critical year. The EUDR requires companies to conduct due diligence to ensure wood products are free from both deforestation and degradation. Whilst Drax's interactions with the EU markets are limited, we are supportive of the legislation's intent of preventing deforestation and during 2025, we continued to work towards compliance with both EUDR and REDIII, with updates provided to the Sustainability Council.

Sustainable Biomass Program v2.0

2025 was a pivotal year for the transition of suppliers to SBP's v2.0. SBP is a certification specific to the biomass industry, where independent certification bodies audit suppliers against the standards developed by SBP. It is an independent certification scheme that regulators, including those in the UK and EU, have successfully benchmarked as a voluntary scheme. It can be used to demonstrate compliance with sustainability criteria in the Renewables Obligation and Contract for Difference at Drax Power Station and with REDIII in the EU.

The v2.0 standards look holistically across the supply chain, including the management of forests to ensure the health and vitality of ecosystems are maintained. Compared to SBP v1.0, the revised standards place a greater emphasis on 'outcomes' and include a new principle on forest carbon. Alongside, there are new and enhanced social requirements strengthening the protection of workers and their rights. In 2025, all Drax pellet plants were audited against SBP v2.0 and successfully transitioned to v2.0 ahead of the November 2025 deadline.

Third-party certifications and accreditations

FSC®: Forest Stewardship Council®

PEFC: Programme for the Endorsement of Forest Certification

SBP: Sustainable Biomass Program

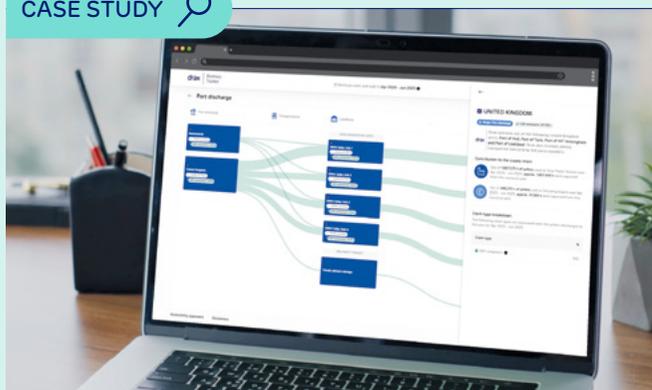
SFI®: The Sustainable Forestry Initiative

Safeguarding responsible biomass sourcing continued

We are committed to the long-term use of sustainably sourced biomass across our production operations. Rigorously collecting and analysing biomass sourcing data allows us to verify sustainability, trace origins and understand our procurement practices.

This data-driven approach enables informed decision-making and reinforces transparency and accuracy in both reporting and operational oversight.

CASE STUDY



Biomass Tracker tool

In early 2026, we launched our new Biomass Tracker, an interactive digital tool designed to enhance understanding and transparency around the journey of our sustainable woody biomass. The tool provides clear visibility of where our biomass is sourced, the types of fibre used, how it is transported through our global supply chain, and the carbon emissions associated with each stage of its journey.

See more at drax.com/biomasstracker

Drax Group sources of fibre

	Sawmill and other wood industry residues (t)	Branches and tops (t)	Thinnings (t)	Low-grade roundwood (t)	Salvage trees* (t)	Non-woody biomass** (t)	Country total (t)
US	2,672,716	116,112	1,096,284	1,819,805	10,586	161,562	5,877,065
Canada	2,404,616	212,023	-	207,181	9,777	-	2,833,597
Latvia	111,997	16,212	9	734,816	-	-	863,034
Estonia	-	320	10,155	48,621	-	-	59,096
United Kingdom	-	-	-	-	-	48,847	48,847
Portugal	735	24	21,082	9,128	213	-	31,182
Lithuania	9,395	-	-	7,997	-	-	17,392
Brazil	360	-	-	-	4,967	-	5,327
Other European	2,122	-	-	750	-	-	2,872
Total	5,201,941	344,691	1,127,530	2,828,298	25,543	210,409	9,738,412

Drax Power Station sources of fibre (material used at Drax Power Station)

	Sawmill and other wood industry residues (t)	Branches and tops (t)	Thinnings (t)	Low-grade roundwood (t)	Salvage trees* (t)	Non-woody biomass** (t)	Country total (t)
US	2,608,195	116,112	1,096,284	1,819,805	10,586	161,562	5,812,544
Canada	737,790	74,562	-	77,222	9,777	-	899,351
Latvia	111,997	16,212	9	734,816	-	-	863,034
Estonia	-	320	10,155	48,621	-	-	59,096
United Kingdom	-	-	-	-	-	48,847	48,847
Portugal	735	24	21,082	9,128	213	-	31,182
Lithuania	9,395	-	-	7,997	-	-	17,392
Brazil	360	-	-	-	4,967	-	5,327
Other European	2,122	-	-	750	-	-	2,872
Total	3,470,594	207,230	1,127,530	2,698,339	25,543	210,409	7,739,645⁽¹⁾

The above tables display tonnages of finished wood pellet equivalents. The volume of fibre sourced from Canada for use at Drax Power Station increased year on year, reflecting higher operational activity during the period. This overall increase was driven primarily by greater procurement of third-party pellets from Eastern Canada, which offset a reduction in fibre sourced from Drax's own Canadian operations.

(1) This total was subject to external independent limited assurance by Bureau Veritas UK Limited.

* In 2025, SBP published standards v.2.0 within which SBP differentiated Salvage Trees and End-of-life Trees. Prior to this standard change both categories were combined and referred to as End-of-life Trees. For Annual Reporting in 2025, Drax has reflected this change. Biomass consumed by DPS covering this Annual report only contains Salvage Trees.

** Following a review of terminology, the category previously titled Agricultural Residues has been renamed in the 2025 Annual report to Non-woody biomass in order to more closely reflect RO Sustainability Criteria.

Sustainable development continued

CLIMATE POSITIVE

Our approach

Responding to the challenge of climate change is central to our purpose and strategic aims. Our Climate Policy outlines our approach in line with the TCFD framework. For more information on climate-related governance, see pages 31 to 32.

Ambition and targets

Our climate ambition is to achieve our 2030 and 2040 SBTi decarbonisation goals. Simultaneously, we will deliver our corporate strategic objectives, contributing to UK energy security. While we pursue options for carbon removals, we are also focused on finding opportunities to reduce our absolute emissions across Scopes 1, 2 and 3. The SBTi validated our near-term targets in 2023 and in early 2026, we completed the final steps to fully validate our 2040 net zero target.

We recognise that there are many external dependencies that could impact our target to be net zero by 2040. These include the rate of commercialisation and deployment of low-carbon technologies, and changes to the Group's corporate strategic objectives and asset portfolio composition.

Scope 1 and 2 emissions

In 2025, our total Scope 1 and 2 carbon emissions (location-based) increased by 2% from 2024, however, we have generated more electricity and produced more pellets in this period. There has been a reduction in non-biogenic energy consumption per pellet produced at the North American pellet plants resulting from the success of energy efficiency projects in 2024. These projects have contributed to an 3% reduction in natural gas emissions, and, alongside decarbonisation of the regional grids, a 5% reduction in location-based electricity emissions. A continued focus on energy efficiency measures at Drax Power Station also decreased Scope 1 and 2 emissions from the site by 1% in 2025. We have signed off funding for decarbonisation measures on our time charter vessels, to be implemented in 2026, targeting further Scope 1 and 2 emissions reductions, and ensuring a focus on achieving our 2030 non-generation target.

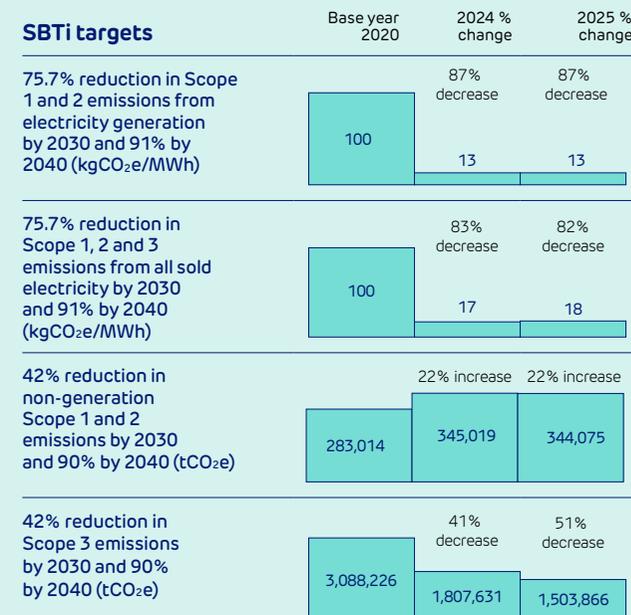
Scope 3 (value chain) emissions

The most significant contributor to our Scope 3 emissions profile continues to be from fuel and energy-related activities, primarily driven by the biomass fuel supply chain. In 2025, Group total Scope 3 emissions decreased by 11% compared with 2024. Efficiencies within the biomass supply chain have supported decarbonisation within our Scope 3 emissions, including our project to replace diesel with 100% hydrotreated vegetable oil (HVO) in our UK rail operations. We have progressed beyond our 2030 target, with a 51% reduction against our 2020 baseline.

Progress against SBTi targets

In summary, we remain ahead of our Generation Scope 1 and 2 intensity target, and progressed beyond our Scope 3 target. Our Scope 1 and 2 non-generation targets remain behind target trajectory, and will require additional decarbonisation focus in 2026.

We completed a re-baseline in 2025 to account for the Opus energy accounts sale, and a number of methodology improvements. For the methodological changes, we have updated emissions factors for spend-based calculations from a dataset developed in 2019, to a 2025 dataset. This update impacted absolute emissions and has been performed across all annual figures, ensuring consistency and preventing faux decarbonisation reporting. For further details, see our Basis of Reporting.



Sustainable development continued

> Climate positive

Framework in focus

We've already taken one big step towards helping to tackle the challenge of climate change, having converted Drax Power Station from coal to sustainable biomass. But we recognise there is still much to do.

Our objective isn't just to reduce emissions, but to have a net positive impact on the climate. We'll aim to do this through the eight targets outlined in the Climate Positive section of our Sustainability Framework, three of which we have considered in more detail here.

Target

> Achieve our near-term 2030 SBTi targets and aim to further achieve our 2040 net zero target

Progress

With advancements in action as well as governance we continue to make progress against our target to achieve our near-term 2030 science-based target and reach net zero by 2040.

We entered the process of validating our net zero science based target with SBTi in 2025, achieving validation in early 2026, showing our ongoing commitment to reach net zero by 2040. We also invested in decarbonisation projects to support progress against our targets. Our net zero target commits us to reduce emissions in line with the SBTi stated reductions and neutralise any residual emissions using permanent carbon removals. The validated targets and progress against the near-term targets are shown on page 25.

> Develop and pilot a methodology for evaluating the impact of biomass demand on carbon stocks in sourcing regions by 2025

We developed a forest carbon appraisal methodology, including futures scenario modelling, and shared it with industry stakeholders at international conferences such as the European Biomass Conference and Exhibition 2025. This completed the proposed goal of this target. Another component of the methodology includes the use of remote sensing for monitoring forest carbon stocks in our catchment areas, among other metrics. We developed the remote sensing tool in collaboration with Google and NGIS to enable us to track fibre sourcing to individual parcels of land and increase the effectiveness of our forest sourcing tracking. The remote sensing tool also enables us to visualise and analyse changes in the forest carbon stocks over time and support us in upholding our sustainable sourcing commitments. In 2026, following the publication of the GHG Protocol's Land Sector and Removals Guidance, we will utilise the data to undertake a detailed analysis of the carbon stock changes within our sourcing areas.

> Publish and implement a climate adaptation plan by the end of 2027

Working in conjunction with external consultants, we are in the process of developing climate change adaptation and mitigations plans for all our sites in the UK. We have already delivered three completed plans, identifying climate physical risks across 216 metrics. This has enabled us to better manage and understand climate risks and propose changes to our assets to reduce the likelihood of hazardous events causing an impact at our sites. This enables site and financial security in our operations, and has supported our TCFD assessments to understand the financial impacts associated with climate change at our sites.

Sustainable development continued

NATURE POSITI>E

Our approach

We recognise the interaction and dependency we have with nature. From the sustainable biomass we source, to the water needed to operate Drax Power Station and to generate electricity at our Scottish assets, nature is fundamental to our business. We are committed to understanding and addressing nature-related risks, our dependencies and impacts on nature, and contributing to actions that promote nature positive outcomes.

Environmental management and compliance

Our Group Environmental Policy states our commitment to manage, monitor, and reduce the environmental impacts caused by our business. We report monthly on environmental incidents to the Executive Committee, and the Compliance Committee Steering Committee also receives a report.

Non-CO₂ emissions to air

For biomass generation, the main emissions to air are nitrogen oxides, sulphur dioxide, particulates, and VOCs. These are caused by the machinery and processes associated with harvesting and pelletisation of biomass. In 2025, sulphur dioxide and nitrogen oxides emissions reduced compared with 2024.

Pellet production operations are subject to local State laws for air emissions and pollutants and set requirements on the level and frequency of self-monitoring and reporting. The main emissions to air are particulates, volatile organic compounds (VOCs), carbon monoxide, and nitrogen oxides.

Responding to local concerns

In October 2025, the Amite facility in Gloster, Mississippi received unanimous approval from Mississippi Department of Environmental Quality for both a modified construction permit and an initial Title V operating permit. This reversed an earlier decision from April 2025. The approval followed a two-day public hearing that drew strong participation from the Gloster community, many of whom expressed support for Drax continuing operations, alongside perspectives aligned with Greater Green Gloster. Although the final administrative steps are still underway, we anticipate that the permits will be formally issued in the first half of 2026. Once in place, they will provide enhanced operational transparency and reinforce confidence in our environmental performance. We remain committed to being a responsible and engaged partner in Gloster and will continue to strengthen our relationships in the community.

We engage with regulators and other stakeholders in connection with our operations through established regulatory and administrative processes. Our operations are subject to permits, oversight, and ongoing regulatory and legal requirements. Certain regulatory, administrative, or legal matters may be ongoing from time to time.

Water

The use of water is subject to strict criteria and local laws, with our operational and HSE teams, plus external regulatory agencies, overseeing compliance. Drax Power Station uses water for operational and cooling processes. The power station emits a proportion of the water it uses as water vapour through its cooling towers. It recycles the remainder and discharges it under permit to the River Ouse. We have procedures in place to manage water system efficiency and usage, ensuring the plant meets the discharge consent limits.

At Cruachan Power Station, we generate electricity by using water that flows from Cruachan dam through four turbines into Loch Awe. Cruachan can reach its full generating capacity in less than 30 seconds, which makes it a vital asset for balancing the grid and generating electricity at times of high demand. When electricity demand is low, we pump water from Loch Awe into the upper reservoir. We monitor the arrangements for the cycling of this water and report to the Scottish Environment Protection Agency (SEPA) as required.

As part of our Sustainability Framework, we have committed to delivering a Group water strategy by the end of 2026, which will take into account our existing asset base as well as potential future opportunities, including data centres.

Taskforce on Nature-related Financial Disclosures

We have been disclosing information aligned with the TNFD Recommendations since 2023. We have continued dedicated nature assessments across our sites to understand our relationship with nature in greater depth. In 2025, we continued to implement these nature assessments, including comprehensive reviews for potential sites of biodiversity sensitivity across Drax's portfolio of operational sites.

In 2025 we developed two TNFD core metrics; total spatial footprint (2025: 26.7km²) and value of total fines/penalties in the year due to negative nature-related impacts (2025: £0) as part of our enhanced TNFD disclosure.

Enhancing our understanding of the Company's spatial footprint supports the identification of nature positive opportunities, and the implementation of our Sustainability Framework nature commitments. There have been no environmental fines or penalties levied, and no litigation awards or settlements paid in 2025 for nature-related impacts.



Sustainable development continued

> Nature positive

Framework in focus

The areas that we operate in are home to rich and unique biodiversity. The land around our sites supports hundreds of species, and the forests we source biomass from are similarly full of life. Avoiding and preventing negative impacts on nature is critically important and remains a key area of focus for us.

But we know we're still at the beginning of the journey. We're committed to taking action that not only aims to protect nature across all our sites, but actively enhance it. We'll aim to do this through the 10 targets outlined in the Nature Positive section of our Sustainability Framework, three of which we have considered in more detail here.

Targets

- > Publish a white paper on opportunities to adopt circular economy principles with a focus on circular bioeconomy by the end of 2025
- > Implement Nature Positive Action Plans at or related to all owned sites by the end of 2030
- > Publish our first fully aligned TNFD report by the end of 2026

Progress

In 2025, we initiated new multi-stakeholder discussions on the circular bioeconomy as part of our commitment to explore further adoption of circular economy principles. We commissioned Forum for the Future, a leading international sustainability organisation dedicated to a just and regenerative future, to lead this work. Forum for the Future facilitated a workshop with stakeholders from across the bioeconomy value chain, and will publish a white paper in early 2026. We will feature this in the Drax Evidence Hub along with our key takeaways.

In 2025, we continued to develop Nature Positive Action Plans using information developed in our TNFD 'Locate, Evaluate, Assess & Prepare' (LEAP) assessments based on the TNFD definition of Nature Action Plan. We developed a first plan for Drax Power Station and for Cruachan, identifying priority nature-related dependencies, impacts, risks and opportunities, and informing where to focus our nature positive actions.

We continued to progress LEAP assessments across the Drax portfolio and sourcing areas. We leveraged data from the Integrated Biodiversity Assessment Tool (IBAT), a leading global biodiversity data set, and local biodiversity surveys. This helps us to better understand areas of biodiversity sensitivity in our operating and biomass sourcing areas, and also informs the Nature Positive Action Plans.

Sustainable development continued

PEOPLE POSITI>E

Our approach

We take a value chain approach to People Positive, meaning we are committed to considering the needs of all stakeholders across our operations. This includes all Drax colleagues and contractors, businesses in our supply chain, and communities near our operational sites across the UK, US, and Canada.

Our colleagues

Employee engagement

In 2025, our My Voice Surveys continued on a quarterly basis to provide a more immediate and accurate understanding of the key drivers of engagement across the business. This supports our commitment to improve employee wellbeing and culture. Our overall score remained stable across the first three quarters (7.4) but decreased slightly in Q4 to 7.2 amid a period of uncertainty driven by organisational change. Our colleague forums (My Voice Forums) continue to play a vital role by connecting colleague voices with the Board and influencing culture, through empowering colleagues to take accountability for change and constructively challenge the Board.

Health & safety

At Drax, maintaining high health and safety standards is crucial to retaining our licence to operate. Our Group HSE Governance Policy, outlines how all employees and contractors have a role to play in ensuring they keep themselves and their co-workers safe. To enable ongoing compliance and meet expectations, site-level Health, Safety, and Environmental (HSE) performance is reviewed regularly and the Group HSE Committee appraises Group HSE performance quarterly. The CEO reports on health and safety to the Board every quarter, with an HSE performance metric being a constant in our Group Scorecard.

In 2025, we transitioned to a functional HSE model to drive greater consistency, stronger governance, and more effective processes across all business units. The functional model provides integrated strategic oversight across all aspects of HSE. In early 2026, we launched "Zero Harm", a framework we will use to consistently manage health and safety across our business. Harm is never an acceptable outcome of doing our work, and this framework ensures that safety is built into every plan, every decision, every task, and every outcome to achieve our vision of getting everyone home safe and well, every day.

Our operational UK Generation assets have an integrated HSE management system certified to ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management Systems), and ISO 45001:2018 (Occupational Health and Safety Management Systems). Our Pellet Production sites align to one HSE management system, which sits across both the US and Canada.

Our communities

Drax Foundation

In 2025, we provided £3.1 million in funding through the Drax Foundation. We have improved access to STEM education for 28,140 children and provided skills training for 2,260 young adults in the communities where Drax operates. We also supported nature-based learning and volunteering for 34,862 people through the funding of nature partnerships.

Community Fund

Through our Community Fund, Drax has supported 190 grassroots organisations with £399,182 in funding. This provided vital opportunities for local schools, youth programmes, foodbanks, and events in our communities.

Just Transition

In 2025, we made progress against our commitment to contribute to a Just Transition through providing education to employment pathways in the low carbon economy. We established working groups in the UK, US, and Canada and developed a new "Theory of Change" model to increase interest in STEM from an early age. This offers meaningful experiences of work, as well as skills development and an increased visibility of career opportunities.

Our supply chain

Acting ethically and with integrity

We are committed to conducting business ethically, responsibly, and in compliance with all relevant laws and regulations. We do not tolerate bribery, corruption, human rights abuses, or any other unethical conduct and take positive steps to prevent this. Each year, we review all our Ethics programmes and associated policies, providing updated and programme-specific risk assessments to the Ethics and Business Conduct Committee. The Audit Committee sets our audit schedule, typically reviewing at least one programme per year. Our Modern Slavery and Human Trafficking Statement can be viewed at drax.com/sustainability.

To support accountability, the Group Bonus Scorecard now includes a compliance-related target. Items specific to Business Ethics in the 2025 Scorecard included the completion of the Code of Conduct refresher training and the annual Business Ethics Declaration.



Sustainable development continued

> People positive

Framework in focus

We believe the energy transition can and should benefit everyone, while acting to uphold human and labour rights within our supply chain. We're also committed to making tangible improvements to the lives and livelihoods of the communities we operate in, by going beyond the provision of jobs at Drax sites.

We'll aim to do this through the eight targets outlined in the People Positive section of our Sustainability Framework, three of which we have considered in more detail here.

Commitments

- > We will work to represent the communities we operate in, supported by achieving our agreed commitments and targets
- > Consolidate our Responsible Sourcing Strategy across our supply chain by the end of 2026, including how social considerations will be integrated into the assessment of new business opportunities
- > Implement Community Engagement Plans in each of the communities where Drax owns and operates an asset, including a consultation and informed participation process, by the end of 2027

Progress

In 2025, we took significant steps to better represent the communities where we operate by introducing consistent, values-led recruitment practices. We also partner with Historically Black Colleges and Universities to broaden participation. Additionally, our new HR measures enabling colleagues to share socio-economic background information help us identify and eliminate barriers to opportunity, ensuring our workforce reflects the diversity of our communities.

In 2025, we made progress in consolidating our Responsible Sourcing Strategy. We also published a Sustainable Biomass Sourcing policy and have a draft Responsible Sourcing Policy for non-fuel supply chains under development and which is on track to be published in 2026. This will include climate, nature, and people positive expectations for our non-fuel supply chain partners, including business conduct and ethics, human and labour rights, rights of Indigenous Peoples, and environmental stewardship.

We are on track to achieving our goal of having Community Development Plans in all operational sites of operation by 2027. As a first step, we conducted extensive community surveys and listening sessions to identify local needs and priorities in our communities, to ensure we are taking the most effective action to improve the wellbeing of our communities.

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Governance

Board oversight of climate risks and opportunities	p.31
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Management's role in assessing and managing climate-related risks	p.31
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Strategy

Climate-related risks and opportunities identified over the short, medium and long term and their impact on our business, strategy, and financial planning	p.33, 35–37 Principal Risks and Uncertainties p.41
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Resilience of Drax's assets and business model considering different climate-scenarios	p.34
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Risk management

Processes for identifying, assessing and managing climate-related risks	p.31 Principal Risks and Uncertainties p.41
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How we integrate these processes into the organisation's overall risk management	p.31 Principal Risks and Uncertainties p.41
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Metrics and targets

Climate-related metrics and targets	p.38
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Greenhouse gas emissions and related risks	p.38
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The Task Force on Climate-related Financial Disclosures (TCFD) provides a common framework for the provision of clear, comprehensive, high-quality information on the impacts of climate change. We have been a TCFD Supporter since 2020, recognising that identification and disclosure of climate-related risks and opportunities supports Drax and our stakeholders to make long-term decisions.

Compliance statement

This disclosure has been prepared in line with the Financial Conduct Authority (FCA) Listing Rule (UKLR 6.6.6R(8)) consistent with the recommendations of the TCFD and the updated 2021 TCFD Annex guidance. The climate-related financial disclosures outlined comply with the requirements of the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

The Drax Board is accountable for climate-related risks and opportunities. The CEO, supported by the Executive Committee, oversees and ensures that the Group effectively implements the business strategy, which aligns to our decarbonisation objectives.

The Senior Sustainability Leadership team, led by the Chief Corporate Affairs and Sustainability Officer, provides updates on sustainability matters, including progress and challenges across our Sustainability Framework, to the CEO, Executive Committee and Board.

The Chief Corporate Affairs and Sustainability Officer and Senior Sustainability Leadership team are responsible for the day-to-day implementation of the Group's sustainability strategy. The Sustainability Council acts as a Risk Management Committee, responsible for review and challenge of the climate change Principal Risk.

Risk Management

The identification, assessment, and management of climate-related risks is integrated into our Group-wide approach to risk management as defined by our Group Risk Management Policy. Climate change is a Principal Risk category governed within the approach to risk management (see page 46, Principal Risks and Uncertainties). Senior leadership and risk owners are collectively responsible for the identification of risks with the potential to threaten the achievement of strategic objectives. The Audit Committee and the Board review the effectiveness of risk management processes and controls.

The Sustainability function administers the climate change Principal Risk register. Each risk has an assigned business unit management owner, responsible for monitoring the risk, providing updates, and ensuring mitigations and controls are fit for purpose. Risk owners provide updates to the risk register at half and full year. Additionally, the Sustainability function identifies, assesses, and manages our climate-related risks through scenario analysis.

Looking ahead

As part of our commitment to transparent and consistent sustainability reporting, we have been monitoring developments from the International Sustainability Standards Board (ISSB). We recognise their role in building upon TCFD and continuing efforts to drive consistent, comparable and investor-focused reporting. We welcome the Government's adoption of the ISSB standards under the UK Sustainability Disclosure Requirements (UK SDR). We expect the UK SDR will become mandated by the FCA by 2027. Accordingly, we have begun reviewing our current practices in line with the ISSB standards and expect to begin the process of preparing for our first set of ISSB disclosures in 2026.

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Drax Group plc Board

The Board meets regularly and has ultimate accountability for climate-related risks and opportunities.

In 2025, the Board:

- Considered the Group's 2030 Sustainability Framework, Climate Transition Plan, and Biomass Sourcing Policy, all of which were published in February 2025.

- Approved the Sustainable development report, as included in the 2024 Annual report and accounts, including the Climate positive section and associated data and climate targets; and
- Received a progress report on Drax's ESG scores noting an upgrade in our CDP leadership score in CDP Climate.

Independent Advisory Board

The IAB held four scheduled meetings, with additional ad-hoc as needed, in 2025. The IAB provides external advice and challenge on our responsible sourcing of biomass, and wider aspects of our sustainability strategy. The IAB comprises five scientists and technical specialists (biographies available on the Drax website).

Audit Committee

The Audit Committee has responsibility for overseeing the effectiveness of risk management processes and controls, including the climate change Principal Risk.

In 2025, the Audit Committee:

- Reviewed and challenged the Principal Risks disclosure at half and full year; and
- Received a paper with a matrix detailing assurance in place over each key Annual Report disclosure, including those which are climate-related.

Executive Committee

The Executive Committee holds regular formal meetings, and focuses on the delivery of our strategy as well as operational and financial performance.

The Committee is responsible for assisting the CEO with all sustainability-related matters, including the delivery of all the commitments set out in the Group's Sustainability Framework. The Executive Committee is in turn supported by Sustainability Council.

Sustainability Council

The Sustainability Council was established in 2023. In 2025, the council:

- Made decisions on which decarbonisation projects to proceed with, aligned with our Sustainability Framework

commitment to achieve our near-term 2030 targets:

- Reviewed and approved plans to ensure compliance with new legislation impacting biomass, including EUDR and REDIII; and
- Received quarterly updates against progress of all commitments under the Framework.

Remuneration Committee

The Remuneration Committee oversees the approach to remuneration, including the safety and ESG element of the Group bonus scorecard.

In 2025, the Remuneration Committee:

- Considered the Group Scorecard targets and KPIs. This included three ESG-related KPIs, which had an aggregate weighting of 20%. These KPIs included three carbon reduction projects, projects focused on enhancing our governance controls, and focusing efforts on improving colleague experiences with respect to diversity, equity and inclusion. Approval was given by the Remuneration Committee at a subsequent meeting; and
- Received an update on the progress tracking the performance against 2025 targets.

Decarbonisation Working Groups

Comprising representatives from different business areas, these formal Working Groups centrally co-ordinate the prioritisation and delivery of our decarbonisation projects.

In 2025, the Decarbonisation Working Groups:

- Co-ordinated efforts to progress delivery of 2025 decarbonisation Group Scorecard target projects, as well as non-Scorecard projects.

- Originated new decarbonisation projects required to meet our longer term SBTi targets, according to our emissions reduction "flightpath"; and
- Monitored developing industry trends in carbon accounting, pronouncements from Greenhouse Gas Protocol and SBTi, and their impact on our corporate strategy.

Business areas and functions

Sustainability: Responsible for our sustainability programme, including decarbonisation projects, co-ordination of climate change Principal Risk, ESG disclosure, data, and assurance.

HSE: Responsible for environmental compliance and performance.

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Strategy

A strategy to enable a zero carbon lower cost energy future.

The identified climate-related risks and opportunities that could have a material financial impact on the Group are set out on pages 35 to 37 and in the Principal Risks and Uncertainties section (page 41).

Carbon reduction pathway

An overview of our carbon reduction targets and our plans is in the Climate positive section (page 25). In 2025, we launched our Climate Transition Plan in line with the Transition Plan Taskforce Disclosure Framework, which is on our website.

Impact of climate-related risks and opportunities on financial planning.

The conclusions from the scenario analysis detailed on page 34 informed the approach to the viability and impairment assessment. The table below summarises how climate-related matters influence, and are factored into, the respective areas of our financial planning.

Financial planning element Our approach

Revenues	<p>We incorporate the impact of a transition to net zero into the forecasts for future power prices, modelled over a 15-year basis. The transition to renewables presents an opportunity for the Group through increased demand for our products and services. Our assets support the energy network by helping to balance supply and demand. The variability of other renewable sources can cause imbalance, so as reliance on intermittent generation increases, the system is likely to require more balancing services. We are able to claim renewable energy guarantee of origin (REGO) certificates, and renewable obligation certificates (ROC) on the electricity produced across our generation portfolio, and our Energy Solutions business provides REGOs.</p> <p>Our business plans reflect maintaining our sales into Asia and North America, and maximising our integrated supply chain for Drax Power Station. The primary risk to revenue from climate change is the potential disruption caused from extreme weather events. Our assessments show this will have more impact on our Pellet Production business, but could also have knock-on effects on biomass generation if the supply chain is disrupted.</p> <p>The Climate Change Committee includes BECCS in its pathway for the UK to reach net zero. We include BECCS as one of our long-term opportunities for the Group. In 2025, our carbon removals business, Elimini, signed a joint development agreement with HOFOR to explore the building of a large-scale BECCS facility at Amagerværket Power Station.</p>
Costs (direct and indirect)	<p>Our Capital Allocation Policy outlines our focus on: (1) maintaining the Group's credit rating; (2) investing in the core business; and (3) paying a sustainable and growing dividend; and (4) returning surplus capital beyond investment requirements.</p> <p>We have introduced an internal shadow carbon price within the capital expenditure decision-making process used principally to modify the Net Present Value and Internal Rate of Return models to assess new business and capital investment cases. This provides a value for decarbonisation and a corresponding penalty for investments which increase our carbon footprint. Drax currently makes use of the UK Patent Box tax relief regime and will ensure it explores any further opportunities arising from UK BECCS patented activities. Currently, the UK Emissions Trading Scheme excludes biomass. This has provided us with a working capital inflow, through substituting coal (which has incurred taxes) to biomass (which does not). Over the longer term, management considers the impact of potential changes to the UK grid and demand for dispatchable renewable power and energy storage solutions. Globally, we recognise the increasing role biomass will have to play in decarbonising other industries. We are conducting research into areas that may fit our strategy, including biofuels and SAF.</p>
Acquisitions and divestments	<p>Our strategy closely aligns with climate solutions, enabling net zero energy security. Acquisitions and divestments are therefore guided by, and intended to enable, the achievement of our strategic goals and decarbonisation aims. In 2025, we signed an agreement with Aputura Limited to acquire three BESS projects which, when fully commissioned, will provide capacity totalling 260MW. The portfolio consists of two sites in Scotland and one in Northern England, with the first site in Marfleet, Yorkshire expected to be operational in 2027. In addition to this, in January 2026, we announced a tolling agreement with West Burton C Limited, an independent BESS developer owned by Fidra Energy, as well as the acquisition of asset optimisation platform, Flexitricity. In February 2026, we also announced the signing of a new agreement with energy developer Zenobé for their future battery at their Coalburn site, South Lanarkshire, Scotland.</p> <p>In May 2025, the Group completed the sale of the remaining non-core Opus Energy SME customer meter points. In November 2025 we announced the decision to cease operations at our Williams Lake pellet plant in British Columbia.</p>
Access to capital	<p>We maintain a strong investor base and portfolio of working capital facilities through a financial and sustainability-linked revolving credit facility, which matures in 2027, which has adjustments linked to certain Scope 1, 2 and 3 carbon emissions based on the Group's 2030 SBTi targets. This is consistent with our continued strategic focus on reducing our carbon emissions. Drax will require Government support to fully realise its ambitions and such support will be critical in attracting cost-effective investment and capital to the business.</p>

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Scenario analysis: Summary of results

Using third-party sources, scenario analysis provides a method for climate risk identification and assessment that is guided by climate science. In 2025, we continued to review the effect of physical and transition risks on our business and operations using S&P Global's Climonomics platform. We explored how different physical and transition risks could evolve under three climate change warming scenarios across our existing Generation and Pellet Production activities. We applied our analysis across four time horizons: the 2020s, 2030s, 2040s, and 2050s.

Transition risk:

Our transition risk assessment models the impact of transition risks and we have detailed how they may materialise, as well as our mitigation strategy (see table). Like many businesses, the introduction of a carbon pricing mechanism would represent the greatest potential financial risks. We are satisfied that the risk of a mechanism that affects our operations would be low, and we are liaising with the appropriate government and regulatory bodies. We consider the remaining risks present low material risk and are well mitigated.

Physical risk:

Our physical risk analysis explores the potential impacts resulting from the physical risks of climate change. We considered how eight physical climate change hazards could evolve under three scenarios for our generation and non-generation assets. The table shows our assessment of these risks and how they could materialise and affect our business and operations. We also have a detailed mitigation strategy, and management believes we have a range of strategic options available. We expect to have the necessary capital to manage impacts and remain resilient under the wide range of scenarios. Temperature extremes, drought, and water stress are identified as the main physical climate-related risks for Drax. There remains a relatively greater potential impact on our North American Pellet Production operations. However, none of the risks arising from physical climate change over the time horizons are modelled to have a material potential financial impact.

Transition risk		
Risk	Example how risk might materialise	Our mitigation strategy
Carbon pricing	Development of Carbon Border Adjustment Mechanism (CBAM) policy could prove concerning for biomass if determined as a product requiring tax; development of carbon tax mechanism in sourcing geography or along the supply chain. We expect any mechanism unlikely to materially impact our operations	Maintain close liaison with UK Government and EU institutions on future policies (including future Carbon Pricing CBAM); development of carbon removals capacity at Drax Power Station, and globally (see page 11)
Litigation	GHG thresholds for supply chain emissions could result in biomass failing to meet sustainability criteria; NGO pressure to deem biomass as non-renewable	Engagement with policy makers and stakeholders on carbon accounting of biomass and exploring steps Drax is taking to decarbonise the supply chain and reiterate importance of IPCC principles on carbon accounting
Reputation	Loss of customer, investor, and stakeholder trust; negative press; lack of understanding by public of the benefits from biomass	Forest carbon research programme evidence's climate positive impacts on climate of biomass; global biomass campaign to counter eNGO claims and continue to engage with interest groups
Technology	Failure to adopt new technologies or investment into unverified or failed technologies	We continue to track future technology options and maintain engagement with governments on future policies
Market	Absence of market for negative emissions; pressure on governments to deem biomass not low carbon; limited government support for BECCS	Liaison with governments on future policies and working with them on the delivery of our strategy
Physical risk		
Risk	Example how risk might materialise	Our mitigation strategy
Temperature extremes	Cooling and ventilation costs and increased servicing costs; employee productivity; revenue impact	Weather monitoring; plants built to high standards to cope with weather issues per location; business continuity plans in place; winterisation planning
Drought	Business interruption; water expenses; foundation damage	Hydrological modelling; plants distributed in different fibre baskets; management of larger inventories
Flooding*	Clean-up costs; repair costs; business interruption	Fibre plants distributed in different fibre baskets; hydrological modelling; multiple ports to reduce reliance on given supply chain route
Wildfire	Employee health; business interruption; physical damage	Smaller fibre plants distributed in different fibre baskets; fire guard measures
Water stress	Business interruption; revenue impact	Annual water stress assessment completed for all assets

* Flooding is a combination of coastal, fluvial and pluvial flooding, and tropical cyclone.

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Climate related risks

Time frame

- Short term (ST): 1 year – aligns to our time periods for assessing going concern
- Medium term (MT): 2-5 years – aligns to the period assessed for viability reporting
- Long term (LT): 5+ years – aligns to the period beyond that currently assessed for viability reporting

Description	Time frame	Our response (strategic mitigation)	Related metrics
Risk 1. Physical risks to our Pellet Production operations and supply chain in the US and Canada			
Acute hazard and chronic climate hazards impacting fibre availability and site operations at US and Canadian pellet production sites	ST, MT and LT	<ul style="list-style-type: none"> – Weather monitoring with appropriate mitigations taken to minimise the potential impact of extreme weather events – Pellet Production business has developed stockpiles to alleviate incidences of extreme weather-related production interruption – Diversification into new jurisdictions that reduce seasonal impact on the business – New-build pellet mills are positioned to minimise risk associated with potential future weather patterns – Continue monitoring systemic risks when moving to new geographies 	<p>Metric: annual total volume of pellets produced (see page 38)</p> <p>Metric: FlexGen, Biomass Generation, and Pellet Production assets: potential financial impact (absolute risk, £m) as a % of asset value (see page 38)</p>
Physical risks to ports and shipping to UK, including extreme weather events and flooding at multiple UK port locations and sea level risk impacting available port facilities, preventing the receipt of material into our UK ports	ST, MT and LT	<ul style="list-style-type: none"> – Business continuity plans in place for owned and leased ports, including response to weather events 	<p>Metric: FlexGen, Biomass Generation, and Pellet Production assets: potential financial impact (absolute risk, £m) as a % of asset value (see page 38)</p> <p>Metric: Water consumed from areas of water stress (see page 38)</p>
River water temperatures at Drax Power Station rise to a level which could cause permit breach	ST, MT and LT	<ul style="list-style-type: none"> – Permit variation already in place for the summer months 	
Risk 2. Policy risks related to the transition to a low-carbon economy			
Future regulatory framework(s) no longer consider biomass to be renewable/require biomass generators to pay a carbon price on stack emissions or on supply chain emissions	ST, MT and LT	<ul style="list-style-type: none"> – Group decarbonisation plans in place to reduce biomass supply chain emissions – Engaging with regulators, industry bodies and wider stakeholders to understand their priorities, influence the strategic direction, and undertake scenario planning in preparedness for ensuring compliance – Targeted scenario planning and direct engagement with the REDIII negotiation process and via trade associations suggesting alternative policy and regulatory solutions, to ensure workable outcomes 	<p>Metric: total non-renewable generation capacity (see page 38)</p> <p>Metric: Generation business revenue (see page 38)</p> <p>Metric: Generation Adjusted EBITDA (see page 38)</p>
Updates to sustainability criteria on biomass cannot be met	MT	<ul style="list-style-type: none"> – Continued engagement with stakeholders around our biomass sourcing and the benefits of using sustainable biomass from working forests – Alternative fuels programme looking at options for alternative feedstocks 	<p>Metric: total non-renewable generation capacity (see page 38)</p>
Changes in UK Carbon Budget, UK Government strategy significantly limits or does not allow for unabated gas generation – risk to OCGTs projects	MT and LT	<ul style="list-style-type: none"> – Close liaison with UK Government on future policies. We model future generation scenarios and predict future generation mix – Existing Drax assets will either need to decarbonise or close – Any new gas assets that we will need to plan to decarbonise 	<p>Metric: total non-renewable generation capacity (see page 38)</p> <p>Metric: capital expenditure (see page 39)</p>

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Climate-related risks continued

Description	Time frame	Our response (strategic mitigation)	Related metrics
Risk 3. Reputation and market risks related to the transition to a low-carbon economy			
UK BECCS is unable to progress at scale due to limited support mechanisms or absence of sufficient market for removals	MT and LT	<ul style="list-style-type: none"> Close liaison with UK Government on future policies. Drax engages with a variety of MPs and political parties, and the majority recognise the positive role of the technologies Drax is pursuing 	Metric: capital expenditure (see page 39)
Market factors or reputation leads to a reduction in profitability of our Energy Solutions business	MT and LT	<ul style="list-style-type: none"> Introduction of value-adding energy services. Offering non-generation systems support and energy management services, such as the provision of decarbonisation services, including vehicle fleet electrification Strategic communications work ongoing to provide better data and transparency on BECCS and biomass 	Metric: Energy Solutions business Adjusted EBITDA (see page 38)
Conflicting requirements on reporting of carbon emissions requires us to report multiple, varying estimates	ST, MT and LT	<ul style="list-style-type: none"> Establishment of a carbon alignment expert group to document causes of variance for publication Evidence Hub to contain a detailed, public explanation of the different accounting schemes that we are required to report against 	

Climate-related opportunities

Description		Our response (strategy to realise opportunity)	Related metrics
Opportunity 1. FlexGen, flexible renewable energy			
Our range of Flexible assets provides support to the system, balancing supply and demand caused by the variability of intermittent generators like wind and solar. As reliance on intermittent generation increases the system is likely to require more of the balancing services that Drax can offer	MT and LT	<ul style="list-style-type: none"> An £80m investment to refurbish and upgrade two units at Cruachan Power Station is progressing, which will add 40MW of additional capacity by 2027, and improve unit operations In 2025, we signed an agreement with Apatura Limited to acquire three BESS projects, which when fully commissioned will provide capacity totalling 260MW. The portfolio consists of two sites in Scotland, and one in Northern England, with the first site in Marfleet, Yorkshire expected to be operational in 2027 <p>See CEO's Review, page 8, for further information</p>	Metric: capital expenditure (see page 39)
Opportunity 2. Pellet production			
As a vertically integrated producer, user, buyer, and seller of biomass, we operate a differentiated business model from our peers. We see the market as a balance of short-term risk and long-term opportunities for the Group	ST, MT, and LT	<ul style="list-style-type: none"> Our vertically integrated business model means we produce pellets for both third-party sales and our own generation at Drax Power Station We are developing a pipeline of biomass sales opportunities in North America, Asia and Europe. In December 2024, we reached heads of terms on a multi-year deal with Pathway. This could see Drax supply over 1Mt of sustainable biomass pellets to Pathway's proposed SAF plant on the US Gulf Coast, in addition to other similar contracts with the same company <p>See CEO's Review, page 8, for further information.</p>	<p>Metric: capital expenditure (see page 39)</p> <p>Metric: Pellet Production business revenue (see page 38)</p> <p>Metric: annual total volume of pellets produced (see page 38)</p>

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Climate-related opportunities continued

Description	Our response (strategy to realise opportunity)	Related metrics
Opportunity 3. Drax Power Station site and BECCS		
<p>We are considering a range of options for the Drax Power Station site which could utilise existing land, grid access, active generation, location, and skilled workforce to meet the needs of the transition</p>	<p>ST and MT</p> <ul style="list-style-type: none"> - Drax is preparing a planning application to support the options for a data centre of c.100MW on land identified at Drax Power Station, using existing infrastructure and transformers previously used to support coal generation. This could support the operation of a data centre at the site as soon as 2027 - In 2025, we entered into a 20-year joint venture agreement with Power Minerals Limited for the development of a factory producing low-carbon cement made from old coal ash from Drax Power Station stored at Barlow Mound. We expect this project could generate Adjusted EBITDA of c.£5m post 2027 through to 2046 <p>See CEO's Review, page 8, for further information</p>	<p>Metric: capital expenditure (See page 39)</p>
<p>We continue to evaluate options for BECCS in the UK, US, and globally, subject to the right fiscal and regulatory regime</p>	<p>LT</p> <ul style="list-style-type: none"> - In January 2024, the Secretary of State for Energy and Net Zero awarded development consent for two BECCS units at Drax Power Station - In 2024, we launched our carbon removals business, Elimini and arranged offtake agreements with Ultrabulk, Holborn Trading, Karbon-X, ClimateTrade, and NValue - In 2025, Elimini signed a joint development agreement with HOFOR to explore the building of a large-scale BECCS facility at Amagerværket Power Station <p>See CEO's Review, page 8, for further information</p>	<p>Metric: capital expenditure (See page 39)</p>

Sustainable development continued

Task Force on Climate-related Financial Disclosures

Metrics and targets

Climate related metrics

We have developed our approach to report across the TCFD seven cross-industry climate-related metric categories (see table below). For carbon emissions, energy use, and water data see page 21.

TCFD Metric Category	Metric	Unit	2025	2024	Link to climate-related risks and opportunities
GHG emissions	See Climate table, page 21				Risks 1-3 and Opportunities 1-3.
Transition risks Amount and extent of assets or business activities vulnerable to transition risks	Total non-renewable generation capacity ⁽¹⁾	GW	0.4	0.1	Risk 2: Metric reflects the generation capacity potentially vulnerable to policy, legal, and/or market-related risks in the context of a transition to a low-carbon economy. The non-renewable capacity represents gas-fired start-up capacity at Drax Power Station and a newly constructed Open-Cycle Gas Turbines, which was not under Drax's operational control in 2025.
	Energy Solutions business Adjusted EBITDA	£m	49	51	Risk 3: Market factors or reputation leads to a reduction in profitability of the Customers business.
Physical risks Amount and extent of assets	FlexGen, Biomass Generation, and Pellet Production assets, exposure to physical climate hazards risks; potential financial impact (absolute risk) as a % of asset value ⁽²⁾	%	1.2	1.1	Risks 1: Proportion of FlexGen, Biomass Generation and Pellet Production asset value potentially vulnerable to physical climate-related risks. An interruption to biomass generation is the most likely way that physical risk could manifest.
	Water consumed from areas of water stress ⁽³⁾	m ³	482	248	Risk 1: This metric considers water use across direct operations and sites classified in areas of baseline (current) "high water stress". The volume reported represents water use at our London office. A second site (BMM Energy facility) was also identified, however was deemed immaterial due to low volume of staff and associated water use.
Climate-related opportunities	Generation business revenue (external) – Biomass Generation	£m	2,315	1,881	Risk 2 and Opportunity 3: Drax Power Station site and development of BECCS, subject to the right fiscal and regulatory regime.
	Generation business revenue (external) – Flexible Generation	£m	78	74	Risk 2 and Opportunity 1: FlexGen, flexible renewable energy.
	Pellet Production business revenue (external)	£m	329	340	Opportunity 2: Pellet production.
	Generation business Adjusted EBITDA – Biomass Generation	£m	725	814	Risk 1: An interruption to biomass generation is considered to be the most likely way that physical risk could manifest. Opportunity 3: Drax Power Station site and BECCS.
	Generation business Adjusted EBITDA – Flexible Generation	£m	111	138	Risk 2 and Opportunity 1: FlexGen including battery storage. In 2025, the FlexGen portfolio contributed £111m to Adjusted EBITDA.
	Pellet Production business Adjusted EBITDA	£m	129	143	Opportunity 2: Pellet production. In 2025, the Pellet Production business contributed £129m Adjusted EBITDA.
	Annual total volume of pellets produced	Mt	4.2	4	Risk 1: and Opportunity 2: Pellet production.

Sustainable development continued

Task Force on Climate-related Financial Disclosures

TCFD Metric Category	Metric	Unit	2025	2024	Link to climate-related risks and opportunities
Capital deployment	Capital expenditure	£m	202	332	<p>Risk 2: £23m expenditure on the OCGTS.</p> <p>Risk 3 and Opportunity 3: Drax Power Station site and development of BECCS, subject to the right fiscal and regulatory landscape. £0.5m of capital expenditure related to UK BECCS was recognised in 2025 (2024 £4.3m).</p>
					<p>Opportunity 2: Pellet production. £53m capital expenditure on pellet production was recognised in 2025 (2024: Pellet Production capital expenditure £105m).</p>
					<p>Opportunity 1: FlexGen, flexible renewable energy. £123m of capital expenditure related to Generation was recognised in 2025 (2024: £212.4).</p>
Internal carbon prices	Generation Capex process, shadow carbon price: price used on each tonne of GHG emissions	GBP/tonne CO ₂ e	96	94	<p>Opportunities 1-3: We have embedded a shadow carbon price within the capital expenditure decision-making process. Principally, we utilise it to modify the NPV/IRR models we use to assess new investment cases.</p>
Remuneration	Proportion of remuneration linked to sustainability performance ⁽⁴⁾	%	20	15	<p>The sustainability and compliance element of the 2025 Group Scorecard (20% weighting) included KPIs on safety, decarbonisation, DEI, and compliance. See page 106.</p>
	Proportion of remuneration linked to climate performance ⁽⁵⁾	%	5	5	<p>The Safety and ESG element of the 2025 Group Scorecard included KPIs (5% weighting) relating to three decarbonisation projects (with corresponding targets). See page 106.</p>

(1) Total operational non-renewable generation capacity as at 31 December in the reporting year.

(2) Data source: S&P Global Climamomics. See page 34 for eight climate hazard types considered. Potential financial impact, as % of FlexGen, Biomass Generation, and Pellet Production asset value, is the presented value for 2025, which represents the annual average over the period 2020-2029.

(3) Total volume of water from areas of water stress, as classified by the WRI Aqueduct Water Risk Atlas (Aqueduct 4.0), baseline "water stress" indicator.

(4) Total percentage weighting for carbon reduction, HSE, DEI, and compliance element of the Group Scorecard.

(5) Total percentage of sub-weightings for climate-related KPIs within the sustainability and compliance element of the Group Scorecard.

Climate related targets

See page 25 within our Climate positive pillar for our carbon reduction targets and progress in 2025, as well as page 20 for the climate-related targets within our Sustainability Framework.

Sustainable development continued

Non-Financial and Sustainability Information Statement

Non-financial Reporting Requirement	Policies, due diligence processes and outcomes	Page
Environmental matters Our purpose is to enable a zero carbon, lower cost energy future. Our environmental policy sets out how we will manage, monitor, and reduce the environmental impacts caused by our business through improvements of our operations wherever practical.	Group Environment policy	
	Group Climate policy	
	Sustainability policy	
	Responsible Sourcing policy	
	Group Nature policy	
	Indigenous Peoples policy	
	Climate positive	25
Employees We operate a number of policies and guidance documents that encompass aspects of each colleague's experience at Drax, including the systems we use, our policies, values, and culture. We are committed to creating a work environment that promotes the importance of colleagues' health, safety, and wellbeing.	Nature positive	27
	Climate-related Financial Disclosures	31
	Code of Conduct	
	Supplier Code of Conduct	
	Group Safety, Health and Wellbeing policy	
	Human Rights policy	
	Gender Pay Reporting	
Social impact We aim to create a positive social impact within the communities we operate. Our internal Community and Charity policy outlines opportunities for colleague engagement.	Our people strategy	29
	Health and safety	29
	Community and charity policy (internal policy)	
Respect for human rights Our Human Rights policy sets out our commitment to respect human rights throughout our operations, and our expectation for suppliers and business partners to do the same.	Community investment	29
	Supplier Code of Conduct	
	Human Rights policy	
	Modern Slavery Act statement	
Anti-corruption and anti-bribery matters We do not condone any behaviour that could lead to actual or perceived bribery or corruption. Our Anti-Bribery and Corruption Policy sets out our approach to bribery and corruption.	Ethics and integrity	29
	Code of Conduct	
	Anti-Bribery and Corruption policy (internal)	
A description of the Company's business model	Ethics and integrity	29
	Business model	2
A description of the principal risks	Climate-related Financial Disclosures including TCFD	31
	Principal Risks and Uncertainties	41
	Remuneration committee report	87
A description of the non-financial key performance indicators	ESG Performance Report	
	Key Performance Indicators	21

Our ESG-related disclosures are subject to established internal controls and sign-off prior to publication, ensuring accuracy and consistency with our wider reporting standards. We apply a robust verification process comparable to that used for other sections of the Annual report and accounts, including cross-departmental review and evidence based validation of key data points. In addition, some of our key ESG metrics are subject to independent third-party assurance from PwC and Bureau Veritas.

Limited assurance PwC

We have engaged PricewaterhouseCoopers LLP (PwC) to perform an external independent limited assurance engagement over the ESG metrics denoted with an assurance footnote earlier in the Sustainable development section.

The full assurance statement with PwC's independent opinion is within our ESG Performance Report 2025.

Limited assurance, Bureau Veritas

Bureau Veritas UK Ltd has provided independent limited assurance to Drax Group plc over the ESG metrics denoted with an assurance footnote earlier in the Sustainable development section. It conducted the assurance process in accordance with 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 15 December 2015), issued by the International Auditing and Assurance Standards Board. Bureau Veritas' full assurance statement includes certain limitations, exclusions, observations, and a detailed assurance methodology and scope of work.

The full assurance statement with Bureau Veritas' independent opinion is within our ESG Performance Report 2025.

Principal Risks and uncertainties

Effective management of risk supports the delivery of our strategy

Our approach to risk management

Identifying, assessing, and managing risks across the Group is an integral part of enabling an informed assessment of the current and potential challenges in the delivery of our strategy as set out on page 11.

The Group has a Risk Management Policy, which defines its approach to risk management. Its implementation through a Risk Management Framework is overseen by the Board.

The key elements of the policy and framework are detailed in the diagram below:



Risk appetite

Risk appetite is the level of risk that the Group is prepared to tolerate in seeking to realise its business objectives. The Board determines the Group's risk appetite with the intention of increasing the likelihood of achieving its objectives, whilst minimising the threat of adverse impact to the financial and operational performance and prospects of the Group from existing and emerging risks. Where, for example, a risk facing the business has increased, the risk management process, discussed further below, will drive the assessment of additional required mitigating actions to ensure the risk remains within the Group's risk appetite.

Risk appetite therefore informs the expected behaviours of our Board, senior executives, colleagues, contractors, and partners and varies given the nature of the risk. For example, the Group has developed a commercial strategy that is designed to manage the Group's exposure to volatility in commodity prices whilst also reflecting the opportunity for commercial gain in this area by optimising and locking in any potential upside. We deploy forward hedging strategies which seek to limit the Group's exposure to future adverse movements, whilst also acknowledging that this same market volatility provides an opportunity for financial returns. However, in contrast we maintain an averse risk appetite with respect to health and safety in order to protect our people, contractors and visitors.

Risk identification and assessment

Risk reviews are undertaken bottom-up by management and risk owners, through the maintenance of risk registers governed by risk management committees, as well as top-down, by the Board and Executive Committee, through identification and consideration of any external risks facing the Group, such as those caused by macro-economic factors.

Risks are assessed consistently across all areas of the Group, using a 5x5 matrix that considers both probability and impact. Individual risks are scored on both a gross and a net basis, which takes account of the mitigations and controls that are currently in place. A target risk rating is also maintained for each risk, reflecting the Group's risk appetite. Where the net risk exceeds the target risk, actions are taken to align these two measures, such as the introduction of additional mitigating controls or seeking to reduce the Group's exposure to the risk.

Governance

The Group's risk management governance structure includes risk management committees covering each of the Group's Principal Risks. The Committees have responsibility for:

- Assessing and understanding the risks that may impact our business to ensure any new, current or emerging risks are identified and managed within the defined risk appetite and limits of the business
- Driving completion of the actions required to improve the mitigation of risks and where possible reduce risk exposures to target levels
- Enabling an appropriate risk management culture that promotes and creates balanced risk-taking behaviour and clear accountability

Risk management committees at the business unit and Group function level undertake risk reviews on a regular basis, receiving reports from subject matter specialists and risk owners to inform these reviews where appropriate.

Monitoring and Reporting

The Executive Committee undertakes deep-dive reviews of each Principal Risk on an annual cycle and receives reports from the relevant risk management committees (RMC) and Principal Risk owners. Each risk has an Executive Committee owner.

The Audit Committee and the Board review the suitability and effectiveness of risk management processes and controls. They also review and challenge the proposed risk disclosures prepared by management to consider whether they are fair, balanced and understandable, provide adequate links to the Group's strategy (including the ability to realise objectives over the near and longer term) and reflect adequately wider macro and emerging threats.

The Group's approach to risk management intends to manage, rather than eliminate, the risk of failure to achieve business objectives, and provides reasonable, but not absolute, assurance in accordance with the Group's risk appetite and the inherent nature of the risk.

Principal Risks and uncertainties continued

Emerging risks

Undertaking a holistic review to identify emerging risks involves judgement and is undertaken by gathering the views of key internal stakeholders, including the Executive Committee and Board, who bring to bear differing perspectives and also levels of technical knowledge, industry experience and economic awareness. Where appropriate, management may also seek the views of external experts or stakeholders, or the Board may receive presentations on topics that will help inform their shared knowledge.

The execution of material capital projects to deliver the Group's strategic objectives, was identified as an emerging risk for the first time in 2022.

During 2025, the Group announced it was pausing the development of the Cruachan II pumped hydro energy storage project due to rising costs and uncertainty over its commercial viability. Additionally, it was announced during December 2025, that plans for pellet capacity expansion had been paused due to challenging markets. Whilst we remain positive on Drax Power Station's potential longer-term role in carbon capture, the UK BECCS Project continues to be paused awaiting clarity on a government support framework and market mechanism to enable a final investment decision. Please see page 157 for more information on the associated impairment.

As a result, the Group is planning a lower level of material capital projects than previously anticipated and therefore the risks associated with the planning and execution of significant and complex programmes of innovative work are not currently considered to reflect an emerging risk to the business. Whilst the Group have announced plans for investment in BESS projects, these are not considered to be material capital projects.

As investment decisions are made in line with the Group's strategy, the Board will continue to review for new or emerging Principal Risks.

Internal control

The Group has a well-defined system of internal control which has been in place for the year under review and up to the date of approval of the Annual Report.

These internal controls operate as important mitigations of the risks identified via the Group's risk management processes. Therefore, the effective design and operation of these internal controls is important to the achievement of the Group's strategic aims.

Annually, the Audit Committee review and challenge an assurance map prepared by management detailing the assurance surrounding each of the Group's Principal Risks across different lines of defence, including both internal and independent external assurance. It considers whether sufficient levels of assurance are in place to provide confidence in the effective design and operation of our material controls. See page 77 for further detail.

The Audit Committee also approves and oversees a programme of internal audits. See page 86 for further information on this programme of work. During 2025, these internal audits were performed by KPMG, who provide a fully outsourced internal audit function to the Group, reporting to the Audit Committee.

The findings and recommendations from each internal audit are distributed to members of the Executive Committee and the Audit Committee. Where weaknesses are identified, these are investigated and the impact on the business is assessed, with remediation actions established. See the Audit Committee report on page 86 for further detail. None of the findings reported during 2025 were individually or collectively material to the financial performance, results, operations, or controls of the Group.



Rob Shuter
Audit Committee Chair

The Committee regularly reviews and challenges the Group's Risk Management Framework and its effective implementation, including the identification of risks and assessment of risk impact and likelihood. Robust challenge is applied to the effectiveness of the Group's internal control environment and its ability to adequately mitigate the identified risks in accordance with the designated risk appetite.

[You can read more about the Audit Committee's activities on pages 77 to 86](#)

Drax Group plc Board		
Audit Committee		
Executive Committee		
First line of defence	Second line of defence	Third/Fourth line of defence
Management of Risk Controls	Development of Risk Management Framework	Internal Audit
Internal Controls	Provide Oversight of Risk	External Audit
Management Controls	Governance of Risk Controls	Limited or Reasonable Assurance Engagements

Principal Risks and uncertainties continued

From 2026, onwards the Directors will be required to issue an internal control declaration in line with Provision 29 of the Corporate Governance Code. Refer to page 77 for further detail on the preparations being made in advance of this.

Review of effectiveness

The Board is responsible for determining risk appetite and ensuring the effectiveness of risk management and internal controls across the Group. As part of this the Board and Audit Committee robustly challenge the culture and behaviours to risk management across the business which are important factors in establishing and operating an effective response to risks facing the Group.

The review of the effectiveness of the Company's risk management and internal control systems is undertaken by the Audit Committee and takes account of FRC guidance. More information about the Audit Committee's process of review and resulting findings can be found on pages 80 to 81. The effectiveness review is supported by a quarterly Risk and Control update provided by management to the Committee. These updates detail any material changes in the Group's Principal Risks and the associated controls employed to manage them. They also summarise the outcome of management's process of self-attestations and second line sample testing of material internal controls, as well as other instances where significant weaknesses in internal control have been identified. Finally, updates are provided on the findings from the internal audit plan, which is reviewed by the Audit Committee for each forthcoming year in December, and progress on implementing any resulting actions is reported to the Committee at each subsequent meeting. Taken together, the Audit Committee forms a view on the overall effectiveness of the systems of risk management and internal control.

During 2025, enhancements to risk management included the development of a new HSE assurance framework and second line assurance plan and the continued roll out of a Group-wide compliance framework including the establishment of a dedicated second line compliance governance team.

Following the review of effectiveness, there were no instances in 2025 where management identified gaps in risk management or internal control that would have had a material impact on the Group's operational performance, financial performance or results. As such, the Committee was satisfied that risk management and

control systems continue to operate effectively in all material respects and there was no need for escalation to the Board.

Overall risk profile

Consistent with the prior year, the Group continues to recognise nine Principal Risk categories which represent inherent risk areas with the potential to undermine the delivery of our strategy.

The year-end risk review, as described on page 41, considered the implications on the Group's Principal Risks of signing the low carbon dispatchable CfD, as well as other external factors such as the risk of tariffs and continuing geopolitical conflict. These are discussed further below.

Signing of the low carbon dispatchable CfD

In November 2025, Drax signed a low carbon dispatchable CfD agreement with the UK Government to provide c.6TWh of biomass generation pa between April 2027 and March 2031 – equivalent to c.30% of baseload output – with a strike price of £109.90/MWh (2012 real). The signing of this contract has various implications on the risks facing the Group as follows:

- **Political risk** – The signing of the low carbon dispatchable CfD, with the Low Carbon Contracts Company, a private limited company, reduces the Group's risk exposure to future Government changes that may be less aligned with the country's net-zero commitments. Furthermore, the signing of the low carbon dispatchable CfD for the period to March 2031 enables the Group to focus on development of its FlexGen portfolio. This will reduce future reliance on Government support and therefore our political exposure.
- **Compliance risk** – Additional sustainability driven compliance obligations introduced under the low carbon dispatchable CfD framework will potentially increase the Group's compliance risk. However, the Group's level of control and therefore ability to mitigate the risk is improved by the higher proportion of biomass self-supply and lower number of third-party suppliers. An implementation steering committee is in place to ensure appropriate compliance controls, reporting and governance are established in advance of the commencement of the contract period.
- **Market risk** – Historically, the business has been able to reduce its market exposure by progressively hedging the output from its biomass generation units up until the point of delivery, providing a high degree of earnings certainty. However, beyond

March 2027, a greater proportion of the Group's earnings will be volatility driven, while generating under the low carbon dispatchable CfD. Development of tools and trading strategies (building on existing approaches where appropriate) will seek to effectively manage the changing exposures both directly and indirectly.

Political volatility

In the Group's 2023 and 2024 Annual Reports, it was concluded that the political and cyber security risks facing the business were heightened above their historic norms due to the uncertainty posed by political volatility in both the UK and US, and the fact that geopolitical unrest in countries such as Ukraine and the Middle East, has been known to increase the likelihood of disruption to operational activities through cyber attacks.

The current geopolitical landscape continues to be complex, driven by the rise of polarisation in mainstream politics, in addition to the evolving status of global tariffs which is being closely monitored to understand possible impacts to the Group.

However, as noted above, the signing of the low carbon dispatchable CfD reduces the Group's political exposure and as a result, on a net basis, the Board believes the Group's political risk remains consistent with the previous year.

Therefore, following discussion of various external risk factors, in preparing this report, the Board has concluded that the Principal Risks have not materially changed from the previous year.

The Group's nine Principal Risks:

- Strategy
- Health, Safety and Environment
- Biomass Acceptability
- Trading and Commodity
- People
- Climate Change
- Plant Operations
- Information Systems and Security
- Political and Regulatory

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing ▬ No change

Strategy ▬
<p>Executive Committee owner: Chief Strategy and Transformation Officer</p> <p>Oversight committee: Executive Committee</p>
<p>Risk statement</p> <p>The risk that the Group's strategic aims are materially undermined, thereby preventing the Group from delivering its stated outcomes and fulfilling its purpose.</p>
<p>Risk environment</p> <p>The Group's purpose is to enable a zero carbon, lower cost energy future while delivering our corporate strategic aims, contributing to energy security within the UK, and best use of sustainable biomass globally. The Group's strategy underpins its purpose and ambition as detailed in the Group's business model on page 2.</p> <p>Within our strategy, we face several market-and asset-related risks, including those associated with sustaining an optimal asset portfolio amid evolving technologies and market conditions. We also operate within market frameworks that may not adequately support investment in new assets, including growth opportunities at Drax Power Station. We carry the risk that we fail to invest in projects that deliver adequate returns in line with those new assets, or fail to develop a portfolio that adequately balances risks and returns in the growth areas available to us. In addition, unexpected shifts in electricity supply and demand could reduce system volatility and diminish demand for dispatchable renewable generation, thereby limiting market opportunities.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – The Group Strategy team monitors the delivery of strategic initiatives. The Executive Committee undertakes a regular review to gauge its confidence in delivery and determine the actions to be taken, should course correction or additional risk mitigation be required. – We regularly evaluate current and projected performance of our own portfolio of assets, and value gained from changing the composition of the asset portfolio in line with the Group's view of the outlook for the market and emerging technologies. – The Group's capital allocation process provides rigour and consistency in assessing the technical, financial, and strategic justification of new projects across the Group, in particular where investment is related to new and emerging technologies. – The Group's strategy, including focus on development of its FlexGen portfolio, reduces reliance on Government support and therefore our political exposure. – The Group is reviewing growth options to maximise the value of the Drax Power Station by utilising existing land, grid access and infrastructure. This includes plans for data centres on the site which would require the establishment of suitable commercial and development structures including the potential for joint ventures.

Health, Safety and Environment (HSE) ▬
<p>Executive Committee owner: Chief Operating Officer</p> <p>Oversight committee: Group HSE Committee</p>
<p>Risk statement</p> <p>The risk of detrimental impact to the health and safety of our employees and contractors, or negative impact on the environment as a result of our operations.</p>
<p>Risk environment</p> <p>The health and safety of our employees and contractors, and effective management of our environmental impact are priorities for the Group.</p> <p>Our operations involve a range of potential hazards inherent to the materials and equipment we use and the processes we perform. These hazards include the operation of plants at high temperatures and pressures and the use of highly combustible materials which could affect colleagues, contractors, others attending our sites, as well as the wider environment.</p> <p>We therefore seek to respond proactively to emerging legislation and regulatory changes as well as industry best practice for both safety and environmental matters. This is reinforced by the fact we had no environmental incidents in 2025.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – Continued investment in safety equipment, environmental mitigation, and plant equipment and its regular maintenance. – Maintaining robust management systems which are subject to periodic review. – An effective governance framework, including an executive-level Group HSE Committee, chaired by the CEO. – We report our safety performance including our total recordable incident rate (TRIR) and our Near Miss & Hazard Incidents Rate (NMHIR) monthly and share this with the Board regularly. – A HSEQ IT reporting system is used for tracking and reporting events and near misses, remediation and encouraging continuous improvement. – Continued efforts to align the Group on key focus areas to drive improvement in our HSE performance, learn through shared experiences of events and near misses, and a programme of training to provide colleagues with an appropriate level of competence and awareness. – Targeted investment at sites coupled with good risk management practices to enable the safe operation of ageing plant and the safe integration of new assets.

Principal Risks and uncertainties continued

Risk level change from previous year  Up/increasing  Down/reducing  No change

Biomass Acceptability

Executive Committee owner: Chief Sustainability Officer

Oversight committee: Sustainability Council

Risk statement

The Group's exposure to unfavourable changes to biomass-specific Government policy or regulation which could be caused by high-profile campaigning by groups opposed to the use of biomass, or non-compliance by parts of the Group's activities with existing or new regulations or standards which could cause reputational damage to the Group.

Risk environment

The use of sustainable biomass is important in the delivery of longer-term strategic objectives, enabling the Group and the UK to meet its net-zero targets. In the short to medium term, the UK Government and other key organisations continue to recognise the importance of biomass in enabling energy security and tackling climate change. This is seen predominantly within the supportive UK Biomass Strategy published in 2023 and the recent agreement to extend support for Drax Power Station until 2031.

Longer term, heightened regulatory standards coupled with geopolitical volatility, scepticism of net zero amid a backdrop of challenging economic conditions, creates ongoing uncertainty and risk of reduced support for biomass and other renewable technologies.

Key mitigations

- Engagement with stakeholders (including policy makers, regulators and eNGOs) in all regions in which we operate, to understand concerns, requirements and expectations around sustainability and environmental compliance in addition to proactive education of stakeholders on the science of sustainability practices and benefits of sustainable biomass.
- The Biomass Leadership Team perform horizon scanning assessing external changes, whether related to policy, or potential new feedstocks.
- Develop and maintain appropriate relationships with policymakers in the UK, EU, North America and Asia via targeted engagement across institutions; whilst tracking implementation via membership of trade associations Refer also to Political and Regulatory risk on page 48.
- Annual independent audits of pellet mills are conducted through the SBP certification scheme in addition to representation on SBP's Board and Technical levels to provide feedback in the preparation of revised standards. We continue to drive home the stringent requirements for sustainable biomass, noting these will be enhanced in the low carbon dispatchable CfD.
- The Group's IAB includes experts in the field of forestry and associated disciplines and provides Drax with advice on sustainable biomass and its role in our transition to net-zero emissions. The IAB provides feedback on our approach to sourcing, including feedstock options, procurement practices, forest science and how Drax can optimise carbon benefits.

Trading and Commodity

Executive Committee owner: Chief Commercial Officer

Oversight committee: Financial RMC, Commodity RMC and Treasury RMC

Risk statement

The risk of negative impact on the Group's financial performance due to the business's exposure to volatility in commodity and foreign exchange markets.

Risk environment

The overall assessment of the principal risk remains consistent year on year, however, the underlying nature of the exposure will change in coming years as a result of entering into the low carbon dispatchable CfD and the growth of FlexGen.

Drax will transition from being predominantly exposed to outright power prices in forward markets (currently driven largely by long-term gas prices) to volatility in shorter-term markets and out-turn price shape. This shorter-term volatility is driven by fluctuations in, and out-turn levels of, gas prices, weather forecasts and demand.

Historically, the business has been able to reduce its market exposure by progressively hedging the output from its biomass generation units up until the point of delivery, providing a high degree of earnings certainty. However, beyond March 2027, a greater proportion of the Group's earnings will be volatility driven, and is unlikely to be hedged in long-term markets in the same way.

Key mitigations

- High hedge levels for power, foreign exchange and biomass through to the end of the current biomass subsidy regime in March 2027.
- Executed low carbon dispatchable CfD agreement for biomass generation from April 2027 through to March 2031.
- High hedge levels for the low carbon dispatchable CfD agreement where products are liquid, including foreign exchange, freight and oil.
- Development of tools and trading strategies (building on existing approaches where appropriate) to effectively manage the changing exposures both directly and indirectly.
- Planning is underway to ensure appropriate biomass production and sourcing to reflect the changed running schedule under the Low Carbon dispatchable CfD agreement.

Principal Risks and uncertainties continued

Risk level change from previous year  Up/increasing  Down/reducing  No change

People 
<p>Executive Committee owner: Chief People Officer</p> <p>Oversight committee: People Risk Review meeting & Executive Committee</p>
<p>Risk statement</p> <p>The Group is not able to secure a workforce with the right skills and experience to operate the current business while delivering growth plans and strategic objectives.</p>
<p>Risk environment</p> <p>Our ongoing performance and the delivery of our strategy is dependent upon having a robust talent pipeline at all levels of the organisation. Many of the roles across our Pellet Production, Generation, Customer Services and Core Service require people with specific skills, knowledge and experience. As the business changes and grows, these needs also evolve.</p> <p>Key risk exposures include talent attraction and retention, employee health and wellbeing, workforce engagement, productivity and fostering a high performance culture. These risks are influenced by internal factors such as leadership capability and consistency, as well as external pressures from a competitive labour market and evolving stakeholder expectations.</p> <p>Ongoing transformation and change initiatives may increase people-related risks that could impact organisational resilience, retention of key talent, attraction of new talent and overall performance.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – Comprehensive transformation and change programme providing governance and oversight as well as the delivery of change leadership training. – Design and implementation of a Competency framework and Recognition programme, and Organisation design and implementation to ensure appropriate accountabilities and capabilities. – Strategy-aligned objective setting, performance reviews and management development programmes. – Embedding hiring criteria and standards at all levels, supported by equity impact assessments and a strategic approach to attraction and partnerships to widen the talent pool. – Employee Value Proposition, culture, and values to support retention and engagement across all workforce segments. – Formalised succession planning specifically focusing on critical roles including those of the Executive Committee.

Climate Change 
<p>Executive Committee owner: Chief Sustainability Officer</p> <p>Oversight committee: Sustainability Council</p>
<p>Risk statement</p> <p>The potential for either physical or transitional climate-related risks, such as extreme weather or new regulation, to negatively impact on the current operations or the long-term value creation of the Group. See the TCFD disclosure starting on page 31 for more information on these risks.</p>
<p>Risk environment</p> <p>Given the potential impact of climate change, the resilience of the Group's strategy and physical operations to climate risks is important to the functioning and long-term value creation of the Group. We identify climate risks in two main categories: physical and transitional.</p> <p>Physical impacts of climate change include event-driven, acute impacts such as hurricanes and flooding, and chronic impacts such as drought, sea-level and temperature rises, which may pose challenges to our operations.</p> <p>Transitional impacts of climate change include policy, regulatory, technology and market-related changes associated with the transition to a low-carbon economy that could affect the Group's business model and strategy. Changes to carbon accounting frameworks and corporate emissions standards, for example, may compromise our emissions reduction plans to hit our 2030 SBTi targets or impact markets for pellets and unabated bioenergy.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – Our Pellet Production business continues to ensure that operational contingencies are in place to prevent outage periods caused by extreme weather events. – We are creating formal Climate Adaptation and Mitigation Plans for each of our assets across the Group. – The Group's strategy, our near-term SBTi targets, and our Sustainability Framework targets, underpin a business strategy consistent with UK and international climate change policies. – Sourcing pellets from a wide geographical range of third-party biomass suppliers provides a diversified supply base. – We continue to engage with eNGOs on carbon accounting and reporting and liaise with the UK Government on future policies. See Political and Regulatory risk on page 48. – We track technology advances and the development of new technologies, in order to ensure that we continue to stay up to date with emerging trends.

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Plant Operations =
<p>Executive Committee owner: Chief Operating Officer</p> <p>Oversight committees: Drax Power Station Risk Review Meeting (RRM), FlexGen RRM, Pellets-wide RMC</p>
<p>Risk statement</p> <p>The risk we are unable to ensure the reliability or safe operation of our facilities which could result in us being unable to fulfil our contracted obligations or achieve our strategic aims.</p>
<p>Risk environment</p> <p>The reliability and safe operation of our facilities is critical to our ability to create value for the Group. The Plant Operations risk profile is influenced by a number of key factors, such as the integrity of ageing assets, obsolescence of plant and equipment, procurement of critical spares, global supply chain challenges, increased regulatory and compliance obligations and cyber security threats.</p> <p>At Drax Power Station, asset decommissioning and ageing assets have the potential to increase the level of operational risk.</p> <p>In the FlexGen portfolio, the inclusion of new asset types, such as OCGTs and BESS, to the FlexGen portfolio introduces new technical challenges, risks and types of potential failure.</p> <p>The pellets business is operating in a challenging environment due to the risk of fibre supply disruption and price spikes that erode profit margins.</p> <p>Severe weather events continue to pose a risk to operations as do port and rail labour strikes.</p> <p>We operate in litigious jurisdictions where the risk of litigation and regulatory challenge is high. Refer to note 7.6 Contingencies.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – Business continuity plans are in place for all plants, ports and other logistics. – Inventory monitoring for key critical spares, and alternate sourcing strategies have been established. – Proactive reliability management focussing on planned, rather than breakdown maintenance and embedding condition-based monitoring to minimise unplanned outages. – Maintaining safety and sustainability procedures for sourcing, acceptance and handling of biomass, as well as the control of dust management from both a respiratory, health, and fire and explosion perspective. Refer to pages 29 and 44 for more info on our Health & Safety procedures. – Insurance is in place to cover potential material losses from significant plant failure, where commercially possible at a reasonable cost. – Integration of new assets into the portfolio are being managed by dedicated teams within the Group, alongside continued emphasis on safe operation of our ageing assets.

Information Systems and Security =
<p>Executive Committee owner: Chief Financial Officer and Group General Counsel</p> <p>Oversight committee: IT Board</p>
<p>Risk statement</p> <p>The risk of interruption to business operations whether caused by an internal error or external attack, or the inability to facilitate the delivery of our growth strategy with the necessary Information Technology (IT) and Operational Technology (OT) systems.</p>
<p>Risk environment</p> <p>Our IT and OT systems, along with our data, are vital for daily operations and delivering our growth strategy. As part of the UK's critical infrastructure, we must protect our systems and data, ensuring confidentiality, integrity, availability, and adaptability to emerging threats.</p> <p>Changes in technology such as AI/machine learning and quantum computing may provide benefits and efficiencies to the business. However, they could also increase the capabilities of threat actors.</p> <p>This past year has seen several high-profile cyber incidents in the UK. While we believe we have appropriate controls to prevent or mitigate similar incidents, we continue to review and improve our controls. These improvements align to the ongoing programme to deliver the 'Enhanced Profile' of the Security of Network and Information Systems (NIS) Regulations.</p>
<p>Key mitigations</p> <ul style="list-style-type: none"> – Drax operates controls which are intended to meet applicable legal and regulatory requirements such as the security of Network and Information Systems (NIS) Regulations, including a prevent, detect, respond and recover strategy that prioritises business resilience. – IT, OT and Security controls are subject to periodic independent assurance. – Regular campaigns and training events are undertaken to improve cyber security awareness. – Business continuity, disaster recovery and crisis management plans are regularly refreshed and exercised. – Drax works closely with regulatory bodies and other Government agencies to understand and respond quickly to changing threats.

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Political & Regulatory =

Executive Committee owner: Chief Sustainability Officer and Group General Counsel

Oversight committees: Executive Committee, Ethics & Business Conduct Committee (EBCC), Financial RMC, Sustainability Council

Risk statement

The risk of changes to external policy and regulation that impact our current operations, the ability to achieve our strategy and legal/regulatory compliance.

Risk environment

The current geopolitical landscape continues to be complex, driven by the rise of polarisation in mainstream politics, in addition to geopolitical tensions. The evolving status of global tariffs is being closely monitored and we continue to liaise with appropriate trade bodies, business groups and governments to understand possible impacts to the Group. Domestically, there is increasing pressure to reform the energy industry and keep the cost of energy low.

The signing of the low carbon dispatchable CfD reduces the Group's exposure to political risk, whilst also introducing enhanced sustainability requirements. Remaining compliant and acting in good faith with our regulatory framework maintains our licence to operate, protects our brand and safeguards access to markets. There continues to be a high level of regulatory scrutiny, for example, the current FCA investigation, and the independent audit of Drax Power Limited's biomass profiling data for CP22 as referred to on pages 6 and 78 respectively. Adverse judgments or findings may result in financial liabilities and/or reputational damage and divert management focus. Refer to note 7.6 Contingencies.

Increasing awareness of the costs and deliverability challenges of UK Clean Power 2030 and achieving net-zero ambitions, while maintaining security of supply, is starting to give a heightened focus to energy and climate change policy, which in turn may result in heightened risk of regulatory, policy and market reform.

Political & Regulatory continued =

Key mitigations

- Engaging with politicians, government officials, NGOs, academics and other relevant stakeholders to both listen to and inform understanding and perception of our business.
- Working with regulators and industry bodies to understand their priorities, provide constructive feedback that may contribute to their strategic direction, and undertake scenario planning and commercial impact analysis in response to potential reforms, and in preparedness for ensuring compliance.
- The signing of the low carbon dispatchable CfD reduces the Group's political risk exposure.
- The Group's UK asset base is reasonably diversified both in terms of technology type and geographic location, and the assets' operational characteristics are aligned with the needs of the system therefore reducing exposure to any specific political or regulatory change.
- A Group-wide compliance framework which delivers an effective compliance governance, process and control environment. This includes the creation of a second line Compliance Governance function and the formalisation of the Compliance Governance Committee structure. During 2025, the Group implemented a system to house a centralised repository of compliance obligations and automate the governance surrounding them.

Viability Statement

Introduction

In accordance with provision 31 of the UK Corporate Governance Code 2024, the Directors have formally assessed the long-term prospects and viability of the Group, over a period of five years to 31 December 2030.

The assessment is based on the Group's current long-term plan (the "plan"), which is updated and approved annually by the Board following a comprehensive strategic planning process. This process includes input from management, review by the Audit Committee, and consideration of external assurance where appropriate. The plan delivers on the Group's purpose; to enable a zero carbon, lower cost energy future, and is underpinned by a clear strategic focus on addressing climate change. The Board's review covers both principal and emerging risks, considering their individual and combined impacts over the assessment period.

The updated plan, reflecting refreshed strategy and risk assessment, was approved by the Board in December 2025. The Board remains actively engaged in overseeing the ongoing viability assessment and ensuring that the Group's strategic objectives are aligned with its risk appetite and long-term sustainability.

Period of assessment

The Directors have selected a five-year period, ending 31 December 2030, as the appropriate timeframe for this viability assessment.

The five-year period aligns with several key factors:

- The duration of the recently signed low carbon dispatchable CfD agreement with the UK Government, which runs to 31 March 2031
- The maturity profile of the Group's lending facilities
- The alignment of significant hedging strategies, providing greater confidence in forecasting assumptions over this period

While the Group's strategic planning process considers objectives and the impacts of the Group's principal and emerging risks over a 10-year horizon, the Directors believe that a five-year period offers the most appropriate balance between longer-term strategic developments and the reliability of financial and operational forecasts.

Modelling performed

The following factors are considered both in the formulation of the Group's strategic plan and in the longer-term assessment of the Group's prospects:

- Principal and emerging risks, and the Group's response to these
- Prevailing economic and geopolitical conditions, including inflation and global supply chain challenges
- Security of supply and increasing demand for electricity;
- Political commitment to climate change action
- Opportunities for cost reduction through operational simplification and leveraging technology
- Appraisal of development expenditure and investment growth opportunities

The viability of the Group has been assessed considering the Group's current financial position, including external funding in place over the assessment period, and after modelling the impact of certain scenarios arising from the Group's principal risks and uncertainties outlined on pages 41 to 48. Six downside scenarios, along with a severe but plausible combined scenario, have been modelled (see the table overleaf), which address the principal risks that the Group has assessed will have the most direct and material impact on the Group. Furthermore, a reverse stress test was performed to identify what would be required in order for the Group to no longer be viable. These scenarios are tested against forecast available financial headroom and compliance with the Group's banking covenants. For each scenario, the Group has identified and evaluated potential mitigating actions, such as re-optimising generation, adjusting capital expenditure, and receipt of insurance proceeds. The remaining principal risks were considered and were not deemed to present a significant threat to viability over the assessment period. The impact of increased expenditure or a loss of margin as a result of one of these risks (e.g. a cyber-attack resulting in disruption to planned generation) can be inferred from the scenarios already modelled.

The conclusion of the above was that none of the individual stress tests and sensitivities threatened the viability of the Group. Whilst the impact of the severe but plausible scenario was significant, the Group remained viable and the combined increases required under the reverse stress test to reach a scenario where the Group was not viable were not considered to be plausible. Whilst the reverse stress test results in a breach of the banking covenants, this occurs before the Group exceeded its available facilities. The hypothetical scenarios described also inform the cash flows used in the impairment sensitivity analysis for non-current assets. For more information, please refer to note 2.4 to the Consolidated financial statements on pages 150 to 158.

Quantitative climate change risk analysis on our operational Generation and Pellet Production assets suggested that asset exposure to impacts arising from physical climate-related risks remains low over both the viability period and longer-term horizons, extending to 2050. Therefore, these have not been explicitly incorporated into the viability modelling but the potential impact of a climate event within the viability assessment period can be inferred from the plant availability scenario in the table overleaf. Further information on risks and opportunities related to climate change can be found in the TCFD section on pages 35 to 37.

Liquidity and solvency

The plan assumes repayment of the Group's borrowings as they fall due with debt being fully repaid by 2030. In the downside scenarios, including the severe but plausible combination and reverse stress test, it is assumed that the Group is able to renew its external debt and committed facilities at higher rates of interest but with the same covenant levels. Our committed facilities remain undrawn at the balance sheet date. Please refer to note 4.2 to the Consolidated financial statements on page 191 for further details on our borrowings.

Viability Statement continued

The scenarios set out on the right are hypothetical and purposefully severe with the aim of creating outcomes that threaten the viability of the Group. In the case of these scenarios arising, additional mitigating options are available to the Group to maintain liquidity to continue in operation, such as:

- Reducing or deferring capital expenditure
- Reducing or cancelling dividend payments and altering the timing of share buybacks
- Reducing operating costs, albeit there may be a delay in realising these savings
- Asset disposals or accessing additional sources of funding

None of these mitigating actions are assumed in our current scenario planning in order to provide a conservative assessment of the Group's financial resilience, however, the Directors have considered the feasibility, timing, and potential impact of each action as part of their overall viability assessment.

Conclusion

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Based on this assessment, and taking into account the Group's current position, the principal risks and uncertainties, and the effectiveness of available mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

The strategic report is set out on pages 1 to 50, was approved by the Board of Directors on 25 February 2026, and is signed on its behalf by:

Will Gardiner
CEO

Scenario	Scenario assumptions	Associated principal risks	Stress test or sensitivity?	Impact over viability period > 20% of opening cash and committed facilities?
Lower commodity prices and lower volatility	Decrease in power prices by an average of 25%, with lower volatility in prices as a result of less favourable weather patterns. Mitigated by re-optimisation of generation profile.	Trading and commodity	Sensitivity	Yes
Decrease in pellet sales margin	Decreased pellet sales margin/tonne in all years, based on \$7 per tonne cost increase, equivalent to 4%, over the viability period. This is mitigated by long-term fibre contracts in place. A potential mitigation available but not modelled is an increase in sales price.	Plant operations/ climate change	Sensitivity	No
90-day biomass unit outage	90-day outage on one biomass unit in 2026 under the Renewables Obligation scheme, which is longer than any previous unplanned outage experienced at Drax Power Station. Mitigated by re-optimising generation (to other units). Potential mitigations not modelled include insurance proceeds and selling biomass.	Plant operations/ climate change	Stress test	No
Failure of a large supplier to deliver	Failure of a large supplier to deliver from 2026 to 2027, equating to 15% of total delivered volume over this period. This scenario assumes that the volume is replaced with a more expensive source of pellets. Other mitigations available but not modelled include re-optimising generation.	Plant operations/ climate change	Stress test	No
Decrease in pellet production volume	Pellet production volume decrease of 7% into perpetuity, approximating one pellet plant being unavailable at any given time. Mitigations available but not modelled include re-optimisation of generation.	Plant operations/ climate change	Sensitivity	No
Severe but plausible	Combination of the lower commodity prices and lower volatility scenario, decrease in pellet sales margin as described above, and decrease in pellet production volume as described above.	Combination	Sensitivities	Yes
Reverse stress test	Combination of the lower commodity prices and lower volatility scenario, decrease in pellet sales margin as described above, and incremental loss of earnings at Drax Power Station to the point of a covenant breach.	Combination	Stress test	Yes

Governance

We provide approximately 6% of the UK's annual electricity, contributing to the energy needs of essential national infrastructure.

→ ENABLING A SECURE ENERGY TRANSITION

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Corporate Governance report: Introduction

Governance at Drax

Compliance with the UK Corporate Governance Code 2024 (Code)

The Board’s view is that the Company has applied the Principles and complied with the Provisions of the Code throughout 2025 with the exception of Provision 23. The Board is mindful that, following the departure of Nicola Hodson on 23 May 2025, the Company did not meet the target set out in UK Listing Rule 6.6.6(9)(a)(i), and the Board’s Diversity Policy, that requires the Board to comprise of at least 40% women. It is important to the Board that all aspects of diversity are considered when appointing new members to the Board and its Committees. More information on how the Board and Committee policy on diversity has been implemented is available on page 75.

To view the Code, visit the Financial Reporting Council website at www.frc.org.uk.

The Board determines the Group’s purpose, strategy, and business model for long-term, sustainable value creation.

Board leadership and Company purpose

Principles

- A. The Board promotes the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society
- B. The Board sets the purpose and values, and promotes the desired culture
- C. Governance reporting includes Board decisions and their outcomes in the context of the Company’s strategy and objectives
- D. The Board engages effectively with stakeholders
- E. The Board ensures effective workforce engagement and whistleblowing

 [See page 54](#)

Division of responsibilities

Principles

- F. The Chair provides effective leadership
- G. There is clear division of responsibilities and an appropriate balance of independent Directors
- H. Non-Executive Directors provide constructive challenge and guidance and have sufficient time to meet their responsibilities
- I. The Board has the information, time and resources to function effectively and efficiently

 [See page 67](#)

Drax Group plc Board

The Board is responsible for leading the Group and ensuring long-term value creation for shareholders and wider stakeholders.

 [See page 54](#)

It establishes and reviews the Group’s purpose and values, monitors how the desired culture has been embedded, and takes responsibility for setting and overseeing the Group’s strategy and risk appetite. It also monitors performance, making sure the necessary controls and resources are in place to deliver the Group’s plans and that the Group meets its responsibilities to its stakeholders.

Governance at Drax continued

Composition, succession, and evaluation

Principles

- J. Appointments to the Board and succession plans are based on merit, and promote diversity, inclusion, and equal opportunity
- K. There is an appropriate mix of skills, experience, and knowledge of the Board and Committees
- L. Board evaluation is performed annually

Nomination Committee



Andrea Bertone
Committee Chair

The Committee reviews and makes recommendations on the size, structure and composition of the Board (including skills, diversity, knowledge and experience) so that it is effective in delivering the Group's strategic priorities and promoting the long-term success of the Group. It ensures appropriate succession planning for the Directors and senior management.

[See page 72](#)

Audit, risk, and internal control

Principles

- M. The Board ensures the integrity of the financial statements and the effectiveness of the internal and external audit functions
- N. Reporting is fair, balanced, and understandable
- O. Processes are in place to manage risk and maintain an effective internal control framework

Audit Committee



Rob Shuter
Committee Chair

The Committee oversees: the integrity of financial reporting; key accounting judgements; the systems of risk management and internal control, including consideration of emerging risks such as cyber resilience; the relationship with external auditors, including assessing their independence and objectivity; and monitors and reviews the effectiveness of the internal audit function.

[See page 77](#)

Remuneration

Principles

- P. Remuneration policies and practices promote long-term success and are aligned to long-term strategy
- Q. There is a formal and transparent procedure for developing policy on Executive remuneration
- R. Directors exercise independent judgement and discretion when determining remuneration outcomes

Remuneration Committee



Kim Keating
Committee Chair

The Committee oversees: the Group's approach to remuneration; ensures remuneration policies support the purpose and strategy; and sets pay for the Executive Directors and members of the Executive Committee in alignment with the shareholder approved Remuneration Policy. It also considers the alignment of reward across the wider business.

[See page 77](#)

Corporate Governance report: Letter from the Chair



Andrea Bertone
Chair

Dear Shareholders

I am pleased to present our Corporate Governance report for 2025. Good governance is an essential foundation for the long-term success of our business and realisation of our goals. The Board recognises the importance of having governance structures and practices that support good decision-making, accountability, and transparency.

Strategy and performance

As part of the framework to enable the Board to make effective strategic decisions, in October 2025, the Board hosted its annual strategy review, attended by members of the Executive Committee. During the review, the Board considered feedback from investors and assessed the opportunities and risks, resources and the capital allocation required to support the strategy. Following discussions, the Board agreed its long-term strategic plan, which includes delivering £3 billion of free cash flow to enable returns to shareholders and invest in growth areas such as FlexGen. For more information on the Company's strategy, including progress made on the Company's FlexGen strategy, see the CEO's review from page 8.

In November 2025, as part of delivering the strategy, we secured a low carbon dispatchable CfD with the UK Government that will allow Drax Power Station to support UK energy security into the 2030s. When making such decisions, the Board carefully considers the need to promote the long-term success of the company whilst having regard to the needs of the Group's stakeholders. More information on the Board's decision-making process in respect of the low carbon dispatchable CfD, and what this means for our operations, can be found in the case study on page 64.

During 2025, the Board regularly reviewed the Group's financial and operational performance and the Group's financial structure, rolling forecasts and capital allocation policy. The policy targets a strong balance sheet, investment in the core business, and a sustainable and growing dividend. To the extent that these conditions are met, the Board considers the return of residual capital to shareholders. In July 2025, taking into account the views of shareholders, the Board announced an additional £450 million three-year share buyback as an extension of its ongoing buyback programme. For more information on financial performance, see the CFO's financial review from page 13.

Risks

In 2025, the Board regularly considered principal and emerging risks and believes that robust mitigation processes for material risks are in place. 2025 saw an unprecedented rise in cyber-attacks globally, with the aim of causing maximum disruption. Drax forms a critical part of the UK energy infrastructure, and the Board is committed to having procedures designed to prevent such attacks. Such measures help to maintain energy security and to implement speedy recovery processes should a bad actor be successful in breaching our defences. During 2025, the Board considered the Group's cyber security risk. We engaged with our internal cyber security experts and considered guidance issued by the National Cyber Security Centre for directors and executive management. The Board also received training on cyber security matters to enhance their understanding of the fast changing cyber security landscape (see page 69). For more information on the Company's Principal Risks and uncertainties, see from page 41.

Culture and values

The Board recognises the importance of cultivating a culture that aligns with the Group's purpose, values, and strategic objectives. Organisational culture is reflected in behaviours and actions, setting the tone for effective governance, high ethical standards, inclusion and compliance. Our values play a critical role in enabling a high-performance culture, empowering our people to deliver sustainable results and drive the success of the business.

A key component of our culture is our focus on safety, so that everyone can go home at the end of every day safe and well. A part of this is ensuring that we maintain our assets, operate safely, and have safeguards in place in the event something goes

wrong. As part of the CEO's regular reporting to the Board during 2025, Will Gardiner provided health and safety updates. These included a detailed assessment of reported near miss incidents, hazards, and total recordable injuries across the Group and the actions taken for improvement. The Board also received verbal updates from the Group's health and safety experts, with progress updates on how the team had implemented improvements. For a summary of our safety and environment performance see the Sustainable development section from page 18.

A culture of acting with honesty and integrity and in compliance with all laws and regulations is also a necessary foundation for how we operate. To emphasise the importance of compliance as everyone's responsibility at Drax, the Board included a compliance metric as part of the 2025 Group Scorecard. We have also evolved the governance of compliance by creating a formal Compliance Framework and a supporting database to centrally store our compliance programme information. The database will enhance the Board's oversight of compliance.

Our values and behaviours, which is a set of guiding principles and actions, help to shape our culture. They remain central to our training and development activities and we have included them in our new Drax Competency Framework. The Competency Framework will help to develop a culture that supports high performance and future growth.

Stakeholders

Meaningful feedback is very important to the Board and we aim to maintain open, collaborative engagement with stakeholders. For more information on stakeholder engagement and how the Board considered stakeholders during decision-making in 2025, see the stakeholder engagement section from page 60.

Andrea Bertone
Chair

25 February 2026

Corporate Governance report

Our purpose

Our purpose is to enable a zero carbon, lower cost energy future.

Our values

Prioritise safety

We all deliver our One Safe Drax vision by caring for ourselves, our colleagues, our assets, our environment and our communities.

Unlock potential

We see challenge as opportunity and push ourselves to grow, cultivating an environment where continuous development and holistic wellbeing sit side by side. We value everyone's differences and unique contributions.

Deliver our promise

We each play an important role in the delivery of our strategy and are driven to give our best every day. We focus on meeting our commitments, listen to feedback, share ideas and celebrate our collective successes.

Shape the future

We seek out everyday improvements to take steps towards positive outcomes for the climate, nature and people.

Board leadership and company purpose

Principles of the UK Corporate Governance Code

- A Promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society
- B Purpose, values and culture
- C Resources and effective controls
- D Engagement with stakeholders
- E Policies and practices including whistleblowing

The Board has clearly articulated the Group's purpose (to enable a zero carbon, lower cost energy future) and its business model focusing on FlexGen and Energy Solutions, Pellet Production, Drax Power Station and options for growth. For more information, see the Strategic report from page 2.

The Board promotes a culture of openness and collaboration, as well as acting with transparency and integrity, setting a clear and positive tone to promote the Group's values. For more information, see page 54.

In 2025, as part of its strategic planning, the Board considered the resources required to deliver the strategy. The Board also conducted an assessment of principal and emerging risks and has established a framework of prudent and effective controls to manage risk. For more information, see Principal Risks and uncertainties on page 41 and the Audit Committee Report on page 77.

The Board values the views of stakeholders and undertakes extensive engagement with shareholders, colleagues, Government, regulators, customers and others. For more information on engagement, and its impact on Board decision-making, please see from page 60.

Colleagues who have any concerns can raise them using the Group's confidential whistleblowing telephone hotline. The Board oversees Speak Up and whistleblowing and receives regular updates. It also discusses findings from investigations.

Corporate Governance report: Board of Directors

The Board shapes our purpose, strategy, culture and values to generate long-term sustainable value and provide strong stewardship of the Group.



Andrea Bertone
Chair

- Nomination Committee (Chair)
- Remuneration Committee

Contribution and experience

Andrea is an experienced leader of large, listed businesses, having held both Executive and Non-Executive roles at international energy companies. She has a deep understanding of global markets, including the US, and their underpinning regulation.

Andrea is the former President of Duke Energy’s international division (DEI). She spent 15 years at Duke Energy, including seven years as President of DEI with executive responsibility for hydro and thermal assets across countries in Latin America. Prior to her role as President, Andrea held senior executive legal positions at DEI, including as associate General Counsel between 2003 and 2009. Andrea also served as Latin America counsel with Baker McKenzie. Andrea has Non-Executive Director appointments at Waste Connections, Inc. and Peabody Energy Corporation. Andrea was also previously a Non-Executive Director at DMC Global Inc., Yamana Gold Inc. and Amcor plc.

Andrea has dedicated her career to successfully leading international teams with diverse cultures and backgrounds. Andrea earned a Bachelor of Law from the University of São Paulo Law School in Brazil and a Master of Law in International and Comparative Law from Chicago-Kent College of Law at the Illinois Institute of Technology. She is a member of the Brazilian Bar Association.

Appointment to the Board

August 2023



Will Gardiner
CEO

Contribution and experience

Will has developed the vision and strategy of Drax, as well as driving the operational performance of the Company since becoming CEO in January 2018, inspiring our transformation into a leading UK renewable energy company with a diversified portfolio of flexible and renewable power generation, as well as biomass power generation and the associated supply chain. Will is driven by the challenge of delivering our purpose: to enable a zero carbon, lower cost energy future, while at the same time delivering outstanding returns for shareholders. He is currently spearheading Drax’s strategy to provide more secure, sustainable and affordable energy to meet growing demand in an increasingly complex world.

Will is deeply committed to creating a company where everyone feels valued. Working with stakeholders across the spectrum, Will is creating a company that delivers for people, nature and the climate, as well as shareholders.

Will is a member of the World Economic Forum’s (WEF) Alliance of CEO Climate Leaders and a member of Conservation International’s European Council. Will joined Drax in 2015 as CFO and was appointed as CEO in January 2018. He has a wealth of experience in finance and technology, having held CFO and divisional Finance Director roles at a number of major companies, including CSR plc (acquired by Qualcomm, Inc. in 2015) and Sky.

Appointment to the Board

November 2015



Frank Lemmink
CFO

Contribution and experience

Frank brings a wealth of senior finance and risk management leadership experience in the energy sector to the Drax CFO position. He spent a 20-year international career with Shell, a global integrated energy company. Frank held the position of Executive Vice President, Finance of Shell’s flagship Integrated Gas and Upstream business from 2023 to 2025. From 2020 to 2023, he was Executive Vice President Finance for Integrated Gas, Renewables and Energy Solutions. In these roles he was, amongst others, responsible for the development of clear strategies for long-term sustainable growth and performance, capital allocation, risk management, and business performance management. Frank’s previous experience within Shell includes M&A, Projects & Technology, Upstream Joint Ventures, including various Board memberships, and Internal Audit.

Prior to Shell, Frank was a civil servant at the Ministry of Finance in The Netherlands from 1993 to 2003. Frank holds an MBA from the University of Rochester (US) and the Nyenrode University (the Netherlands), and an MSc in Monetary Economics from Erasmus University Rotterdam (the Netherlands).

Appointment to the Board

September 2025

Corporate Governance report: Board of Directors continued



David Nussbaum
Senior Independent
Non-Executive Director

- Audit Committee
- Nomination Committee

Contribution and experience

David holds a portfolio of Board appointments, including as Chair of International Alert and of the Joffe Trust. He also serves as a member of the Board (Council) of Chatham House, and of the International Budget Partnership; is President of the Advisory Council of Transparency International UK; and is a member of the Ethical Investment Advisory Group of the Church of England.

David’s executive career included being the Chief Executive of The Elders, of WWF-UK, and of Transparency International. He was previously Finance Director and Deputy CEO of Oxfam, and CFO of Field Group plc. In a Non-Executive capacity, David has been Chair of Anthesis Group, Deputy Chair of the International Integrated Reporting Council, Deputy Chair of Shared Interest Society, a Non-Executive Director of Low Carbon Accelerator Limited, and Chair of Traidcraft plc.

David is a Chartered Accountant, and has a Masters in Theology from both Cambridge and Edinburgh universities, and a Masters in Finance from London Business School.

David’s extensive experience in international development and environmental matters, in addition to his prior experience as CFO of a UK-listed industrial company, is of significant value to Drax and contributes to the Board’s discussions and understanding of the perspectives of and engagement undertaken with stakeholders.

Appointment to the Board

August 2017



Rob Shuter
Independent
Non-Executive Director

- Audit Committee (Chair)
- Remuneration Committee

Contribution and experience

Rob brings a wealth of complex financial, regulatory and strategic experience gained from over 30 years in the telecommunications and financial services sectors.

Rob served on the BT Group plc executive committee as the divisional CEO of BT Enterprise between 2021 and January 2023, prior to which he served for three years as Group President and CEO of MTN Group Ltd, a telecommunications company listed on the Johannesburg Stock Exchange. Rob has also held a number of senior executive positions within the Vodafone Group between 2009 and 2016, including most recently as CEO, European Cluster in addition to serving between 2009 and 2011 as CFO of Vodacom Group Ltd, listed on the Johannesburg Stock Exchange.

Rob worked in the financial services sector between 1992 and 2009, which included executive positions in retail and investment banking. More recently, Rob served as Non-Executive Director and Chair of the Audit and Risk Committee for The GSM Association, the global trade association for mobile network operators worldwide. Rob is currently a Non-Executive Director and member of the Supervisory Board of Royal KPN N.V. and a Non-Executive Director at Boldyn Networks Global Limited. He holds a Bachelor of Commerce degree from the University of Cape Town, a Post-graduate Diploma in Accountancy from the University of Natal and is a Chartered Accountant (South Africa).

Appointment to the Board

June 2024



Kim Keating
Independent
Non-Executive Director

- Remuneration Committee (Chair)

Contribution and experience

Kim is a Professional Engineer with over 25 years of broad international experience in the oil and gas, nuclear, hydropower, and mining sectors. Most recently, Kim was the Chief Operating Officer of the Cahill Group, one of Canada’s largest multi-disciplinary construction companies. Prior to joining the Cahill Group in 2013, Kim held a variety of progressive leadership roles from engineering design through to construction, commissioning, production operations and offshore field development with Petro-Canada (now Suncor Energy Inc.).

Kim is currently Board chair of Major Drilling International Inc. and a Non-Executive Director of Pan American Silver Corp. Kim is also a founding member of Makwa-Cahill Limited Partnership, a nuclear qualified indigenous fabrication company. Kim is a Fellow of the Canadian Academy of Engineering and holds a Bachelor of Civil Engineering degree and an MBA. She also holds the Canadian Registered Safety Professional (CRSP) designation and Diligent Climate Leadership certification. She is a graduate of the Rotman-Institute of Corporate Directors Education Program and was awarded her ICD.D designation.

Throughout her career, Kim has made significant engineering and project management contributions to complex major energy projects. She has a deep appreciation and insight into the value of inclusive community partnerships, particularly with indigenous groups.

Appointment to the Board

October 2021

Corporate Governance report: Board of Directors continued



John Baxter CBE
Independent
Non-Executive Director

- Audit Committee
- Nomination Committee

Contribution and experience

John has over 45 years' experience of working across the nuclear, electricity, oil and gas sectors. John was previously at BP plc, most recently as Group Head of Engineering & Process Safety, prior to which he worked at the UK utility Powergen plc as Group Engineering Director, as well as roles as a UKAEA Board member and also as a nuclear submarine engineer officer. John was also previously a Non-Executive Director of Sellafield Ltd.

He is a Chartered Engineer, and a Fellow of both the Royal Academy of Engineering and the Royal Society of Edinburgh. John has served as President of both the Institution of Mechanical Engineers and The Welding Institute.

John has broad and expert level experience in engineering, health and safety, and energy generation. He is passionate about people development, particularly advancing the opportunities for young people in STEM careers, including via apprenticeships. His dedication to charity work and fundraising to support young people provides a depth of understanding during Board discussions on stakeholder engagement and culture matters. Also, having been born and brought up in Scotland, he brings important insights to Drax on the local environment and culture relevant to our business in the west of Scotland.

Appointment to the Board

April 2019



Erika Peterman
Independent
Non-Executive Director

- Audit Committee
- Remuneration Committee

Contribution and experience

Erika's extensive experience, gained from working for over 30 years in global organisations, enables the delivery of change and growth in complex, world-leading businesses. Her broad knowledge has been built serving various parts of the chemicals industry, across a range of sectors from plastics, petrochemicals, agriculture and pharma.

Erika previously served as Senior Vice President, Chemical Intermediates and Oxyfuels, at multi-national chemical company LyondellBasell. Erika was also previously Senior Vice President at BASF Corporation, where she led the North American Chemical Intermediates business. Erika held other senior executive roles with BASF, covering manufacturing and production, engineering, strategy, and commercial business management. Passionate about STEM and DEI, she actively supports community workforce development programmes, as well as a range of diversity and inclusion initiatives.

Erika sits on a variety of College of Engineering Advisory Boards, including those for the University of Houston and the Georgia Institute of Technology. She serves as a Board Trustee for The Chatfield Edge, a scholarship foundation based in Cincinnati, Ohio. She is also a member of the Executive Leadership Council, a non-profit organisation whose mission is to accelerate the development of black executives to C-Suite positions. Erika holds a BSc in chemical engineering from the Georgia Institute of Technology and an MBA from the University of Houston.

Appointment to the Board

October 2021



Mark Clare
Independent
Non-Executive Director

Contribution and experience

Mark has extensive public listed company experience in the consumer service, property/construction, and energy sectors, particularly in customer-facing businesses including with Centrica plc and United Utilities Group plc. He is Senior Independent Director and Chair of the Remuneration Committee at Wickes Group plc and Non-Executive Director of Premier Marinas Holdings Ltd. Mark was Chair of Grainger plc from February 2017 to February 2026 and Chair of Ricardo plc from November 2022 to October 2025. He was Senior Independent Director at United Utilities Group plc from 2013 to 2022, Senior Independent Director at Ladbroke's Coral Group plc from 2016 until 2018, and Non-Executive Director and Audit Committee Chair at BAA plc from 2001 until 2006.

Mark's executive career included Chief Executive for Barratt Developments plc from 2006 until 2015. He was Managing Director of Centrica's retail subsidiary British Gas from 2002 to 2006 and CFO of Centrica plc from 1997 to 2002. He has also served as a trustee of the Energy Savings Trust, the Green Building Council and BRE. Mark is a qualified accountant.

Appointment to the Board

February 2026

Corporate Governance report: Introducing our new CFO

DRAX Q&A



Introducing our new CFO



Frank Lemmink
CFO



This business combines strong, visible cashflows over the medium term with an exciting range of investment opportunities, particularly in our FlexGen portfolio, such as BESS, and maximising the value from the Drax Power Station site."

Q What attracted you to Drax?

A I have a desire to contribute to both the energy transition and energy security. I believe that Drax can play a critical role in helping the UK energy system as it transitions to more weather-dependent renewables. I believe we need to take action now to address climate change and this role offers me the opportunity to utilise my skills and experience in a business that is making a tangible contribution to that challenge.

I am also enthused by tackling strategic puzzles. This business combines strong, visible cashflows over the medium term with an exciting range of investment opportunities, particularly in our FlexGen portfolio, such as BESS, and maximising the value from the Drax Power Station site.

My focus is on ensuring we deliver those cashflows through strong operational and commercial performance and then seeking out the opportunities with the most attractive risk adjusted return on investment to create value over the short, medium and long term for the Group, through a lens of capital discipline. I'm excited to be part of the next stage of Drax's journey.

Q What are your initial reflections in the last six months?

A The range of opportunities the Group has available to it are exciting. Filtering those opportunities is an energising challenge for me.

I've also been impressed by the dedication and skills of our people. Whilst we need to ensure our operating model reflects the opportunities the business faces, I have been impressed with the colleagues I've met right across the Group.

Personally, the welcome I have had from my new colleagues has been warm, helpful and encouraging, making me feel instantly at home.

Q What are the medium-term challenges and opportunities you see for the business?

A In terms of challenges, delivery of our free cash flow target is key, and one which I believe we are well positioned to deliver. We can then deploy this capital to invest in growth and returns to shareholders. Finding the most appropriate investment opportunities is both a challenge and an opportunity – I am committed to approaching this in a disciplined manner to create value for our stakeholders. Finally, positioning our portfolio to have the right mix of structured earnings and upside to the volatility I anticipate we will see in the UK power market over the medium term as the system decarbonises through greater use of intermittent renewables.

Q Can you give us any insight into your induction experience?

A Over the past six months I've met with many colleagues at all levels. From initial meetings with my Board and Executive Committee colleagues, to briefings on key projects from subject-matter experts to meetings with my direct reports and our key external advisers.

I also had the opportunity to visit a number of sites in the UK and the US. I enjoyed those visits a lot. The visits were a big learning curve but fantastic to see. Our experts talked me through the entire pellets and generation processes, which was absolutely fascinating. What really stood out to me was the safety. The sites had a strong safety culture with everybody taking care of each other. That's really important to me, it was really good to see that in our operations.

I've had a comprehensive introduction into Drax and its culture. I have been impressed by the outstanding work and welcome from colleagues. The collaborative and inclusive culture I've witnessed across the Group makes Drax a great place to work, and I look forward to working together in the future.

Corporate Governance report: Stakeholder engagement

Understanding the needs of our stakeholders is important to our long-term success.

The Board recognises the duty it owes to a range of stakeholders to safeguard the operational integrity and prospects of the core business and strategy. We aim to maintain open, collaborative engagement with our stakeholders.

Effective engagement helps us meet evolving expectations as we advance our business, fulfil our purpose, deliver our strategy, and create lasting value and positive outcomes for stakeholders. Many of our strategic and investment decisions have multi-year time horizons and we recognise that these decisions can have an impact far beyond our immediate business and well into the future. This is why we seek to understand the needs and perspectives of our stakeholders and consider these views to improve the quality of our decision-making. The Board appreciates the opportunity to engage with shareholders and stakeholders. The Board also receives regular reports from management of engagement that has taken place across the business. The following pages describe some of the engagement that took place during 2025 and how this was considered during decision-making.

Section 172 statement

Under Section 172(1) of the Companies Act, 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 can have an impact on stakeholders, as well as shape longer-term business performance. Appropriate consideration enables Drax to realise positive outcomes for the climate, nature and people, and deliver sustainable value creation. During 2025, the Directors were satisfied that the Board's discussions and decision-making considered the matters contained within Section 172 and acted in good faith to promote the sustainable long-term success of the Company.

Section 172 matter	How the Board considered those matters
A. The likely consequences of any decision in the long term	<ul style="list-style-type: none"> – Business model (page 2) – Principal Risks and uncertainties (page 41)
B. The interests of the Company's employees	<ul style="list-style-type: none"> – Workforce engagement (page 61) – Diversity and inclusion (pages 30 and 75 to 76) – Safety, health and wellbeing (pages 29 and 54)
C. The need to foster the Company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> – Engagement with customers (page 62) – Engagement with suppliers (page 62)
D. The impact of the Company's operations on the community and the environment	<ul style="list-style-type: none"> – Sustainability Framework (page 20) – Responsible biomass sourcing (page 22) – Climate Positive (page 25) – Nature Positive (page 27) – People Positive (page 29) – Task Force on Climate-related Financial Disclosures (TCFD) (page 31) – Climate change risk (page 46) – Engagement with communities (page 65) – Drax Foundation (pages 29 and 65)
E. The desirability of the Company maintaining a reputation for high standards of business conduct	<ul style="list-style-type: none"> – Ethics and integrity (page 29) – Culture and values (page 54) – Speak Up (whistleblowing) (page 81) – Corporate Governance Code (page 52)
F. The need to act fairly as between members of the Company	<ul style="list-style-type: none"> – Shareholder engagement (page 62) – Rights and obligations attaching to shares (page 118)

Corporate Governance report: Stakeholder engagement continued

Workforce

Key issues

- Strategy and performance
- Health, safety and wellbeing
- Compliance
- Sustainability
- Transformation
- Culture and values

Principal risks

- Safety and compliance
- People

Engagement

Our My Voice Forums continued to play an important role in facilitating engagement between the Board and employees. This gave the Board direct insight into the experiences and perspectives of colleagues across the business. This year, a refreshed group of colleague Co-Chairs stepped into their roles, supported through tailored training and regular engagement with Executive Committee Sponsor, Paul Sheffield. Together, they helped to ensure that the colleague voice remains a trusted, constructive influence on decisions at the highest level. Colleagues were able to speak openly and candidly, share sentiments, and ask direct questions of the Drax Chair and CEO.

In 2025, the My Voice Forums discussed the impact of organisational design announcements and strategic decisions linked to the transformation of the business resulting from the new low carbon dispatchable CfD. The conversation led to tangible actions in three areas. The first involved improving communications so colleagues can better understand the

“ The My Voice Forums are a vital bridge between leadership and colleagues. They help us hear what really matters to our people, challenge our thinking and shape actions that strengthen trust and culture.”
Andrea Bertone, Chair

strategy for the short- and long term and how it potentially shapes their future. The second involved providing managers with more tools to support their teams through change. The third involved introducing more frequent safety stand downs – even when no outages occur – to keep safety front of mind for everyone.

The CEO also sent a weekly “Talk to Will” Q&A to all colleagues that responded to colleagues’ anonymous questions. The questions raised covered a range of topics, including strategy, changes within the business, climate change, and wellbeing.

Shaping culture

As part of monitoring culture at Drax, the Board received regular updates on safety, people strategy, DEI and outcomes from the quarterly colleague engagement surveys. The surveys give the Board a picture of how colleagues feel about Drax and how well the Company is doing at creating an environment where everyone feels included. They also helped the Board to consider how well the Company managed transformation and change, and how well we are doing at living our values.

DEI is also an element in the 2025 Scorecard, reflecting the importance that the Board places on embedding an inclusive culture.

CASE STUDY

Board visits to Drax operations

Site visits provide Directors with a valuable opportunity to meet with colleagues to gain insight into the progress of key projects and see first-hand how the culture is informing day-to-day activities.

In June 2025, David Nussbaum, Erika Peterman and John Baxter visited three pellet plants in Canada – Entwistle, Lavington, and Armstrong. At each site the Directors met the local team and toured the plant. They heard about the programme to build a strong safety culture and were impressed how colleagues at the plants recognised this. The Directors also took the opportunity to visit a number of forest sites in different stages of the arboreal lifecycle and learned more about the arrangements in place to ensure that material supplied to Drax Power Station complies with the Company’s sustainability criteria. Following the visit, the Directors briefed Board colleagues on the safety and sustainability discussions they had during their tour.

In July 2025, Andrea Bertone, David Nussbaum, and Erika Peterman, visited the Progress Power OCGT construction site based in Suffolk, UK. This power plant will form part of the Group’s FlexGen portfolio, providing dispatchable power to the grid in times of high demand, supporting the UK’s energy transition to intermittent renewables. They discussed topics including the commercial and safety challenges of constructing a new power plant. While in



Suffolk, they also visited the main office of the Drax Energy Solutions business in Ipswich and met the Energy Solutions senior leadership team and colleagues to discuss how Drax can better support customers through power purchase agreements and EV services.

In November 2025, John Baxter visited Drax Power Station and discussed operational matters, including the proposed operating regime from 2027 under the newly signed low carbon dispatchable CfD. John’s comprehensive tour of the site included the biomass operating units and former plant areas. This helped provide a perspective on the range of safety challenges the plant faces. In his feedback to the Board, John commended the DPS team on the good condition of the operational plant and the preparedness for running through the winter. He also summarised the discussions around possible future decommissioning of redundant plant to help reduce the site’s longer term risk profile.

In November 2025, Will Gardiner and Frank Lemmink met with employees at the US Amite and LaSalle plants, as well as with staff at the Monroe corporate office. Topics of discussion included the low carbon dispatchable CfD, changes to procurement processes and safety.

Corporate Governance report: Stakeholder engagement continued

Shareholders and investors

Key issues

- Strategy
- Financial and operational performance
- Capital allocation
- Biomass sustainability
- Environmental, Social and Governance (ESG)

Principal risks

- Strategic
- Biomass acceptability
- Political and regulatory

Engagement

Throughout 2025, the CEO had the opportunity to meet with some of the Group's investors at a number of presentations, conferences and meetings. The CFO also met with some of the Company's investors as part of his induction. At these meetings investors are able to share feedback on the Group's strategy and performance which helps the Board understand shareholders' expectations.

In June 2025, the former CFO, Andy Skelton, and Director of Investor Relations met with around ten US and Canadian based investors as a part of a North American roadshow. The discussions focused on the potential low carbon dispatchable CfD with the UK Government and the future of Drax Power Station. They also shared ideas on how to obtain the most value from the Company's assets and capital discipline. Investors were supportive of the ongoing share buyback programme and potential future M&A activity, emphasising the need to be clear on expected returns.

Also in 2025, the Chair of the Remuneration Committee wrote to, and met with, shareholders and proxy advisers to invite feedback on our remuneration policy proposal. For more information, including the questions raised by stakeholders during the engagement process, see the Remuneration Committee report pages 88 and 89.

During 2025, other engagement with investors in the UK included attendance to industry conferences, where we hosted one-to-one and group investor meetings. The Investor Relations (IR) team attended these events, sometimes accompanied by management. The IR team also hosted visits to Drax Power Station and Cruachan Power Station to enable investors to further visualise our future potential plans for these sites.

The IR team, working with the Chief Sustainability Officer and the Sustainability team, also met with investors to discuss matters such as biomass sustainability and carbon accounting. Through engagement with investors, we continue to develop our sustainability reporting, with a desire to present clear, consistent, meaningful metrics in a transparent manner.

Customers and suppliers

Key issues

- Energy costs
- Ethical business conduct
- Reducing environmental impact
- Long-term partnerships

Principal risks

- Climate change
- Safety, health and wellbeing, and environment
- Biomass acceptability
- Plant operations

Engagement Customers

Throughout 2025, the energy market continued to navigate regulatory change with the introduction of a new third party cost and ongoing implementation of the Market-wide Half Hourly Settlements Programme, which is intended to improve billing accuracy and improve power grid management. Recognising the need to keep our Energy Solutions customers informed, we broadened our range of insight and intelligence services. We developed a daily wholesale market report in conjunction with the quarterly market report, and also provided customers with policy and regulatory updates in newsletters, webinars, and in-depth explainers.

In our Energy Solutions business we further developed our customer portal, with the addition of a customer Sustainability Hub, allowing customers to track their sustainability journey.

Suppliers

Engagement with suppliers helps us to understand their needs and also express our expectations. Our relationships with suppliers are governed by contracts that require compliance with relevant regulatory and legal obligations including anti-bribery, corruption and modern slavery rules. We also expect suppliers to adhere to our supplier code of conduct. Drax is also committed to the fair payment and treatment of its suppliers.

Engagement with biomass suppliers is a key focus for the Group. In 2025 we had the opportunity to engage with a number of suppliers during site visits. Discussions focussed on compliance with sustainability criteria and building an understanding of the UK regulatory reporting framework. For more information on our biomass sourcing, see page 22.

Corporate Governance report: Stakeholder engagement continued

Government, political bodies, and regulators

Key issues

- Energy security
- Energy costs
- Tackling climate change
- System stability and flexible generation
- Biomass sustainability

Principal risks

- Climate change
- Biomass acceptability
- Political and regulatory
- Strategic

Engagement

Government and political bodies

As part of the UK's Critical National Infrastructure, it is vital that we seek to understand the views of policymakers and other political representatives. It is also important that we contribute our experience and expertise to the relevant areas of policy development to help shape the regulatory environment in which we operate. Such collaboration can support informed decision-making including on the determination of future strategy. During 2025, the CEO and Chief Sustainability Officer provided updates to the Board on engagement with political representatives.

In 2025, we engaged with individuals from across the political spectrum in the UK, EU, North America and Asia on topics including energy security, decarbonisation, flexible generation, energy cost and biomass sustainability. Drax makes no political donations, but it is important that we engage with policymakers and other political

representatives to understand their views and explain our plans and strategy.

In the UK, we engaged extensively with representatives from the Department for Energy Security & Net Zero during the negotiations of the low carbon dispatchable CfD. This enabled the Board to understand the UK Government's priorities such as delivering energy security and ensuring biomass used at Drax Power Station continues to meet stringent sustainability requirements. Other topics of engagement in 2025 included the Government's Review of Electricity Market Arrangements and the introduction of an investment (Cap and Floor) mechanism for Long Duration Storage. We also engaged with the NESO on topics including the Strategic Spatial Energy Plan and reform of the Connections regime.

In the US and Canada, we engaged with policymakers at the federal, state, provincial, and local levels to ensure our sustainability criteria and supply chains are well understood. We discussed how the biomass sector can support healthy forest growth and wildfire prevention, while also supporting small landowners and sawmillers. We also discussed how power from biomass can contribute to grid stability, economic development, and the realisation of emissions targets to combat the effects of climate change.

In Japan, we continued to engage constructively with stakeholders on biomass sustainability. Working with trade associations, we engaged with the British Columbia Chief Forester during their visit to Japan and we

engaged with the joint British Columbia and Alberta Forestry Trade Mission to Japan.

In the EU, we engaged with policymakers across the institutional landscape, including officials from the European Commission, Members of the European Parliament, and representatives from EU Member States. We also maintained constructive dialogue with NGOs and think tanks to help support informed, evidence-based policy development.

In 2025, we contributed to discussions on the EU Bioeconomy Strategy and the evolving policy framework for carbon removals, including discussions on their potential integration into the EU Emissions Trading System. As part of our work with trade associations, we also continued to engage with the implementation of the Renewable Energy Directive (REDIII) at national level. Additionally, we closely followed developments on the EU Deforestation Regulation (EUDR), including discussions on potential simplification and postponement.

Regulators

Meaningful engagement with regulators such as Ofgem and industry bodies helps us to understand their expectations, enables us to promote best practice and ensure we align our compliance programmes to meet the latest guidance and regulations. Engagement can also help inform future scenario planning and impact analysis in response to potential reforms. It can also provide us with an opportunity to give feedback that may help shape future regulations and guidance.

Corporate Governance report: Stakeholder engagement continued

CASE STUDY

Board decision-making and stakeholder considerations

The Board of Directors take into account stakeholder considerations when making impactful strategic decisions.

In 2025, one of the Board's key decisions was to enter into a low carbon dispatchable CfD with the UK Government for the operation of Drax Power Station beyond 2027 when current support regimes expire. The agreement allows Drax Power Station to step in to increase generation where there isn't enough electricity, potentially avoiding the need to burn more gas or import power from Europe. When there's too much electricity, Drax can turn down and help to balance the system. This will help to support the rollout of intermittent renewable generation across the UK and provide options to ensure that Drax Power Station continues to play a long-term role in the regional economy and UK energy system. The agreement was a culmination of extensive negotiations over many months with the UK Government and is the next step in operating Drax Power Station beyond 2027.

During the decision-making process, the Board considered the opportunities and risks associated with the agreement. The Board also extensively considered the impact the agreement would have on stakeholders. In its deliberations, the Board recognised the benefits of concluding the agreement, most

notably the agreement would create certainty for shareholders, support energy security, support the UK Government in meeting its decarbonisation targets, protect jobs, protect the biomass supply chain, and create future opportunities for suppliers. The Board also acknowledged that its cost base and the way the biomass units operate from 2027 would need to evolve. This includes the people skills and organisational design required for effective operation of the units and the arrangements that would need to be in place to support colleagues affected by such change.

The low carbon dispatchable CfD includes enhanced biomass sustainability provisions, requiring that all biomass used at Drax Power Station is sustainably sourced and verified through monitoring, reporting, and verification requirements, including auditing of the biomass supply chain. The Board welcomed these enhancements to our existing procedures to help deliver the Group's long-term commitment to achieving positive outcomes for the climate, nature and people.



Corporate Governance report: Stakeholder engagement continued

Communities

Key issues

- Building relationships with the wider community
- Community-centric social investment
- Community-centric economic development

Principal risks

- Drax impacts on local communities
- Interaction with Indigenous people and minority groups
- Perceptions of industrial activity

Engagement

Engagement with the communities in which we operate is integral to how Drax builds constructive relationships, understands local perspectives, and identifies opportunities to contribute positively to local economic and social outcomes. Community engagement activities are led by local teams, with oversight and regular updates provided to senior management and the Board by the CEO and Chief Sustainability Officer.

In the US, Drax leadership and site-based teams maintained engagement with local stakeholders near our operations.

In November 2025, the CEO and CFO met with the Mayor of Gloster, Mississippi, to discuss local matters and the ongoing relationship between Drax and the Gloster community. There is also an established Community Advisory Panel that meets regularly. In Louisiana, our community engagement team held listening sessions and focus group meetings with residents and community leaders in LaSalle and Morehouse Parishes, supporting open dialogue on community

priorities and informing ongoing engagement activities. In Alabama, engagement expanded to include meetings with local schools and educational institutions focused on education and workforce development needs.

In Canada, Drax continued engagement with Indigenous Peoples through its Indigenous Relations team. During 2025, the team engaged with the Osoyoos Indian Band and the Nazko First Nation to support relationship-building and explore potential fibre procurement opportunities aligned with shared economic and environmental objectives.

In the UK, we partnered with 'Up for Yorkshire' to convene focus groups with members of the local community to understand their priorities and concerns. These conversations help us prioritise local funding and engagement. Also in 2025, following positive feedback from the community, our teams at our biomass, hydro and run-of-river plants provided educational tours to local schools and in-school STEM education. Some of our colleagues also provided mentoring for school children interested in pursuing careers in the energy sector.

Drax Foundation

The Drax Foundation and the Drax Community Fund support our broader community investment strategy by providing targeted funding to non-profit organisations in the regions where we operate. These programmes focus on improving equitable access to STEM education, supporting community and nature-based green spaces, and addressing fuel poverty and energy efficiency.

During 2025, Drax provided funding to a range of non-profit organisations, including scholarship support for four Historically Black Colleges and Universities in the southern United States and grants to 17 STEM education organisations. In Canada, funding continued for First Nations-led nature programmes, and in the UK, Drax completed a three-year, £4 million investment in energy-efficiency measures in local schools and continued to support people experiencing fuel poverty in communities near our operations.

For more information on the Drax Foundation visit www.drax.com/about-us/our-communities/.



Corporate Governance report: Stakeholder engagement continued

Experts and NGOs

Key issues

- Contributing to science
- Operating ethically

Principal risks

- Credibility

Engagement

External experts can help us gain new insights to evolving science, industry trends and market dynamics that help us to broaden our knowledge and consider different perspectives. For example, in February 2025, we announced our new Sustainability Framework, our enhanced approach to delivering on sustainability and managing our impact on the climate, nature and people.

As part of developing this framework, we consulted with a wide range of stakeholders including scientists and academics, to ensure we grounded the framework in credible science. We also liaised with investors and eNGOs (environmental non-governmental organisations) and our own colleagues.

For more information see from page 18.

CASE STUDY

Engaging with experts

Our Independent Advisory Board (IAB) is a valued part of our engagement with scientists and forestry experts.

The IAB Chair and Vice-Chair have an annual dinner with the Board as well as with members of the Executive Committee to share their external perspective on evolving science and corporate reputational issues.

The IAB advises Drax on the science and evidence surrounding our three sustainability outcomes of Climate, People, and Nature Positive, and in particular the responsible sourcing of biomass that underpins them.

The IAB provides independent scrutiny, challenge, and advice. It makes recommendations on how we can improve various initiatives within our sustainability strategy, including best practice on ensuring that we source biomass sustainably.

In 2025, following discussions in 2024 relating to our Nature Positive initiatives, the IAB

continued to provide advice on our nature strategy. The IAB provided suggestions on how to enhance the Company's understanding of potential risks and opportunities related to invasive species, which are a recognised driver of biodiversity loss by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, the leading independent scientific body on biodiversity. Drax is now exploring this topic in greater detail through our partnership with Fera.

In 2025, the IAB considered and provided feedback on the new Drax Biomass Tracker and Forest Carbon Mapping Tool and continued reviewing the Evidence Hub. The IAB also recommended strengthening our use of externally commissioned and third-party authored studies. This input directly informed new publications, including two released in late 2025.

For more information, visit www.drax.com/sustainability/.



Corporate Governance report continued

Division of responsibilities

Principles of the UK Corporate Governance Code

F The role of the Chair

The Board comprises the Chair of the Board, two Executive Directors and six independent Non-Executive Directors, including one who is appointed as the Board's Senior Independent Director. The Chair and the Non-Executive Directors were all considered independent on appointment, and the Board is satisfied that appropriate independence and objectivity has continued to apply.

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company, promoting a culture of openness and debate. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group's business.

G Board composition

Non-Executive Directors routinely scrutinise performance against business objectives (including financial and strategic in addition to other measures in the Group Scorecard). They hold management to account while providing challenge and guidance in an open and constructive environment.

H Non-Executive Directors

During regular Board meetings, the Chair and Non-Executive Directors meet without the Executive Directors being present, giving them the opportunity to consider and discuss matters in a separate forum. The Audit Committee, which the Board Chair attends by invitation, also provides agenda time to discuss matters in the absence of management. The Audit Committee members also routinely meet with the external and internal auditors, in the absence of management.

I The Company Secretary and Board resources

The Board considers additional external appointments involving any Director, taking into account the additional demands on their time. No Executive Director has a non-executive position in a FTSE company.

All Directors have full access to the services of the Group Company Secretary, who works closely with the Chair. This ensures the Board has the policies, processes, information, time and resources it needs to function effectively and efficiently. The whole Board approves the appointment or removal of the Group Company Secretary.

Role of the Board

The Board sets the Group's purpose, strategy and business model for long-term value creation and also determines its appetite for risk and risk management policies, taking into account stakeholder views on these matters.

The Board assesses and approves the annual business plan which includes its budget and challenges management on the skills and resources available to support delivery of the strategy. The Board is responsible for considering investment in large-scale projects, proposals for acquisitions, disposals, and other transactions outside ordinary delegated limits, and the Group's capital structure and capital allocation policy.

The Board regularly reviews the Group's governance structures, to ensure they are appropriate as the business evolves. Reviews may also include considering composition and responsibilities allocated under the relevant terms of reference.

How the Board functions

During the formal meetings of the Board, the Chair and the Non-Executive Directors meet in private, which allows for the

open exchange of views. As part of the formal process, the CEO reports on key business and operational matters, starting with safety, and the CFO reports on financial aspects pertaining to the Group. Reports from senior management across the Group include stakeholder considerations. The Chair is responsible for ensuring adequate time is allocated to each agenda item, to support effective discussion and challenge by Directors. The Board also holds dinners before most of the meetings to allow more informal consideration of topics. From time-to-time other members of the executive and management, advisers or external speakers may contribute to these sessions.

The Board receives updates on macro-economic factors influencing the markets in which the Group operates and how these might impact the realisation of the Group's objectives. The Board also receives industry, regulatory and topical updates from internal specialists as well as external experts and advisers. In 2025, the Board received reports on cyber security risks, including training modules produced by the National Centre for Cyber Security. The Board also received training delivered by both internal and external experts. For more information see page 69.

The core activities of the Board and its Committees are planned on a forward agenda that the Chairs of each Committee review. The Group Company Secretary maintains a list of matters arising from each meeting and reports on how these are being addressed at subsequent meetings. The Group Company Secretary also advises the Board on governance matters, ensuring good information flows within the Board, its Committees, the Executive Committee and senior management. The Group Company Secretary assesses and advises the Board on compliance with the Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Corporate Governance Code and the Companies Act. An important part of this is effective collaboration with other parties across all Group functions.

The Board and Committees are authorised to obtain legal or other professional advice as necessary to perform their duties. This includes securing the attendance of external advisers at meetings and seeking information from colleagues.

The Company's Articles of Association (the Articles) give the Directors power to authorise conflicts of interest when presented with such matters for their review. The Board has an effective procedure to identify potential conflicts of interest,

Corporate Governance report continued

consider them for authorisation and record them. In 2025, no conflicts of interest were identified. The Articles also allow the Board to exercise voting rights in Group companies without restriction. The Articles are available on the Group’s website at www.drax.com.

Time commitment

Directors’ commitments outside of Drax are kept under review to make sure they have sufficient time to dedicate to the business and effectively perform their role. Under the terms of the Chair’s letter of appointment, the Chair is expected to commit up to 100 full days a year to this role. Under the Non-Executive Directors’ letters of appointment, each is expected to commit at least 15 full days a year. That includes attendance at Board meetings, the AGM, one annual Board strategy event, and at least one site visit each year.

In addition, Non-Executive Directors are expected to devote appropriate preparation time ahead of each meeting. The time commitment expected as a member of the Audit, Nomination and Remuneration Committees is an additional three to four full days a year in each case. However, in practice, considerably more time is devoted, particularly by the Chairs of the Committees, due to the complexity of matters to be considered.

Executive Directors may, with the prior approval of the Chair, take on one additional role in an external listed company. Neither one of the Executive Directors has taken on such a role. Non-Executive Directors may, with prior approval from the Board, take

on additional roles provided the individual can continue to devote sufficient time to meet the expectations of their role.

Non-Executive Directors are encouraged to undertake visits to Drax operations and spend time with management and the workforce. This is designed to build and then maintain their knowledge of the developing business and help them to understand the operational challenges. You can read more about this on page 61.

Directors’ development and induction

To assist the Board in undertaking its responsibilities, a programme of training and development is available to all Directors. Non-Executive Directors also receive an annual training allowance. Training needs are assessed as part of the Board evaluation procedure.

Training includes presentations from management, and informal meetings, that help to develop an in-depth understanding of the business and sectors in which we operate. Such training is intended to equip the Non-Executive Directors with insight into how the Drax approach compares with the practices of its peers.

All new Directors receive a tailored induction programme. It includes meetings with key managers, international site visits, briefings on key operational matters and training with external and internal providers on Board procedures and governance matters. Following his appointment as CFO in September 2025, Frank Lemmink undertook an induction programme. For more information see page 59.

Throughout 2025, the Directors also had access to the advice of the Group Company Secretary. Directors may take independent advice at the Company’s expense, when they judge it necessary to discharge their responsibilities effectively. No such independent advice was sought in 2025.

Non-Executive Director independence

None of the Non-Executive Directors who served during 2025 had any material business or other relationship with the Group. In addition, there were no other matters likely to affect their independence of character and judgement. The Board recognises that length of service is an important factor when considering the independence of Non-Executive Directors. The Board considers all the Non-Executive Directors to be independent.

Terms of reference

The Board has a Schedule of Matters Reserved for its decisions, and formal terms of reference for its Committees. The terms of reference of the Board Committees are available to view on the Group’s website at www.drax.com.

Matters not specifically reserved to the Board, and its Committees under their terms of reference, or to shareholders in General Meeting, are delegated. Delegation is to the Executive Committee, or otherwise in accordance with a schedule of delegated authorities.

Position	Role
Chair	Responsible for leading and managing the Board, its effectiveness, and governance. Makes sure Board members are aware of, and understand, the views and objectives of major shareholders and other key stakeholders. Helps to set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation.
CEO	Responsible for the day-to-day management of the business, developing the Group’s strategic direction for consideration and approval by the Board and implementing the agreed strategy.
CFO	Supports the CEO in developing and implementing strategy. Responsible for the financial and risk management and performance of the Group.
Senior Independent Non-Executive Director	Acts as a sounding board for the Chair and a trusted intermediary for other Directors. Available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or the Executive Directors.
Independent Non-Executive Directors	Responsible for bringing sound judgement and objectivity to the Board’s deliberations and decision-making process. Constructively challenge and support the Executive Directors. Monitor the delivery of the strategy within the risk and control framework set by the Board.

Corporate Governance report continued

Board and Committee performance review

The Board conducts performance reviews annually. The 2024 review was an internal evaluation supported by each Board member completing a questionnaire which focused on areas including culture and values, enabling Board decisions, sustainability and governance.

In 2025, in accordance with Provision 21 of the Code, an external board performance review was facilitated by Hanif Barma of Board Alchemy. Hanif was engaged, for continuity, to evaluate

the performance of the Board, its Committees, the Chair, and each individual Director. The evaluation was conducted between July and November 2025 and the results reflected Board Alchemy’s feedback from interviews and observing the July Board Meeting.

Since Hanif Barma had also conducted the 2019 and 2022 external evaluations, appropriate safeguards were discussed to support independence and balance. In that context, Alex Walker of Board Alchemy, was invited to contribute, ensuring the

evaluation process benefitted from a fresh perspective. Board Alchemy has no other connection with the Group or its individual Directors. Overall, the 2025 performance review concluded that the Board is effective. It has adapted well to the evolving landscape and should continue to elevate discussions on strategic and operational issues. A summary of the key recommendations from the 2025 external performance review, and proposed actions, is provided below:

2024 Action	Progress during 2025
Enhance the succession planning process	In 2025, we evolved our succession planning programme. For more information, see page 73 in the Nomination Committee report.
Review director training requirements	<p>Given Drax is a critical part of the UK’s energy infrastructure and acknowledging the increase in cyber attacks globally, the Board sought training to deepen their knowledge of the current cyber security landscape. In January 2025, the Board received a presentation delivered by members from the National Cyber Security Centre (NCSC) on geopolitical tensions and the impact on cyber security. The Board also received a presentation from external experts, including external lawyers, on matters related to cyber incident response capability.</p> <p>Directors also received refresher training on the Board’s and Company’s obligations under the UK and EU Market Abuse Regulations, delivered by the Company’s external lawyers. This covered Company disclosure and personal obligations under the Market Abuse Regulations. Maintaining awareness of obligations around determining and disclosing inside information is critical, particularly when the Company is going through a period of extensive change.</p>
Develop a global diverse pipeline of leaders	Throughout 2025, the Board and Nominations Committee continued to focus on ensuring all named successors are credible and viable whilst improving the diversity of our talent pipeline. At the Executive Committee level, there was an increase in the percentage of female leaders, up from c.33% in 2024 to c.38% in 2025. More broadly, since 2024 we have seen an increase in the portion of people of colour at the level of Executive Committee and their direct reports, from c.6% to c.8%.

2025 Recommendations	2026 Action Plan
Director induction process	Activities to be planned as part of site visits to ensure new Directors are able to gain a real understanding of Drax’s purpose, culture and strategy.
Board administration	<p>Board Committee memberships to be reviewed to ensure continued effective governance in all aspects.</p> <p>Cadence of Board and Committee meetings to be reviewed and agendas to be restructured to provide an optimal mix of strategic, operational and governance items.</p>
Deep dives	Topics to be agreed and scheduled to enable Directors to explore in detail the areas of strategic focus for the Group.
Stakeholders	Continuous reassessment of stakeholder needs and perspectives, enhancing engagement in areas requiring additional attention.

Corporate Governance report continued

Board attendance 2025

The table below shows the number of meetings held and the Directors' attendance during 2025.

Director	Date appointed as a Director and member of the Board	No. of scheduled meetings ⁽¹⁾	No. of meetings attended	% of meetings attended
John Baxter	17 April 2019	8	8	100%
Andrea Bertone	24 August 2023	8	8	100%
Will Gardiner	16 November 2015	8	8	100%
Nicola Hodson ⁽²⁾	12 January 2018	3	3	100%
Kim Keating	21 October 2021	8	8	100%
Frank Lemmink ⁽³⁾	1 September 2025	3	3	100%
David Nussbaum	1 August 2017	8	8	100%
Erika Peterman	21 October 2021	8	8	100%
Rob Shuter	11 June 2024	8	8	100%
Andy Skelton ⁽⁴⁾	2 January 2019	5	5	100%

Notes:

- (1) The number of scheduled meetings that each individual was invited to attend.
- (2) Nicola Hodson stepped down from the Board on 23 May 2025.
- (3) Frank Lemmink joined the Board on 1 September 2025.
- (4) Andy Skelton stepped down from the Board on 1 September 2025 and retired from the Company on 4 December 2025.

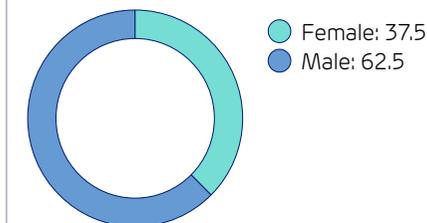
Committee attendance 2025

Director	Audit Committee			Nomination Committee			Remuneration Committee		
	No. of scheduled meetings ⁽¹⁾	No. of meetings attended	% of meetings attended	No. of scheduled meetings ⁽¹⁾	No. of meetings attended	% of meetings attended	No. of scheduled meetings ⁽¹⁾	No. of meetings attended	% of meetings attended
John Baxter	4	4	100%	4	4	100%	-	-	-
Andrea Bertone	-	-	-	4	4	100%	4	4	100%
Nicola Hodson ⁽²⁾	2	2	100%	-	-	-	1	1	100%
Kim Keating ⁽³⁾	-	-	-	3	3	100%	4	4	100%
David Nussbaum	4	4	100%	4	4	100%	-	-	-
Erika Peterman	4	4	100%	-	-	-	4	4	100%
Rob Shuter	4	4	100%	-	-	-	4	4	100%

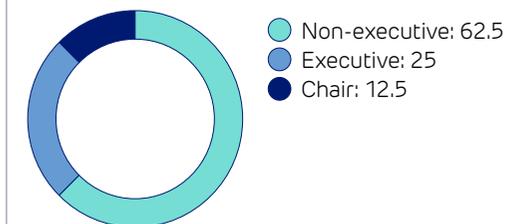
- (1) The number of scheduled meetings that each individual was invited to attend.
- (2) Nicola Hodson stepped down from the Board and its Committees on 23 May 2025.
- (3) Kim Keating stepped down from the Nomination Committee on 18 June 2025.

Board statistics (As at 31 December 2025)

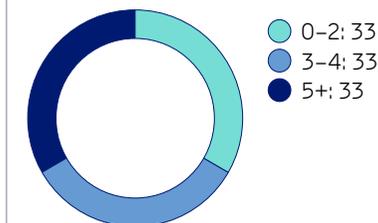
Gender diversity (%)



Composition (%)



NED tenure in years (%)



Corporate Governance report continued

Executive Committee

The Executive Committee is responsible for the execution of the Drax strategy and for the day-to-day management of the business. The Committees listed below support the Executive Committee in carrying out its duties.

Group HSE Committee

Reviews and challenges the management of process and people safety, health, environment and wellbeing risks.

IT Board

Provides oversight and co-ordination of IT activities and strategy, information systems and security risk.

Ethics and Business Conduct Committee

Monitors ethical behaviour and practices across the business.

Compliance Steering Committee

Supports the implementation of the Group's Compliance Framework and wider Compliance Action Plan activities.

Sustainability Council

Provides Group-wide oversight and co-ordination of sustainability activities, governance, and reporting.

Operating Review Committees (Pellet Production, Generation and Energy Solutions)

These committees review the operational and financial performance of the business.

Financial Risk Management Committee

Provides oversight and challenges the effective management of all financial risks, including trading, commodity, treasury and currency.

Role of the Executive Committee

The Executive Committee is led by the CEO and focuses on the delivery of the Group's strategy, assesses the adequacy of the Group's financial structure and monitors operational and financial performance. It also considers culture and diversity and organisational development including succession planning. These activities are informed by engagement with the workforce and external stakeholders, including Governments, regulatory agencies, and NGOs. There are more details about stakeholder engagement from page 60.

The Executive Committee develops and considers policies and procedures that provide an effective framework for operating in line with required standards, laws and regulations. These policies and procedures include our Code of Conduct, Supplier Code of Conduct and Diversity, Equity and Inclusion Policy.

The Executive Committee considers business performance against the annual plan, and reviews progress in realising longer-term objectives. It receives reports on the business, covering financial and non-financial metrics. The latter include matters affecting the safety and wellbeing of our workforce, which is the opening agenda item for each meeting.

In 2025, the Executive Committee completed an in-depth review of all nine Principal Risks; each of which is the responsibility of one or more members of the Executive Committee. You can read more about our principal risk processes from page 41.

The Executive Committee meets formally most weeks, in addition to holding eight longer form monthly meetings. Where relevant to agenda items, Committee members receive briefing papers in advance of meetings. To support specific discussions, senior managers from within the business also attend.

The Committee meets with management teams during the year for deep dives into operational and financial performance matters. Typically, such meetings are held over the course of two days and allow for a more detailed review of key programmes and initiatives, to assess delivery against the Group's strategy.

Biographies of the Executive Committee members are available on the website www.drax.com.

Nomination Committee report

At a glance

“ During 2025 the Committee was busy supporting the business through a period of significant change at both Board level and within the senior management team.”



Andrea Bertone
Chair

Committee members

- Andrea Bertone (Chair)
- John Baxter
- David Nussbaum

Attending by invitation

CEO, and others as required. The Group Company Secretary is Secretary to the Committee.

Terms of reference

The Committee’s terms of reference are reviewed annually, most recently in February 2025. The terms of reference are available on the Group’s website at www.drax.com/governance

Composition, succession and evaluation

Principles of the UK Corporate Governance Code

J Appointments to the Board and succession planning

K The skills, experience and knowledge of the Board and Committees

L Board evaluation

Appointments to the Board are subject to a formal, rigorous and transparent procedure. Effective succession planning is in place for the Board and senior management. Appointments and succession plans are based on merit and seek to promote diversity, inclusion, and equal opportunity.

All new Directors undergo a thorough induction programme.

The Nomination Committee reviews the Group’s succession plan, identifying colleagues who have the potential to progress to more senior roles in one to five years. Based on merit and objective criteria, the review focuses on various aspects such as technical skills, experience, behaviours, attitudes, and diversity. This ensures the business has the right leaders in place to deliver our purpose and strategy. The most recent review was conducted by the Committee in December 2025.

All directors seek re-election at (or following their initial appointment to the Board, election at) the Annual General Meeting.

An external performance evaluation of the Board and its Committees was conducted in 2025.

Introduction

Dear shareholders,

I am pleased to present the Nomination Committee Report for the year ended 31 December 2025. It highlights how the Committee seeks to ensure that the Board and its Committees have the appropriate balance of skills, knowledge, experience, leadership, and diversity to support the Group and its workforce in delivering our strategy and long-term sustainable success for our stakeholders.

Board changes

During 2025, the Committee was busy supporting the business through a period of significant change at both Board level and within the senior management team. As previously reported, in December 2024 Andy Skelton notified the Company of his intention to retire and step down as CFO and Executive Director. Therefore, a key Committee activity in 2025 was seeking a replacement for Andy. Following a comprehensive search

process, we were delighted to appoint Frank Lemmink as the new CFO. You can read more about the selection process on page 74.

Looking further ahead, and as part of orderly succession planning, in 2025 the Committee commenced the search for a replacement for David Nussbaum, our Senior Independent Director, who will have served on the Board for nine years in July 2026. The Committee selected Audeliss to support with the process, based on its market leading approach to hiring diverse talent and its strong track record of delivery for Drax. Audeliss had no conflict which would impact its role. On 13 February 2026, we successfully concluded the search and were pleased to appoint Mark Clare as Non-Executive Director. We will report on the search in more detail in the 2026 Committee report.

The Committee also considered the re-appointment of John Baxter for a third and final term of three years. John brings a deep knowledge and understanding of the energy sector, engineering, and safety, and is a huge asset to the Board.

Nomination Committee report continued

Nicola Hodson, Remuneration Committee Chair, stood down as a Non-Executive Director in May 2025, and the Committee considered finding her replacement as Chair of the Remuneration Committee. Following a review, we recommended to the Board that Kim Keating be appointed as the new Committee Chair, given her experience and knowledge gained as a Remuneration Committee member since October 2021. The Board approved the appointment, effective from June 2025. Given the scope of the role of Chair of the Remuneration Committee, Kim stepped down as a member of the Nomination Committee in June 2025.

Finally, the Committee considered the appointment of a new Group Company Secretary, following the retirement of Brett Gladden in December 2025. The Board and I would like to thank Brett for his support and guidance over the years. Group General Counsel, Hillary Berger, has assumed the role of Group Company Secretary on an interim basis.

Management changes

During 2025 we reviewed the development of talent within our senior leadership team and received information about changes of roles and colleagues on the Executive Committee. As reported in the 2024 Committee report, our Chief People Officer, Karen McKeever, announced in December 2024 her decision to leave Drax during 2025 after nearly five years with the Group. Karen agreed to remain with Drax until we identified a replacement. In September 2025, we appointed Farnaz Ranjbar as Chief People Officer. Farnaz joined us from FTSE 250 company Coats Group plc, where she was Chief Human Resources Officer. Farnaz is a transformational HR leader with a track record of building great places to work, has 20 years' experience at senior level across a range of industries and geographies, and a background in law and business. Karen left Drax in October 2025.

In September 2025, our Chief Innovation Officer, Jason Shipstone, retired and Lee Dawes, Chief Operations Officer, assumed responsibility for the Innovation function. Also in September 2025, we promoted Hannah Steedman, Chief Strategy and Transformation Officer, to the Executive Committee. This reflects the importance, scope, and scale of our transformation and change management programmes. Finally, Laurie Fitzmaurice, Elimini President, left the business in October 2025. Following her departure, we removed the role of Elimini President and the role no longer has a seat at the Executive Committee, reflecting the reduction in the Elimini business.

I continue to be impressed by the passion and pride that our colleagues have in delivering our strategy and, alongside that, delivering positive outcomes for nature, people, and the climate. We're proud of the contribution our colleagues make, and the Committee and I seek to ensure we have the right people in leadership roles, with the right mix of skills and experiences, setting the tone from the top.

Skills and availability

The main focus of the Committee is examining the skills, knowledge and experience of Board Directors and ensuring that the Company has the appropriate leadership in place to deliver its long-term strategy. During the year, the Committee commenced a skills matrix review which captures the competencies across our Board. The Committee is satisfied that Directors have the right balance of skills, experience, and diversity across key areas. These include knowledge of the energy market, government policy, diversity, sustainability, technology, clean energy, M&A, large capital projects, culture, and safety. These skills provide for an environment that encourages thoughtful deliberations, as well as constructive, challenging, and insightful Board and Committee discussions.

Time commitments

During 2025, the Committee also assessed Directors' external commitments. We recognise that active external experience has value for market context and current best practice. However, we also want to be clear that Directors should not assume commitments which risk impacting their ability to effectively fulfil their role as a Director at Drax. The Committee is attentive to such matters and is comfortable that Directors are operating within the guidelines set by the Code, and general industry standards for company appointments. We are also satisfied that Directors are meeting our own expectations of the demands of their role in supporting Drax.

Succession planning

The Nomination Committee has a regular programme to ensure we consider orderly succession planning both for the Board and Committees and at senior leadership levels. This includes the identification of candidates based on merit and objective criteria, and taking into account the need for diversity such as gender, social and ethnic backgrounds, cognitive skills, and personal strengths.

The annual reviews include identifying colleagues with the potential to progress into more senior roles, across a timeframe of one to five years and incorporates factors such as technical skills, experience, behaviours and attitudes.

During 2025 we took steps to evolve our succession programme. We focused on CEO and Executive Committee succession, ensuring we build and manage development plans to strengthen our bench and enhance the readiness of our internal talent pipeline.

We also strengthened our leadership talent pipeline in 2025, through a combination of growth opportunities, external recruitment, and 360 assessments and feedback against our newly implemented leadership competencies.

In 2026, we will expand our focus on succession planning and leadership development on critical roles and the talent pipeline into them. These critical roles will include those that have a significant strategic importance, directly influencing the success, financial performance, growth, and sustainability of Drax. They will also include roles that deliver significant reputational accountabilities, influence the compliance of Drax, enhance stakeholder value, or oversee the critical functions of our business in an operational setting, ensuring safety and efficiency.

Nomination Committee report continued

The search for a new CFO

In December 2024, Andy Skelton announced his intention to retire from the Board and from his role as CFO. We began the search process for a new CFO in December 2024. Led by me, the Nomination Committee assessed potential external firms with the capability to conduct an international search for a diverse range of candidates. Following this assessment, we appointed Egon Zehnder in February 2025. Egon Zehnder is signed up to The Voluntary Code of Conduct for Executive Search Firms (which ensures it factors diversity considerations into its recruitment advice), and has no other engagement with the Group or any other conflict which would impact its role.

Egon Zehnder supported the refinement of our search criteria for suitable candidates. This included experience of running the financial affairs of a business (with revenues of up to £3bn, for five or more years) in a complex environment, and a deep understanding of government policy. The criteria also included experience of the economic environment and energy market trends, and a strong alignment to our purpose, culture, and values. The Group continues to undergo significant change, as an integral part of implementing the Group's strategy, and the Committee therefore considered carefully the relative strengths of candidates who could help steer the Group through a period of transformation.

From the long list of candidates provided by Egon Zehnder, six candidates were selected in April 2025 to progress to the next stage, with the CEO conducting the first interviews. Following these interviews, three candidates proceeded to the second stage, which comprised two separate panel interviews: one with the Transformation Director and Chief Operating Officer,

followed by one with the General Counsel and Chief Commercial Officer. Following assessment and feedback from these panel interviews, we selected two candidates to progress to the final stage.

We completed final interviews in May and June 2025 through one-to-one meetings with the Senior Independent Director, Audit Committee Chair, the incumbent CFO, and me. In these interviews, the candidates presented their perspectives on the CFO role and had a further opportunity to ask questions. In addition, Egon Zehnder conducted psychometric testing of the candidates for the Committee's consideration.

Following the conclusion of this process, the Nomination Committee recommended appointing Frank Lemmink to the Board. We based this recommendation on Frank's impressive academic and professional background including an MBA in Finance and Economics and more than two decades at Shell. Most recently he was Executive Vice President Finance Integrated Gas and Upstream. In addition, we considered Frank's experience in leading through change and transformation, and his people-centric leadership style, to be highly desirable given our transformation agenda and the evolution of our strategy. In July 2025, the Board considered and approved the appointment of Frank as CFO effective 1 September 2025. Andy Skelton remained with the Company until 4 December 2025 to support the succession process. You can read more about Frank's induction on page 59.

Andrea Bertone
Chair

Nomination Committee report continued

Diversity and Inclusion

We recognise the importance of diversity at Board and Committee level and throughout the Group. Diversity of background, skills, thought, and perspective, as well as gender and ethnic diversity, are important to providing an appropriate breadth of insights, debate, and challenge. Ultimately, such diversity contributes to more effective decision-making and good governance.

The Board and its Committees have a Board Diversity Policy which we review and update annually. The policy informs the Directors in enabling a rounded Board and Committee structure, comprising talented and dedicated Directors with a diverse mix of expertise, experience, skills, and backgrounds. This mix reflects the business environments in which the Group operates. The policy reflects the FCA Board diversity targets as well as the recommendations by the FTSE Women Leaders Review and the Parker Review. More information on the skills and backgrounds of the Company's Directors is on pages 56 to 58.

How the Board meets the FCA Board diversity targets, as at 31 December 2025 (our chosen reference date), is set out below. In collecting the data to measure progress against the three targets, we asked Board Directors to self-report against the gender and ethnicity categories as defined by the Office for National Statistics.

1. **At least 40% of the Board should be women.**

Not Met: As at 31 December 2025, 37.5% of the Board were women. The percentage of women on the Board dropped from c.44% to 37.5% in May 2025, following the departure of Nicola Hodson.

2. **At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID) should be a woman.**

Met: The Board has one senior board position occupied by a female.

3. **At least one member of the Board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).**

Met: The Board has one Director from an ethnic minority background.

Gender representation on the Board and Executive Management ⁽¹⁾

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62.5%	3	5	62.5%
Women	3	37.5%	1	3	37.5%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnicity representation on the Board and Executive Management ⁽¹⁾

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority white groups)	6	75%	3	7	87.5%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	1	12.5%	0	0	0%
Other ethnic group	0	0%	0	1	12.5%
Not specified/prefer not to say	1	12.5%	1	0	0%

(1) As at 31 December 2025

Nomination Committee report continued

Diversity

The table below shows the gender and ethnicity representation on the Board, and in the wider workforce, as at 31 December 2025.

Gender diversity of the Board and wider workforce

Gender	Male No.	%	Female No.	%	Total No.	%
Board members	5	62.5	3	37.5	8	100
Senior managers ⁽¹⁾	41	66	21	34	62	100
All employees ⁽²⁾	2,087	72	825	28	2,912	100
Total	2,128⁽³⁾	71.5	846	28.5	2,974	100

(1) Direct reports of the Board (i.e. Executive Committee), their reports (not including PA's and equivalent) and subsidiary entity directors.

(2) Excluding Board members and senior managers.

(3) Two Executive Directors are also members of the Executive Committee ("Senior Management"). They are included in both sets of figures to ensure the correct diversity is reflected, but have been removed from the total to ensure the correct headcount is reflected.

In accordance with Parker Review guidance, during 2024 we set a target of 5% of senior management positions globally to be occupied by ethnic minority executives by 2027. We are pleased to report we have achieved an increase in representation from 3% to 8%. We will review progress in 2026 to decide whether our targets should evolve.

Non-Executive Director re-appointment

Under the Board's policy, Non-Executive Directors are appointed for an initial term of three years, which can be renewed by mutual agreement. To recommend that each Director be put forward for re-election at each annual general meeting, the Board must be satisfied with each Director's performance and commitment. The Board will not normally extend the aggregate period of service of any independent Non-Executive Director beyond nine years. Also, the Board will review any proposal to extend a Non-Executive Director's aggregate period of office beyond six years.

In 2025, the Board considered the re-appointment of John Baxter for a third and final term of three years. The Board considered his skills and contribution, together with the feedback from the evaluations of the Board and Committees. On the recommendation of the Committee, the Board approved John's re-appointment, and there are details about his areas of experience on page 58.

Committee evaluation

During 2025, an external Board evaluation was conducted, which included an assessment of the Committee's effectiveness. I am pleased to report that the evaluation concluded the Committee operates effectively providing good support to the Board

Renewal and re-election

Any newly appointed Director may hold office until the first AGM following their appointment. At that meeting, they must submit themselves for election by shareholders.

In accordance with the Company's Articles of Association, and in line with the recommendations of the Code, each of the Directors will retire annually and offer themselves for re-election by shareholders at the AGM. The evaluation and review of the Board and its Committees, described above, concluded that each Director continues to demonstrate commitment to, and management and business expertise with in their role. They continue to perform effectively.

Accordingly, Andrea Bertone, John Baxter, Will Gardiner, Kim Keating, David Nussbaum, Erika Peterman, and Rob Shuter will all retire and offer themselves for re-election at the 2026 AGM. Frank Lemmink and Mark Clare, having joined the Board since the last AGM, will each be seeking election by shareholders at the 2026 AGM.

The Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection (by prior arrangement) during normal business hours at the Company's registered office. They will also be available for inspection at the venue of the AGM, before that meeting takes place. Details are included in the Notice of Meeting.

During the year, I met regularly with the Non-Executive Directors in the absence of the Executive Directors. Separately, the Senior Independent Director held a meeting with the Non-Executive Directors without me being present, as required by Provision 12 of the Code.

This report was reviewed and approved by the Nomination Committee.

Andrea Bertone
Chair of the Nomination Committee

25 February 2026

Audit Committee report

At a glance

“ The Committee continues to provide critical oversight and challenge over the efficacy of governance and how that supports the delivery of the strategy.”



Rob Shuter
Chair

Committee members

- Rob Shuter (Chair)
- John Baxter
- David Nussbaum
- Erika Peterman

The Board is satisfied that the Committee’s membership has the appropriate level of independence, skills, and recent and relevant financial experience. Rob Shuter is a chartered accountant (South Africa) and has been a CFO in listed company environments. His experience in capital allocation, risk, finance, and M&A is highly relevant given the activities of the Group and in the performance of his role as Chair of the Audit Committee. David Nussbaum is a chartered accountant who has served in several senior financial roles. Details of the skills and experience of the Committee members can be found on pages 57 to 58.

Attending by invitation

Chair of the Board, CEO, CFO, Group Financial Controller, internal auditor (KPMG), external auditor (PwC), Group General Counsel, and others as required. The Group Company Secretary is Secretary to the Committee.

Audit, risk and internal control

Principles of the UK Corporate Governance Code

M The effectiveness of internal and external audit functions

N Fair, balanced and understandable assessment

O Risk management and internal control

The Audit Committee comprises four independent Non-Executive Directors. The Committee Chair was considered independent on appointment in that role and has recent and relevant financial experience.

The Audit Committee provides oversight and challenge of the Group’s financial statements to ensure they provide a fair, balanced and understandable assessment of the Group’s financial position and performance.

The Board sets the appetite for the nature and extent of the Principal Risks the Group is willing to take to achieve its long-term strategic objectives, and the Audit Committee oversees the risk management and internal control framework and processes to ensure they are effective. Details of the approach to risk management, the process controls and principal risks, together with mitigation strategies, appear on pages 41 to 48.

Introduction

Dear shareholders,

On behalf of the Audit Committee, I am pleased to present our report for the 2025 financial year.

This report sets out the key activities and focus of the Committee during 2025 as we continue to provide critical oversight and challenge over the judgements made by management in the treatment of the Group’s financial reporting, the Group’s internal controls and risk management processes, oversight of the external auditors, as well as oversight of our regulatory obligations, including from our industry regulator (Ofgem) and under the Network and Information Systems (NIS) Regulations.

Internal controls and Code changes

The Committee regularly reviews and considers the effectiveness of the Group’s internal controls. We received updates during the year on the work underway to prepare for the changes to the Code, specifically the new requirement in Provision 29 for the Directors to formally declare that the Group has appropriate systems to monitor and review the effectiveness of material internal controls and risk management frameworks. While the change only applies for financial years commencing on 1 January 2026, during 2025 significant work was undertaken

to define and map the Group’s material controls which are fundamental to mitigating the Group’s Principal Risks. In July 2025, the Committee was updated on progress on establishing an assurance map for each material control, and in the second half of 2025 a ‘dry-run’ of effectiveness testing was undertaken, the results of which were shared with the Committee in December 2025, together with an update on preparations for our initial disclosure in the 2026 Annual report and accounts. The Group’s Internal Auditor undertook a review of the business’ preparations for the incoming requirements and communicated to the Committee in December 2025 that we are on track to be able to make the relevant declaration and there was seen to be a good level of management understanding of the requirements.

Risk Management

The Committee continued to evaluate the appropriateness of controls and mitigation activities in responding to these challenges. You can read more about this throughout this report and in the sections on Principal Risks and Uncertainties and the Viability Statement. Throughout 2025, the Committee monitored risks and their potential impact on the Group’s strategy and viability, such as political uncertainty, biomass acceptability, and challenges in the global pellet supply market. This included the assessment of emerging risks, particularly as the Group expands operationally and geographically.

Audit Committee report continued

The Group continues to strengthen its overall risk management and internal controls around regulation and compliance. As reported in 2024, following the closure of the Ofgem investigation into Drax Power Limited's biomass profiling data, we committed to undertake an independent audit of its biomass profiling data for CP22 (April 2023 to March 2024). During 2025, Ofgem and Drax engaged closely with a range of prospective auditors to refine the scope of that audit to best ensure the outputs would meet Ofgem's needs. Following a competitive tender process, in September 2025, Ofgem and Drax announced the appointment of Forvis Mazars as independent external auditor, and we fully support this independent external audit process, working with Forvis Mazars and Ofgem. The Committee will continue to monitor progress against Drax's commitment to continued development and improvement of its activities and overall reporting.

NIS compliance

In common with many other businesses, Drax faces evolving cyber security threats. During discussions with management, the Committee and Board provided challenge on the risk assessment, adequacy of prevailing systems, investment, and internal controls, as well as making clear their support for implementing enhancements where deemed necessary. During 2025, management progressed detailed planning to meet the NIS Enhanced Profile by 2027. The Committee provides oversight of progress and challenge on this critical project. At the meetings in April, July, and December 2025, the Committee received detailed updates on progress to date, and considered the appropriateness of the scope, timelines, and resourcing.

Fair, Balanced, and Understandable

The Committee seeks to ensure transparent, robust, and accurate external reporting that covers financial and operational performance, future prospects, and the wider business controls required for the day-to-day conduct of the business. The Committee assesses whether stakeholders can gain a fair and balanced understanding of how the Group is performing, its underlying resilience, and the effectiveness of the governance and controls applied. Through these assessments, as well as receiving reports from external experts, the Committee also considers how the Group's reporting meets expected standards.

The Committee assessed and challenged management in respect of their annual impairment assessment, including changes to cash generating units and the impairment charges recognised and presented as exceptional in the year. A detailed assessment is set out within the consideration of significant accounting matters on pages 82 and 83, and the Committee were keen to understand the assumptions, including the recoverable amount of related assets, to ensure the charges recognised were fair and balanced, and the disclosure is clear given the significant amounts involved.

We were pleased to advise the Board that the Committee believed the 2025 Annual report and accounts were fair, balanced, and understandable, and that the Directors have provided the necessary information for our shareholders to assess the Company's and the Group's position, prospects, business model, and strategy. The review process is described in further detail on page 84.

As Chair of the Committee, I report to the Board on the Committee's activities and considerations following each meeting. I hold regular meetings with the CFO, external auditor, and internal auditor, separate from the formal meetings of the Committee. I also attend planning meetings with those preparing for forthcoming Committee meetings, to discuss relevant papers and key matters.

I am pleased to confirm that the Committee has reviewed the FRC's Audit Committees and the External Audit: Minimum Standard during the financial year, and believes that there are no areas of non-compliance in respect of 2025.

During 2025, an external Board evaluation was conducted, which included an assessment of the Committee's effectiveness. I am pleased to report that the evaluation concluded the Committee operates effectively, there is a good balance of contribution and challenge by the Committee members and the work of the Committee is supported effectively by management and the Company Secretariat. Further information on the evaluation can be found on page 69.

The Committee's understanding with both the external and internal auditor is that, if they should at any time become aware of any matter giving them material concern, they are able to promptly draw it to the Committee's attention via the Chair of the Committee. No such issues were raised during 2025.

The Committee believes that the Group has a strong control and compliance environment, and has transparent and accurate reporting. I would like to thank the members of the Committee, the management team, PwC, and KPMG for their continued support and commitment throughout the year.

This report was reviewed and approved by the Audit Committee.

Rob Shuter
Chair of the Audit Committee

25 February 2026

Audit Committee report continued

Committee activities in 2025

The Committee follows a programme of work designed to ensure that sound risk management processes, a robust system of internal control, and fair and balanced external reporting are all in place. In addition, where relevant to activities in the Group or to reflect changes in applicable regulations or external conditions, agenda items are incorporated to ensure members of the Committee have the opportunity to consider and contribute to an analysis of material issues. The main areas of work undertaken by the Committee during 2025 at its routinely scheduled meetings are set out in the table opposite.

Financial and non-financial reporting	Risk management, internal controls and fraud risk	External audit matters	Governance
<ul style="list-style-type: none"> - Reviewed the full-year and half-year financial statements, the associated verification process and formal announcements. - Reviewed the external auditor’s findings in respect of the full-year and half-year financial statements. - Approved key accounting issues and judgements. - Approved long-term viability and going concern statements. - Approved the plan and timetable for the provision of the annual report and financial statements. - Considered the accounting implications of the Group’s strategic review. - Recommended to the Board that the annual report and financial statements have been prepared on a fair, balanced and understandable basis. 	<ul style="list-style-type: none"> - Reviewed the Group’s principal risks, likelihood, mitigation and risk assurance framework. - Reviewed the effectiveness of the Company’s risk management and internal controls framework. - Approved the annual internal audit plan and required resources. - Considered the findings of internal audit reviews and management’s responsiveness to the findings and recommendations. - Received assurance on risk management and internal controls around health, safety and the environment. - Reviewed the performance of the internal auditor. 	<ul style="list-style-type: none"> - Recommended to the Board the reappointment of the external auditors. - Approved the remuneration and terms of engagement of the external auditors. - Approved the scope of the external audit plan for the full-year and half-year. - Reviewed of the effectiveness of the external audit processes. - Reviewed the external auditor’s independence and provision of any non-audit services. - Reviewed findings from external audits. 	<ul style="list-style-type: none"> - Reviewed the Committee’s Terms of Reference and the Auditor Independence Policy. - Received updates from the Ethics and Business Conduct Committee. - Received updates from the whistleblowing officer. - Received updates on compliance with the NIS regulations. - Approved plans for compliance with Provision 29 of the Corporate Governance Code and reviewed subsequent progress updates. - Approved the Group’s annual tax strategy. - Received confirmation of compliance with Audit Committee Minimum Standard.

Audit Committee report continued

Reviewing the effectiveness of the system of risk management and internal controls

On behalf of the Board, the Committee monitors and evaluates the effectiveness of Drax's internal control system. This encompasses all key controls including financial, operational, and compliance as well as oversight of the financial reporting process. For further information on the Group's Risk Management process and the Committee's role in reviewing and robustly challenging this refer to page 41.

During 2025, the Committee received quarterly updates on the Group's risk management and internal control environment. Specific topics of review and challenge by the Committee are detailed below.

Given the industry in which the business operates, the Group is subject to a large number of regulations, which are complex, broad ranging in nature, and the subject of intensifying scrutiny. At each meeting during 2025, the Committee considered the robustness of the Group's compliance control environment and reviewed progress on the programme of work to design and implement an updated Group-wide Compliance Framework, including the systemisation of a business wide compliance obligation register, automated approval workflows and the requirement to upload supporting evidence of review. The Committee was supportive of the progress made by management and the greater transparency, governance and consistency this framework will bring.

At all four meetings during 2025, the Committee considered the robustness of the Group's Health, Safety and Environment control environment. This involved reviewing progress made against previous internal audit findings and the Committee challenged whether sufficient resource was in place to progress these actions in line with the agreed target dates. Management confirmed it was and communicated that all business units had successfully embedded the Group HSE standards into their local management systems in line with the end of July deadline. In December 2025, an enhanced HSE assurance plan utilising second and third line assurance was approved by the Committee. The Committee will receive regular updates on its implementation.

As noted on page 77, throughout the year the Committee received regular updates on the preparations made ahead of the incoming internal control declaration required by Provision 29 of the Corporate Governance Code, which will apply from 1 January 2026. This included a deep dive in July 2025 which summarised the work undertaken to define and identify the Group's material controls and document the assurance already in place to support their effective operation in formalised assurance maps. The Committee was informed of the planned milestones ahead of the initial declaration as at 31 December 2026. These included 'dry run' controls testing to be performed by the Group Risk and Internal Control team during the second half of 2025 and the preparation of a draft Annual Report disclosure. The Committee challenged management and the Group's internal auditor to place reliance on existing assurance where possible to ensure this work did not become unnecessarily burdensome given the high level of confidence the Committee already has over the Group's material controls.

In April 2025, the Committee also dedicated time to reviewing the business's approach to meeting the Network and Information Systems Enhanced Profile which is mandatory for operators of essential services such as Drax by 2027. Management noted that as cyber security risk increases, the burden of governance, including external assurance, adds to the workload and therefore required resources to enable compliance. The Committee challenged the speed of recruitment of people with appropriate skills. Management confirmed that a shortage of skills in the market along with a systematic approach to role assessment and competences meant that this was taking longer than hoped but progress was being made.

At its July 2025 meeting, the Committee noted the status of ongoing work to enhance the governance surrounding capital investment decision making. The formalised stage gating mechanism requires specific deliverables and provides explicit tolerance thresholds before investment decisions can be made ensuring that decisions are based on a transparent view of all the relevant risks and rewards. The Committee approved of the enhancements made and agreed that the Board should be kept informed on the status of projects requiring capital investment, including spend and progress against milestones.

At both its July and December meetings, the Committee recognised that political uncertainty, both in the UK and globally, remained a risk to the business. The Committee noted the potential for both direct and indirect adverse effects of US tariffs including proposed port fees was discussed, as well as the possible implications of a change in UK Government on the low carbon dispatchable CfD which the Group signed in November 2025. The Committee requested these scenarios be quantified for further consideration.

The Committee requested the Group's internal auditor undertake a Corporate Affairs review as part of its 2025 internal audit plan. This review considered the business's approach to media relations, ascertaining whether there was an efficient and cohesive approach to managing corporate affairs. The results of the review indicated that, whilst the team demonstrated a strong understanding of the process in practice, this could be further formalised through robust documentation.

Second line controls functions across the Group regularly undertake self-assessment and validation exercises to ensure that the Group's material controls are operating effectively and are addressing the business' Principal Risks. This assurance work is then utilised by the Group Risk and Internal Control team, along with other third-party assurance to underpin the incoming Internal Control Declaration required by Provision 29 of the Corporate Governance Code as discussed further on Page 77. Any significant findings from this assurance activity are reported to the Committee at each meeting.

The review undertaken by the Group Risk and Internal Control team is undertaken in the context of broader changes in both the underlying risks and the environment in which the Group is operating, and considers whether prevailing controls remain appropriate and sufficient. To support this, the Committee annually reviews a detailed assurance map for the Group, covering each of the Principal Risks. The assurance map summarises the controls and assurance in place across the different lines of defence. It also provides management's assessment of whether the level of control and assurance is appropriate, and highlights ongoing work to address any opportunities for enhancement.

Audit Committee report continued

Having reviewed the latest assurance map, the Committee was satisfied that there were no significant gaps in the levels of assurance. Progress made during 2025 included the continued implementation of a Group-wide compliance framework as discussed further on page 80, the inclusion of AI within the remit of the data governance forum and the establishment of assurance processes to validate metrics included in the People & Culture scorecard which is fundamental to the measurement of progress and achievement.

The Committee considered and approved a series of management actions to be implemented during 2026, including the work planned as part of the Sustainability Audit Programme to further automate reporting and enhancement of the second line assurance underpinning IT controls.

Additional detail on the Group's Principal Risks and key mitigations can be found on pages 41 to 48.

The Committee routinely considers information arising from internal 'Speak Up' and whistleblowing reports. It discusses with management the scope of investigations, providing feedback and, where relevant, challenge on the appropriateness of the steps being taken in response. The Committee seeks to understand how matters identified in incidents inform training for colleagues to address findings that effect positive change, and how actions by management can improve culture within the Group's operations. The Board was also separately updated on responses to such reports.

The Committee also works with the Group's internal auditor to assess the overall system of risk management and internal control taking account of key findings and proposed management responses. Further detail on the role of the internal auditor is provided on page 86. None of the findings discussed during 2025 were considered individually or collectively to have materially impacted the financial performance, results or operations of the business. Taking this into account, The Committee was satisfied that the overall systems of risk management and internal control have continued to operate effectively.

Reviewing financial reporting matters

The Committee reviews and reports on the accuracy and clarity of the half-year and full-year financial statements to ensure the Annual report and accounts contain the information needed to assess the Group's performance and strategy. In undertaking this the Committee reviews and considers the Group's material accounting policies, critical accounting judgements, areas of significant estimation uncertainty and other material financial reporting matters explained set out in the Consolidated financial statements and its explanatory notes, with a particular focus on the areas it deemed the most complex or subjective, as highlighted in the table below. In performing its review, the Committee ensures that disclosures provide appropriate context and explanation for a reader to sufficiently understand matters.

At each of its meetings, the Committee receives a Financial Reporting and Accounting Update paper from management, covering any key accounting topics in the period, as well as emerging issues. These papers also incorporate any relevant updated guidance or clarifications issued by bodies such as the Financial Reporting Council (FRC) or Financial Conduct Authority (FCA), and management's assessment of the impact on the Group and the timing of any planned actions in response. In the current year this has included the impact of IFRS 18, which is effective from 1 January 2027.

These updates are discussed with the external auditor in advance of the Committee meetings, ensuring that they have the opportunity to consider and provide their own views on the matters raised. This includes highlighting alternative approaches or accounting treatments to assist the Committee in its consideration of management's conclusions and proposals when reviewing the half-year and full-year results.

The Committee, as a matter of routine, seeks the views of the external auditor on the approach being taken by management and their responsiveness to required standards – whether formal or through accepted practice. Such discussions also consider the adequacy of explanations being provided within the Group's periodic financial reporting.

Significant financial reporting matters

The Committee considered the following significant financial reporting matters during the year. The Committee was satisfied how each of the significant matters discussed were addressed.

Audit Committee report continued

Accounting for derivative financial instruments

Description

As described on page 215, The Group uses derivative financial instruments to manage key financial risks, with assets and liabilities measured at fair value in accordance with IFRS 9. Judgement is required to determine which contracts fall within the standard. Biomass contracts remain outside its scope due to market illiquidity and contract terms and this has been identified as a critical accounting judgement on page 133.

Determining the fair value of derivative financial instruments requires management to make significant estimates or use judgement where multiple sources of information are available.

The accounting and disclosure requirements in relation to derivative financial instruments are inherently complex and as a result this remains an area of focus for the Committee.

Audit Committee review

The Committee confirmed with management that there had been no new classes of derivatives, however certain types of derivatives have been designated for hedge accounting for the first time. The Committee reviewed management's assessment and plans for assessing effectiveness.

The Committee reviewed management's assessment of Biomass contracts and its conclusion that they remain outside the scope of IFRS 9, including the disclosure as a critical accounting judgement.

The Committee noted the external auditor's risk assessment as 'Elevated' in respect of the valuation and presentation of derivatives and took on board their views at the planning phase and their final conclusions and reporting.

Conclusion

The Committee concurred with management's assessment that Biomass contracts are outside of the scope of IFRS 9.

The Committee was satisfied that the valuations and disclosures made in respect of derivatives were appropriate.

For further information see Section 7 in the notes to the Consolidated financial statements on pages 215 to 240.

Impairment of goodwill and fixed assets

Description

The Group's impairment assessment of goodwill and fixed assets is dependent on management's judgement in identifying Cash Generating Units (CGUs), the identification of potential indicators of impairment and the estimates and methodologies adopted by management in selecting assumptions to calculate the value of each CGU based on the requirements of IAS 36.

Audit Committee review

The Committee reviewed and challenged management's impairment testing. This included the identification of CGUs, the key assumptions and methodologies used in both the value in use and fair values less costs to dispose models, and the appropriateness of the impairment charges recognised.

The Committee reviewed management's assessment of biomass being an inactive market, resulting in Southern Pellets not being a separate CGU in its own right, whilst noting the external auditor's report, the Committee confirmed it was appropriate to disclose this as a critical accounting judgement.

The Committee challenged the key inputs into the impairment calculations, including the projected cash flows, discount rates used, recoverable amounts and the impact of climate change.

The Committee also reviewed the disclosures, including the sensitivity to key assumptions.

Conclusion

The Committee agreed with management's assessment of CGUs, including the changes in the year in respect of the Pellet Operations and Drax Power Station CGUs and the reallocation of goodwill.

Based on its review, the Committee was satisfied that the impairments recognised were appropriate, including their classification as exceptional items, and that there were no further indicators of impairment identified.

Also, the Committee considered that the disclosures presented were appropriate.

For further information see note 2.4 of the Consolidated financial statements on pages 150 to 158.

Audit Committee report continued

Calculation and presentation of Alternative Performance Measures (APMs)

Description

As described on page 163, the Group presents Adjusted results excluding the impact of exceptional items and certain remeasurements. Adjusted results are consistent with the way executive management and the Board review and assess the performance of the Group. The effects of exceptional items and certain remeasurements are presented separately in a column on the face of the Group's Consolidated income statement.

There is judgement required as to the treatment of expenses as exceptional and the prominence of Adjusted results in the Annual report and accounts.

Audit Committee review

The Committee reviewed and approved the policy for Exceptional items and certain remeasurements in the April 2025 meeting.

The Committee reviewed and challenged management's papers setting out the transactions that are to be classified as exceptional and took on board the view of the external auditor.

The Committee reviewed the Group's APM presentation and disclosure, including the level of prominence, and the clarity of APM reconciliation.

Conclusion

The Committee concluded that the treatment of exceptional items was consistent with the approved policy.

The Committee was comfortable with the definition of APMs and that the presentation and disclosure throughout the Annual report and accounts was fair and balanced, confirming there was not undue prominence with clear reference to reconciliations to IFRS measures.

For further information on the Group's APMs see note 2.7 to the Consolidated financial statements on pages 163 to 170.

Review of other significant judgements and estimates

Description

The other areas of significant judgement and key sources of estimation uncertainty in the Consolidated financial statements are set out on pages 132 to 134. Management regularly reviews these other areas to ensure they are kept up to date, and also considers whether other items should be included.

Where there are changes to critical judgements and significant estimates disclosed in the Consolidated financial statements management should adequately explain the changes.

Audit Committee review

The Committee reviewed and challenged management's assessment of critical judgements and significant sources of key estimation uncertainty. As part of this review, the Committee considered the rationale for the changes from the prior year and other areas that are not specifically disclosed.

The Committee reviewed the disclosure, taking into account reporting from the external auditor.

Also, the Committee considered this taking into account their review of the wider Annual report and accounts, management papers received during the year and other discussions held during the course of Committee meetings throughout the year.

Conclusion

Having considered the other matters raised in management's papers, the Committee was satisfied that the items disclosed as critical accounting judgements and key sources of estimation uncertainty on pages 132 to 134 are appropriate and complete. In addition, the Committee was satisfied that the descriptions clearly and accurately reflect the matters disclosed and the positions taken.

Audit Committee report continued

Financial statements and regulatory reporting

During the year, the Committee considered and recommended the approval of the Half-Year Report, preliminary financial results and this Annual report and accounts, taking into consideration key accounting judgements, exceptional items and certain remeasurements, as well as monitoring the external audit.

Also, following the update to the Group's strategy during the year, the Committee reviewed the accounting and disclosures in this context to ensure that this refresh was appropriately reflected in the Annual report and accounts. In particular considering the impairment assessment and amounts presented as exceptional items.

At its meeting in December 2025, the Committee also reviewed and approved management's proposed plan for internal and external assurance over the different parts of the Annual report and accounts, considering the complexity of the information and the key focus areas for stakeholders. This included TCFD reporting, for which the Committee considered both the requirements of the disclosure, and the data points that would be included. As in prior years, PwC also provided limited assurance to the Board over a selection of ESG metrics, which is separate from the audit opinion over the Consolidated financial statements presented on pages 122 to 129. The results of this assurance were presented by management and evaluated by the Board at their meeting in February 2026.

The Committee also reviewed the verification process undertaken by management around key information included in the Annual report and accounts. Having completed this assessment, the Committee was satisfied that the verification process was robust and that appropriate assurance had been obtained over key information and statements included within the Annual report and accounts.

As part of its review, the Committee also considered the internal controls, forecasts and relevant assumptions underpinning the Viability Statement and the ongoing adoption of the going concern basis in preparing the Consolidated financial statements. This included assessing a scenario analysis prepared by management, and reviewed by the external auditor, which considered the potential future impact of the Group's Principal Risks on its financial projections. Particular focus was given to

the scenarios relating to plant operations and commodity price risks, given the potential medium to long-term impacts they could have. This is discussed in further detail on page 49. Both plant operations and commodity price risks are Principal Risks. More details can be found on pages 45 and 47.

Whilst management and the Board consider longer-term forecasts for other purposes, including strategic planning and capital allocation, the Committee concluded that it was appropriate for the viability assessment period to remain at five years, with a key factor being this period to December 2030 covered all but three months of the period covered by the recently signed CfD agreement.

The Committee was satisfied that the proposed Viability Statement was robust, fair and balanced, including consideration of the disclosure around longer-term risks extending beyond the viability assessment period. This included reviewing the assumptions and disclosure around long-term biomass generation at Drax Power Station, and the impact of this on the viability modelling. In addition, the Committee was satisfied that the level of challenge from the external auditor was appropriate. Consequently, it was also concluded that the ongoing use of the going concern basis of preparation for the Consolidated financial statements was appropriate.

As a result of the Committee's review, it advised the Board of its conclusion that the 2025 Annual report and accounts, taken as a whole, are fair, balanced and understandable. This view is underpinned by the Committee's discussions with operating and finance management regarding the Strategic report, and with the finance team regarding the Consolidated financial statements and taking into account any communications from the external auditor on material inconsistencies. In addition, the Committee believes that the Annual report and accounts provide the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy, and that statements made are supported by appropriate verification and assurance, including those made around the systems of risk management and internal control.

External audit

This is PwC's second year as the Group's external auditor, having been reappointed by shareholders at the 2025 AGM for the current financial year. Matthew Hall continues to be the lead audit partner.

External audit plan

During the year, the Committee received a comprehensive audit plan from PwC explaining its risk assessment, the audit timetable and proposed scope. In developing the external audit plan for 2025, PwC performed a risk assessment to identify the risks of material misstatement to the Consolidated financial statements. This considered the nature, magnitude and likelihood of each risk identified and the relevant controls in place, in order to identify the audit risks. The key audit matters are referred to in the independent auditor's report on pages 122 to 129 and formed the basis of the plan.

In determining the scope of coverage, consideration was given to management reporting, the Group's legal entity structure, the financial results for the year ended 31 December 2024, and the forecast for 2025. The audit plan was presented to the Committee in July 2025, with updates communicated in December 2025 and February 2026. The details of the coverage and agreed scope are set out in the independent auditor's report on page 122.

The procedures to be performed at a Group level and the planned components were also reviewed. Materiality was agreed at approximately 2.5% of Adjusted EBITDA (based on a three-year average).

Following discussion and challenge, the Committee concluded that the proposed plan was sufficiently comprehensive for the purpose of the audit of the Consolidated financial statements and approved the proposed fee.

Audit Committee report continued

Effectiveness of external audit

The Committee is dedicated to ensuring a high-quality audit is performed and the Committee reviewed the effectiveness and quality of the external auditor during the year and does so annually. In so doing, the Committee considers the quality of the external audit reports presented to the Committee, the performance both in and outside of Committee meetings and how they interact with and challenge management.

In addition to this, the Committee feels it is important to understand management's opinion of audit quality and effectiveness and a feedback questionnaire on the external auditor is completed annually by management and presented to the Committee in the April meeting.

The Committee's review of external auditor performance in relation to the 2024 audit (which was completed during 2025) primarily considered the independence and objectivity of PwC, its professional competence and performance, taking into account this was their first year as external auditor. The Committee also considered the robustness of the audit process including, in particular, the level of rigour and challenge given to critical management judgements and significant estimates, and the professional scepticism being applied. This took account of the reports provided to the Committee, the related discussions with the external auditor around areas of highest audit risk, and the basis for the auditor's conclusions on those areas.

The Committee also reviewed the Financial Reporting Council's Audit Quality Inspection and Supervision report issued in July 2025 for PwC, assessing the key matters relevant to audit quality.

The Committee has been satisfied with the level of challenge applied by PwC, and its consideration and presentation of possible alternative approaches. This included a particular focus on the annual impairment review process, including the assessment of CGUs, the presentation and valuation of derivatives and the accounting for development projects, in particular Longview and UK BECCS, along with their respective presentation and disclosure.

The annual review of effectiveness in April 2025 also incorporated feedback from members of the finance and wider management teams. The Committee sought their views on matters including the quality of audit work and engagement whilst planning and executing the audit, both at a Group and business unit level. The feedback reflected the efforts PwC made during the transition period and first-year audit, building relationships based on constructive challenge and debate, as well as highlighting areas where work could be undertaken earlier in the process and being more focused in the tracking and communication of reviews of the Annual Report.

The overarching assessment of the Committee was that the audit was well planned and appropriately resourced.

In addition to completing an annual review, the Committee considers the effectiveness of the external auditor over the course of the year and discusses this at each meeting, including sessions where the auditor is not present. This ongoing review incorporates any relevant external information, such as the FRC's Annual Review of Audit Quality, which was published in July 2025, which contains combined results and themes for all firms that were inspected during 2024/25.

	Year ended 31 December 2025 £000	Year ended 31 December 2024 £000
Schedule of fees paid to PricewaterhouseCoopers LLP		
Audit fees:		
Statutory audit of Drax Group	1,874.0	2,153.0
Statutory audit of the Company's subsidiaries	144.0	225.0
Total audit fees:	2,018.0	2,378.0
Interim review	174.0	167.0
Assurance services provided to non-material affiliates	45.8	70.0
ESG assurance services	132.0	205.0
Other services	9.0	10.0
Total non-audit fees:	360.8	452.0
Total auditor's remuneration	2,378.8	2,830.0

Based on its review, the Committee is satisfied that the external auditor and its audit is effective. The Committee agreed that the external auditor's work demonstrated an ongoing commitment to audit quality, that the audit process was robust, and that PwC had shown strong levels of technical knowledge and appropriate professional scepticism in its work.

Independence of external audit

The Group has an Auditor Independence Policy (AIP) that defines procedures and guidance under which the Company's relationship with its external auditor is governed. The AIP also facilitates the Committee being able to satisfy itself that there are no factors that may, or may be seen to, impinge upon the independence, objectivity and effectiveness of the external audit process. The Committee reviews the AIP annually and last did so in December 2025. As part of this annual review, the Committee considers areas of development in best practice and guidance. The main features of the current AIP (which is available at www.drax.com) are:

- A requirement to review the quality, cost effectiveness, independence and objectivity of the external auditor
- A requirement to rotate the lead Audit Partner every five years, and processes governing the employment of former external auditor employees
- A policy governing the engagement of the auditor to conduct non-audit activities, which is expected to occur only in certain circumstances and is kept under review at each meeting of the Committee

The external auditor also reports to the Committee on its own processes and procedures to ensure independence, objectivity and compliance with the relevant standards.

The audit for the financial year ended 31 December 2025 is the second year in which Matthew Hall has been the lead Audit Partner.

The amounts paid to the external auditor during each of the financial years ended 31 December 2025 and 2024 for audit and non-audit services are set out above, and in note 2.3 to the Consolidated financial statements (page 150).

Audit Committee report continued

As noted above, the external auditor should not provide non-audit services where it might impair its independence or objectivity. Therefore, any engagement for the provision of non-audit services requires prior approval from the Audit Committee or Committee Chair. Agreement to allow the external auditor to perform additional non-audit services is taken only after considering two key factors. Namely, that the non-audit services policy has been fully applied, and that any engagements are in the best interests of the Group and its key stakeholders.

The total audit fee for 2025 includes £93,000 relating to additional fees in relation to the 2024 Group audit that were agreed and billed in 2025.

The other services provided in the year by PwC, amounting to £9,000, relate to a subscription to Viewpoint, PwC's generic accounting guidance portal.

In all cases, the Committee was satisfied that the work was most appropriately handled by the external auditor because of its knowledge of the Group, and that the services provided did not give rise to threats to independence, given the nature of the work and level of fees payable. The Committee was also satisfied that the overall levels of audit and non-audit fees were not of a material level relative to the income of PwC as a whole, and that the level of non-audit fees was below the 70% cap, based on the average audit fee for the preceding three years.

Auditor appointment

The Group has fully complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Committee Responsibilities) Order 2014. The Committee discussed the performance and independence of the external auditor at its meeting in February 2026 and recommended to the Board that a resolution to re-appoint PwC as the Group's external auditor should be put to shareholders at the AGM in April 2026.

Internal audit

Internal Audit delivers objective assurance to management, the Committee, and the Board regarding the effectiveness of Drax's risk management processes and internal control environment.

The Group has adopted a fully outsourced model for internal audit. KPMG has acted as the Group's main internal auditor since 2020. Annually, the internal auditor presents a plan to the Committee for approval. This proposed programme of work is based on the assessment of the internal auditor, considering input from interviews with key internal stakeholders across finance, risk and the wider leadership team. The Committee considers and where acceptable approves the plan ensuring that priority is being given to the areas of highest risk for the Group taking into consideration any new or emerging risks.

The Committee receives updates at each meeting regarding the internal audit reviews completed since its last meeting, and progress against the overall annual plan. Key topics reviewed by the internal auditor during 2025 included AI Governance, Treasury, HR Masterdata, Carbon Reduction and Corporate Affairs. These reviews each provided an assessment of the robustness and efficacy of prevailing practices, and recommendations to the Committee and management on how to further improve the systems of risk management and internal control.

The recommendations, and suggested timelines, were agreed between management and the internal auditor before being presented to Committee for consideration. Where appropriate, the Committee requests supporting analysis from management assessing the root cause of any weaknesses.

In conjunction with reports from the internal auditor on reviews completed during the period, the Committee also receives reports from management detailing progress on implementing recommendations from previous reviews. This allows the Committee to effectively monitor the timeliness of management's response to recommended actions.

The Chair of the Committee, independent of management, maintains direct contact with the internal auditor, allowing open dialogue and feedback. The Chair normally meets with the internal auditor in advance of each meeting to review their work and discuss material matters.

Effectiveness of internal audit

The Committee reviewed the overall effectiveness of the approach to internal audit, and in particular the effectiveness of the internal auditor, at its meeting in December 2025. This review considered the improvements made in response to the previous effectiveness review completed in December 2024.

Changes implemented during 2025 included ensuring proactive communication with audit stakeholders throughout the scoping phase of each audit as well enabling flexibility in timelines to accommodate business priorities. The internal auditor also provided its feedback on interactions and engagement with management, having updated the Committee on this at each meeting during the year.

Based on its review, the Committee is satisfied that the approach to internal audit remains effective, and that the Group's primary internal auditor continues to provide the requisite quality, experience, and expertise in both its work and reporting to the Committee.

Remuneration Committee report

At a glance

“ We are proposing a new Remuneration Policy which rewards the unlocking of significant shareholder value.”



Kim Keating
Chair

Committee members

- Kim Keating (Chair)
- Andrea Bertone
- Erika Peterman
- Rob Shuter

Attending by invitation

CEO, Chief People Officer, Group Reward Director, David Nussbaum (Senior Independent Director) and external remuneration advisers. The Group Company Secretary is the Secretary to the Committee.

Terms of reference

The Committee regularly reviews its Terms of Reference, as does the Board. The most recent review was in December 2025. The Terms of Reference are available on the Company website at www.drax.com/governance

Remuneration

Principles of the UK Corporate Governance Code

- P** Remuneration policies and practices and alignment to long-term strategy
- Q** Executive remuneration
- R** Independent judgement and discretion and remuneration outcomes

The Remuneration Committee comprises four independent Non-Executive Directors. The Committee Chair was considered independent on appointment as Chair and has relevant experience of serving as a member of a remuneration committee.

Shareholders approved the current Policy at the 2023 AGM (for the period 2023–2025) and a new Policy will be put to our shareholders for approval at the 2026 AGM (for the period 2026–2028).

No Directors are involved in making decisions regarding their own remuneration.

Annual Statement to Shareholders

Dear shareholders,

On behalf of the Committee, I am pleased to present my first Directors’ Remuneration Report as Chair of the Remuneration Committee for the 2025 financial year. In May 2025, Nicola Hodson stepped down from the Board, having served seven years as Non-Executive Director and six years as Chair of the Remuneration Committee (the “Committee”).

At our AGM in 2023, shareholders approved our current Directors’ Remuneration Policy (the “Policy”) with 97% in favour. As part of our normal three-year cycle, the Committee undertook a review of the Policy during 2025 and we are seeking approval from shareholders for this at our next AGM on 30 April 2026.

New Remuneration Policy

The Policy review has focused on the overall remuneration package for our Executive Directors, ensuring it appropriately incentivises and rewards the delivery of our strategic ambitions, whilst reflecting the interests of our shareholders and governance expectations. There have been no substantive changes to our Policy since 2020.

In the final quarter of 2025, we wrote to shareholders representing 54% of Drax’s share capital, and to the Investment Association, ISS and Glass Lewis, to invite feedback on our proposal. We were pleased with responses and have incorporated feedback into our final proposal where appropriate.

Context

Drax plays a critical role in the UK’s energy security and energy transition. In November, we announced the signing of a new four-year low carbon dispatchable CfD, covering all biomass units at Drax Power Station (“DPS”) starting in March 2027, recognising its important role in providing energy security until 2031.

The Executive Directors and the Board see opportunities to unlock significant shareholder value from the existing business and growth in flexible, renewable generation, as well as from the DPS site. This is a view echoed by shareholders who we engaged with. Across the Group, Drax is targeting a post 2027 Adjusted EBITDA of £600m-£700m and expects to allocate up to £2bn to incremental investment, primarily in renewable and flexible power, as well as opportunities to maximise value from the DPS site, including options associated with data centres. The Board believes there is an opportunity to significantly increase Drax’s share price and deliver attractive TSR for shareholders.

Will Gardiner, CEO, has been on the Board for 10 years and the CEO since 2018. Between 2017 and 2024, EBITDA grew from £229m to £1,064m, which supported upper quartile TSR performance over three consecutive three-year periods and returned over £1bn to shareholders. Given Will Gardiner’s track record, unlocking significant shareholder value will depend on retaining Will Gardiner and his management team.

Remuneration Committee report continued

Peer Group

As Drax has its own full value chain, and is very diverse, we do not feel there is a clear-cut sector peer group. The new peer group proposed reflects Drax’s market capitalisation today, our ambitions, the geographic spread of our operations across three continents, and our developing market for talent.

A peer group consisting of only UK listed companies, with a 12-month average market capitalisation between £1.5bn – £3.9bn has been adopted. To clarify, this peer group includes companies ranked between 97 and 201 in the FTSE index (based on 12-month average market capitalisation to 1 January 2025), Drax was ranked 141 at this time. As at 2 February 2026, Drax was ranked 121. Within this group only companies that generate at least 20% of their revenues outside of the UK and with a global spread of operations, were included. This is to reflect Drax has employees in four countries across three continents.

The peer group included 28 FTSE listed companies. Against this peer group, our Executive Directors have total remuneration opportunity between the lower quartile and median.

The companies in the peer group have not been listed. This is due to the dynamic nature of a peer group based on companies within a market capitalisation range which changes over time.

Proposed Changes – A More for More Approach

The emphasis of our proposed Policy is on long-term pay for performance. Fixed pay increases for 2026 will be in line with the wider workforce and the bonus opportunity will not change. To maintain a competitive package in such a way that rewards the Executive Directors for the delivery of our strategic ambition, and for outcomes that fundamentally mirror our shareholder experience, the proposed changes focus on the LTIP only.

1. Core LTIP Element – a modest increase to the quantum of the core element of the LTIP is proposed to maintain the competitiveness of the core package. This will move LTIP opportunities more in line with the median of the peer group (increase from 200% to 250% for the CEO and 175% to 220% for the CFO). This will continue to reward the delivery of the existing performance conditions (Relative TSR versus the FTSE 350 and cumulative adjusted EPS) and the targets will continue to be set at an appropriate level of stretch. This increase alone means the total remuneration opportunity for the CEO remains below the median and for the CFO it is positioned around the median.

2. Stretch LTIP Element – a stretch element is proposed to be added to the LTIP for the Executive Directors, and other direct reports of the CEO, which is conditional on unlocking significant shareholder value. This element will reward the delivery of stretching Absolute TSR growth targets over the three years and will only vest if Drax achieves at least upper quartile performance under the Core LTIP Relative TSR metric also. This will prevent the Absolute TSR element from rewarding participants for wider market movements. Absolute TSR was identified as the most appropriate metric as it clearly aligns with the opportunity for further transformation across our portfolio and delivery of the associated growth in long-term value for shareholders. The proposed stretch LTIP opportunity is 150% of salary for the CEO and 130% for the CFO, which will position their total remuneration around the upper quartile of the peer group. The stretch element is designed so that additional incentive opportunity is only earned for stretch performance that delivers significant shareholder value over the longer term and exceeds upper quartile performance (a more for more proposal). It is noted whilst the overall LTIP quantum increases, so does the shareholding requirement.

3. Shareholding Requirement – an increase to the in-employment and post-employment shareholding requirement to 400% of salary for the CEO and 350% of salary for the CFO (equal to the overall increase in LTIP opportunity), to further align their interests to shareholders in and beyond the Policy period.

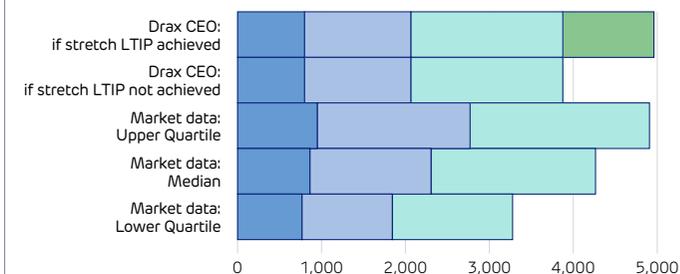
CEO	Current	Proposal
Overall LTIP Opportunity	200%	400%
Shareholding Requirement	250%	400%

CFO	Current	Proposal
Overall LTIP Opportunity	175%	350%
Shareholding Requirement	200%	350%

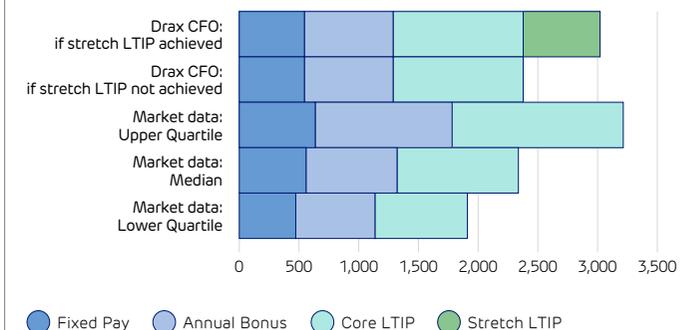
Non-Executive Directors

The Board also reviewed the remuneration for the Non Executive Directors. We believe the current fee levels are competitive and therefore only increased the base fee in line with the wider workforce in 2026. It is proposed that flexibility is built into the Policy to allow Drax to be able to deliver a portion of their fees in shares in the future but there are no immediate plans to do it.

Total Remuneration: Drax CEO Proposal vs Peer Group



Total Remuneration: Drax CFO Proposal vs Peer Group



Shareholder Engagement

I would like to thank those who took the time to engage and provide feedback on our Policy proposals. We highly value input from shareholders and their advisers and have taken these into account. During the engagement process, we received a broad range of feedback, with the views of individual shareholders often differing. As a result, it is not possible to meet preferences of all shareholders. Despite this, in my conversations with shareholders there was uniform agreement that there exists a great opportunity for Drax to unlock significant shareholder value, and broad support for the Policy proposal. Over the page is a summary of feedback we received and, for transparency, our responses and how it has influenced the Committee’s thinking.

Remuneration Committee report continued

Key Questions We Heard	Our Response
1. Could the existing Core LTIP opportunity be increased with more stretching targets, rather than adding the Stretch LTIP element to achieve the same aim?	<ul style="list-style-type: none"> - The Committee did consider this. The Core LTIP element is based on cumulative adjusted EPS ("EPS") and Relative TSR to the FTSE 350 ("TSR") performance metrics and we concluded that adding further stretch to the targets would not capture the focus on shareholder returns over the next Policy period. - EPS – increased earnings does not necessarily deliver further value creation, which requires broader strategic actions on investments and the Group portfolio. - Relative TSR – the maximum target under the Core LTIP element is upper quartile performance versus the peer group. A target beyond this level could be subject to external volatility and exceptional market movements in other sectors and not necessarily reward the delivery of absolute returns to Drax shareholders.
2. Why is the Stretch LTIP element required now?	<ul style="list-style-type: none"> - This Policy period comes at an important time as the final three-year vesting cycle of LTIP awards granted under this Policy will vest in 2031, which aligns with the end of the CfD agreement for DPS in 2031. - The additional stretch opportunity will underpin a culture of accountability and high performance, incentivising the delivery of the opportunities available to transform the business prior to the end of the CfD agreement in 2031. The Stretch LTIP element ensures that the additional incentive opportunity is only earned for performance that delivers significant shareholder value over the longer term, and which exceeds upper quartile levels (it is more for more).
3. What other metrics were considered for the Stretch LTIP element?	<ul style="list-style-type: none"> - Key for the Committee is selecting a metric that optimises the experience of our shareholders. Absolute TSR was identified as the most appropriate metric as it clearly aligns with the opportunity for further transformation of the Group across our portfolio, and delivery of the associated growth in long-term value for shareholders. Delivery of this opportunity is underpinned disciplined cost management and capital deployment. - For reference, the following metrics were also considered: <ul style="list-style-type: none"> - Relative TSR – for the reasons above it is not proposed to be a metric for the Stretch LTIP element but it will be an underpin to ensure the Stretch LTIP element does not reward market-wide trends. - Return on Capital Employed (ROCE) – the effective use of capital is an important factor in unlocking significant shareholder value but the effective use of capital is captured by Absolute TSR performance. Moreover, setting stretching ROCE targets could risk incentivising behaviours which are counter to long-term shareholder value growth. On vesting the Committee will assess whether the formulaic outcome of any LTIP awards to ensure they are appropriate, and this will include consideration of ROCE performance over the period.
4. How stretching are the Absolute TSR targets in the Stretch LTIP element?	<ul style="list-style-type: none"> - For the 2026 Stretch LTIP element, the proposed Absolute TSR targets are disclosed in this report. If the maximum Absolute TSR target for the 2026 award is achieved, it would mean an investor would see a return equivalent to double the base share price, and Drax would be at the entry point of the FTSE 100. These targets have been set in context of internal and external factors. Internally, we looked at our strategic ambitions and the scale of the opportunities available through strengthening and investing to grow our core business, ensuring a long-term commercial future for DPS, and development investment options. Externally, we also considered the historical TSR performance trends of FTSE listed companies. - The Stretch LTIP element is expected to be granted annually under this Policy period – this is important given the new CfD agreement ends in 2031. Targets for future grants for the Stretch LTIP element will be set and disclosed at the time of grant, based on our stretch ambitions over the relevant three-year period and with a commensurate level of stretch as the award granted in 2026.
5. How will events outside of management's control impacting Absolute TSR be considered?	<ul style="list-style-type: none"> - Vesting of the Stretch LTIP element is subject to Drax being at least upper quartile on Relative TSR under the Core LTIP element – this is intended to prevent Absolute TSR rewarding management for wider market movements. On vesting the Committee always assess whether the formulaic outcome of any LTIP awards reflect the original intent of the metric targets that were set and the shareholder experience.
6. Have the interests of the wider workforce been taken into consideration in developing these Policy proposals?	<ul style="list-style-type: none"> - Participation in the Stretch LTIP is limited to the Executive Directors and the direct reports of Will Gardiner – the key roles impacting strategic execution. - Employee share ownership is a key part of our all-employee reward offering – allowing colleagues to benefit as shareholder value is created. Over 70% of our colleagues in the UK participate in Sharesave and around 20% of colleagues in North America participate in the Employee Stock Purchase Plan. It is important for the Committee that there is fairness and consistency in the reward of our wider workforce. See page 94 for more information.
7. Could the peer group used for benchmarking remuneration packages also be used as the peer group for the Relative TSR metric in the Core LTIP element?	<ul style="list-style-type: none"> - The target for the Relative TSR metric is measured against the constituents of the FTSE 350. This is in part due to the lack of direct sector peers who could be used to assess performance. This approach provides a robust performance assessment versus a market benchmark, and which reflects Drax's current status as a FTSE 250 company and our ambition to move into the FTSE 100.

Remuneration Committee report continued

Summary of changes to the Policy

The table below provides an overview of the proposed changes to the Policy and the associated rationale for these changes. The proposed Policy also includes minor wording changes to provide flexibility and to support the effective operation of remuneration. The full Policy appears on pages 95 to 104.

Element	Current	Proposed Change
Salary	– Fixed salary with periodic benchmark reviews	No change
Pension	– Executive Directors receive pension contributions aligned to the UK workforce rate of 10%	No change
Benefits	– Standard benefits apply, including car allowance, private medical insurance, life assurance and permanent health insurance	No change
Annual bonus	– Maximum opportunity of 175% of salary for the CEO and 150% of salary for CFO – Weighting of performance metrics primarily focussed on financial outcomes – 40% of bonus award deferred into shares for three years	No change
LTIP	– Maximum award of 200% of salary for the CEO and 175% for CFO – Relative TSR and EPS, both with a 50% weighting – Minimum five-year period applies – three-year performance period with a two-year holding period on vesting shares	– Increase maximum award, including core element of 250% of salary for the CEO and 220% of salary for the CFO, and a stretch element of 150% of salary for the CEO and 130% of salary for the CFO – For the core element, retain Relative TSR and EPS, both with a 50% weighting – For the stretch element, stretching Absolute TSR targets, with a relative TSR underpin (requirement to achieve upper quartile Relative TSR in the core element)
Shareholding Requirement	– A shareholding requirement applies for the CEO of 250% of salary and for the CFO of 200% of salary. – A post-shareholding requirement applies for the CEO and CFO, which is equal to the employment shareholding requirement.	– Increase in the shareholding requirement and post-shareholding requirement to 400% of salary for the CEO and 350% of salary for the CFO
Malus & Clawback	– Clawback provisions apply to bonus and LTIP in instances of gross misconduct or misstatement	No change
Non-Executive Directors	– Fee structure reflects the Board members' responsibilities, with periodic benchmark reviews	– Flexibility added to allow the opportunity to deliver fees in part through shares in the future

Remuneration Committee report continued

Key Remuneration Committee activities in 2025		
Our workforce	Executives and senior management	Committee governance
<ul style="list-style-type: none"> – Received updates on broader remuneration matters relating to the wider workforce – Reviewed the proposed budget and application methodology of the increases from the 2026 annual pay review process (effective 1 January 2026) – Approved the outcome of the 2024 Group Scorecard and in turn the outturn of the 2024 Group Bonus Plan (awards paid in March 2025) – Adopted the 2026 Group Scorecard for the purpose of determining the 2026 Group Bonus Plan – Approved the operation of the Sharesave Share Plan for UK colleagues and the ESPP for North American colleagues 	<ul style="list-style-type: none"> – Considered and approved the remuneration of Executive Directors and Executive Committee members, including the appointments of the Chief People Officer, Chief Strategy & Transformation Officer and Group Company Secretary – Approved Executive Director and Executive Committee members annual bonus awards for 2024 – Approved the grant of the 2025 Deferred Share Plan (DSP) awards for Executive Directors – Approved the grant of the 2025 LTIP awards. – Assessed and approved the vesting of the 2022 LTIP awards – Considered and approved the remuneration concerned with the retirement of Andy Skelton (former CFO) and the appointment of Frank Lemmink (current CFO) – Considered and approved fees paid to NEDs for 2025 	<ul style="list-style-type: none"> – Conducted a review of the Policy, including a comparison of the Policy against the requirements of the Corporate Governance Code – Developed the terms of the new Policy and initiated engagement with shareholders for feedback – Considered and approved the Committee’s Annual Report on Remuneration for 2024 – Reflected on feedback received from shareholders on remuneration resolutions presented to the 2025 AGM – Reviewed the fees paid to Deloitte, as the Committee’s remuneration advisers in 2025, together with fees paid by the Group to Deloitte for other HR matters – Approved the Committee’s Terms of Reference

Committee evaluation

During 2025, an external Board evaluation was conducted, which included an assessment of the Committee’s effectiveness. I am pleased to report that the evaluation concluded the Committee operates effectively providing good support to the Board.

Review of decisions made for 2025

As noted elsewhere in this Annual Report, the Group continued to deliver strong financial performance. In addition, the Group made important progress on the Group’s key strategic objectives. The Committee firmly believes that the remuneration outcomes must be fair and appropriate in the context of business performance. The remuneration outcomes for 2025 have been assessed in line with these principles and the Committee is comfortable that our current Policy operated as intended in 2025.

Annual assessment of performance

The Committee determines the remuneration of the Executive Directors, members of the Executive Committee, and wider workforce against the objectives and priorities of the Group. For the 2025 Group Scorecard, we assessed performance against a combination of financial, strategic, people, sustainability, safety and governance metrics. The FlexGen and Energy Solutions,

Pellet Production and Biomass Generation businesses, all delivered strong performance in 2025. There is a review of the achievement against all performance metrics in the 2025 Group Scorecard on pages 106 to 107.

The final 2025 Group Scorecard score was 1.36 resulting in 68.00% of the maximum bonus being paid to the Executive Directors. This was lower than the outcome for the wider workforce of 1.38 as the Committee reduced the outcome of the Elimini KPI for the Executive Directors following the change in strategy for the Elimini business. In accordance with our Policy, 40% of the overall bonus award for Executive Directors will be deferred into shares vesting in three years, and the remaining 60% will be paid in cash in March 2026.

The Committee determined that the overall performance outcome of the 2025 Group Scorecard represented a fair reflection of the business performance during 2025. The Committee also assessed whether the level of pay-out is commensurate with the experience of both shareholders and colleagues over this period and concluded that this is the case.

Long-term assessment of performance

Vesting of LTIP awards granted in 2023 was determined based on performance against two measures over the three-year period

1 January 2023 to 31 December 2025. The measures were Total Shareholder Return, relative to the FTSE 350 (“Relative TSR”), and Cumulative Adjusted Earnings Per Share (“EPS”). Each accounted for 50% of the award respectively. TSR over the three-year period was just 1.5 places short of the median required for threshold vesting for the TSR performance measure (a rank of 159 out of the 314 constituents remaining in the FTSE 350). The EPS outcome was 385.7p, which was strong. Overall TSR and EPS performance resulted in 45% (of the 100% maximum) formulaic vesting of the award.

As part of assessing the extent to which the performance targets were met, the Committee considered the impact of the share buyback programmes undertaken during the performance period. Notwithstanding the impact of share buybacks on the outcome for the EPS element, the Committee concluded that the overall vesting outcome of 45% was appropriate. This was in the context of strong returns to shareholders, with the share price as at the date of this report being considerably higher than the share price at the time of grant (£5,872). This share price growth was not fully reflected in the relative TSR outcome, which was just below median given the six month averaging period used. The Committee believe that the overall vesting outcome of 45% maximum is reflective of the shareholder returns over the period.

Remuneration Committee report continued

Board changes

Departure of Andy Skelton as CFO

In December 2024, we announced Andy Skelton's intention to retire as CFO. Following the appointment of Frank Lemmink, Andy ceased to be an Executive Director on 1 September 2025. He remained an employee until his departure on 4 December 2025, allowing for a smooth and well managed transition of responsibilities. Full details of the treatment of his remuneration on departure are set out on page 110.

Appointment of Frank Lemmink as CFO

On 1 September 2025, Frank Lemmink was appointed CFO. On appointment his salary was £495,000. His maximum bonus opportunity is 150%. For the 2025 financial year he will receive a pro-rata award for the period 1 September 2025 to 31 December 2025.

On 2 September, he was granted a 2025 LTIP award of 175%, vesting of this award will be based on the same performance conditions as the CEO. Frank elected to receive cash in lieu of a pension contribution at 10% of salary which is aligned with the rate for new joiners to the UK wider workforce. As part of his recruitment terms and transition to a UK-based role, Frank was provided temporary housing support in London until 18 December 2025. The remuneration provided to Frank on appointment is in line with our current Policy.

On 2 September, performance share awards were granted to Frank as replacement awards for those forfeited upon his departure from his previous employer (Shell). These awards were granted in accordance with the Company's Directors' Remuneration Policy and were determined on a value-for-value basis. Specifically, the value of the forfeited awards was converted into an equivalent number of shares at the Company, using the weighted average share price over the three trading days immediately preceding the grant.

The replacement awards are subject to performance conditions and are scheduled to vest in line with the original vesting timelines of the forfeited awards, thereby maintaining continuity and alignment of incentives. Any adjustments arising from the final determination of the performance outcomes under the forfeited awards will be reflected in the 2026 Annual Report. Further details are provided in the replacement awards granted in 2025 table on page 109.

Frank will also receive a cash-based replacement award in respect to a bonus he forfeited on leaving Shell in respect to the 2025 financial year. Frank's maximum bonus opportunity at Shell was 140%. This award will be paid to Frank in Q2 2026, and will be calculated based on Shell's bonus outturn, pro-rata for the period for the time worked at his previous employer during the 2025 financial year. The value of the payment will be disclosed in the 2026 Annual Report.

Workforce engagement

We place great importance on listening to and engaging with our colleagues, ensuring their views help shape our decisions and understand how those decisions are made. This is achieved through several established channels of engagement.

Our colleague forums (My Voice Forums) operate across the business to ensure workforce representation and to support the Board's understanding of colleague sentiment and organisational culture. Co-Chairs meet regularly with the CEO and Chair to share feedback on key topics affecting colleagues, and in 2025 the UK Chairs met the Board in person.

In line with our listening strategy and commitment to monitoring culture, quarterly surveys tracked engagement, diversity and inclusion, health and wellbeing, and transformation and change across the organisation, providing insight into cultural progress and highlighting areas for action and improvement.

The Group recognises that its people are our most critical asset and remains committed to fostering a diverse and inclusive working environment in which all colleagues are respected and their contributions valued. Consistent with prior years, colleagues were provided with opportunities during 2025 to submit questions directly to the CEO, with responses made available to the wider workforce to support open communication and accountability.

Application of the Policy

Fixed pay

The 2026 pay review took effect from 1 January 2026, where 3.5% was the average increase for the wider workforce. This was applicable for all countries where Drax has colleagues. Will Gardiner and Frank Lemmink also both received a 3.5% increase.

Annual bonus

No changes to the construct of the Group Bonus Plan are proposed under the new Policy. For 2026, the Group Scorecard will continue to apply to most colleagues across the Group, including the Executive Directors. For the 2026 Group Scorecard, there will only be one financial target, and this is Group Adjusted EBITDA which will have a 55% weighting. This is to reflect the importance of this metric in 2026. The remaining 45% will continue to be subject to the delivery of a range of strategic, people, sustainability, safety and governance targets. There is more information on the targets for performance metrics on page 115.

Long-Term Incentive Plan

It is intended that the 2026 LTIP grant is made in May, as soon as practicable after the 2026 AGM. As noted earlier in this report, under the new Policy we are proposing there will be two elements of the LTIP from 2026.

As noted earlier, for the core element of the LTIP award, TSR and EPS metrics will be retained. For TSR, performance will continue to be assessed against the constituents of the FTSE 350, with a threshold vesting (25% of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile. The targets for EPS are on page 116.

For the stretch element of the LTIP award, performance will be assessed against Absolute TSR targets. Those targets are also on page 116.

Summary

The Committee recognises the strong financial and operational performance of the Group in 2025. Our colleagues across the business have contributed to that performance. We believe the 2025 remuneration outcomes for the Executive Directors and Executive Committee members fairly reflect performance, in line with the approach to remuneration across the Group, and are appropriate to the shareholder experience.

We are confident that the new Policy we are proposing underpins our purpose and the delivery of our strategy, and rewards long-term sustainable performance and the unlocking of significant shareholder value. We hope that having read this report you will vote in support of the resolutions for the Annual Report on Remuneration for 2025 and the separate proposed Policy at the AGM on 30 April 2026. More details on the policy changes can be found within the appendix to the Notice of AGM.

Remuneration Committee report continued

Implementation of the Policy for 2025

Element	Key features of the Policy and implementation for 2025	Will Gardiner (CEO) 000s	Frank Lemmink (CFO from 1 September 2025) 000s	Andy Skelton (CFO to 1 September 2025) 000s
Base salary	<ul style="list-style-type: none"> The Committee targets market level, as determined by reference to appropriate comparator companies with consideration for factors such as sector, size and international presence An Executive Director in post at the start of the Policy period, and who remains in the same role throughout it, would normally receive an increase in line with the average annual percentage increase applied to the workforce in their location of employment. 	724	165	303
Pension and other benefits	<ul style="list-style-type: none"> An Executive Director is entitled to a contribution to the Group's defined contribution pension plan, a cash payment in lieu of pension, or a combination of pension contribution and cash in lieu of pension Pension contribution rates for Executive Directors are aligned to the rates for new joiners to the UK wider workforce. In 2025 this was 10% of base salary, aligned with the rate for new joiners to the UK wider workforce Other benefits provided as appropriate, and include a car benefit, life assurance, income protection, the opportunity to participate in all-employee share plans, and private medical cover. Temporary housing support in London was provided to Frank Lemmink until December 2025 in respect of his appointment. Will Gardiner also received professional services support in relation to tax compliance and advisory services in 2025. 	224	77	44
Annual bonus	<ul style="list-style-type: none"> The maximum opportunity is 175% of base salary for the CEO and 150% for the CFO. Majority weighting of the bonus award was measured on financial metrics and the remaining on strategic, people, sustainability, safety and governance metrics. 40% of the total bonus outcome will be deferred into shares which are subject to a three-year vesting period Clawback and malus provisions apply The 2025 annual bonus outcome as a percentage of maximum opportunity was 68.00% The bonus awards for Frank Lemmink and Any Skelton were pro-rated for their respective time in the CFO role in 2025. 	862	168	309
LTIP	<ul style="list-style-type: none"> For awards made under the LTIP, the maximum award level is 200% of base salary for the CEO and 175% for the CFO under the current Policy. Vesting was subject to long-term performance measures, assessed over a three-year performance period. Shares must be retained for a further two years from the date of vesting and clawback and malus provisions apply The 2025 LTIP award is measured over a three-year performance period to 31 December 2027, against TSR relative to constituents of the FTSE 350, and Cumulative Adjusted EPS The 2023 LTIP is scheduled to vest on 31 March 2026 at 45% of the award Frank Lemmink's LTIP value excludes the replacement awards made under the LTIP for awards he forfeited at his previous employer. Further details of these can be found on page 109. 	853	£0	422
Shareholding requirements	<ul style="list-style-type: none"> The requirement is 250% of base salary for the CEO and 200% for the CFO under the current Policy A post-cessation shareholding requirement, equal to the employment shareholding requirement, applies for a two-year period after cessation. Only shares for awards granted after the 2020 AGM are included Will Gardiner and Andy Skelton have met their shareholding requirement (see page 111 for further details). Frank Lemmink has not yet met his shareholding requirement as he has five years from the date of appointment to meet the requirements. 	>250% of the requirement	working towards his 200% requirement	>200% of the requirement

Remuneration Committee report continued

Alignment of Remuneration of Executive Directors and wider workforce

Many aspects of the remuneration for Executive Directors are also applicable to the wider workforce, such as the basis of the annual bonus award through the Group Scorecard, pension and benefits entitlements. Below is a summary of the remuneration arrangements broken down by the colleague grouping. In this table as indicated in the key below, specific remuneration elements which are highlighted in blue represent remuneration which is fully aligned across all colleagues, whilst those not highlighted are not aligned.

Remuneration element	Executive Directors ⁽¹⁾	Executive Leadership and Senior Management ⁽²⁾	Wider workforce ⁽³⁾	
Base salary	Approach	To target the appropriate market rate, as determined by comparisons with appropriate companies.		
	Increases	Keep pay for colleagues consistent with market rate and reviewed in line with inflation; base salary increases for Executive Directors will generally be in line with those for the UK workforce.		
Pension	New hires	All UK colleagues have the option to participate in the Company's defined contribution pension plan, with Company contribution rate for new hires of up to 10% of base salary. Some colleagues choose to take a cash payment in lieu of their pension, or a combination of pension contribution and cash in lieu of a contribution. All colleagues outside of the UK have the option to participate in a retirement savings plan with a contribution from the Company.		
Benefits	Health and wellbeing	All colleagues, with the exception of those in Japan, receive medical cover, and access to an annual private health assessment or a local equivalent arrangement.		
	Risk and protection	All colleagues have Company-funded life assurance and income protection, or a local equivalent arrangement, unless they are covered under alternative collective bargaining arrangements.		
	Car benefit	£12,000	Some colleagues have a car as a job requirement.	
Bonus	Eligibility	Drax colleagues are eligible to take part in the annual bonus programme, unless precluded by alternative arrangements with their respective trade union group or acquisition agreement. The bonus plan is designed to reward the delivery of targets and objectives directly linked to the financial and strategic performance of the Group set each year and detailed in a Scorecard.		
	Metrics	Bonus awards are conditional on achieving thresholds set in the Scorecard, which combines financial and strategic metrics. These metrics are the same for all Drax colleagues.		
	Deferral	40% of the total bonus outcome will be deferred into shares in the form of nil cost options or conditional awards under a Deferred Share Plan. The period over which shares are deferred is normally three years. Vesting is subject to continued service or "good leaver" termination provisions. Note, under the new Policy we are proposing that there will only be a requirement to defer bonus into shares for Executive Directors who have not yet reached their shareholding requirement.	Not applicable, no deferral.	
LTIP	Eligibility	Discretionary annual grant of shares, under the LTIP.	Discretionary annual grant of shares, under the LTIP.	One Drax Awards are a discretionary grant of share awards made to certain employees in recognition of their performance and to aid retention of key talent below senior management.
	Metrics	For awards made under the LTIP, vesting is subject to long-term performance measures and are typically measured over a three-year performance period. Vesting is subject to continued employment.		The vesting is not subject to meeting performance measures. Vesting is subject to continued employment.
	Shareholding requirement	Requirements of 250% and 200% of salary for the CEO and CFO, respectively. A post-cessation shareholding requirement, equal to the employment shareholding requirement, applies for a two-year period after cessation. Note, under the new Policy we are proposing that the shareholding requirements are increased in line with the proposed increase in opportunity from 2026.	Not applicable.	
All-colleague plans	All UK colleagues have the option to buy shares in Drax at a discounted price (after a three-year or five-year saving period elapses) under the Sharesave plan. Eligible colleagues across US and Canada are able to participate in the Employee Stock Purchase Plan (ESPP).			

Notes:

(1) The Executive Directors are the CEO and CFO.

(2) Executive Leadership and Senior Management includes all colleagues in the three most senior job grades, excluding the CEO and CFO.

(3) Wider workforce includes all colleagues in job grades below the three most senior job grades.

Key:  Aligned across workforce  Unique to a specific colleague group

Remuneration Committee report continued

Directors' Remuneration Policy – for approval by shareholders at the 2026 AGM

Below is the proposed Policy which, if approved by shareholders, will be effective immediately after the AGM on 30 April 2026 and will be binding until the close of the 2029 AGM.

Base salary

Base salary helps to attract, reward and retain the right calibre of Executive Director to deliver the leadership and management needed to execute the Group's strategy and business plan.

Practical operation	Maximum potential value
<p>Base salary reflects the role, the executive's skills and experience, and market level. To determine the market level, the Committee reviews remuneration data on executive positions at companies which the Committee considers to be appropriate comparators. The comparator companies are selected, with advice from the Committee's remuneration advisers, taking into account factors such as, but not limited to, sector, size, and international presence.</p> <p>Where base salary on appointment is below market level to reflect experience, it will be increased over time to align with the market level, subject to performance.</p> <p>Base salaries of all Executive Directors are generally reviewed once each year, with increases generally applying from January. Reviews cover individual performance, experience, development in the role, market comparisons and pay reviews for the wider workforce.</p>	<p>Executive Directors are eligible for base salary increases during the policy period, normally in line with or below the average annual percentage increase in salary applied to all other employees in the Group at the time of the increase.</p> <p>Exceptions to this, subject to performance and development, may include:</p> <ul style="list-style-type: none"> (i) An Executive Director has been appointed at below market level to reflect experience (ii) An Executive Director has been promoted internally (or the scope or nature of their role has changed) (iii) There is a change in size and/or complexity of the Group; and/or (iv) Significant market movements <p>Such increases may be implemented over such time period as the Committee deems appropriate.</p>

Pension

Pension provision is one of the components to attract, reward and retain the right calibre of executive, to ensure delivery of the leadership and management needed to execute the Group's purpose and strategy.

Practical operation	Maximum potential value
<p>Executive Directors are entitled to a contribution to the Group's defined contribution pension plan, a cash payment in lieu of pension (subject to normal statutory deductions), or a combination of pension contributions and cash in lieu of pension.</p>	<p>The contribution rates for existing Executive Directors are limited to the rate for new joiners to the UK wider workforce, which is currently 10% of base salary. This is also the most common pension contribution rate for UK-based employees.</p> <p>The pension contribution rate for any new Executive Director will also be limited to the rate for new joiners to the wider workforce. The Committee retains discretion to determine the approach and, calculation of the workforce pension level, including if relevant, the methodology for any Directors based outside the UK.</p>

Remuneration Committee report continued

Benefits

Benefits are provided to be market competitive as an integral part of Executive Directors' total remuneration.

Practical operation	Maximum potential value
<p>Executive Directors receive a car benefit, life assurance, income protection, the opportunity to participate in all-employee share plans on the same basis as other employees, annual private health assessment and annual private medical cover. Additional benefits may be provided if the Committee considers them appropriate (including tax equalisation expenses, and benefits or allowances which are customarily provided in the country where an Executive Director resides).</p> <p>Relocation expenses are paid, where appropriate, in individual cases. Executive Directors' relocation expenses are determined on a case-by-case basis. The Policy is designed to assist the Executive Director to relocate to a home of similar standing.</p>	<p>Benefits are set at a level appropriate to the individual's role and circumstances.</p> <p>The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.</p>

Annual bonus

The award of annual bonus will be based on annual performance against financial and operational metrics linked to the business plan. The aim of the deferred portion of the annual bonus is to further align Executive Directors to shareholders' interests, by linking share-based reward to long-term sustainable performance.

Practical operation	Maximum potential value						
<p>The Committee will determine the annual bonus payable after the year-end, based on performance against targets.</p> <p>40% of the total bonus outcome will be deferred into shares in the form of nil cost options or conditional awards under a Deferred Share Plan (DSP). The period over which shares are deferred is normally three years. Vesting is subject to continued service or "good leaver" termination provisions.</p> <p>Deferred shares vest based on continued employment and lapse other than in defined good leaver circumstances.</p> <p>Dividends or dividend equivalents (which may assume notional reinvestment) are paid on DSP awards.</p> <p>In certain circumstances, the Committee can apply malus and clawback to bonus awards.</p>	<table border="1" data-bbox="1653 523 2085 654"> <thead> <tr> <th data-bbox="1653 563 1704 584">Role</th> <th data-bbox="1955 528 2085 584">Maximum opportunity (% of base salary)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1653 592 1704 612">CEO</td> <td data-bbox="1955 592 2018 612">175%</td> </tr> <tr> <td data-bbox="1653 624 1917 644">Other Executive Directors</td> <td data-bbox="1955 624 2018 644">150%</td> </tr> </tbody> </table> <p>Performance measures</p> <p>The majority of the annual bonus will be based on financial metrics. The Remuneration Committee reviews and determines the metrics, weightings and calibration of targets annually taking into account business objectives and the strategic priorities of the business.</p> <p>There is no payment for below threshold performance. The outcome for threshold performance is 0% of maximum. The outcome for target performance is normally 50% of maximum.</p> <p>The Committee will review the formulaic outcome of the bonus award and has the discretion to amend the final outcome to make sure that bonus payments reflect overall performance. The use of such discretion will be explained fully in the relevant Annual Report on Remuneration.</p> <p>In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.</p>	Role	Maximum opportunity (% of base salary)	CEO	175%	Other Executive Directors	150%
Role	Maximum opportunity (% of base salary)						
CEO	175%						
Other Executive Directors	150%						

Remuneration Committee report continued

Long Term Incentive Plan (LTIP)

The LTIP, which includes the Core LTIP and Stretch LTIP elements, provides long-term alignment with shareholders based on the outcome of performance against the conditions set for each award.

Practical operation

Under both the Core and Stretch LTIP, Executive Directors may at the discretion of the Committee receive an annual grant of shares subject to performance conditions. Awards may take the form of nil (or nominal) cost share options or conditional awards.

Dividends or dividend equivalents (which may assume notional reinvestment) may be paid on LTIP awards.

Shares normally vest on the third anniversary of the grant, based on the Committee's assessment of the achievement of performance conditions. Performance conditions are typically assessed over a period of three years. Awards are then subject to a further holding period of two years.

The holding period, which may be structured as either: (1) the Executive Director being entitled to acquire the shares once vested, but, other than as regards sales to cover tax or any exercise price, being prevented from selling shares until the end of the holding period; or (2) the Executive Director being prevented from acquiring shares until the end of the holding period. If a holding period is structured on the latter basis, additional shares may be awarded in respect of vested shares to reflect the value of dividends paid on shares from the start of the holding period until the date on which the Executive Director is entitled to acquire shares (this payment may assume that dividends have been reinvested in shares on a cumulative basis).

The Committee will include an override provision in each grant under the LTIP. This will give the Committee discretion to determine that no vesting shall occur, or to override the formulaic outcome, if there are circumstances (relating to the Group's overall performance or otherwise) which make vesting when calculated by reference to the performance conditions alone inappropriate.

In certain circumstances, the Committee can apply malus or clawback to unvested/vested awards.

Maximum potential value

Role	Maximum opportunity (% of base salary)	
	Core LTIP award	Stretch LTIP award
CEO	250%	150%
Other Executive Directors	220%	130%

In exceptional circumstances, the Committee may, on recruitment, grant a percentage of base salary in excess of these amounts.

Performance measures

Core LTIP Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience. One of the performance measures will be Relative TSR. Others may include financial metrics, capital efficiency measures and ESG or strategic measures.

Stretch LTIP Awards will be subject to an absolute TSR measure, with vesting also dependent on achieving maximum vesting of the Relative TSR performance condition under the Core LTIP over the same performance period.

There is no payment for below threshold performance for either the Core or Stretch LTIP. The outcome for threshold performance for the Core LTIP is no more than 25% of maximum and for the Stretch LTIP is 0% of maximum.

Remuneration Committee report continued

Shareholding requirement

The shareholding requirement aligns the interests of Executive Directors with shareholders.

Practical operation	Maximum potential value
<p>The shareholding requirement for the CEO is 400% of salary, and for the other Executive Directors it is 350% of salary. This is expected to be achieved within a period five years after the date of the 2020 AGM (or after the date of appointment for new Executive Directors if this is later) from vested shares derived from awards under the Company's share plans.</p> <p>Until this level is reached, Executive Directors who receive shares by virtue of any share plan award or who receive DSP awards are expected to normally retain 50% of the shares received net (i.e. after income tax and national insurance contributions). Shares which have not vested and are subject to performance conditions will not count towards the requirement. Unvested awards subject to service only (e.g. DSP awards) will count towards the guideline on a net of tax basis. The Committee retains discretion to vary the application of this requirement in exceptional circumstances.</p>	<p>Maximum potential value N/A</p> <p>Performance measures N/A</p>

Post cessation shareholding requirement

The Group's post-cessation shareholding requirement aligns the interests of Executive Directors with shareholders over the longer term beyond their departure from the Group.

Practical operation	Maximum potential value
<p>A post-cessation shareholding requirement, equal to the employment shareholding requirement (or the shareholding on departure if lower) normally applies for a two year period after cessation of employment.</p> <p>For clarity, the post cessation shareholding requirement is 400% of salary, and for the CEO and for the other Executive Directors it is 350% of salary.</p> <p>Shares purchased by the Executive Director (including those from all employee share plans), will not be included.</p> <p>Shares counting towards this requirement will not be released from the Employee Benefit Trust during the period in which the post-cessation shareholding requirement applies, to support enforceability. Acceptance of the post-cessation shareholding requirement will be a condition of participation in all share awards granted, and will be included in the grant documentation for awards. The Committee retains discretion to vary the application of this requirement in exceptional circumstances.</p> <p>Both Will Gardiner and Frank Lemmink have entered into such an agreement.</p>	<p>Maximum potential value N/A</p> <p>Performance measures N/A</p>

Remuneration Committee report continued

Performance measures and approach to setting targets

The measures for elements of variable pay will be:

- In respect of the annual bonus plan, financial, strategic and operational measures consisting of targets set by the Committee each year in conjunction with the Board. The targets are aligned with key business goals determined at the start of each year.
- In respect of share awards granted under the Core LTIP, targets typically relate to a combination of:
 - Relative TSR, which aligns Executive Director remuneration with creation of long-term shareholder value
 - Cumulative Adjusted EPS, which aligns Executive Director remuneration with the realisation of our earnings growth plans, which is a major determinant of shareholder value
- In respect of share awards granted under the Stretch LTIP, targets typically relate to Absolute TSR, which aligns Executive Director remuneration with creation of long-term shareholder value.
- The Committee sets targets for the performance measures each year, taking into account market conditions, the business plan and other circumstances as appropriate. A summary of the measures that apply for the following year are disclosed in the Annual Report on Remuneration.
- The Committee retains flexibility during the Policy period to change the weighting and choice of performance metrics to better align with strategy as it evolves.

Circumstances in which malus or clawback may apply

The Committee may, at any time within two years of the LTIP and DSP vesting or annual bonus payment, determine that malus and/or clawback provisions should be applied, in circumstances of:

- material financial misstatement;
- fraud or misconduct;
- material failure of risk management and corporate failure;
- if assessment of a performance condition is found to have been based on an error, inaccuracy or misleading information; and,
- in other circumstances that the Committee considers justifying the operation of the clawback provision.

Committee's judgement and discretion

In addition to assessing and making judgements on the meeting of performance targets and the appropriate incentives payable, the Committee has certain operational discretions it can exercise in relation to Executive Directors' remuneration. These include, but are not limited to the following and in all cases any use of discretion will align with the discretions afforded to the Committee in the relevant plan rules:

- reviewing the formulaic outcome of the annual bonus, DSP and LTIP awards and applying discretion to amend the final outcomes, to ensure that the outcomes reflect overall performance or an individual executive's performance;
- deciding whether to apply malus or clawback to an award;
- determining whether a leaver is a "good leaver"; and
- determining the treatment of awards in the event of a change of control or other corporate event.

Where such discretion is exercised, it will be explained in the relevant Annual Report on Remuneration.

Legacy remuneration arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed – (i) before the Policy set out in the 2025 Annual Report and Accounts came into effect, provided that the terms of payment were consistent with the Shareholder-approved Directors' Remuneration Policy in force at the time they were agreed, or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

Operation of share plans

The Committee retains discretion to operate the Company's share plans in accordance with the plan rules, including the flexibility to adjust the number of shares subject to awards in the event of a variation in share capital, or other relevant event and to settle awards in cash or to grant awards as rights to cash payments calculated by reference to a notional number of shares. Although the Committee would only settle an Executive Directors' award in cash in appropriate circumstances, such as where there is a regulatory restriction on the delivery of shares or as regards the tax liability arising in respect of the award.

Ability to vary or substitute performance measures or targets

The Committee may vary or substitute any performance measure or target where it considers it would be appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or divestment of a Group business, and/or a significant investment or a change in prevailing market conditions), provided that any such variation is fair and reasonable and, in the opinion of the Committee, would not make the measure materially less demanding. The Committee will assess performance on a fair and consistent basis from year-to-year. If the Committee was to make such a variation or substitution, an explanation would be given in the next Directors' Remuneration Report.

Change of control

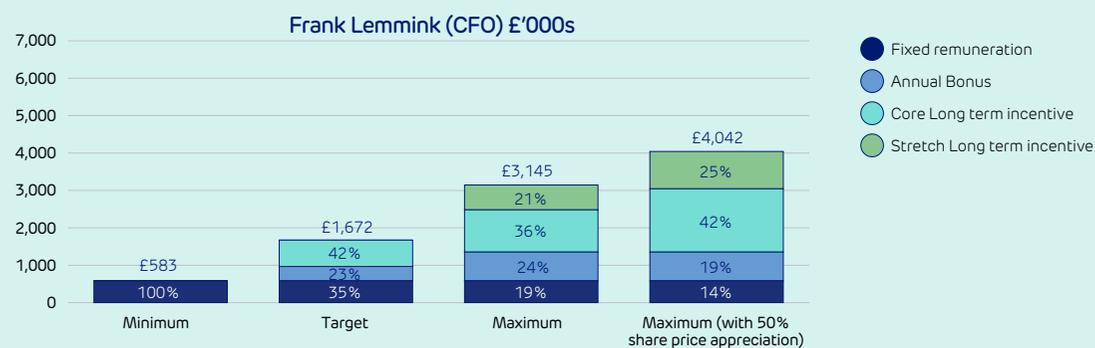
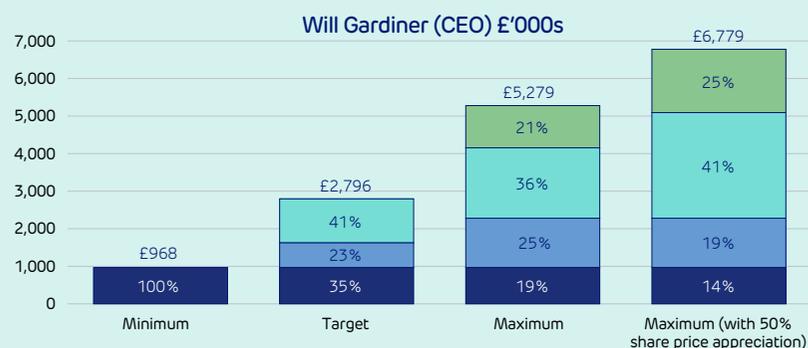
In the event of a change of control, unvested LTIP awards will be released to the extent determined by the Committee taking into account the relevant performance conditions and, unless the Committee determines otherwise, the extent of vesting so determined shall be reduced to reflect the proportion of the vesting or performance period that has elapsed. In the event of a change of control during the holding period relating to a LTIP award, that holding period shall come to an end. Deferred bonus awards will vest in full on a change of control. Awards under all-employee share plans will vest in accordance with the relevant plan rules.

Remuneration Committee report continued

Remuneration scenarios

The composition and value of the Executive Directors' remuneration packages at below threshold (minimum), target and maximum performance scenarios under the Drax Group Policy are set out in the charts below based on current salary and on projected earnings for 2026. The assumptions used in the charts are provided in the following table:

Description	Fixed remuneration	Annual bonus	Core LTIP	Stretch LTIP
Minimum	Base salary is the rate payable as determined by the Committee following the annual review. Benefits and pension entitlement remain as disclosed in the Policy.	None	None	None
Target		50% of the maximum opportunity.	62.5% vesting (midpoint between threshold and maximum).	0% vesting.
Maximum		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum Core LTIP opportunity (250% of salary for CEO and 220% of salary for other Executive Directors) with no allowance for share price appreciation or dividend equivalents.	Maximum Stretch LTIP opportunity (150% of salary for CEO and 130% of salary for other Executive Directors) with no allowance for share price appreciation or dividend equivalents.
Maximum (with 50% share price appreciation)		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum LTIP opportunity (250% of salary for CEO and 220% of salary for other Executive Directors) with allowance for 50% share price appreciation over the three-year performance period and no allowance for dividend equivalents.	Maximum LTIP opportunity (150% of salary for CEO and 130% of salary for other Executive Directors) with allowance for 50% share price appreciation over the three-year performance period and no allowance for dividend equivalents.



- Fixed remuneration
- Annual Bonus
- Core Long term incentive
- Stretch Long term incentive

Remuneration Committee report continued

Approach to recruitment remuneration

The Committee will apply the components of this Policy to determine the remuneration of newly appointed Executive Directors.

Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. Where this is below the market level, it will be adjusted over time to align with the market level, subject to good performance.

A new Executive Director would be eligible to receive an annual bonus of up to 150% of salary, or 175% for a new CEO, in each case with financial and strategic elements as set out in the Policy table above.

In addition, a newly appointed Executive Director would be eligible to receive a Core LTIP award of up to 220% of salary, or 250% in the case of a new CEO, (in exceptional circumstances the Committee may on recruitment grant a percentage of salary in excess of these amounts but in such circumstances it would be capped at 300% of salary) and a Stretch LTIP award of up to 130% of salary for a new Executive Director, or 150% in the case of a new CEO.

In the event that an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance; subject to the limits on variable remuneration set out above, the opportunity in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis. The Committee may also alter the performance measures, performance period, vesting period and holding period of the annual bonus or long-term incentive if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

In the event that an interim appointment is made to fill an Executive Director role on a short-term basis, or the Chair or a Non-Executive Director takes on an executive function on a short-term basis, the Committee retains the discretion to set remuneration on an appropriate basis for the nature of the role, including but not limited to the use of interim cash allowances.

The Committee may also determine it appropriate to honour prevailing contract commitments for an individual in the event they are promoted to an Executive Director position.

In relation to Directors appointed from outside the Group, where the Committee considers it to be necessary to secure the appointment, the Committee may:

- make an award in respect of hiring to 'buy-out' remuneration arrangements forfeited on leaving a previous engagement. In doing so the Committee will take account of relevant factors regarding the forfeited arrangements, which may include any performance conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards (e.g. cash or shares). It will generally seek to structure buy-out awards on a comparable basis to remuneration arrangements forfeited. These payments or awards are excluded from the maximum level of variable remuneration referred to above, and the Committee retains the discretion to use the exception under the Listing Rules for the purpose of making such an award. However, the Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure
- agree a rate for employer pensions contributions, or salary supplements in lieu of pension contribution, which reflects the contribution rate for the wider workforce at the date of appointment
- make appropriate payments in circumstances where an individual is relocated from outside the UK, for example, travel, relocation and subsistence costs; and/or
- approve the inclusion in the service contract of any terms required by mandatory law in the jurisdiction where the Executive Director is resident

Service agreements and termination

Executive Directors' service agreements are of indefinite duration, terminable at any time by either party giving 12 months' notice. They are available for inspection at the Group's registered office.

Remuneration Committee report continued

Element	Details
Notice periods	<p>Executive Directors may be required to work during the notice period or may be provided with pay in lieu of notice if not required to work the full notice period.</p> <p>Under each of the Executive Directors' service agreements, the Group has the right to make a payment in lieu of notice of termination, the amount of that payment being the salary and benefits that would have accrued to the Executive Director during the contractual notice period. For the avoidance of any doubt this excludes any performance bonus (or cash equivalent) for the relevant period of unworked notice.</p>
Compensation for loss of office	<p>If an Executive Director's employment is brought to an end by either party, and if the Committee considers that it is necessary to pay the Executive Director a termination payment, the Committee's policy, in the absence of a breach of the service agreement by the Executive Director, is to determine an Executive Director's termination payment in accordance with his/her service agreement. The termination payment will be calculated based on the value of base salary and contractual benefits that would have accrued to the Executive Director during the contractual notice period. The Committee will seek mitigation to reduce the amount of any termination payment to a leaving Executive Director when appropriate to do so, having regard to the circumstances and the law governing the agreement. It may, for example, be appropriate to consider mitigation if the Executive Director has secured another job at a similar level. Mitigation would not apply retrospectively to a contractual payment in lieu of notice.</p> <p>In addition, the Executive Director may be entitled to a payment in respect of his/her statutory rights (including, where necessary to comply with the mandatory laws of the jurisdiction in which the Executive Director is resident, a remuneration payment or payment for loss of office in excess of the Executive Director's pre-established contractual terms).</p>
Other payments	<p>The Group may pay reasonable fees for a departing Executive Director to obtain independent legal advice in relation to their termination arrangements and appropriate consideration for agreement to any contractual terms protecting the Group's rights following termination. Moreover, reasonable fees in respect of outplacement support, insurance for a period following termination of office and repatriation assistance, which may include relocation back and tax advisory support. In appropriate circumstances, the Committee may agree that certain benefits (such as medical insurance) may be continued for a reasonable period following termination of employment. Directors may receive accrued holiday pay at the time of departure. No service agreement includes any provision for the payment of compensation upon termination. Any compensation payable in those circumstances would need to be determined at the time and in the light of the circumstances.</p> <p>Any awards under the Group's all-employee share plans be treated in accordance with the relevant plan rules, which do not allow for discretionary treatment.</p>

Remuneration Committee report continued

Element	Details
Treatment of annual bonus on termination	<p>All bonus payments are discretionary. The Committee will consider whether a departing Executive Director should receive a cash bonus and deferred share award in respect of the financial year in which, and/or immediately preceding which, the termination occurs, normally pro-rated to reflect the period of the performance year completed to the date on which the Executive Director ceases active service. The Committee will take into account performance; the reason for termination; cooperation with succession; any breach of goodwill; adherence to contractual obligations/restrictions; and any other factors which they believe should be taken into account. The service contract for Will Gardiner as CEO, does not entitle him to any payment of bonus on termination of employment.</p> <p>If the employment ends in any of the following circumstances, the Executive Director will normally be treated as a “good leaver” and the Executive Director would be eligible for an annual bonus:</p> <ul style="list-style-type: none"> – redundancy; – retirement; – ill-health or disability, proved to the satisfaction of the Group; or, – death. <p>If the termination is for any other reason, an award will be at the Committee’s discretion and it is the Committee’s policy to ensure that any such award properly reflects the departing Executive Director’s performance and behaviour towards the Group.</p> <p>If an award is made, it will normally be paid/granted at the normal time once performance has been determined for the relevant period. Any bonus award will be paid in such proportions of cash and shares, and subject to such deferral arrangements as the Committee may determine. There may be circumstances in which the Committee considers it appropriate for the award to be made earlier, for example, on termination due to death or ill-health, in which case, on-target performance may be assumed.</p>
Treatment of unvested long-term incentive and deferred share awards on termination	<p>The Committee will consider the extent to which deferred and conditional share awards held by the Executive Director under the DSP and LTIP should lapse or vest. Any determination by the Committee will be in accordance with the rules of the relevant plan.</p> <p>In summary, the rules of the LTIP provide that awards will be retained if employment ends for any of the following reasons (“long-term good leaver reasons”):</p> <ul style="list-style-type: none"> – redundancy; – retirement; – ill-health or disability, proved to the satisfaction of the Company; – death; and, – change of control. <p>If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion.</p> <p>Awards which vest subject to satisfaction of performance conditions, will normally be time pro-rated, and will ordinarily vest on the normal vesting date subject to the post-vesting shareholding period.</p> <p>The rules of the DSP provide that deferred bonus awards will vest (in full) if employment ends for any of the good leaver reasons detailed above. If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion. In doing so it will take account of all relevant circumstances, in particular, the Group’s performance; the Executive Director’s performance and behaviour towards the Group during the performance cycle of the relevant awards, and a range of other relevant factors, including the proximity of the award to its maturity date.</p> <p>The rules of the DSP and LTIP also provide that in circumstances where awards vest, they do so at the normal vesting date, unless the Committee exercises discretion to vest awards earlier. Vested LTIP awards will remain subject to any post-vesting holding period unless the Committee exercises its discretion to allow for earlier release.</p>

Remuneration Committee report continued

Remuneration of Non-Executive Directors and Chair

Remuneration component and link to strategy	Practical operation
<p>Fees To attract a Chair and independent Non-Executive Directors who, together with the Executive Directors, form a Board with a broad range of skills and experience.</p>	<p>The Chair’s remuneration is determined by the Committee whilst that of the other Non-Executive Directors is determined by the Chair and the Executive Directors. These are determined in the light of:</p> <ul style="list-style-type: none"> – fees of the Chair and Non-Executive Directors of other listed companies selected for comparator purposes, on the same basis as for Executive Directors; – the responsibilities and time commitment; and, – the need to attract and retain individuals with the necessary skills and experience. <p>Chair and Non-Executive Director fees may be paid in cash and/or shares, which may include non-performance based on a nil or a nominal cost award over Company shares (which may incorporate a right to dividend equivalents over any applicable vesting period). Non-Executive Directors’ fees may be paid in GBP or the currency of the location of the individual Non-Executive. Fees are reviewed annually and will typically be increased by up to the rate of increase awarded to the wider workforce.</p> <p>Non-Executive Directors receive an annual base fee. Additional annual fees may be paid for additional Board responsibilities or time commitments, including Senior Independent Director, the Chair and members of any Board Committees.</p> <p>Non-Executive Directors are not entitled to participate in any pension or performance related remuneration arrangements.</p>
<p>Benefits Reimbursed role-based expenses incurred during performance of the duties of the role, and other benefits if applicable.</p>	<p>Non-Executive Directors may be eligible to receive benefits as appropriate, including the reimbursement of any reasonable travel expenses or business-related expenses, support with the completion of tax returns for international Non-Executive Directors. If tax or social security is payable in respect of any benefit provided, the Company may make a further payment to cover the tax liability.</p>
<p>Travel allowance To recognise the additional time commitment associated with travel on Company business.</p>	<p>A travel allowance may be structured as appropriate from time to time, taking into account market practice, the location of the Non-Executive Director and travel commitments, including but not limited to an annual allowance, an allowance per meeting and different allowances payable for Non-Executive Directors based in different countries or continents.</p>

The Chair’s notice period is six months whilst the other Non-Executive Directors have a notice period of up to 6 months. Further information on the service agreements of the Non-Executive Directors can be found on page 111 of the Annual Report and Accounts.

Remuneration arrangements elsewhere in the Group Wider employee population

In determining Executive Director remuneration, the Committee also takes into account the level of general pay increases within the Group. Employees are not directly consulted on the Policy, but there are a number of existing channels designed to capture the views of the workforce on remuneration, including the MyVoice forums.

The Committee’s policy is that annual salary increases for Executive Directors should not exceed the average annual salary increase for the wider employee population unless there is a particular reason for a higher increase, such as a change in the nature or scope of responsibilities or if an Executive Director has been appointed at a salary below market level reflecting experience in the role.

The Committee also considers external market benchmarking to inform executive remuneration decisions. External market benchmarking is also considered in relation to remuneration decisions of the wider workforce.

Environmental, social and governance issues

The Committee is able to consider corporate performance on environmental, social and governance issues when setting the remuneration of Executive Directors. Specific measures can be included in the strategic element of the annual bonus. The Committee is also able to consider these issues in determining whether to exercise its discretion to adjust formulaic outcomes of the annual bonus and LTIP.

Remuneration Committee report continued

Annual Report on Remuneration

The relevant sections of this Report have been audited as required by the Regulations.

Single total figure of remuneration – Executive Directors (audited information)

The table below sets out the single figure of remuneration and the breakdown for each Executive Director for the financial year ending 31 December 2025, together with comparative earnings for the financial year ending 31 December 2024.

Director	Year	Salary (£000)	Benefits ⁽³⁾ (£000)	Bonus ⁽⁴⁾ (£000)	Long-Term Incentives ⁽⁵⁾ (£000)	Pension (£000)	Other ⁽⁶⁾ (£000)	Total Remuneration (£000)	Total Fixed Pay (£000)	Total Variable Pay (£000)
Will Gardiner	2025	724	143	862	853	72	8	2,663	940	1,723
	2024	690	23	839	1,107	69	0	2,728	782	1,946
Frank Lemmink ⁽¹⁾	2025	165	60	168	–	17	–	410	242	168
	2024	–	–	–	–	–	–	–	–	–
Andy Skelton ⁽²⁾	2025	303	11	309	422	30	3	1,078	344	734
	2024	439	16	457	616	44	0	1,572	499	1,073

Notes:

- (1) Frank Lemmink joined Drax as an Executive Director on 1 September 2025. The remuneration for Frank in this table is reflective of the period 1 September 2025 to 31 December 2025.
- (2) Andy Skelton stepped down from the Board on 1 September 2025. The 2025 remuneration for Andy in this table is reflective of the period 1 January 2025 to 1 September 2025.
- (3) Benefits include car allowance, private medical insurance, life assurance and permanent health insurance. For Frank Lemmink, his benefits also include a temporary housing support from his appointment until the 18 December 2025, associated with him accepting a UK-based role from the Netherlands. Will Gardiner has been in receipt of international health coverage since September 2024 due to his regular overseas business travel. The figure reported for 2024 includes the pro-rated international healthcare compared to full year coverage for 2025. Will Gardiner also received professional services support in relation to tax compliance and advisory services in 2025.
- (4) Bonus is the value of the award from the 2024 and 2025 annual bonus plans. It includes the value of bonus deferred and paid in shares after three years subject only to continuous service. 40% of the overall bonus for 2024 was deferred and 40% of the overall bonus for 2025 will be deferred. In addition to the 2025 bonus, Frank Lemmink will also receive a cash-based replacement award in respect to a bonus he forfeited on leaving his previous employer. The value of this award will be disclosed in the 2026 annual report. Please see page 92 for more information.
- (5) The 2025 numbers represent the indicative value of the 2023 LTIP award which is scheduled to vest on 31 March 2026, together with the dividend equivalent shares in relation to those vested shares. The value of the award is calculated based on the average share price over the last quarter of 2025, which was £7.458. The 2024 numbers (for the 2022 LTIP award which vested in March 2025) are restated to reflect the actual share price on vesting of £5.739 on 18 March 2025. This had been calculated in the 2024 Annual Report on Remuneration based on the average share price over the last quarter of 2024, which was £4.891. As a result, the Total Remuneration and Total Variable Pay for 2024 have been updated. For Frank Lemmink, the first tranche of his replacement award in shares (Award 1) will vest in Q2 2026 and after the publication of the 2025 Annual Report. The value of shares vesting for Award 1 will be disclosed in the 2026 Annual Report. Further details on Frank's replacement awards can be found on page 109.
- (6) Represents the value of the Sharesave Awards granted in 2025. The value is based on the share price on grant (£5.660) less the exercise price (£4.528) i.e. the discount of £1.132 per share multiplied by the number of shares.

Remuneration Committee report continued

Annual bonus outcome

The targets for the 2025 Group Scorecard metrics aligned with the Group’s strategy and 2025 business plan and no adjustment to the targets was made during 2025. The Committee completed an in-depth review of the score for each of the metrics to ensure that the result was appropriate and in aggregate. The Committee believes that the outcome reflected the strong financial, strategic, people, sustainability, safety and governance performance, as well as wider employee and shareholder experiences. No discretion was exercised by the Committee in determining the final 2025 Group Scorecard outcome.

Key Performance Indicator	Measure	Weighting	Plan Targets			Scoring	
			Threshold (low target) (0% of max earned)	Target (50% of max earned)	Stretch (high target) (100% of max earned)	Outturn	Score (out of 2)
Financial	Group Adjusted EBITDA (£m)	40.00%	810	900	990	947	1.53
	Net Cashflow (£m)	15.00%	237	287	337	399	2.00
Strategic	FlexGen Business Model	6.25%	Partially Achieved	Achieved	Strongly Achieved	Partially Achieved	0.38
	Pellets Business Model: Production Costs		Low Target	Target	High Target	Above high target	
	Pellets Business Model: Third-Party Sales	6.25%	Partially Achieved	Achieved	Strongly Achieved	Partially Achieved	1.08
	Future of DPS	6.25%	Partially Achieved	Achieved	Strongly Achieved	Strongly Achieved	2.00
	Elimini	6.25%	Partially Achieved	Achieved	Strongly Achieved	Achieved (capped at target)	1.00
People & Sustainability	Carbon Reduction	5.00%	Partially Achieved	Achieved	Strongly Achieved	Between Partially Achieved & Achieved	0.50
	DEI	5.00%	Benchmark -0.2%	Benchmark	Benchmark +0.2%	Below Benchmark	0.00
Safety & Compliance	HSE: Total Recordable Incident Rate (TRIR)		0.23	0.20	0.17	0.33	
	HSE: Near Miss & Hazard Incidents Rate (NMHIR)	5.00%	150	175	200	209	1.00
	Compliance	5.00%	Partially Achieved	Achieved	Strongly Achieved	Strongly Achieved	2.00
		100.00%					2025 Bonus Outturn: 1.36 (68.00% of maximum)

Remuneration Committee report continued

Financial

Group Adjusted EBITDA – This was the principal financial metric. The outturn for 2025 was £947 million, which was above the target of £900m (score of 1.53)

Net Cashflow – Net movement in cash and cash equivalents is adjusted for cash flows relating to acquisitions and disposals, refinancing activities and share buybacks. The target was £50 million more than the 2025 business plan and the high target was £100 million more. The outturn for 2025 was £399 million, which was above the high target (score of 2.00). It was exceeded due to strong EBITDA (net of tax and working capital performance).

Progress on Strategic Objectives

There were four strategic objectives included for 2025. The choice and assessment of performance of these strategic objectives in 2025, was subject to the Committee's scrutiny and approval.

Progress on FlexGen business model (overall score of 0.38)

This objective included three sub-components:

- 1. Drax Energy Solutions: Over achievement of I&C sales targets and strong progress developing growth areas (score of 1.15)
- 2. Cruachan 3&4 upgrade: Full completion of milestone objectives reflecting technical and engineering progress on Cruachan 3&4, however some were later than planned and impacted EBITDA (score of 0.00).
- 3. OCGTs: Owing to a number of delays, many of which were due to external parties, we now forecast takeover of the three plants to occur during 2026 (score of 0.00).

Progress on Pellet Production (score of 1.08)

- 1. Production cost: Strong cost control across fibre, utilities, operations and maintenance and port costs represented a significant reduction versus 2024 and meant the outturn for 2025 was ahead of the high target (score of 2.00).

- 2. Third party sales: Heads of terms, extensions and renewals of fuel supply agreements were signed with various customers in 2025, but performance was below target (score of 0.16)

Progress on Future of DPS – In November 2025 we signed a new four-year low carbon dispatchable CfD, covering all biomass units at Drax Power Station starting in March 2027. Strong progress was also made on critical readiness activities for when it takes effect (score of 2.00).

Progress on Elimini – in 2025 we moved from delivering a large-scale BECCS project, largely due to evolving political landscape in the US, to seeking opportunities as a development partner. Good progress was also made in developing the brand and building relationships with NGOs. The score was 1.21 but was reduced to 1.00 for Executive Directors.

People & Sustainability

Carbon Reduction – Projects were identified that collectively would deliver a significant reduction in the Group's carbon emissions. Two projects were started but changes in the business meant it was not appropriate to complete them. The third was a solar hydro installation project on which good progress was made and is scheduled to be completed in 2026 with a material carbon reduction benefit. Other decarbonisation projects were completed in 2025. (score of 0.50).

DEI Score – This was measured against an independent rating intended to provide an understanding of the extent to which colleagues considered Drax to provide a culture of inclusivity. The rating is derived through a subset of the quarterly all-employee survey. Drax's average score of this subset of questions for every survey run in 2025 was 7.8 which was below the industry sector benchmark (score of 0.00).

HSE & Compliance

HSE – The assessment of our safety performance continued to focus on one leading and one lagging indicator. The first was TRIR, measured at a Group level and included the performance of employees and contractors. At the end of 2025, Drax had a TRIR of 0.33, relative to a target of 0.20 (score of 0.00). The second was near miss and hazard identification reporting rate (NMHIR), as a positive culture of reporting can reduce the likelihood of actual incidents taking place. At the end of 2025, Drax had a NMHIR of 209, relative to a target of 175 (score of 2.00).

Compliance – Strong progress was made on initiatives intended to improve our compliance standards and reporting capability. In 2025 we established a framework clarifying internal accountabilities for delivering on our obligations, we implemented a software system intended to drive an improvement in our safety reporting and we implemented a comprehensive plan for managing environmental emissions. We also made significant progress on further automating the reporting of compliance and sustainability metrics (score of 2.00).

Remuneration Committee report continued

Bonus earned for 2025 (audited information)

The table below sets out the bonuses earned for the 2025 financial year and the split between cash and deferred elements.

Director	Max bonus opportunity (as % base salary)	Total bonus outcome (as % of maximum)	Total bonus outcome (as % base salary)	Total bonus outcome (£000)	Amount paid in cash (£000)	Amount deferred in shares (£000)
Will Gardiner	175%	68.00%	119.00%	862	517	345
Frank Lemmink ⁽¹⁾	150%	68.00%	102.00%	168	101	67
Andy Skelton ⁽²⁾	150%	68.00%	102.00%	309	185	124

Notes:

- (1) Frank Lemmink joined Drax as an Executive Director on 1 September 2025. For the 2025 bonus year, he was eligible for a pro-rata bonus (for the period 1 September 2025 to 31 December 2025).
- (2) Andy Skelton stepped down from the Board on 1 September and left Drax on 4 December 2025. In line with the bonus plan rules, he was eligible for a pro-rata bonus for the 2025 bonus year (for the period 1 January 2025 to 12 November 2025, which is the date he went on garden leave). The above table show the bonus earned in respect of services as a Director, from 1 January 2025 to 1 September 2025. Further details of his arrangements on departure are provided on page 110.

40% of the total bonus award for 2025 will be deferred into shares for a period of three years and the remaining 60% will be paid in cash in March 2026. The deferral element will in ordinary circumstances vest in March 2029, subject to the Executive Director being employed by Drax at that time. If the Executive Director leaves, other than as a "good leaver", the deferred element will be forfeited. Andy Skelton is leaving through retirement and was given "good leaver" status under the bonus rules.

LTIP incentive outcomes (audited information)

The vesting outcome for awards granted in 2023 under the LTIP, which were subject to performance conditions over the three-year period from 1 January 2023 to 31 December 2025, and scheduled to vest on 31 March 2026, is provided in the tables below.

Performance Condition	Weighting	Performance for threshold vesting (25% vesting)	Performance for maximum vesting (100% vesting)	Actual performance
Relative TSR vs FTSE 350 constituents	50%	Median	Upper Quartile	24.8 (159 of 314 constituents)
Cumulative Adjusted EPS	50%	322.8p	394.6p	385.7p

The Committee considered the Group's overall performance for 2025 and felt no discretion to adjust the 2023 LTIP outcome was required. The share buyback programmes which operated in 2024, 2025 and 2026 were not envisaged when the targets for the 2023 LTIP grant were set and it did have a benefit to the EPS outturn. Notwithstanding the impact of share buybacks on the outcome for the EPS element, the Committee concluded that the overall vesting outcome of 45% (of the 100% maximum) was appropriate. Please refer to page 91 for further explanation.

Director	Awards granted (as % of base salary)	Number of awards granted	Number of awards vesting	Number of dividend shares earned	Number of shares due to vest	Total value (£000) ⁽¹⁾
Will Gardiner	200%	225,830	101,623	12,798	114,421	853
Andy Skelton ⁽²⁾	175%	125,698	50,278	6,330	56,608	422

Notes:

- (1) Represents the value of the 2023 LTIP award which should vest on 31 March 2026, together with the dividend shares in relation to those vested shares. The value of the award is calculated based on the average share price over the last quarter of 2025, which was £7.458. The share price has increased over the vesting period and the value attributable to share price appreciation is £161k for Will Gardiner and £80k for Andy Skelton, (share price on grant was £5.872). The value of dividend shares earned on the awards vesting for Will Gardiner is 95k and for Andy Skelton is 47k based on the average share price over the final quarter of 2025.
- (2) For Andy Skelton, the number of vesting shares is pro-rata for the number of whole months he worked during the three year performance period.

Remuneration Committee report continued

LTIP awards granted in 2025 (audited information)

The table below shows the conditional awards granted under the LTIP to Executive Directors in 2025. The awards for Will Gardiner and Andy Skelton were granted on 20 March 2025 and the award for Frank Lemmink was granted on 2 September 2025.

Director	Award granted (as % of salary)	Number of shares granted	Face value of awards granted (£000) ⁽¹⁾
Will Gardiner	200%	251,621	1,449
Frank Lemmink	175%	133,577	866
Andy Skelton ⁽²⁾	175%	138,089	795

Note:

- (1) The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £5.757 for Will Gardiner and Andy Skelton, and was £6.485 for Frank Lemmink. In accordance with the LTIP rules, dividend shares are awarded at the time and in the event that awards actually vest. No dividend shares are awarded where the initial awards lapse.
- (2) Andy Skelton's LTIP award will be subject to time pro-rating as per the arrangements of his termination on page 110.

The performance conditions that apply to the LTIP awards granted in 2025 are set out below.

Performance Condition	Weighting	Performance for threshold vesting (25% vesting)	Performance for maximum vesting (100% vesting)
Relative TSR vs FTSE 350 constituents	50%	Median	Upper Quartile
Cumulative Adjusted EPS	50%	252.5p	308.7p

Vesting occurs on a straight-line basis between performance levels for both conditions. The performance of both performance conditions is measured over three financial years from 1 January 2025 to 31 December 2027.

DSP awards granted in 2025 (audited information)

The table below shows the deferred conditional share awards granted under the DSP to Executive Directors on 20 March 2025 in respect of bonus earned for performance in the financial year ending 31 December 2024. These shares will vest on 20 March 2028.

Director	Value of deferred bonus (£000)	Number of shares granted ⁽¹⁾
Will Gardiner	336	58,291
Andy Skelton	183	31,782

Note:

- (1) The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £5.757. In accordance with the DSP rules, dividends in respect of the deferred shares are reinvested in additional shares, which vest when the deferred shares vest.

Replacement awards granted in 2025 (audited information)

The table below shows the share awards granted to Frank Lemmink in respect of his recruitment during the year, replacement performance share awards forfeited on departure from his previous employer. These awards were granted on 2 September 2025.

Award	Number of shares granted	Face value of awards granted (£000) ⁽¹⁾
Award 1 – scheduled to vest on 31 March 2026	114,417	742
Award 2 – scheduled to vest on 15 March 2027	108,866	706

Note:

- (1) The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £6.485.

Award 1 will vest in accordance with the final performance vesting outcome of Shell's 2023 LTIP award as confirmed in Shell's 2025 annual report. The vesting of the award is likely to be delayed by a few weeks in order for this information to become available. Award 2 is subject to the same performance conditions, and their respective targets, as Drax's 2024 LTIP award, as set out in the 2024 annual report.

Remuneration Committee report continued

Sharesave options granted in 2025 (audited information)

In 2025, Will Gardiner entered into a five-year 2025 Sharesave contract and Andy Skelton entered into a three-year 2025 Sharesave contract (6,879 and 4,063 options, respectively). The exercise price is £4.528, which represents a 20% discount to the prevailing share price at the time of offer, and is the same for all employees who elected to participate in the Sharesave. Both save the maximum permitted monthly savings of £500. The face value of the awards was £38,935 for Will Gardiner and £22,997 for Andy Skelton, which is based on the 3 day average share price of £5.660. Frank Lemmink joined Drax after the annual enrolment for the 2025 Sharesave programme.

Pension entitlements for defined contribution schemes (audited information)

Executive Directors are entitled to receive a contribution to the Group's defined contribution pension plan, cash in lieu of pension contributions or a combination of both. In 2025, the employer contributions for Will Gardiner, Frank Lemmink and Andy Skelton were 10% of base salary; this is aligned with the rate of contributions provided to new joiners to the UK wider workforce. Will Gardiner's and Frank Lemmink's pension benefit was delivered as cash in lieu of pension. From the 1 January to 1 September, part of Andy Skelton's pension benefit was delivered as contributions to the Group defined contribution pension plan (£6,666) and the remaining part as cash in lieu (£23,358). No Executive Director was a member of a defined benefit pension scheme.

Payments to former Directors (audited information)

There were no payments to former Directors.

Payments for loss of office (audited information)

In December 2024, we announced Andy Skelton's intention to retire as CFO. Following the appointment of Frank Lemmink, Andy ceased to be an Executive Director of Drax on 1 September 2025. He went on garden leave on 12 November and remained an employee until his termination date on 4 December 2025 to allow a smooth and well managed transition of responsibilities.

Andy was paid in accordance with the terms of his service agreement and the current Policy. He continued to receive his salary (£118k), benefits (£5k) and pension (£12k) in the normal way up to his termination date. For private medical insurance, Andy will continue to be eligible until 30 June 2026, in line to the end of the policy period for private medical insurance.

Andy remained eligible for a pro rata annual bonus in respect of 2025, which is due to be paid in March 2026. The value of his bonus earned as a Director (from 1 January 2025 to 1 September 2025) is included in the single figure table on page 105. For the period 1 September to 12 November 2025 (the date he went on garden leave), his bonus (£93k) was calculated on the same basis. 40% of the total bonus will, in accordance with the current Policy, be deferred as an award under the DSP and will vest in accordance with the rules of the DSP in March 2029.

Andy was treated as a "good leaver" for the purposes of the DSP and LTIP awards. All unvested DSP awards will vest in line with normal timescales. Unvested LTIP awards will be pro-rated based on the proportion of the relevant vesting period employed and remain subject to the original performance conditions and time horizons including the post-vesting holding period. Following his departure, Andy will continue to comply with the post-cession shareholding requirement of 200% of base salary for two years.

Andy received £6,000 plus VAT for the reimbursement of legal costs associated with his departure.

Recovery provisions

The Committee may, at any time within two years of the LTIP and DSP vesting or annual bonus payment, determine that malus and/or clawback provisions should be applied, in circumstances of:

- material financial misstatement;
- fraud or misconduct;
- material failure of risk management and corporate failure;
- if assessment of a performance condition is found to have been based on an error, inaccuracy or misleading information; and,
- in other circumstances that the Committee considers justifying the operation of the clawback provision.

The Committee considers the above time horizons as appropriate as they provide sufficient time for any potential circumstances in which malus or clawback may be used to arise, and are aligned to the LTIP holding period.

The Committee is comfortable that malus and clawback provisions are effective and appropriate taking into account the nature of the business and its business cycle. The Committee can confirm that malus and/or clawback have not been operated during the year.

Statement of Directors' shareholding and share interests (audited information)

The shareholding guidelines under the current Policy require Executive Directors who receive shares by virtue of share plan awards, or who receive deferred bonus share awards under the DSP, to retain 50% of the shares received net (i.e., after income tax and National Insurance contributions) until the value of shares held is equal to at least 250% of salary for the CEO and 200% of salary for other Executive Directors. Only shares that are not subject to performance conditions count towards the shareholding requirement (shares owned by the Director and unvested awards subject to service only – DSP awards – on a net of tax basis). As noted on page 93, both Will Gardiner and Andy Skelton satisfy this requirement however Frank Lemmink has yet to satisfy this as he has five years from his date of appointment to meet this.

Remuneration Committee report continued

Directors' interests in shares (audited information)

The table below shows the shareholdings of the Directors, and their connected persons, as at 31 December 2025. The value is based on the mid-market quotation on 31 December 2025 of £8.378. There was no movement in share interests between 31 December 2025 and the last practicable date for recording changes prior to the date of publication.

Director	Number of beneficially owned ⁽¹⁾	Number of LTIP awards ⁽²⁾⁽³⁾	Number of DSP awards ⁽³⁾⁽⁴⁾	Number of SAYE options ⁽⁵⁾	Shareholding requirement as a % of salary	Shareholding as a % of salary at 31 December 2025 ⁽⁶⁾	Shareholding requirement met at 31 December 2025 ⁽⁷⁾
Executive Directors							
Will Gardiner	1,275,295	769,666	192,892	6,879	250%	1,593%	Yes
Frank Lemmink	–	356,860	–	–	200%	0%	No
Andy Skelton	672,917	232,777	105,179	4,063	200%	1,343%	Yes
Non-Executive Directors							
Andrea Bertone	–	–	–	–	–	–	–
John Baxter	17,500	–	–	–	–	–	–
Nicola Hodson ⁽⁸⁾	–	–	–	–	–	–	–
Kim Keating	–	–	–	–	–	–	–
David Nussbaum	–	–	–	–	–	–	–
Erika Peterman	–	–	–	–	–	–	–
Rob Shuter	80,000	–	–	–	–	–	–

Notes:

- The figures include 316,281 shares subject to a post-vesting holding period for Will Gardiner and 178,259 shares subject to a post-vesting holding period for Andy Skelton.
- LTIP awards are conditional share awards subject to ongoing performance conditions. For Andy Skelton, the number reflects the pro-rated number of shares following his retirement on 4 December 2025.
- Shares representing dividend equivalents are added on vesting.
- A proportion of annual bonus is deferred into shares which are not subject to further performance conditions.
- The 2025 five-year SAYE option is due to mature on 1 June 2030 and the 2025 three-year SAYE option is due to mature on 1 June 2028 with an option price of £4.528.
- The calculation for Will Gardiner includes 1,275,295 shares owned, plus 102,233 unvested DSP shares on a net of tax basis. The calculation for Andy Skelton includes 672,917 shares owned, plus 55,745 unvested DSP shares on a net of tax basis.
- Under the Policy, Frank Lemmink has five years from the date of appointment to meet the shareholding requirement
- Nicola Hodson stepped down from the Board on 23 May 2025.

Service agreements or contracts for services

The following table shows, for each Director of the Company as at the date this Annual Report and Accounts is published, or those who served as a Director of the Company at any time during the year ended 31 December 2025, the start date and term of the service agreement or contract for services, and details of the notice periods. A new service agreement was agreed during 2025 for John Baxter in April for an extension of his term in office.

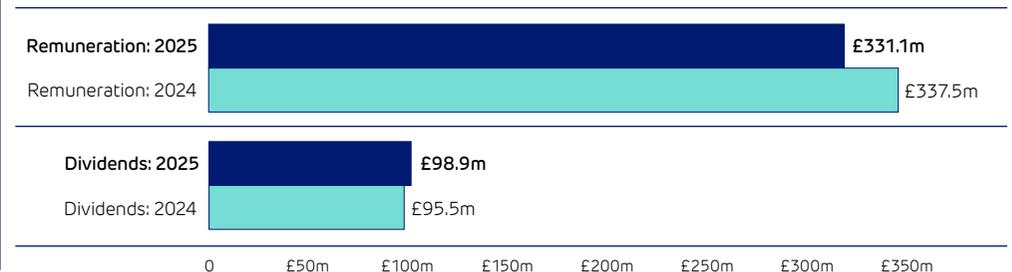
Director	Date appointed as a Director and member of the Board	Contract start date/ renewal date	Permitted contract term (years)	Notice period by the Company (months)	Notice period by the Director (months)
Will Gardiner	16 November 2015	–	Indefinite term	12	12
Frank Lemmink	01 September 2025	–	Indefinite term	12	12
Andy Skelton ⁽¹⁾	02 January 2019	–	Indefinite term	12	12
Andrea Bertone	24 August 2023	24 August 2023	3 years	6	6
John Baxter	17 April 2019	17 April 2025	3 years	1	1
Nicola Hodson ⁽²⁾	12 January 2018	12 January 2024	3 years	1	1
Kim Keating	21 October 2021	21 October 2024	3 years	1	1
David Nussbaum	01 August 2017	01 August 2023	3 years	1	1
Erika Peterman	21 October 2021	21 October 2024	3 years	1	1
Rob Shuter	11 June 2024	11 June 2024	3 years	6	6

Notes:

- Andy Skelton stepped down from the Board on 01 September 2025 and left Drax on 4 December 2025.
- Nicola Hodson stepped down from the Board on 23 May 2025.

Relative importance of spend on pay

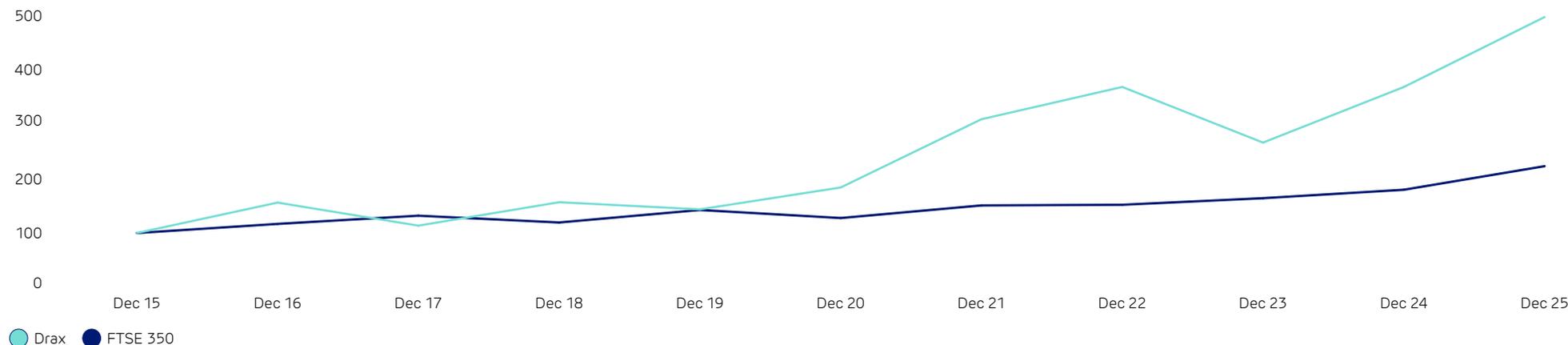
The table below illustrates the relative importance of spend on pay compared to distributions to shareholders. At the AGM on 30 April 2026, the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2025. The cost with respect to dividends for 2025 in the table below relates to the interim dividend, which was paid in October 2025, and the final dividend to be paid in May 2026, subject to approval by shareholders at the AGM.



Remuneration Committee report continued

Drax 10-year Total Shareholder Return performance to 31 December 2025

The graph below shows how the value of £100 invested in both Drax and the FTSE 350 Index (Index) on 31 December 2015 has changed. This Index has been chosen as a suitable broad comparator against which Drax’s shareholders may judge their relative returns given that Drax is a member of the Index. The graph reflects the TSR for Drax and the Index referred to on a cumulative basis over the period from 31 December 2015 to 31 December 2025.



CEO’s pay – last 10 financial years

Year	2016	2017	2018 ⁽¹⁾	2019	2020	2021	2022	2023	2024 ⁽²⁾	2025
Group CEOs total single figure (£000)	1,581	1,236	1,885	1,121	2,013	3,226	5,540	3,002	2,728	2,663
Bonus % of maximum awarded	88.00%	53.00%	53.00%	45.00%	45.00%	80.50%	87.50%	70.00%	69.50%	68.00%
LTIP award % of maximum vesting	15.43%	0.00%	57.63%	18.00%	57.20%	77.28%	100.00%	100.00%	100.00%	45.00%

Notes:

- (1) Dorothy Thompson stood down as CEO on 31 December 2017 and was replaced by Will Gardiner. The information reported from in 2016 and 2017 relates to the remuneration Dorothy Thompson earned. From 2018, this information relates to the remuneration of Will Gardiner.
- (2) The 2024 Group CEO total single figure, which includes LTIP, has been restated to reflect the actual share price on vesting of £5.739 on 18 March 2025.

Remuneration Committee report continued

Percentage change in Directors' remuneration compared with the wider employee population

The tables below show how the percentage change in the Directors' salary/fees, benefits and bonus between 2021 and 2025⁽¹⁾, compared to the percentage change in the average of each of those components of pay for a group of employees. There are several employer entities but no employees who are specifically employed by Drax Group plc. As a result, the Committee has selected all Group employees below Executive Director level based in the UK, as the majority of employees are based in the UK and this provides the most appropriate comparison.

	Salary/fees (percentage increase)					Taxable benefits (percentage increase)					Bonus (percentage increase)				
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025 ⁽⁸⁾
Will Gardiner ⁽²⁾	2.0%	10.7%	4.0%	4.0%	5.0%	0.0%	0.0%	0.0%	19.5%	521.7%	82.9%	20.3%	-15.9%	3.3%	2.7%
Frank Lemmink ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Andy Skelton	2.0%	8.1%	4.0%	4.0%	3.5%	0.0%	0.0%	0.0%	0.0%	N/A ⁽⁷⁾	82.9%	17.5%	-15.9%	3.3%	N/A
Andrea Bertone ⁽⁴⁾	-	-	-	-	3.5%	-	-	-	-	16.7%	-	-	-	-	-
John Baxter ⁽⁵⁾	2.0%	4.5%	4.1%	4.0%	73.4%	-	-	-	-	-	-	-	-	-	-
Nicola Hodson ⁽⁵⁾	2.0%	4.5%	6.5%	3.3%	64.1%	-	-	-	-	-	-	-	-	-	-
Kim Keating ^{(4) (5) (6)}	-	4.5%	4.1%	4.0%	97.0%	-	-	N/A	-	80.0%	-	-	-	-	-
David Nussbaum ⁽⁵⁾	2.0%	4.5%	6.5%	3.3%	77.2%	-	-	-	-	-	-	-	-	-	-
Erika Peterman ^{(4) (5)}	-	4.5%	4.1%	4.0%	73.4%	-	-	N/A	-	66.7%	-	-	-	-	-
Rob Shuter ⁽⁵⁾	-	-	-	-	64.1%	-	-	-	-	-	-	-	-	-	-
Average for UK employees	2.0%	4.5%	8.0%	5.0%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%	78.9%	8.7%	-13.6%	4.2%	2.8%

Notes:

- (1) Commentary on prior year data for the percentage change in Directors' remuneration can be found in the relevant year's annual report.
- (2) Effective 1 September 2024, Will Gardiner received health insurance for coverage outside of the UK due to his regular overseas business travel. The figure reported for 2024 includes the pro-rated international healthcare compared to full year coverage for 2025 (£36k). Will Gardiner also received professional services support in relation to tax compliance and advisory services in 2025 (£88k).
- (3) Frank Lemmink joined Drax as an Executive Director on 1 September 2025 and therefore the percentage change in fees has not been provided for previous years.
- (4) From January 2025, Travel allowances for the overseas NEDs were increased to recognise the additional time incurred attending Board meetings in the UK. These continue to be set in local currency.
- (5) Effective 1 January 2025, the fees for NEDs (excluding the Chair) were increased to reflect the market and to recognise the increased time commitment of the role.
- (6) Effective 18 June 2025, Kim became a Chair of the Remuneration Committee and received a fee for chairing the committee to reflect her additional responsibilities. The % change for Kim shows the difference between her fee as at 31 December 2024 vs 31 December 2025.
- (7) Andy Skelton's benefits based on his time as an Executive Director in 2025 is smaller due to the pro-ration therefore this is disclosed as N/A.
- (8) The bonus Scorecard outcome for 2025 for the Executive Directors (1.36) is lower than it was for 2024 (1.39). For the 2025 pay review, Will Gardiner received a higher increase than the wider UK wider workforce (5.0% vs 3.5%). This has resulted in a slightly lower difference in the overall bonus % change compare to the average UK employee (even though the scorecard for the wider workforce was higher (1.38). For Andy Skelton, based on his time as an ED in 2025, the overall bonus is smaller due to the pro-ration therefore this is disclosed as N/A.

Remuneration Committee report continued

CEO pay ratio

The table below sets out the CEO pay ratio for 2025, along with the comparative ratios since 2019. The pay ratios have been calculated using actual earnings for the CEO and UK employees. The CEO total single figure remuneration is given on page 105 of this report.

Financial Year	Methodology	25th Percentile Pay Ratio (P25)	50th Percentile Pay Ratio (P50)	75th Percentile Pay Ratio (P75)
2025	Option A	52:1	34:1	26:1
2024	Option A	62:1	38:1	29:1
2023	Option A	76:1	46:1	30:1
2022	Option A	114:1	79:1	57:1
2021	Option A	84:1	52:1	34:1
2020	Option A	65:1	38:1	25:1
2019	Option A	42:1	25:1	16:1

The methodology used for calculating all pay ratios was the same. For 2025, the total remuneration of all UK employees of the Group on 31 December 2025 has been calculated on a full-time (and full-year) equivalent basis using the single figure methodology and reflects their actual earnings for 2025. The only exception is for employees with Defined Benefit (DB) pensions, where the employer contribution to the respective schemes has been used in the calculation (rather than the single figure methodology) to reduce the administrative complexity. This is likely to undervalue the DB pension value. No adjustments, other than to achieve full-time and full-year equivalent rates, were made and no components of remuneration have been omitted. Of the three options permitted to calculate the percentiles, the Committee has chosen option A (the calculation of the total pay and benefits for 2025 for all UK employees on an FTE basis), as we believe it is the most robust and most statistically accurate method of the options permitted. Set out in the table below is the base salary and the total pay and benefits for each of the identified employees in respect of 2025.

Element	25th Percentile (P25)	50th Percentile (P50)	75th Percentile (P75)
Base Salary	£39,626	£54,850	£73,164
Total Pay and Benefits	£51,297	£78,831	£104,001

Base salaries of all employees, including Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The CEO has a larger portion of his pay based on the performance of the business than the individuals at P25, P50 and P75. The Committee believes that our senior executives should have a significant portion of their pay directly linked to the performance of the business but recognise that this does mean the pay ratios will fluctuate each year depending on business performance and associated outcomes of incentive plans.

The pay ratio reports a narrower gap between actual earnings of the CEO and UK employees (than compared to 2024 CEO pay ratios). This is primarily due to the impact of the bonus outturn and LTIP award vesting. In terms of the bonus, the outturn for 2025 was lower than the outturn for 2024. In terms of the LTIP, the outcome of the 2023 LTIP (which is scheduled to vest in March 2026) was 45% of the maximum, whereas the 2022 LTIP (which vested in March 2025) vested in full. These impacts have resulted in a lower reported figure for the total CEO remuneration for 2025.

The Group is comprised of different business units and teams with different levels of pay, including call centre staff, support staff and engineers. The Committee reviews information about employee pay, reward and progression policies of the Group and (given the relative differences in responsibilities of the roles, the pay relativities between grades within the organisation, and the positioning of pay versus the wider market) is comfortable that the median pay ratio is consistent with these policies.

Single total figure of remuneration – Non-Executive Directors (audited information)

The existing fees for the Chair and Non-Executive Directors were independently reviewed by Deloitte at the end of 2024. They were benchmarked against other UK-listed companies with significant global operations. Changes to their fee structure and quantum took effect from 1 January 2025, the changes and rationale for those changes was outlined 2024 annual report.

Through a routine audit undertaken by KPMG in 2025, a clerical error was identified in the deduction of tax for each of the three Non-Executive Directors based outside the UK. This occurred over the period December 2022 to August 2025, which impacted UK tax years 2022/23, 2023/24, 2024/25 and 2025/26. It has subsequently been agreed with each of the Directors that they will repay Drax the respective UK tax amount, concluding by December 2026. The total amount for Kim Keating and Erika Peterman is £38,578, respectively, and they both repaid these amounts to Drax before the end of 2025. Andrea Bertone's total amount is £92,676, of which £79,436 is outstanding at 31 December 2025, and this will be repaid before the end of 2026.

The table on the following page is the single figure of remuneration for each Non-Executive Director for 2025, together with comparative figures for 2024. The figures are rounded up to the nearest £1,000.

Remuneration Committee report continued

Director	Year	Base fee (£000)	Travel allowance (£000)	Additional fee for Senior Independent Director (£000)	Additional fee for chairing a Committee (£000)	Additional fee for being a Committee Member (£000)	Total (£000)
Andrea Bertone ⁽¹⁾	2025	299	27	-	-	-	326
	2024	289	24	-	-	-	312
John Baxter	2025	90	-	-	-	20	110
	2024	64	-	-	-	-	64
Nicola Hodson ⁽²⁾	2025	36	-	-	10	4	50
	2024	64	-	-	13	-	77
Kim Keating ⁽³⁾	2025	90	20	-	15	14	138
	2024	64	12	-	-	-	75
David Nussbaum	2025	90	-	25	-	20	135
	2024	64	-	13	-	-	77
Erika Peterman ⁽⁴⁾	2025	90	19	-	-	20	129
	2024	64	12	-	-	-	76
Rob Shuter ⁽⁵⁾	2025	90	-	-	25	10	125
	2024	36	-	-	8	-	43

- (1) As Andrea is based in the US, her fee was paid in US dollars. Her base fee was in line with the fee structure in the Policy and was converted into US dollars based on the exchange rate £1=\$1.37.
- (2) Nicola Hodson stood down as a Director in May 2025 and received a pro-rated payment of her fees up until her date of departure.
- (3) Kim Keating is based in Canada and her fee was paid in Canadian dollars. Her base fee was in line with the fee structure in the Policy and was converted into Canadian dollars based on the exchange rate £1=C\$1.72. From June 2025, Kim received a pro-rated additional fee for chairing the Remuneration Committee.
- (4) Erika Peterman is based in the US and her fee was paid in US dollars. Her base fee was in line with the fee structure in the Policy and was converted into US dollars based on the exchange rate £1=\$1.37.
- (5) Rob Shuter joined the Board as a Non-Executive Director in June 2024 and received a pro-rated base fee and additional fee for chairing the Audit Committee.

Statement of Implementation of the Remuneration Policy in 2026

This section sets out the proposed implementation of the Policy in 2026. No deviations from the procedure for the implementation of the Policy are proposed.

Base salary

Below are the base salaries of the Executive Directors which took effect from 1 January 2026. There are no further planned increases for 2026. These increases are 3.5%, which are in line with the average increase of the wider workforce as part of the 2026 pay review process.

	Base salary as at 1 January 2025/joining (000)	Base salary as at 1 January 2026 (000)	Percentage increase
Will Gardiner	£724	£750	3.5%
Frank Lemmink	£495	£513	3.5%

Benefits and pension

There are no changes intended to the benefits provided to the Executive Directors. The employer contributions for Will Gardiner and Frank Lemmink will remain at 10% of base salary, which is aligned with the rate of new joiners to the UK wider workforce.

Annual bonus

The targets for the 2026 Group bonus scorecard was approved by the Committee in December 2025. The bonus awards for colleagues across the Group in 2026, including the two Executive Directors, will be subject to the performance against the 2026 Group Scorecard.

The delivery of Group EBTIDA budget makes up the majority weighting of the 2026 Group Scorecard (55%).

The delivery of critical strategic milestones is essential to Drax advancing its strategic aims. For 2026, there will be two. The first will focus on reducing third-party spend which is a key factor in reducing Drax's cost base by the end of 2026. The second will focus on delivering key strategic projects which will be disclosed in the 2026 annual report. Both will have a 12.5% weighting.

HSE and ESG performance will continue to have a 20% weighting in the 2026 Group Scorecard. HSE performance will continue to be assessed against one leading indicator and one lagging indicator. The leading indicator is the Near Miss and Hazard Identification Rate (NMHIR) which is measured based on the number of environmental, safety and process safety observations across all operations and locations. The lagging indicator is Total Recordable Incident Rate (TRIR), measured at a Group level with the overall target built up based on local business area targets.

ESG will be represented by three measures. The first is a carbon reduction measure, which is based on a total tonnes of carbon reduction in 2026. This performance measure is the Environmental dimension of ESG. The second focuses on improving diversity, equity and inclusion (DEI) and this will take the form of a DEI target, derived from an all-employee opinion survey administered by Workday Peakon. The DEI target is the Social dimension of ESG and also aligns with our People Positive element of the Group's strategy. Compliance is the Governance dimension of ESG, which is integral to our business and that the Board regards as a core part of our licence to operate.

Finally, underpinning the bonus plan is a modifier which can be applied to reduce the overall formulaic bonus outcome, if the Committee considers it appropriate. The Committee has discretion to apply the modifier if any of the following events were to occur: a major breach in safety; a major environmental, community or biomass sourcing event; or a major compliance breach or failure.

The performance metrics, targets and outturns of the 2026 Group Scorecard will be disclosed in the 2026 Annual Report on Remuneration.

Remuneration Committee report continued

LTIP

The Committee will grant LTIP awards to Executive Directors of 400% of salary for the CEO and 350% of salary for the CFO, made up of a core LTIP opportunity of 250% and 220% and a stretch LTIP opportunity of 150% and 130% of salary, respectively, as soon as practicably possible in May, following Drax's 2026 AGM.

For the core element, TSR performance will be assessed versus the constituents of the FTSE 350 with threshold vesting (25% of maximum) for performance in line with the median and maximum vesting for performance in line with upper quartile. TSR performance will be measured over the period 1 January 2026 to 31 December 2028. For the EPS element, targets for the 2026 grant have been agreed by the Committee at the meeting in February. The targets were considered similarly challenging to those set in prior years having had regard to current commercial circumstances. The EPS target was set after considering the Company's internal forecasts, market expectations and sector peers. The EPS target is "Adjusted EPS", derived from Adjusted Results as reported in the Company's audited financial statements. Instances where such adjustments might apply include acquisition and restructuring costs, asset obsolescence charges and certain remeasurements on derivative contracts. EPS performance will be measured over the period 1 January 2026 to 31 December 2028 and vesting will be in accordance with the following schedule. Note, vesting between the threshold and maximum will be on a straight-line basis.

Performance	Target	% of Award Vesting (for EPS performance)
Below threshold	<170.3p	0%
Threshold	170.3p	25%
Maximum	230.3p	100%

For the stretch element, performance will be assessed on the delivery of stretching Absolute TSR targets. The performance period will run from 1 January 2026 to 31 December 2028. Vesting is also conditional on Drax achieving upper quartile TSR to the FTSE 350 over the same period. The Absolute TSR targets have been calculated based on share price growth plus dividends, divided by a base share price. The base share price used is the average share price between 1 July 2025 and 31 December 2025, which aligns with the base period for the Relative TSR performance metric in the core element. Share price growth is the average share price between 1 July 2028 and 31 December 2028, less base share price.

An achievement of the 100% maximum Absolute TSR target would mean an investor would see a return equivalent to double the base share price.

Performance	Target	% of Award Vesting (for Absolute TSR performance)
Below threshold	<50%	0%
Threshold	50%	0%
Maximum	100%	100%

The Committee retains discretion to restate or make adjustment to those targets in appropriate circumstances. This would take account of the importance of such performance targets fulfilling their original intent ensuring that they are not more or less challenging than intended when set, and considering the impact of relevant events in the performance period. Any amendments would be disclosed in the Remuneration Report at the relevant time.

Non-Executive Directors' fees

The annual fee structure for the Non-Executive Directors for 2026 is shown in the table below. The base fee for the Chair and Non-Executive base fee was increased by 3.5%, effective 1 January 2026. This is consistent with the average increase of the wider workforce as part of the 2026 annual pay review process.

There was no change to the additional fees for chairing a committee, committee membership or for the Senior Independent Director. There is also no change to the travel allowance provided.

Director	Fees at 1 January 2025 (£)	Fees at 1 January 2026 (£)
Chair ⁽¹⁾	298,500	309,000
Non-Executive Director base fee ⁽¹⁾	90,000	93,150
Supplemental fee for Committee membership	10,000	10,000
Senior Independent Director	25,000	25,000
Audit Committee Chair	25,000	25,000
Remuneration Committee Chair	25,000	25,000
Nomination Committee Chair	25,000	25,000

Notes:

(1) The 2026 fees for the Chair and the two Non-Executive Directors based outside of the UK are paid in their local currency.

Remuneration Committee report continued

Shareholder voting

The table below shows the voting outcome at the 2025 AGM on the 2024 Annual Report on Remuneration. The votes cast represent 70.68% of the issued share capital. In addition, shareholders holding 18,829 shares withheld their votes.

Voting on the 2024 Annual Report on Remuneration	For	Against
Number of votes	242,773,772	9,450,240
Proportion of votes	96.25%	3.75%

The table below shows the voting outcome for the Directors' Remuneration Policy at the 2023 AGM. In addition, shareholders holding 563,770 shares withheld their votes.

Voting on the 2023–2025 Directors' Remuneration Policy	For	Against
Number of votes	287,599,357	7,978,420
Proportion of votes	97.30%	2.70%

Adviser to the Committee

The adviser to the Committee for the year was Deloitte. Deloitte are an independent remuneration adviser and were appointed by the Committee in October 2024. Deloitte were paid fees in 2025 in relation to advising the Committee and on broader HR matters. Deloitte were paid £130,300 excluding VAT, during 2025 in respect of advice given to the Committee determined on a time and material basis.

Deloitte are members of the Remuneration Consultants Group and are signatory to its Code of Conduct. The Committee is satisfied that the advice it received from Deloitte was, and remains, objective and independent. Deloitte has no other connection with the Company other than stated here, or individual Directors, and Deloitte have confirmed that there are no conflicts of interest.

This report was reviewed and approved by the Remuneration Committee.

Kim Keating

Chair of the Remuneration Committee

25 February 2026

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the audited Consolidated financial statements and Auditor's report for the year ended 31 December 2025. The Directors' report required under the Companies Act 2006 (the Act) is comprised of this report, the Corporate Governance report, and the Audit, Nomination and Remuneration Committee reports.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 7.1 to the consolidated financial statements on page 215.

Directors

The names of those who served as a Director during the period can be found in the Board Meeting Attendance table on page 70.

The appointment and replacement of Directors is governed by the Company's Articles of Association (Articles), the UK Corporate Governance Code, the Act and related legislation. See Articles 77 to 86 of the Company's Articles, available on the Company's website at www.drax.com/about-us/corporate-governance/compliance-and-policies/.

Annual General Meeting (AGM)

The AGM will be held at 10am on Thursday 30 April 2026 at 200 Aldersgate, St. Paul's, London EC1A 4HD. A separate document contains the notice convening the AGM and includes an explanation of the business to be conducted at the meeting.

Dividends

Details of dividends in respect of the 2025 financial year can be found under section 2.9 of the financial statements. Details of past dividends can be found on the Company's website at www.drax.com/investors/shareholder-information/dividends/.

Share capital, substantial shareholdings and the authority to purchase own shares

Drax Group plc is listed on the London Stock Exchange and currently trades as part of the FTSE-250 Index, under the symbol DRX and with the ISIN number GB00B1VNSX38.

The Company has only one class of equity shares, being ordinary shares of 11¹⁶/₂₉ pence each, with each ordinary share having one vote. Shares held in treasury do not carry voting rights. Details of movements in the Company's issued share capital can be found in note 4.4 to the consolidated financial statements on page 197.

Authority to purchase own shares

At the 2025 AGM, shareholders authorised the Company to make market purchases of up to 10% of the issued ordinary share capital. At the 2026 AGM, shareholders will be asked to renew the authority to make market purchases of up to 10% of the issued ordinary share capital. More details on Resolution 20 can be found in the Notice of Meeting. During 2025, the Company purchased a total of 34,073,669 ordinary shares across both the Company's £300 million share buyback programme, which completed on 8 October 2025, and the current £450 million three-year buyback extension.

Shares in issue

At 1 January 2025	427,770,766
Issued in period	4,400,997
At 31 December 2025	432,171,763
Treasury shares at 31 December 2025	91,788,405
Total voting rights at 31 December 2025	340,383,358
Issued between 1 January and 24 February 2026	89,977
At 24 February 2026	432,261,740
Treasury shares at 24 February 2026	94,255,867
Total voting rights at 24 February 2026	338,005,873

Interests in voting rights

As at 24 February 2026, the following information had been received in accordance with DTR5 from holders of notifiable interests in the voting rights of the Company. The information provided below was correct at the date of notification. However, investors are only obliged to notify the Company when a notifiable threshold is crossed and therefore it should be noted that the holdings below may have changed but without crossing a threshold.

	Date last notification made	Number of voting rights directly held	Number of voting rights indirectly held	Number of voting rights in qualifying financial instruments	Total number of voting rights held	% of the issued share capital held ⁽¹⁾
Invesco Limited	22 Oct 2020	–	38,578,024	–	38,578,024	9.71%
Schroders plc	24 Sept 2024	–	18,741,922	–	18,741,922	4.90%
Orbis Holdings Limited	10 Mar 2025	–	17,067,417	–	17,067,417	4.70%

Notes:

(1) As at the date of the last notification made to the Company by the investor, in compliance with DTR.

Rights and obligations attaching to shares

The rights attaching to the Company's ordinary shares are set out in the Articles, available on the Company's website at www.drax.com/uk/compliance-and-policies/. The Articles may only be changed by shareholders by special resolution.

Colleague engagement

Details of how the Company has engaged with employees during 2025 can be found in Stakeholder Engagement on page 61. Details of how the Board has considered the interests of employees in key decision making can be found in the section 172 statement from page 60.

Directors' report continued

Disabled employees

The Company gives full consideration to applications for employment by disabled persons, bearing in mind the aptitudes of the applicant concerned. If an employee becomes disabled, every effort is made to ensure their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group that the training, career development, and promotion of disabled persons should, so far as possible, be identical to that of other employees.

Political donations

Drax is a politically neutral organisation and did not make any political donations or incur any political expenditure (within the ordinary meaning of those words) in 2025. The Company regularly engages with regulators and policymakers (including those associated with political parties and governments) to listen and contribute to discussions on a wide range of matters. Our Political Engagement Policy can be found on the Company's website at: www.drax.com/about-us/corporate-governance/compliance-and-policies/drax-political-engagement-policy/.

Due to the broad definition of political donations under the Act, and as a matter of good governance and transparency, we have provided information on areas of expenditure incurred as a result of this engagement which may be regarded as falling within the scope of the Act.

During 2025, Drax attended conferences organised by political parties, spending a total of £15,777 (2024: £20,817). This included the purchasing of attendance passes to the Labour Annual Party Conference (£12,340), Conservative Annual Party conference (£2,837), and the Reform UK Annual Party Conference (£600). Drax also attended an event at the Liberal Democrat Party Conference, but it was not necessary to purchase an attendance pass. These events allow Drax to present its views on a non-partisan basis to politicians from across the political spectrum and non-political stakeholders such as NGOs and other listed and non-listed companies. These payments do not indicate support for any political party. Overall, the recipients were the Conservative Party (£2,837), the Labour Party (£12,340), and Reform UK (£600).

At the 2026 AGM, Drax will be seeking renewal from shareholders of the existing authority approved at the 2025 AGM. More details are contained in the Notice of Meeting.

Other significant agreements and change of control

Other significant agreements that the Group has entered into include the borrowings facilities described in section 4.2 on page 192 of the financial statements, the receivables monetisation facility described in section 4.3 on page 195, and the sustainability-linked revolving credit facility (RCF) described in section 4.2 on page 192.

As at 31 December 2025, the Company had agreements for committed credit facilities, loan notes, private placements, collateral, and a receivables monetisation facility, with a number of counterparties, which, on a change of control of the Company following a takeover bid, may alter or terminate. No other agreements that take effect, alter, or terminate upon a change of control of the Company following a takeover bid are considered to be significant in terms of their potential impact on the business as a whole.

Directors' interests and indemnity arrangements

Other than a service contract between the Executive Directors and a Group company, no Director had a material interest at any time during the year in any significant contract with the Company or any of its subsidiary undertakings. There are no agreements between the Group and its Directors providing for compensation for loss of office or employment because of a takeover bid. The Company has appropriate indemnity insurance cover in place in respect of legal action against Directors of the Company and its subsidiaries.

The Company also indemnifies the Directors under deeds of indemnity for the purposes of section 236 of the Companies Act 2006. Such indemnities contain provisions that are permitted by the Director liability provisions of the Companies Act 2006 and the Company's Articles of Association.

Strategic report

The Strategic report on pages 1 to 50 contains disclosures in relation to workforce engagement, stakeholder engagement, diversity, Greenhouse Gas emissions, streamlined energy and carbon reporting requirements (SECR), future development and research activities.

Post balance sheet events

None to report.

Auditors and the disclosure of information to the auditor

So far as each person serving as a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing the report, of which the auditor is unaware. Having made enquiries of fellow directors, each Director has taken all steps that they ought to have taken as a Director to ascertain any relevant audit information and to establish that the auditor is aware of that information. This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act. Further details on the work of the auditor and the Audit Committee are set out in the Audit Committee report on pages 77 to 86.

Disclosures required under Listing Rule 6.6.4

The information required to be disclosed in accordance with Listing Rule 6.6.4 of the Financial Conduct Authority's Listing Rules can be located in the following pages of this Annual Report and Accounts:

Section	Information to be included	Location
1	Statement of the amount of interest capitalised	Note 2.5 on page 159
2, 4 – 13		Not applicable

The Directors' report was approved by the Board on 25 February 2026 and is signed by order of the Board by:

Hillary Berger
Group Company Secretary

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Accounting Standards and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), set out in FRS 101 – Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

This responsibility statement was approved by the Board of Directors on 25 February 2026 and is signed on its behalf by:

Will Gardiner
CEO

Financial statements

We're committed to being a good neighbour in the communities where we operate.

...→ ENABLING A SECURE ENERGY TRANSITION



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Independent Auditor's report to the members of Drax Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Drax Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2025 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise:

- the Consolidated balance sheet as at 31 December 2025;
- the Company balance sheet as at 31 December 2025;
- the Consolidated income statement for the year then ended;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 2.3, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Drax Group produces biomass in the US and Canada, generates energy in the UK and sells energy to corporate customers in the UK. The Group is headquartered in the UK. As we undertook each phase of the audit, we regularly reconsidered our risk assessment to reflect audit findings, including our assessment of the Group's control environment, and the impact on our planned audit approach. We considered the following areas to be of most significance in our audit of the financial statements and therefore we have included these as key audit matters: Recoverability of assets in the Northern Pellets CGU (group), reflecting challenges in the performance of this business; Recoverability of assets in the Biomass CGU (group), reflecting reduced expected future cash flows predominantly as a result of new tariff arrangements from 2027; and Recoverability of the carrying value of investments in subsidiary undertakings (parent), reflecting the relative significance of the investment value to the Company financial statements.

Overview

Audit scope

- We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the industry in which the Group operates, and our assessment of audit risk.
- We identified six components within the Group which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics. We also audited material consolidation journals.
- This covered approximately 98% of the Group's revenue and approximately 96% of the Group's Adjusted EBITDA. These coverages are based on absolute values.
- Audit procedures were also carried out over specific balances of a further seven components, either due to their size or risk characteristics.
- The Company has one reporting component which was subject to a full scope audit for the purposes of the Company financial statements.

Independent Auditor's report to the members of Drax Group plc continued

Key audit matters

- Recoverability of assets in the Northern Pellets CGU (group)
- Recoverability of assets in the Biomass CGU (group)
- Recoverability of the carrying value of investments in subsidiary undertakings (parent)

Materiality

- Overall group materiality: £24.8m (2024: £23.3m) based on approximately 2.5% of the last three years' average Adjusted EBITDA.
- Overall company materiality: £11.0m (2024: £10.9m) based on approximately 1% of total assets.
- Performance materiality: £18.6m (2024: £17.5m) (group) and £8.3m (2024: £8.2m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation and presentation of derivative financial instruments (Group), which was a key audit matter last year, is no longer included because of changes previously agreed to the presentation of derivative financial statement in the prior year, and the findings of our audit work over valuation of derivative financial instruments in the prior year which supported the view that management's valuation processes are effective. Otherwise, the key audit matters below are consistent with last year.

Independent Auditor's report to the members of Drax Group plc continued

Key audit matter

Recoverability of assets in the Northern Pellets CGU (group)

At 31 December 2025, the carrying value of Northern Pellets CGU was £84.2m after recording an impairment charge of £194.1m (see note 2.4).

An impairment indicator was identified in the Northern Pellets CGU. This reflected a challenging trading environment for the business both with respect to legacy contracts at low margins and high overhead costs leading to losses in the business. An impairment test was performed using fair value less costs of disposal which resulted in an impairment of £194.1 million.

Assessing the fair value less costs of disposal involved significant estimation due to the inherent uncertainty in forecasting future cash flows a market participant could realise which included assumptions over future sales prices, fibre supply costs and overhead costs. Determining a discount rate which incorporated an appropriate risk premium a market participant would expect also involved significant estimation.

How our audit addressed the key audit matter

To address this key audit matter, the following audit procedures were performed:

- **Understanding and testing of relevant controls:** We obtained an understanding of the design and implementation of key controls relating to the calculation of fair value less costs of disposal, including key assumptions used in the impairment model.
- **Assessment of methodology:** We evaluated management's assessment of the appropriate basis for determining the recoverable amount in accordance with IAS 36, including consideration of both value in use and fair value less costs of disposal. Based on this assessment, we evaluated the appropriateness of management's use of a fair value less costs of disposal model and tested the integrity and mathematical accuracy of the model.
- **Testing of assumptions:** We tested key assumptions in the cash flow forecasts, including future sales prices, fibre supply costs and overhead costs, volume growth, and reduced cost of production, as well as the discount rate. Our work was supported by our valuation experts to assess the calculation of the discount rate and to compare this against external data sources.
- **Sensitivity analysis:** We assessed management's sensitivity analysis as well as performing our own sensitivities to evaluate the impact of reasonably possible changes in key assumptions on the recoverable amount of goodwill.
- **Historical accuracy:** We compared past cash flow forecasts to actual results to assess the historical accuracy of management's forecasting.
- **Disclosure review:** We reviewed the disclosures in note 2.4 of the financial statements to ensure they appropriately describe the key assumptions and areas of estimation uncertainty related to the carrying value of the Northern Pellets CGU, as well as the disclosure of management's sensitivities in accordance with IFRS requirements.

These procedures provided sufficient appropriate audit evidence to conclude that the impairment in the Northern Pellets CGU and the carrying value of assets in the CGU at 31 December 2025 is not materially misstated, and the related disclosures were appropriate.

Recoverability of assets in the Biomass CGU (group)

At 31 December 2025, the Group reported a carrying value of £1,412.3m, including goodwill of £156.7m, related to the Biomass CGU (see note 2.4).

An impairment indicator was identified in the Biomass CGU reflecting the lower future expected cashflows under the bridge mechanism from 2027 to 2031, and the continued uncertainty over cashflows beyond the end of the bridge mechanism after 2031.

An impairment test was performed using a value in use model which resulted in no impairment in value. Value in use models involve significant estimation due to the inherent uncertainty in forecasting future discounted cash flows. The assumptions identified which had the most significant impact on the value in use related to the discount rate, output, energy prices, optimisation revenues, and the impact of climate transition risks, including future Government policy on Biomass generation which may impact the nature of any future pricing mechanism beyond 2031.

To address this key audit matter, we performed the following audit procedures:

- **Understanding and testing of relevant controls:** We obtained an understanding of the design and implementation of key controls relating to the calculation of value in use, including key assumptions used in the impairment model.
- **Assessment of methodology:** We evaluated the appropriateness of the Group's value in use methodology in accordance with IAS 36 and tested the integrity and mathematical accuracy of the model.
- **Testing of assumptions:** We tested key assumptions used in the cash flow forecasts, including output, energy prices, optimisation revenues, the discount rate, and pricing mechanisms beyond 2031. Our work was supported by our valuation and energy experts to assess the discount rate, future energy price curves, optimisation revenues and to evaluate likely pricing mechanisms beyond 2031.
- **Sensitivity analysis:** We assessed management's sensitivity analysis as well as performing our own sensitivities to evaluate the impact of reasonably possible changes in key assumptions on the recoverable amount of the Biomass CGU.
- **Historical accuracy:** We compared past cash flow forecasts to actual results to assess the historical accuracy of management's forecasts.
- **Disclosure review:** We reviewed the disclosures included in the key sources of estimation uncertainty and notes 2.4 and 3.1 to the financial statements, to ensure they appropriately describe the key assumptions and areas of estimation uncertainty related to the carrying value of the Biomass CGU, as well as the disclosure of management's sensitivities in accordance with IFRS requirements.

These procedures provided sufficient appropriate audit evidence to conclude that the carrying value of the Biomass CGU as at 31 December 2025 is not materially misstated, and we found the related disclosures to be appropriate.

Key audit matter

Recoverability of the carrying value of investments in subsidiary undertakings (parent)

As at 31 December 2025, the Company reported investments in subsidiary undertakings of £785.1m (see note 5 to the Company financial statements). Management are required to evaluate whether there are any indicators of impairment of investments at the balance sheet date, and if any indicators are identified an impairment test is performed to evaluate if there is an impairment in value. No indicators of impairment were identified and therefore no impairment was recorded in respect of the carrying value of investments in subsidiary undertakings.

The assessment of impairment indicators involves significant judgment. It requires management to assess the performance of subsidiary undertakings, as well as evaluating other relevant factors including, but not limited to, market conditions, regulatory changes, impact of climate change, market capitalisation of the Group, and operational performance.

How our audit addressed the key audit matter

To address this key audit matter, we performed the following audit procedures:

- **Assessment of management’s paper:** We obtained and read management’s assessment of impairment indicators and confirmed that the considerations set out in their paper supported the conclusion that there were no indicators of impairment.
- **Evaluation of potential impairment triggers:** We evaluated management’s considerations set out within their paper to ensure that the facts they had considered were consistent with our understanding of the Group, and that all relevant factors we would expect to be considered were reflected in their considerations. Our work was informed based on our knowledge and understanding of the Group obtained during the course of our audit, as well as our consideration of wider impacts on the industry in which the Group operates, for example climate change.
- **Evaluation of other evidence:** We also independently assessed the risk of impairment by comparing the carrying value of the investments in subsidiary undertakings to the market capitalisation of the Group to confirm that the investment carrying value did not exceed the market capitalisation as at 31 December 2025.
- **Disclosure review:** We reviewed the disclosures included within note 5 of the Company accounts and assessed these to confirm that they were consistent with management’s impairment trigger assessment and our audit work in this area.

Based on the audit work performed we found that the assessment of the recoverability of the carrying value of investments in subsidiary undertakings and the related disclosures in the financial statements were appropriate.

Independent Auditor's report to the members of Drax Group plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group has four key segments – Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions, as well as certain centralised functions, and these segments are comprised of a number of individual reporting components. The Group's financial statements are a consolidation of these reporting components and consolidation journals.

In determining our overall scope for the Group audit, we first obtained a comprehensive understanding of the Group and its environment, including the evaluation of group-wide controls, assessed risks of material misstatement at the Group level, and evaluated the relative size and complexity of individual components to the Group audit and the reportable segments.

The reporting components vary in size, and we identified six reporting components that required an audit of their complete financial information due to their individual risk and/or size characteristics.

We performed further audit procedures on specific financial statement balances that were identified due to their size and/or risk profile at a further seven components. We also audited material consolidation journals.

The work over the Northern and Southern Pellet Operations components was performed by a PwC component team in Canada, under the supervision and direction of the Group audit team. The involvement of the Group audit team included attending component clearance meetings, review of their supporting working papers, together with additional procedures performed at group level, to obtain the evidence required for our opinion on the financial statements as a whole. All audit work over the remaining components and consolidation journals was performed by the Group audit team.

The Company has one reporting component which was subject to a full scope audit for the purposes of the Company financial statements.

The impact of climate risk on our audit

We made enquiries with management to understand the processes they adopted to assess the impact of climate risk on the Group's financial statements and disclosures made within the Annual Report.

The key areas of the financial statements where management evaluated that climate risk could have a significant impact are set out in note 3.8.

We assessed management's evaluation of the areas most impacted by climate risk in the financial statements and concluded that management's evaluation was appropriate. The most significant climate related risk we identified related to government policies and regulations in respect of biomass energy generation. This risk was incorporated into our audit work over impairment of non-current assets (including challenging assumptions within management's cash flow forecasts

to ensure these appropriately reflected climate related risks); and evaluating the useful economic life of property, plant and equipment. We also read other disclosures included within the Annual Report, including the Sustainable Development section, the Group's TCFD disclosures and the Viability statement to ensure that these were fair, balanced and understandable in the context of how climate risks may impact the Group in the future, and that they complied with relevant laws and regulations with respect to disclosure requirements by listed companies.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£24.8m (2024: £23.3m).	£11.0m (2024: £10.9m).
How we determined it	Approximately 2.5% of the last three years' average Adjusted EBITDA.	Approximately 1% of total assets.
Rationale for benchmark applied	We have selected Adjusted EBITDA as our benchmark for materiality because it is a key performance measure disclosed to users of the financial statements which features prominently in the Annual Report and other shareholder communications. Adjusted EBITDA is also a key metric used in determining executive remuneration, accounting for 40% of the annual bonus outcome. To account for volatility due to recent fluctuations in energy prices, we have used a three year average of Adjusted EBITDA as our benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of a holding Company, and is a generally accepted auditing benchmark.

Independent Auditor's report to the members of Drax Group plc continued

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £3.2m to £22.3m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £18.6m (2024: £17.5m) for the group financial statements and £8.3m (2024: £8.2m) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2m (group audit) (2024: £1.2m) and £0.55m (company audit) (2024: £0.55m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment and related cash flow and covenant forecast model that support their conclusions with respect to the going concern basis of preparation of the financial statements;
- Assessing the integrity and testing the mathematical accuracy of management's forecast model;
- Evaluating the historical accuracy of the budgeting process to assess the reliability of forecasts;
- Evaluating management's base case forecast and severe but plausible downside scenario, challenging the appropriateness of the underlying assumptions, including corroborating these to appropriate sources of audit evidence, verifying the opening cash position within the forecast, and confirming the level of committed borrowing facilities available to the Group;
- Assessing the appropriateness of management's severe but plausible downside scenario by reference to our knowledge obtained of the Group during our audit and consideration of wider industry and macro-economic factors;
- Reviewing the terms of the Revolving Credit Facility ("RCF") and other borrowing and working capital arrangements to assess the terms of the available facilities, including covenant requirements;
- Evaluating management's analysis of both liquidity and covenant compliance to ensure that no breaches in covenants are anticipated over the assessment period, to confirm that the Group maintains sufficient liquidity headroom, and testing the calculation of covenant forecasts to confirm these are accurate;

- Reviewing management accounts for the financial period from the year end to the end of January 2026 to confirm that performance in January 2026 is in line with forecasts used in the going concern assessment; and
- Reading the disclosures made in respect of going concern included in the financial statements to ensure that these are consistent with management's going concern assessment and the findings from our going concern procedures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Independent Auditor's report to the members of Drax Group plc continued

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofgem regulations applicable to energy generators and energy suppliers in the UK, including biomass sustainability requirements, and environmental and health and safety regulations applicable in the UK, US and Canada, and we

Independent Auditor's report to the members of Drax Group plc continued

considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules, the Companies Act 2006 and tax legislation in the UK, US and Canada. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the overstatement of Adjusted EBITDA through posting manual journal entries to manipulate financial performance, or the exercise of management bias in material accounting judgements and estimates, including the accounting for significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, including Group Legal Counsel and the Group Regulation and Compliance Director, to understand and evaluate known or suspected instances of non-compliance with laws and regulations or fraud;
- Read correspondence with Ofgem in respect of regulatory investigations;
- Understood and evaluated management's controls designed to prevent and detect non-compliance with laws and regulations and fraud;
- Reviewed board minutes and internal audit reports throughout the year and subsequent to the year end, up to the date of our audit opinion;
- Identified and tested unusual journal entries which increased reported Adjusted EBITDA, and could represent a heightened risk of manipulation of the financial performance of the business, to ensure the journal entries are appropriate;
- Tested period end adjustments, with specific focus on any adjustments that increase reported Adjusted EBITDA; and
- Assessed material accounting judgements and estimates including those applicable to significant one-off or unusual transactions that could increase reported Adjusted EBITDA to ensure that these are appropriate and do not indicate any evidence of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2024. Our uninterrupted engagement covers two financial years.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Matthew Hall (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Leeds

25 February 2026

Financial statements

Introduction

The Consolidated financial statements provide detailed information about the financial performance (Consolidated income statement and Consolidated statement of comprehensive income), financial position (Consolidated balance sheet), reserves (Consolidated statement of changes in equity), and cash flows (Consolidated cash flow statement) of Drax Group plc (the Company) together with all entities controlled by the Company (collectively, the Group).

The notes to the Consolidated financial statements provide additional information on the items in the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity and Consolidated cash flow statement. The notes include explanations of the information presented. In general, the additional information in the notes to the Consolidated financial statements is required by law, International Financial Reporting Standards (IFRS) or other regulations to facilitate increased understanding of the primary statements set out on pages 135 to 139 as well as voluntary information which management believes users of the accounts may find useful, in line with the principles of IFRS.

Basis of preparation

The Consolidated financial statements have been prepared in accordance with the United Kingdom adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

The Consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at fair value (principally derivative financial instruments) and the assets and liabilities of the Group's defined benefit pension scheme (measured at fair value and using the projected unit credit method respectively).

The Consolidated financial statements are presented in pounds sterling, the functional currency of the Company and the Group's presentational currency, rounded to the nearest million to one decimal place unless stated otherwise.

Foreign currency transactions

Each entity in the Group determines its own functional currency and items included in the results of each entity are measured using that functional currency. Transactions in currencies other than an entity's functional currency are initially recorded in the transaction currency and translated into the entity's functional currency at the average monthly exchange rate to the extent that this approximates the exchange rate prevailing at the date of the transaction. If the average monthly exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, income and expenditure are translated at the rates prevailing at the date of the transaction.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary items measured at historical cost are translated at the date of the transaction using the average monthly exchange rate to the extent that this approximates the exchange rate prevailing on the date the transaction occurred. Non-monetary items that are measured at fair value are translated at the exchange rate at the date when the fair value was determined. Foreign exchange gains and losses arising on such translations are recognised in the Consolidated income statement within foreign exchange gains or losses. Foreign exchange gains or losses on qualifying cash flow hedges are recognised in other comprehensive income (OCI) within the Consolidated statement of comprehensive income and deferred within equity to the extent the hedges are effective, until the hedged item occurs.

Foreign operations

The assets and liabilities of foreign operations with a functional currency other than sterling are translated into sterling using the exchange rates prevailing at the reporting date. The income and expenditure of such operations are translated into sterling using the average monthly exchange rate to the extent that this approximates the exchange rates prevailing at the date of the transactions. If the average monthly exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, income and expenditure are translated at the rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the retranslation of the foreign operation's net assets, and its results for the year, are recognised in OCI within the Consolidated statement of comprehensive income.

Climate change

The impact of climate change has been considered throughout the preparation of the Annual report and accounts. In particular, and in compliance with the FCA Listing Rules 9.8.6(8), the Task Force on Climate-related Financial Disclosures (TCFD) section of the Strategic report contains information on the four recommendations and 11 recommended disclosures of the TCFD. Consideration in respect of the Consolidated financial statements focused on:

- Critical accounting judgements and key sources of estimation uncertainty
- Impairment of non-current assets
- Going concern and viability
- Useful economic lives of non-current assets
- Present value of decommissioning provisions
- Fair value of contingent consideration
- Defined benefit pension scheme
- Renewable certificates
- Sustainable financing
- Deferred tax assets

Further information on these considerations can be found in note 3.8 to the Consolidated financial statements.

Financial statements continued

Going concern

The Group's business activities, along with future developments that may affect its financial performance, financial position and cash flows, are discussed on pages 1 to 50 of this Annual report and accounts. The current market conditions and financial performance of the Group are considered in the Financial review starting on page 13.

In assessing going concern the Directors have considered the period up to April 2027, which reflects a period of 14 months from the date of authorising the Consolidated financial statements for issue, as this extends beyond the Group's scheduled debt repayments in January and April 2027 totalling £140.0 million. There are no further debt maturities following these repayments until December 2027. See note 4.2 for further details on the Group's borrowings. The Directors have also considered any significant events, including any committed outflows beyond this period, in forming their conclusion.

The going concern assessment considers cash flow forecasts, available liquidity and continued compliance with banking covenants over the period assessed. The cash flow forecasts used to assess going concern are modelled for the impact of severe but plausible scenarios, consistent with the viability assessment detailed on pages 49 and 50. The scenarios modelled included a decrease in power prices and an increase in biomass costs. At 31 December 2025, the Group had cash and committed facilities of £942.1 million (see note 2.7) and borrowings of £979.0 million (see note 4.2). Under all scenarios modelled, the Group maintained sufficient liquidity and continued to remain in compliance with its banking covenants. The Directors have therefore concluded that they have a reasonable expectation that the Group will continue to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these Consolidated financial statements and have adopted the going concern basis in preparing these Consolidated financial statements.

See the Viability statement on pages 49 and 50 for details of the Directors' assessment that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years based on forecasts and projections that take into account reasonably possible changes in trading performance and other key assumptions.

Basis of consolidation

These Consolidated financial statements incorporate the financial results of the Company and of all its subsidiaries made up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control to the date control ceases. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

All intra-group assets and liabilities, equity, income, expenses, unrealised profits and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders that are current ownership interests, entitling their holders to a proportionate share of net assets upon liquidation, may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of OCI are attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group has an Employee Benefit Trust (EBT), primarily for the purpose of satisfying employee share plan awards. The Group is deemed to control the EBT in accordance with IFRS 10 and therefore the EBT is consolidated within the results of the Group. The assets and liabilities of the EBT are included in the Consolidated balance sheet.

See note 4.4 for the accounting policy and further details on the Group's accounting for shares purchased by the EBT, note 4.5 for the accounting policy and further details on the Group's accounting for non-controlling interests and note 6.2 for further details on employee share plan awards.

Joint arrangements are contractual arrangements where two or more parties have joint control over the arrangement. Joint arrangements are classified as either a joint operation or a joint venture based upon an analysis of the rights and obligations of the parties in the normal course of business. If the parties to the joint arrangement have direct rights to the assets, and direct obligations for the liabilities, relating to the arrangement, then it is a joint operation. If the parties to the joint arrangement have rights to the net assets of the arrangement, then it is a joint venture.

The Group currently has one joint operation and no joint ventures. The Group recognises its direct right to assets, liabilities, revenue and expenses of the joint operation, as well as its share of any jointly entitled assets, liabilities, income and expenditure.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. This is generally the case where the Group holds between 20% and 50% of the voting rights of an entity.

Associates are accounted for using the equity method. Investments in associates are initially recognised at cost, which includes transaction costs. Goodwill is not separately recognised in relation to associates. Subsequent to initial recognition, the carrying amount of investments in associates is adjusted to recognise the Group's share of after-tax profit or loss and each component of OCI of equity-accounted associates that are recognised in the Consolidated income statement and Consolidated statement of comprehensive income respectively. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. If the carrying amount of an associate reaches £nil, the Group only recognises its share of losses from the associate to the extent it has incurred obligations or made payments on behalf of the associate.

Financial statements continued

Unrealised gains on transactions between the Group and its associates are eliminated against the investment to the extent of the Group's percentage ownership in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Accounting policies of equity-accounted associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

Associates are tested for impairment whenever there are any indicators of impairment. An impairment loss is recognised to the extent that the carrying amount of the investment exceeds its recoverable amount. Impairment losses on associates are recognised within impairment of non-current assets in the Consolidated income statement.

Accounting policies

The material accounting policies for the measurement of an individual item in the Consolidated financial statements are described in the note to the Consolidated financial statements relating to the item concerned (see contents on page 121).

The accounting policies adopted in the preparation of the Consolidated financial statements are consistent with those followed in the preparation of the Group's Consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards and amendments effective as of 1 January 2025. The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

A full listing of new standards, interpretations and pronouncements under IFRS applicable to these Consolidated financial statements is presented in note 8.2. The application of these new requirements has not had a material effect on the Consolidated financial statements.

Judgements and estimates

The preparation of these Consolidated financial statements requires judgement to be made in selecting and applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure. Actual results may subsequently differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

In accordance with IAS 1, the judgements which have the most significant effect on the amounts recognised in the Consolidated financial statements, and the key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below. Further detail, including sensitivity analyses where appropriate for the key estimates and assumptions, is included in the related notes.

Critical accounting judgements

The critical judgements made in the process of applying the Group's accounting policies during the year that have the most significant effect on the amounts recognised in the Consolidated financial statements are set out below.

Offsetting of financial assets and financial liabilities

IAS 32 requires financial assets and financial liabilities to be offset and the net amount presented in the Consolidated balance sheet when the Group currently has both the legally enforceable right to offset the recognised amounts, and the intention to settle on a net basis. The offsetting requirements and relevant guidance is based on the principle of reflecting the entity's expected future cash flows and there is judgement as to whether the offsetting criteria should be applied to derivative financial instruments that will be settled through physical delivery of a non-financial asset. Judgement is also required around the appropriate unit of account where there are a number of both physical deliveries and cash flows that collectively settle financial instruments, and how the offsetting requirements should be applied to each of these settlements, either individually or at a contract level. The Group has determined that the offsetting criteria should be applied to physically settled derivatives and has applied the offsetting criteria at a contract level rather than a cash flow level.

If the Group had not applied offsetting on physically settled derivative contracts in the current year then a number of derivative balances that are currently presented net in the Consolidated balance sheet would have been presented gross resulting in an additional £35.1 million of derivative assets and liabilities. See note 7.5 for further details on the Group's offsetting of all financial assets and financial liabilities.

Gross presentation of power purchase and sale contracts

The Group enters contracts to sell power. The Group fulfils these sales contracts through the output of its generation assets, but the Group may also fulfil these sales contracts by purchasing power from third parties.

The Group presents sales of power within the revenue line and purchases of power within the cost of sales line in the Consolidated income statement. This reflects the fact that the sale and purchase contracts are entered into at separate times, are independent contracts and are not entered into in contemplation of one another. The Group's Biomass Generation and Flexible Generation businesses enter sales contracts to sell their generation output. If the Group subsequently chooses to fulfil a sales contract through purchasing power from a third party, that does not change the substance of the original sales contract or the Group's obligations under the sales contract.

The Group believes gross presentation of power sales and purchase contracts reflects the substance of the Group's operations as a generation business and not a trading business. Had the Group presented external purchases of power net within external revenue this would have reduced external revenue by £1,044.8 million with a corresponding decrease in external cost of sales.

 See note 2.2 on page 144

Financial statements continued

Biomass not being an active market

The Group buys and sells biomass for operational requirements in its Pellet Production and Biomass Generation segments. The Group's risk management policies also permit some flexibility in activity to optimise the overall portfolio position and potentially release value in certain circumstances. As such, the Group has undertaken an assessment of whether the biomass market is an active market as defined by IFRS 13. If the biomass market was considered to be an active market this could result in the contracts it holds to buy and sell biomass being within the scope of IFRS 9 and potentially being recognised at fair value as derivative financial instruments from inception. In addition, this may result in Southern Pellets being classified as a separate cash-generating unit (CGU) under IAS 36.

The Group assessed the biomass market, including both purchase and sale contracts, and concluded that the nature of these contracts means they cannot be readily net settled in cash or other financial instruments and, as a result, they remain outside of the scope of IFRS 9. Contractual terms do not include net settlement provisions and the biomass market is highly illiquid meaning biomass cannot be readily converted into cash. The lack of an active spot market means market participants cannot readily seek to make trading profits from short-term price fluctuations as prices and contracts are negotiated bilaterally with no active market price and no guarantee there will be a willing buyer or seller to trade with.

Accordingly, biomass contracts are not recognised as derivative assets or liabilities in the Consolidated balance sheet prior to delivery, consistent with the accounting in prior years, and Southern Pellets is not designated as a separate CGU and is instead included within the Biomass CGU as explained in note 2.4.

The Group continues to assess developments in the biomass market on an ongoing basis to identify any impact on this assessment.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that carry a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next financial year. These are the items where actual outcomes in the next 12 months could vary materially from the estimates made in determining the reported amount of an asset or liability within the Consolidated financial statements.

Impairment of non-current assets

An impairment assessment is conducted annually on cash-generating units (CGUs) or groups of CGUs, with associated goodwill or intangible assets with an indefinite life.

In 2025, an impairment assessment has been completed on six of the Group's CGUs. All six of these CGUs have been assessed as they had allocated goodwill (Northern Pellets, Biomass, Drax Energy Solutions, Lanark, Galloway and Cruachan). No CGUs have intangibles with an indefinite life.

The future cash flows that underpin the impairment reviews are based on management's best estimate and include a number of assumptions (see note 2.4 for further details of these key assumptions).

Biomass CGU

The Biomass CGU has a carrying value at 31 December 2025 of £1,412.3 million. Reasonably possible changes in certain assumptions used in the value in use model could lead to a material adjustment to this carrying value.

These include: an average 27% decrease in power prices over the period of the low carbon dispatchable CfD agreement from April 2027 to March 2031, combined with a 90-day outage of one of the units under the Renewables Obligation scheme in 2026, an increase in biomass production costs of US\$7 per tonne, an increase in the pre-tax discount rate from 11.5% to 23.7% (equivalent to an increase in the post-tax discount rate from 7.5% to 8.3%), and operations to cease in March 2031 at the end of the low carbon dispatchable CfD agreement. This combination of reasonably possible changes in the key inputs to the value in use model would lead to an impairment of £650.1 million.

Northern Pellets CGU

During 2025, impairment losses of £194.1 million have been recognised relating to the Northern Pellets CGU, reducing the carrying value to its recoverable amount of £84.2 million, based on its fair value less costs of disposal (FVLCD).

Reasonably possible changes in certain assumptions could lead to a material adjustment to the carrying value of the Northern Pellets CGU as at 31 December 2025.

The assessment of FVLCD for the Northern Pellets CGU is sensitive to reasonably possible changes to the key inputs to the valuation model and assumptions relating to the fair value of individual assets. Reasonably possible downside changes in assumptions from those used in the FVLCD calculation include a 50% reduction in assumed central cost savings, combined with a 7% decrease in pellet sales contract renewal prices, an increase in the pre-tax discount rate from 19.3% to 30.8% (equivalent to an increase in the post-tax discount rate from 15.0% to 18.0%), and a reasonably possible 30% decrease in the fair value determined for the individual assets that were not allocated an impairment loss. This combination of reasonably possible changes would result in an increase in the impairment recognised of £27.1 million and a corresponding reduction in the carrying value of the Northern Pellets CGU.

Reasonably possible upside changes in assumptions from those used in the FVLCD calculation include a 7% increase in pellet sales contract renewal prices, combined with a decrease in the pre-tax discount rate from 19.3% to 15.0% (equivalent to a decrease in the post-tax discount rate from 15.0% to 12.0%). This combination of reasonably possible changes would result in a reduction in the impairment recognised of £72.6 million and a corresponding increase in the carrying value of the Northern Pellets CGU.

Impairment assessments are performed as required for other assets and CGUs where an indicator of possible impairment exists.

Financial statements continued

Longview

During 2025, an impairment loss of £108.8 million has been recognised relating to the Group's Longview pellet plant development project (Longview). Due to reduced expectations around global pellet demand in the short to medium term, in part as a result of the reduced volumes of biomass generation agreed under the low carbon dispatchable CfD contract, the decision has been taken to pause this development and no development of the site is expected in the near term.

The capitalised Longview assets have been impaired to their recoverable amount of £13.7 million (principally the value of the land at the site). This recoverable amount has been estimated after considering the level of customisation and general market conditions. If the Group is able to return assets to suppliers; or achieve third-party sales; or find internal use for parts and spares at the Group's other pellet plants; or if any scrap value achieved exceeds the costs of disposal, then the recovery value could be higher. If an average recovery value of 40% on plant and equipment had been assumed, this would result in a decrease in the impairment recognised of £29.5 million and a corresponding increase in the carrying value of the Longview assets.

[See note 2.4 on page 150](#)

Pension liabilities

The Group records a net surplus or liability in its Consolidated balance sheet for the fair value of assets held by the defined benefit pension scheme, less its obligation to provide benefits under the scheme. The actuarial valuations of the scheme's liabilities are performed annually by a third-party actuary and contain assumptions regarding interest rates, inflation, future salary and pension increases, mortality, and other factors, all of which are subject to future change. Three of the key estimates within the valuation are the discount rate, inflation rate, and life expectancy. Sensitivities in the valuation are presented in note 6.3. The total value of the pension liabilities at 31 December 2025 amount to £184.8 million and the net pension surplus recognised by the Group at this date is £23.8 million.

[See note 6.3 on page 210](#)

Alternative performance measures (APMs)

The Group uses APMs throughout the Annual report and accounts that are not defined within IFRS but provide additional information about the Group's financial performance and position that is used by the Board and executive management to evaluate the Group's performance. These measures have been defined internally and may therefore not be comparable to similar APMs presented by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined by IFRS. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Each year management reviews the list of APMs and confirms the judgements made regarding the Group's definitions of its APMs, including exceptional items, certain remeasurements and Net debt. The assessment as to whether a transaction or group of transactions should or should not be classified as an exceptional item or a certain remeasurement can have a significant impact on the Adjusted results of the Group. Deciding which items to include or exclude from an APM's definition

can have a significant impact on the APM presented. An internal policy governs the judgements made by management and in all instances, these judgements are approved by the Audit Committee as set out on page 77.

See note 2.7 for details of the APMs used by the Board and executive management to assess financial performance, including each APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how each APM is calculated.

Adjusted results

The Group's financial performance for the period, measured in accordance with IFRS, is shown in the Total results column on the face of the Consolidated income statement. Exceptional items and certain remeasurements are deducted from the Total results in arriving at the Adjusted results for the year. The Group's Adjusted results are consistent with the way the Board and executive management assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Consolidated financial statements in evaluating the Group's trading performance and performance against strategic objectives.

Exceptional items and certain remeasurements

Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. For a transaction to be considered exceptional, management considers the nature of the transaction, the frequency of similar events, any related precedent, and commercial context. The application guidance for this policy includes de minimis thresholds for classifying items as exceptional. Presentation of a transaction as exceptional is approved by the Audit Committee in accordance with an agreed policy.

The policy is reviewed by the Audit Committee biennially, with the last review taking place in April 2025. This review did not result in any significant changes to the policy.

Certain remeasurements comprise fair value gains and losses on derivative contracts to the extent those contracts do not qualify for hedge accounting (or hedge accounting is not effective) which, under IFRS, are recorded in revenue, cost of sales, interest payable and similar charges or foreign exchange gains or losses.

[See note 2.7 on page 163](#)

Section 1: Consolidated financial statements

Consolidated income statement

	Notes	Year ended 31 December 2025			Year ended 31 December 2024		
		Adjusted results ⁽¹⁾ £m	Exceptional items and certain remeasurements £m	Total results £m	Adjusted results ⁽¹⁾ £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue	2.2	5,355.4	35.3	5,390.7	6,081.2	81.3	6,162.5
Cost of sales		(3,793.8)	(84.0)	(3,877.8)	(4,130.1)	4.9	(4,125.2)
Electricity Generator Levy		-	-	-	(160.8)	-	(160.8)
Gross profit/(loss)		1,561.6	(48.7)	1,512.9	1,790.3	86.2	1,876.5
Operating and administrative expenses	2.3	(614.6)	(23.3)	(637.9)	(698.5)	(22.1)	(720.6)
Impairment of financial assets	3.5	0.5	(3.8)	(3.3)	(27.3)	(12.7)	(40.0)
Depreciation	3.1	(228.9)	-	(228.9)	(224.8)	-	(224.8)
Amortisation	5.1	(14.2)	-	(14.2)	(17.0)	-	(17.0)
Impairment of non-current assets	2.4	(27.2)	(350.5)	(377.7)	(11.8)	(2.6)	(14.4)
Other (losses)/gains		(4.4)	(3.6)	(8.0)	(8.5)	1.2	(7.3)
Share of losses from associates		(1.6)	-	(1.6)	(2.2)	-	(2.2)
Operating profit/(loss)		671.2	(429.9)	241.3	800.2	50.0	850.2
Foreign exchange gains/(losses)	2.5	8.2	(2.4)	5.8	(9.4)	-	(9.4)
Interest payable and similar charges	2.5	(73.9)	(1.5)	(75.4)	(106.9)	(0.6)	(107.5)
Interest receivable and similar gains	2.5	17.8	-	17.8	20.1	-	20.1
Profit/(loss) before tax		623.3	(433.8)	189.5	704.0	49.4	753.4
Total tax (charge)/credit	2.6	(137.6)	16.3	(121.3)	(213.0)	(14.9)	(227.9)
Profit/(loss) for the period		485.7	(417.5)	68.2	491.0	34.5	525.5
Attributable to:							
Owners of the parent company		485.8	(412.8)	73.0	492.1	34.5	526.6
Non-controlling interests	4.5	(0.1)	(4.7)	(4.8)	(1.1)	-	(1.1)
Earnings per share		Pence		Pence	Pence		Pence
For net profit for the period attributable to owners of the parent company							
- Basic earnings per share	2.8	137.7		20.7	128.4		137.5
- Diluted earnings per share	2.8	134.5		20.2	126.0		134.8

(1) Adjusted results are stated after adjusting for exceptional items and certain remeasurements. See note 2.7 for further details.

Section 1: Consolidated financial statements continued

Consolidated statement of comprehensive income

	Notes	Year ended 31 December	
		2025 £m	2024 £m
Profit for the period		68.2	525.5
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit pension surplus	6.3	(2.8)	5.5
Deferred tax on remeasurement of defined benefit pension surplus	2.6	0.7	(1.3)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations attributable to owners of the parent company	4.4	(66.8)	(6.6)
Exchange differences on translation of foreign operations attributable to non-controlling interests		(0.2)	(0.8)
Net fair value losses on financial assets at fair value through other comprehensive income		(18.5)	(25.5)
Net fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss		18.5	25.5
Net fair value (losses)/gains on cost of hedging	7.4	(21.9)	6.8
Deferred tax on cost of hedging	2.6	5.4	(1.7)
Net fair value gains/(losses) on cash flow hedges	7.3	39.6	(49.0)
Net losses on cash flow hedges reclassified to profit or loss	7.3	(145.1)	(242.9)
Deferred tax on cash flow hedges	2.6	26.4	73.0
Other comprehensive expense		(164.7)	(217.0)
Total comprehensive (expense)/income for the year		(96.5)	308.5
Attributable to:			
Owners of the parent company		(91.5)	310.4
Non-controlling interests		(5.0)	(1.9)

Section 1: Consolidated financial statements continued

Consolidated balance sheet

	Notes	As at 31 December	
		2025 £m	2024 £m
Assets			
Non-current assets			
Goodwill	5.1	396.2	415.1
Intangible assets	5.1	42.7	68.1
Property, plant and equipment	3.1	2,427.2	2,802.0
Right-of-use assets	3.2	69.6	100.9
Investments		–	3.6
Retirement benefit surplus	6.3	23.8	24.7
Deferred tax assets	2.6	37.0	48.6
Derivative financial instruments	7.1	24.4	81.7
		3,020.9	3,544.7
Current assets			
Inventories	3.4	223.8	302.0
Renewable certificate assets	3.3	542.1	540.0
Trade and other receivables and contract assets	3.5	337.8	470.3
Derivative financial instruments	7.1	68.6	175.6
Current tax assets		0.1	–
Cash and cash equivalents	4.1	302.1	356.0
		1,474.5	1,843.9
Liabilities			
Current liabilities			
Trade and other payables and contract liabilities	3.7	(1,090.9)	(1,289.1)
Lease liabilities	3.2	(28.2)	(26.0)
Current tax liabilities		–	(9.6)
Borrowings	4.2	(61.3)	(119.0)
Provisions	5.2	(17.6)	(20.2)
Derivative financial instruments	7.1	(174.2)	(71.1)
		(1,372.2)	(1,535.0)
Net current assets		102.3	308.9

	Notes	As at 31 December	
		2025 £m	2024 £m
Non-current liabilities			
Borrowings	4.2	(917.7)	(1,057.7)
Lease liabilities	3.2	(70.4)	(90.5)
Provisions	5.2	(85.0)	(75.7)
Deferred tax liabilities	2.6	(261.3)	(280.4)
Derivative financial instruments	7.1	(75.6)	(262.2)
		(1,410.0)	(1,766.5)
Net assets		1,713.2	2,087.1
Shareholders' equity			
Issued equity	4.4	49.9	49.4
Share premium	4.4	448.5	443.8
Hedge reserve	7.3	(63.1)	(7.9)
Cost of hedging reserve	7.4	(12.8)	6.9
Other reserves	4.4	179.8	467.0
Retained profits	2.10	1,110.9	1,118.1
Total equity attributable to owners of the parent company		1,713.2	2,077.3
Non-controlling interests	4.5	–	9.8
Total shareholders' equity		1,713.2	2,087.1

The Consolidated financial statements of Drax Group plc, registered number 5562053, were approved and authorised for issue by the Board of Directors on 25 February 2026.

Signed on behalf of the Board of Directors:

Frank Lemmink
CFO

Section 1: Consolidated financial statements continued

Consolidated statement of changes in equity

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging £m	Other reserves £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2024	49.1	441.2	207.4	18.7	588.2	666.4	12.0	1,983.0
Profit/(loss) for the year	-	-	-	-	-	526.6	(1.1)	525.5
Other comprehensive (expense)/income	-	-	(218.9)	5.1	(6.6)	4.2	(0.8)	(217.0)
Total comprehensive (expense)/income for the year	-	-	(218.9)	5.1	(6.6)	530.8	(1.9)	308.5
Equity dividends paid (note 2.9)	-	-	-	-	-	(93.5)	-	(93.5)
Issue of share capital (note 4.4)	0.3	2.6	-	-	-	-	-	2.9
Distributions to non-controlling interests	-	-	-	-	-	-	(0.3)	(0.3)
Repurchase of own shares through share buyback programmes (note 4.4)	-	-	-	-	(115.4)	-	-	(115.4)
Total transactions with the owners in their capacity as owner	0.3	2.6	-	-	(115.4)	(93.5)	(0.3)	(206.3)
Movements on cash flow hedges released directly from equity (note 7.3)	-	-	4.8	-	-	-	-	4.8
Deferred tax on cash flow hedges released directly from equity (notes 2.6 and 7.3)	-	-	(1.2)	-	-	-	-	(1.2)
Movements on cost of hedging released directly from equity (note 7.4)	-	-	-	(22.6)	-	-	-	(22.6)
Deferred tax on cost of hedging released directly from equity (notes 2.6 and 7.4)	-	-	-	5.7	-	-	-	5.7
Movement in equity associated with share-based payments	-	-	-	-	0.8	13.0	-	13.8
Deferred tax on share-based payments released directly from equity (note 2.6)	-	-	-	-	-	1.4	-	1.4
At 1 January 2025	49.4	443.8	(7.9)	6.9	467.0	1,118.1	9.8	2,087.1
Profit/(loss) for the year	-	-	-	-	-	73.0	(4.8)	68.2
Other comprehensive expense	-	-	(79.1)	(16.5)	(66.8)	(2.1)	(0.2)	(164.7)
Total comprehensive (expense)/income for the year	-	-	(79.1)	(16.5)	(66.8)	70.9	(5.0)	(96.5)
Equity dividends paid (note 2.9)	-	-	-	-	-	(95.7)	-	(95.7)
Issue of share capital (note 4.4)	0.5	4.7	-	-	(0.2)	-	-	5.0
Movement in equity associated with forward contracts to purchase own shares to satisfy share-based payment arrangements (note 2.10)	-	-	-	-	-	(7.2)	-	(7.2)
Own shares utilised to satisfy share-based payment arrangements (note 4.4)	-	-	-	-	0.9	(0.9)	-	-
Distributions to non-controlling interests	-	-	-	-	-	-	(1.2)	(1.2)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	2.9	(3.6)	(0.7)
Repurchase of own shares through share buyback programmes (note 4.4)	-	-	-	-	(221.1)	-	-	(221.1)
Total transactions with the owners in their capacity as owner	0.5	4.7	-	-	(220.4)	(100.9)	(4.8)	(320.9)
Movements on cash flow hedges released directly from equity (note 7.3)	-	-	31.8	-	-	-	-	31.8
Deferred tax on cash flow hedges released directly from equity (note 2.6)	-	-	(7.9)	-	-	-	-	(7.9)
Movements on cost of hedging released directly from equity (note 7.4)	-	-	-	(4.3)	-	-	-	(4.3)
Deferred tax on cost of hedging released directly from equity (note 2.6)	-	-	-	1.1	-	-	-	1.1
Movement in equity associated with share-based payments (note 6.2)	-	-	-	-	-	15.7	-	15.7
Deferred tax on share-based payments released directly from equity (note 2.6)	-	-	-	-	-	7.1	-	7.1
At 31 December 2025	49.9	448.5	(63.1)	(12.8)	179.8	1,110.9	-	1,713.2

Section 1: Consolidated financial statements continued

Consolidated cash flow statement

	Notes	Year ended 31 December	
		2025 £m	2024 £m
Cash generated from operations	4.3	999.5	1,135.1
Income taxes paid		(109.5)	(193.6)
Interest paid		(96.4)	(99.5)
Interest received		16.4	17.5
Net cash from operating activities		810.0	859.5
Cash flows from investing activities			
Purchases of property, plant and equipment		(282.0)	(379.8)
Purchases of intangible assets		(12.2)	(7.7)
Proceeds from the sale of property, plant and equipment		9.0	0.5
Contributions to associates		(2.0)	(2.9)
Net cash used in investing activities		(287.2)	(389.9)
Cash flows from financing activities			
Equity dividends paid	2.9	(95.7)	(93.5)
Distributions to non-controlling interests		(1.2)	(0.1)
Proceeds from issue of share capital		5.0	2.7
Repurchase of own shares through share buyback programmes	4.4	(221.1)	(115.4)
Drawdown of borrowings	4.2	–	731.8
Repayment of borrowings	4.2	(233.6)	(949.2)
Gross receipt of financing derivatives		233.2	198.3
Gross payment of financing derivatives		(237.2)	(229.8)
Payment of principal of lease liabilities		(28.1)	(27.4)
Other financing costs paid		(0.2)	(9.0)
Net cash absorbed by financing activities		(578.9)	(491.6)
Net decrease in cash and cash equivalents		(56.1)	(22.0)
Cash and cash equivalents at 1 January		356.0	379.5
Effect of changes in foreign exchange rates		2.2	(1.5)
Cash and cash equivalents at 31 December	4.1	302.1	356.0

Non-cash transactions recognised in the Consolidated income statement are reconciled to operating cash flows as part of the disclosure provided in note 4.3. Further details of the cash flow impact of exceptional items can be found in note 2.7.

Section 2: Financial performance

The Financial performance section gives further information about the items in the Consolidated income statement. It includes a summary of financial performance by each of the Group's businesses (note 2.1), analysis of certain Consolidated income statement items (notes 2.2 to 2.6), and information regarding Total and Adjusted results, earnings per share, dividends and retained profits (notes 2.7 to 2.10). Further commentary on the Group's trading and operational performance during the year can be found in the Strategic report on pages 1 to 50, with particular reference to key transactions and market conditions that have affected the results.

2.1 Segmental reporting

Reportable segments are presented in a manner consistent with internal reporting provided to the chief operating decision maker which is considered to be the Executive Committee. The Group is organised into four businesses. The Executive Committee reviews the performance of each of these businesses separately, and each represents a reportable segment:

- Pellet Production: production and subsequent sale of biomass pellets from the Group's processing facilities in North America
- Biomass Generation: generation and sale of electricity from the Group's biomass assets in the UK Flexible Generation: generation and sale of electricity from pumped storage, run-of-river hydro and OCGT assets, and the processing and sale of waste-derived pellets, in the UK
- Energy Solutions: supply of electricity to non-domestic customers in the UK

Operating costs that can be reasonably allocated to the activities of a reportable segment are included within the results of that reportable segment. Central corporate and commercial functions provide certain specialist and shared services, including optimisation of the Group's positions. Central corporate and commercial function costs that cannot be reasonably allocated to the activities of a reportable segment are included within Innovation, capital projects and other. Innovation, capital projects and other is not a reportable segment as it provides central support function activities to the Group, however it is included in the information presented below to enable reconciliation of the segmental amounts presented to the consolidated IFRS results recognised in these Consolidated financial statements.

Given the principal activity of the Group is a generator and seller of electricity, the Consolidated income statement includes all revenue from sales of electricity during the period. Where the Group is acting as the principal in a sales transaction and electricity is purchased rather than generated to fulfil that sale, either due to operational or other requirements, the cost of this purchase is recorded within cost of sales.

When defining gross profit within the Consolidated financial statements, the Group follows the principal trading considerations applied by its Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions businesses when making a sale. In respect of the Pellet Production business, this reflects the direct costs of production, being fibre, fuel and drying costs, direct freight and port costs, or third-party pellet purchases. In respect of the Biomass Generation and Flexible Generation businesses, this reflects the direct costs of the commodities required to generate power or the direct cost of purchasing power, the relevant grid connection costs that arise, and the Electricity Generator Levy (EGL) arising on applicable renewable and low-carbon generation. In respect of the Energy Solutions business, this reflects the direct costs of supply,

being the costs of the power or gas supplied, together with costs levied on suppliers such as network costs, broker costs and renewables incentive mechanisms.

Accordingly, cost of sales excludes indirect overheads and staff costs (presented within operating and administrative expenses), and depreciation (presented separately on the face of the Consolidated income statement). See note 3.4 for details of the costs included within inventories.

The accounting policies applied for the purpose of measuring the reportable segments' profits or losses, assets and liabilities are the same as those used in measuring the corresponding amounts in the Consolidated financial statements.

EGL applies to the Group's three biomass units operating under the Renewables Obligation (RO) scheme and its run-of-river hydro operations. It does not apply to the Group's Contract for Difference (CfD) biomass unit or its pumped storage hydro operations. The EGL applies at a rate of 45% to receipts from in-scope forms of wholesale electricity generation that exceed a defined benchmark level, after the deduction of certain allowable costs, from 1 January 2023 to 31 March 2028.

The Group determined that EGL should be treated as a levy under IFRIC 21 'Levies', rather than as a tax under IAS 12 'Income taxes'. Therefore, the cost is recognised above gross profit. A liability for a levy is recognised once the obligating event, being the activity that triggers the payment of the levy, has occurred. EGL is triggered based on average generation receipts for in-scope revenue schemes over a reporting period being higher than the threshold set in the legislation. A liability is recognised if the average actual generation receipts to date in a financial period are above the threshold. The threshold rises annually in April, in line with the UK Consumer Price Index (CPI). The threshold at 31 December 2025 was £79.95 per MWh (2024: £77.94 per MWh). The assessment is based on receipts above this threshold after adjusting for allowable costs. No expense for EGL has been recognised in the current period due to the average actual generation receipts in the period being below the threshold.

Seasonality of trading

The primary activities of the Group are affected by seasonality. Demand in the UK for electricity is typically higher in the winter period (October to March) when temperatures are lower, which drives higher prices and higher levels of generation. Conversely, demand is typically lower in the summer months (April to September) when temperatures are milder, and therefore prices and levels of generation are generally lower.

This trend is experienced by all of the Group's UK-based businesses, as they operate within the UK electricity market. It is most notable within the Biomass Generation business due to its scale and the flexible operation of its thermal generation plant.

The Pellet Production business incurs certain costs that are higher in winter months due to the impact of weather conditions, such as fibre drying costs and heating costs. Production volumes and margins are typically higher in the summer months. The business is protected from demand fluctuations due to seasonality by regular production and dispatch schedules under its contracts with customers, both intra-group and externally.

Section 2: Financial performance continued

2.1 Segmental reporting continued

Segment revenues and results

The following is an analysis of the Group's performance by reportable segment and any other information necessary to enable reconciliation to the Group's total IFRS results recognised for the year ended 31 December 2025. Revenue for each segment is split between sales to external parties and inter-segment sales. Inter-segment sales are eliminated in the intra-group eliminations column along with any adjustments required for unrealised profits (primarily inventory purchased by the Biomass Generation segment from the Pellet Production segment that is still held as inventory at the reporting date).

Adjusted EBITDA by reportable segment is presented in note 2.7.

	Year ended 31 December 2025								
	Pellet Production £m	Biomass Generation £m	Flexible Generation £m	Energy Solutions £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue									
External sales	329.3	2,314.7	78.1	2,633.3	–	–	5,355.4	35.3	5,390.7
Inter-segment sales	574.1	2,090.4	93.4	–	–	(2,757.9)	–	–	–
Total revenue	903.4	4,405.1	171.5	2,633.3	–	(2,757.9)	5,355.4	35.3	5,390.7
Cost of sales	(550.9)	(3,453.6)	(24.5)	(2,524.6)	(6.9)	2,766.7	(3,793.8)	(84.0)	(3,877.8)
Gross profit/(loss)	352.5	951.5	147.0	108.7	(6.9)	8.8	1,561.6	(48.7)	1,512.9
Operating and administrative expenses	(222.2)	(225.8)	(36.1)	(60.8)	(67.4)	(2.3)	(614.6)	(23.3)	(637.9)
Impairment of financial assets	–	(0.3)	–	0.8	–	–	0.5	(3.8)	(3.3)
Depreciation	(95.7)	(105.3)	(19.2)	(0.9)	(7.0)	(0.8)	(228.9)	–	(228.9)
Amortisation	(4.3)	(3.9)	–	(4.2)	(1.8)	–	(14.2)	–	(14.2)
Impairment of non-current assets	(25.6)	–	–	–	(1.6)	–	(27.2)	(350.5)	(377.7)
Other (losses)/gains	(7.0)	(0.2)	(0.8)	–	3.6	–	(4.4)	(3.6)	(8.0)
Share of losses from associates	(1.6)	–	–	–	–	–	(1.6)	–	(1.6)
Operating (loss)/profit	(3.9)	616.0	90.9	43.6	(81.1)	5.7	671.2	(429.9)	241.3

Further information on the main revenue streams of each segment is presented in note 2.2.

Section 2: Financial performance continued

2.1 Segmental reporting continued

The following is an analysis of the Group's performance by reportable segment for the year ended 31 December 2024:

	Year ended 31 December 2024								Total results £m
	Pellet Production £m	Biomass Generation £m	Flexible Generation £m	Energy Solutions £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasurements £m	
Revenue									
External sales	340.1	1,880.7	74.3	3,786.1	-	-	6,081.2	81.3	6,162.5
Inter-segment sales	602.0	3,040.0	148.5	-	-	(3,790.5)	-	-	-
Total revenue	942.1	4,920.7	222.8	3,786.1	-	(3,790.5)	6,081.2	81.3	6,162.5
Cost of sales	(562.1)	(3,685.5)	(46.2)	(3,625.0)	-	3,788.7	(4,130.1)	4.9	(4,125.2)
Electricity Generator Levy	-	(150.2)	(10.6)	-	-	-	(160.8)	-	(160.8)
Gross profit/(loss)	380.0	1,085.0	166.0	161.1	-	(1.8)	1,790.3	86.2	1,876.5
Operating and administrative expenses	(236.7)	(268.6)	(28.4)	(85.5)	(78.1)	(1.2)	(698.5)	(22.1)	(720.6)
Impairment of financial assets	-	(2.9)	-	(24.4)	-	-	(27.3)	(12.7)	(40.0)
Depreciation	(102.7)	(97.7)	(17.1)	(0.7)	(5.8)	(0.8)	(224.8)	-	(224.8)
Amortisation	(4.5)	(2.9)	-	(7.3)	(2.3)	-	(17.0)	-	(17.0)
Impairment of non-current assets	(3.3)	(0.1)	-	-	(8.4)	-	(11.8)	(2.6)	(14.4)
Other (losses)/gains	(4.1)	(4.6)	0.2	-	-	-	(8.5)	1.2	(7.3)
Share of losses from associates	(1.3)	-	-	-	(0.9)	-	(2.2)	-	(2.2)
Operating profit/(loss)	27.4	708.2	120.7	43.2	(95.5)	(3.8)	800.2	50.0	850.2

Section 2: Financial performance continued

2.1 Segmental reporting continued

Assets and working capital are monitored on a consolidated basis; however, capital expenditure is monitored by segment.

As at 31 December	Capital expenditure on intangible assets		Capital expenditure on property, plant and equipment	
	2025 £m	2024 £m	2025 £m	Restated ⁽¹⁾ 2024 £m
Pellet Production	–	–	54.5	100.2
Biomass Generation	–	0.5	38.3	67.9
Flexible Generation	–	–	84.8	137.0
Energy Solutions	3.3	3.8	1.0	0.3
Innovation, capital projects and other	9.6	2.6	10.3	8.5
Total	12.9	6.9	188.9	313.9

(1) The definition of capital expenditure has been updated in the current period to align with the way the information is presented to the Executive Committee. Capitalised interest and plant spares are now excluded from the definition of capital expenditure. In the year ended 31 December 2024 there was £1.7 million of capitalised interest (Pellet Production £0.1 million and Flexible Generation £1.6 million) and £9.9 million of capitalised plant spares (Pellet Production £4.5 million, Biomass Generation £4.6 million and Flexible Generation £0.8 million) that were included in the amounts presented in the 2024 Consolidated financial statements. Comparative amounts in the table above have been restated to exclude capitalised interest and capitalised plant spares.

Total cash outflows in relation to capital expenditure during the year were £294.2 million (2024: £387.5 million). In the current year, the cash outflow in relation to property, plant and equipment is higher than the cost capitalised, predominantly as a result of a decrease in creditors relating to capital expenditure within the year.

Intra-group trading

Intra-group transactions are carried out at management's best estimate of arm's-length, commercial terms that, where possible, equate to market prices. The impact of all intra-group transactions, including any unrealised profit arising, is eliminated on consolidation.

Analysis of revenue from intra-group trading is provided in the table below:

	Intra-group trading revenue	
	Year ended 31 December	
	2025 £m	2024 £m
Pellet Production segment sale of biomass pellets and provided associated services to the Biomass Generation segment	574.1	602.0
Biomass Generation segment sale of electricity, gas and renewable certificate assets to the Energy Solutions segment	2,007.0	2,928.7
Biomass Generation segment sale of electricity to the Flexible Generation segment	16.2	36.5
Biomass Generation segment sale of biomass pellets to the Pellet Production segment	67.2	74.8
Flexible Generation segment sale of electricity and renewable certificate assets to the Biomass Generation segment	90.1	145.9
Flexible Generation segment sale of electricity to the Energy Solutions segment	3.3	2.6
Total inter-segment sales (note 2.2)	2,757.9	3,790.5

Major customers

There was no individual customer, in either the current or previous financial year, that represented 10% or more of total revenue.

Section 2: Financial performance continued

2.1 Segmental reporting continued

Geographical analysis of revenue and non-current assets

The geographic information analyses the Group's revenue and non-current assets by the entity's country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

The Group's external revenue and non-current assets for the Biomass Generation, Flexible Generation and Energy Solutions segments are all UK-based. The Pellet Production segment has third-party pellet sales to both the UK and other locations around the world. The Pellet Production segment's non-current assets are located in North America, in both Canada and the US.

	Revenue (based on location of customer)	
	Year ended 31 December	
	2025 £m	2024 £m
North America (Canada and US)	8.4	7.9
Europe (excluding UK)	7.5	25.8
Asia	251.2	242.5
UK	5,123.6	5,886.3
Total	5,390.7	6,162.5

	Non-current assets ⁽¹⁾ (based on asset's location)	
	As at 31 December	
	2025 £m	2024 £m
Canada	84.2	356.5
US	541.6	698.9
Asia	0.2	0.2
UK	2,309.7	2,334.1
Total	2,935.7	3,389.7

(1) Non-current assets comprise goodwill, intangible assets, property, plant and equipment, right-of-use assets and investments.

2.2 Revenue

Accounting policy

Revenue represents amounts receivable for goods or services provided to customers in the normal course of business, net of trade discounts, VAT and other sales-related taxes and excludes transactions between Group companies. Revenue is presented gross in the Consolidated income statement when the Group controls the specified good or service prior to the transfer to the customer. When the Group is acting primarily as an agent, revenue is recognised on a net basis.

A summary of the Group's principal revenue streams, along with the nature and timing of performance obligations, payment terms, methods of recognising revenue, and any estimation uncertainties, is given in the table below.

The majority of the Group's revenue is within the scope of IFRS 15. The other sources of the Group's revenue outside the scope of IFRS 15 comprise gains and losses on certain non-hedge accounted derivatives, the ineffective portion of certain hedge accounted derivatives, amounts reclassified to revenue for gains and losses on hedge accounted UK inflation swaps, Contract for Difference (CfD) income, and income from the UK Government's Energy Bills Discount Scheme (EBDS). See note 2.7 for further details on gains and losses on derivatives and note 7.2.3 for inflation risk management. Gains and losses recognised in the Consolidated income statement on derivative contracts that are entered to hedge a revenue item are presented within the same revenue stream line as the revenue item they are intending to hedge.

	Year ended 31 December 2025			Year ended 31 December 2024		
	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue from contracts with customers	5,163.0	(25.9)	5,137.1	5,918.2	(6.9)	5,911.3
Other revenue	192.4	61.2	253.6	163.0	88.2	251.2
Total revenue	5,355.4	35.3	5,390.7	6,081.2	81.3	6,162.5

Section 2: Financial performance continued

2.2 Revenue continued

Revenue stream (Segment)	Nature and timing of performance obligations, including significant payment terms	Method of recognising revenue, including any estimation uncertainties
Pellet sales (Pellet Production)	<p>The Group's Pellet Production business produces biomass pellets which are sold to external customers. Customers generally obtain control of the pellets at the point the pellets are loaded onto the shipping vessel.</p> <p>Where freight is also arranged for the customer, these sales are known as cost, insurance and freight (CIF) sales. The freight component is considered a separate performance obligation.</p> <p>Invoices are raised in line with contractual terms and are usually payable within 4–10 days.</p>	<p>Revenue is recognised at the point that the pellets are loaded onto the shipping vessel. The amount of revenue recognised is based on the contracted price and volume of the pellets.</p> <p>For CIF sales, revenue for the freight portion is recognised over the period the vessel sails.</p>
Electricity sales (Biomass Generation and Flexible Generation)	<p>The Group's Biomass Generation and Flexible Generation businesses have contracts for wholesale electricity sales. Performance obligations, being the supply of electricity, are met either via generation or through the procurement of electricity from counterparties. The performance obligations for these contracts are deemed to be a series of distinct goods that are substantially the same and transfer consecutively. Control is deemed to have transferred to the customer at the point that the electricity has been supplied in accordance with the contractual terms.</p> <p>Invoices for electricity are typically raised on the fifth banking day following the month of supply, in line with the Grid Trade Master Agreement (GTMA) contractual terms, and are payable on the fifth banking day following the date of invoice.</p>	<p>Revenues from sales contracts fulfilled through generation are recognised at a point in time based upon metered output at rates specified under contractual terms.</p> <p>Revenue from sales contracts fulfilled through procured electricity is recognised at the point at which this electricity or gas is supplied to the counterparty in accordance with the contractual terms at rates specified under the contract.</p> <p>These are recognised under the output method, whereby revenue is recognised based on the value transferred to the customer.</p>
Renewable certificate sales (Biomass Generation, Flexible Generation and Energy Solutions)	<p>Renewables Obligation Certificates (ROCs) and Renewable Energy Guarantees of Origin (REGOs) are sold to counterparties at a point in time.</p> <p>ROCs sold are invoiced in line with contractual terms and are usually payable within two to five days.</p> <p>Invoices for REGOs are raised in line with contractual terms and are usually payable within 7–30 days.</p>	<p>External ROC and REGO sales are recognised at the point the relevant renewable certificates are transferred to the counterparty.</p> <p>See note 3.3 for further details on how the renewable certificate schemes operate.</p>
CfD income (Biomass Generation)	<p>The Group's Biomass Generation business is party to a CfD with the Low Carbon Contracts Company (LCCC), a UK Government-owned entity responsible for delivering elements of the UK Government's Electricity Market Reform programme. Under the contract, the Group receives income in respect of electricity dispatched from a specific biomass-fuelled generating unit.</p> <p>Invoices are raised 7–10 days following the date of supply and are settled within 28 days.</p>	<p>The Group recognises the income arising from the CfD in the Consolidated income statement as a component of revenue at the point the Group meets its performance obligation under the CfD agreement. This is considered to be the point at which the relevant generation is delivered.</p> <p>See CfD income section below for further details.</p>

Section 2: Financial performance continued

2.2 Revenue continued

Revenue stream (Segment)	Nature and timing of performance obligations, including significant payment terms	Method of recognising revenue, including any estimation uncertainties
Ancillary services (Biomass Generation and Flexible Generation)	<p>Ancillary services refer to the provision of a range of system support services to National Grid. Most contracts are for the delivery of a specific service either continually or on an ad-hoc basis over a period of time.</p> <p>Invoices are raised and subsequently settled in line with the National Grid company ancillary services settlement calendar, typically monthly.</p>	<p>Revenue is recognised over time for ancillary services as the Group provides the service of either being available and ready to support the UK Electricity Grid or providing a service when called upon to support the UK Electricity Grid.</p> <p>Revenue is recognised over time by reference to the stage of completion of the contractual performance obligations, which for stand ready performance obligations are calculated by reference to the amount of the contract term that has elapsed.</p> <p>Revenue recognised for providing services when called upon are recognised over the time the service is being provided to support the UK Electricity Grid.</p> <p>Depending on contract terms, this approach may require judgement in estimating probable future outcomes when the amount of consideration the Group is entitled to is variable based on its performance over a period of time.</p>
Electricity and gas sales (Energy Solutions)	<p>The Group's Energy Solutions business sells electricity and gas directly to non-domestic customers. Energy supplied is measured based upon metered consumption and contractual rates.</p> <p>The Energy Solutions business also has long-term contracts for the sale of electricity and gas, which are a series of distinct goods or services that are substantially the same and have the same pattern of transfer and are a performance obligation that is deemed as being satisfied over time in line with the progress of the contracts.</p> <p>Invoices are raised in line with contractual terms which for most customers is monthly. Payment is generally due between 28–90 days.</p>	<p>Revenue is recognised on the supply of electricity or gas when a contract exists, supply has taken place, a quantifiable price has been established or can be determined, and the amounts receivable are expected to be recovered.</p> <p>Where supply has taken place but has not yet been measured or billed, revenue is estimated based on consumption statistics and selling price estimates and is recognised as accrued income. This estimate is not considered to be a key source of estimation uncertainty because historical experience has demonstrated that these estimates are materially accurate based on the subsequent billings and settlements.</p> <p>Where contracts for the sale of electricity and gas are held, revenue is recognised in line with the progress of the contracts.</p> <p>Revenue recognised for fixed price contracts is based on the input method. Revenue is recognised based on the costs incurred and the estimated margin to be obtained over the life of the contract. For variable price contracts revenue is recognised based on the output method. Revenue is recognised based on the volume supplied and the contracted price. Assumptions are applied consistently but third-party costs can vary, therefore actual outcomes may vary from initial estimates.</p>

Section 2: Financial performance continued

2.2 Revenue continued

Revenue stream (Segment)	Nature and timing of performance obligations, including significant payment terms	Method of recognising revenue, including any estimation uncertainties
EBDS income (Energy Solutions)	<p>The UK Government introduced the EBDS running from 1 April 2023 to 31 March 2024. Under this scheme, energy supplied to eligible non-domestic customers had a discount applied to each unit of electricity and gas. Certain customers were eligible for higher levels of support dependent on the sector in which they operated. The discount provided was then able to be claimed back from the UK Government by the supplier.</p> <p>Payment was due 10 days post submission of a claim, which typically occurred monthly.</p>	<p>The discounted price of electricity and gas supplied under EBDS was recognised in revenue as it was supplied. The amount claimed back from the UK Government was recognised within revenue over the same period as the underlying discounted revenue it related to was recognised.</p> <p>The revenue received from the UK Government is included in the EBDS income line in the table on page 148. The Group did not recognise any additional revenue from the scheme than it would have done had it not been introduced.</p>
Other income (All segments)	<p>Other income is derived from the sale of goods. The customer obtains control typically at the point of delivery to their premises or upon collection.</p> <p>Invoices are raised in line with contractual terms. The majority of invoices are raised quarterly and are payable within 30 days.</p>	<p>Revenue is recognised at the point the control of the goods is transferred to the customer.</p>

Renewable certificate sales

The generation and sale of renewable certificates, primarily ROCs and REGOs, is a key driver of the Group's financial performance.

During the year, the Group made sales and related purchases of ROCs to help optimise its working capital position. External sales of ROCs in the table below includes £237.5 million of such sales (2024: £50.8 million), with a similar value reflected in cost of sales. The renewable certificate sales revenue in the Biomass Generation business of £931.0 million has increased compared to the prior year (2024: £739.3 million) primarily as a result of the increase in these ROC sales.

See note 3.3 for further details of how the renewable certificate schemes operate, the renewable certificates generated and sold by the Biomass Generation and Flexible Generation businesses, and those utilised by the Energy Solutions business during the year.

CfD income

The income is calculated by reference to a strike price per MWh. The base year for the strike price was 2012 and it increases each year in line with the UK Consumer Price Index (CPI) and changes in system balancing costs. The strike price at 31 December 2025 was £142.24 per MWh (2024: £138.16 per MWh).

When market prices (based on average traded prices in the preceding season) are above or below the strike price, the Group makes an additional payment to or receives additional income from LCCC equivalent to the difference between that market power price and the strike price, for each MWh produced from the relevant generating unit. Such payments or receipts are in addition to amounts received from the sale of the associated power in the wholesale market.

Section 2: Financial performance continued

2.2 Revenue continued

Further analysis of revenue for the current and prior year is provided in the table below:

	Year ended 31 December 2025			Year ended 31 December 2024		
	External £m	Inter-segment £m	Total £m	External £m	Inter-segment £m	Total £m
Pellet Production						
Pellet sales	320.1	574.1	894.2	329.6	597.5	927.1
Other income	9.2	–	9.2	10.5	4.5	15.0
Total Pellet Production	329.3	574.1	903.4	340.1	602.0	942.1
Biomass Generation						
Electricity and gas sales	1,582.8	1,599.6	3,182.4	1,426.6	2,510.7	3,937.3
Renewable certificate sales	507.4	423.6	931.0	284.8	454.5	739.3
CfD income	192.4	–	192.4	148.6	–	148.6
Ancillary services	18.0	–	18.0	18.7	–	18.7
Other income	14.1	67.2	81.3	2.0	74.8	76.8
Total Biomass Generation	2,314.7	2,090.4	4,405.1	1,880.7	3,040.0	4,920.7
Flexible Generation						
Electricity sales	28.8	83.8	112.6	22.1	141.2	163.3
Renewable certificate sales	–	9.6	9.6	–	7.3	7.3
Ancillary services	21.2	–	21.2	24.2	–	24.2
Other income	28.1	–	28.1	28.0	–	28.0
Total Flexible Generation	78.1	93.4	171.5	74.3	148.5	222.8
Energy Solutions						
Electricity and gas sales	2,619.5	–	2,619.5	3,734.0	–	3,734.0
EBDS income	–	–	–	14.4	–	14.4
Renewable certificate sales	13.8	–	13.8	37.4	–	37.4
Other income	–	–	–	0.3	–	0.3
Total Energy Solutions	2,633.3	–	2,633.3	3,786.1	–	3,786.1
Elimination of inter-segment sales	–	(2,757.9)	(2,757.9)	–	(3,790.5)	(3,790.5)
Total consolidated revenue in Adjusted results	5,355.4	–	5,355.4	6,081.2	–	6,081.2
Certain remeasurements	35.3	–	35.3	81.3	–	81.3
Total consolidated revenue in Total results	5,390.7	–	5,390.7	6,162.5	–	6,162.5

Section 2: Financial performance continued

2.2 Revenue continued

Revenue recognised in Adjusted results of £5,355.4 million (2024: £6,081.2 million) differs from revenue recognised in Total results of £5,390.7 million (2024: £6,162.5 million) due to certain remeasurement gains of £35.3 million (2024: £81.3 million), comprised of gains and losses on derivative contracts that are used to manage risk exposures associated with the Group's revenue not designated into hedge accounting relationships under IFRS 9, and hedge ineffectiveness on hedge accounting relationships reclassified to profit or loss. See note 2.7 for further details on certain remeasurements included within revenue.

Revenue recognised in the period that was included within contract liabilities at the start of the year was £23.1 million (2024: £16.8 million). See note 3.7 for further details on contract liabilities.

Revenue recognised in the period from performance obligations satisfied or partly satisfied in the previous period was £nil (2024: £nil).

The Group's Biomass Generation and Flexible Generation segments have contracts for wholesale electricity sales. Performance obligations, being the supply of electricity, are met either via electricity generation or through the procurement of electricity from counterparties. Where electricity is procured from counterparties to meet this obligation, the electricity sale is presented on a gross basis with the cost of buying the electricity presented in cost of sales and the sale of this electricity presented in revenue. If external purchases of power were presented net within external revenue this would have reduced external revenue by £1,044.8 million to £4,345.9 million (2024: by £1,072.9 million to £5,089.6 million) with a corresponding decrease in external cost of sales.

For most customer contracts the Group is eligible for, and applies, the practical expedient available under IFRS 15 and has not disclosed information related to the transaction price allocated to remaining performance obligations. This applies to revenue where either the right to receive consideration from the customers is at an amount that corresponds directly with the value transferred to the customer for the Group's performance completed to date, or the contract's original expected duration is less than one year. For the Group's fixed price energy supply contracts that have an original expected duration of more than one year, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period is shown in the table below.

	Year ended 31 December	
	2025 £m	2024 £m
Amounts expected to be recognised as revenue:		
Within one year	105.8	127.0
Within one to two years	28.5	18.4
Within two to three years	4.9	1.2
Transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period	139.2	146.6

For accounting policies and other disclosures related to contract assets and liabilities, see notes 3.5 and 3.7.

For accounting policies and other disclosures related to costs incurred to acquire customer contracts, see note 3.6.

2.3 Operating and administrative expenses

This note sets out certain components of operating and administrative expenses in the Consolidated income statement and a detailed breakdown of the fees paid to the Group's external auditor, PricewaterhouseCoopers LLP, in respect of services provided to the Group during the year.

The following expenditure has been charged in arriving at operating profit:

	Year ended 31 December	
	2025 £m	2024 £m
Staff costs (note 6.1)	316.9	322.8
Repairs and maintenance expenditure on property, plant and equipment	141.9	159.6
Other operating and administrative expenses	179.1	238.2
Total operating and administrative expenses	637.9	720.6

Section 2: Financial performance continued

2.3 Operating and administrative expenses continued

Auditor's remuneration

	Year ended 31 December	
	2025 £000	2024 £000
Audit fees:		
Fees payable for the audit of the Group's Consolidated financial statements	1,874.0	2,153.0
Fees payable for the audit of the Company's subsidiaries' statutory accounts	144.0	225.0
Total audit fees	2,018.0	2,378.0
Other fees:		
Review of the Group's half-year Condensed consolidated financial statements	174.0	167.0
Assurance services provided to non-material affiliates	45.8	70.0
Other assurance services	132.0	205.0
Other services	9.0	10.0
Total non-audit fees	360.8	452.0
Total auditor's remuneration	2,378.8	2,830.0

Included in the fees payable for the audit of the Group's Consolidated financial statements for 2025 is £0.1 million relating to additional fees in relation to the 2024 Group audit that were agreed and billed in 2025. In the prior year fees payable included £0.3 million relating to the transition phase of the 2024 audit, which was undertaken and invoiced in 2023.

Other assurance services provided in the current and prior years consist of ESG assurance fees.

See the Audit Committee report on page 85 for further details.

2.4 Impairment review of non-current assets

Accounting policy

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) or group of CGUs expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are identified consistently from period to period unless there is a change in the period that would impact the Group's CGUs. The Group's CGUs are reassessed should any such changes occur.

The Group reviews its non-current assets (and, where appropriate, groups of assets combined into a CGU) whenever there is an indication that an impairment loss may have been suffered. The Group assesses the existence of indicators of impairment at the end of each reporting period.

If an indication of potential impairment exists, the recoverable amount of the asset or CGU in question is assessed with reference to the present value of the future cash flows expected to be derived from the continuing use of the asset or CGU (value in use), or the expected price that would be received if the asset or CGU were sold to a market participant (fair value less costs of disposal). The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal (FVLCD) and its value in use (ViU). The initial assessment of the recoverable amount is normally based on ViU unless FVLCD is considered more appropriate.

The future cash flows used in ViU calculations are based on the approved long-term forecasts that support the Board and executive management's strategic planning process and include all expected costs necessary to generate the cash inflows from the CGU's assets in their current state and condition, including an allocation of centrally managed costs. Future cash flows include, where relevant, contracted cash flows arising from the Group's forward hedging activities and as a result the carrying amount of each CGU includes the fair value of those hedges.

Assessments of future cash flows consider relevant environmental and climate change factors. In particular, macro-economic, commodity price and third-party cost assumptions reflect considerations in respect of the impact of climate change, growth in renewable technologies, electrification and the impact of relevant policies on longer-term supply and demand profiles.

As required by IAS 36, the additional value that could be obtained from enhancing the Group's assets and the potential benefit of any future restructuring or reorganisation that the Group is not yet committed to, is not reflected in the ViU calculation.

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

In determining ViU, the estimated future cash flows are discounted to present value using a pre-tax nominal discount rate reflecting the specific risks attributable to the asset or CGU in question.

When calculating FVLCD, the method most appropriate for an individual asset or CGU is considered. This is generally either based on available market information on prices or comparable transactions, or a discounted cash flow method, similar to ViU, but including the impact of all relevant factors a market participant would consider.

If the recoverable amount is less than the carrying amount in the Consolidated financial statements, an impairment charge is recognised to reduce the carrying amount of the asset or CGU to the estimated recoverable amount. Any impairment loss is recognised immediately in the Consolidated income statement.

Individual assets are considered for impairment where possible. If individual assets do not generate cash inflows that are largely independent, the recoverable amount is determined for the CGU to which the asset belongs. Where possible, corporate assets are allocated to an individual CGU on a reasonable and consistent basis. Where corporate assets cannot be allocated to an individual CGU on a reasonable and consistent basis, they are included in the carrying amount of the smallest group of CGUs to which they can be allocated on a reasonable and consistent basis.

An impairment loss relating to a CGU is allocated first to the carrying amount of any goodwill allocated to the CGU and then to the other assets pro-rata on the basis of the carrying amount of each asset. When allocating an impairment loss to the other assets in the CGU, if the recoverable amount of an individual asset within that CGU is determinable, the impairment loss allocated to the individual asset is limited to reducing the asset's carrying value to its individual recoverable amount. If this results in the impairment loss allocated to an asset being less than its pro-rata share, the excess is allocated on a pro-rata basis to the remaining assets in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. Non-financial assets other than goodwill that have an impairment loss recognised are reviewed in subsequent reporting periods for possible reversal of the impairment. Where an impairment reversal is identified, this is reversed immediately in the Consolidated income statement.

The table below details the Group's reportable segments, the CGUs within those segments and the value of any goodwill allocated to them. See note 5.1 for further details on goodwill.

CGUs

		As at 31 December 2025
Segment name	CGUs contained within segment	Goodwill £m
Pellet Production	Northern Pellets	–
	Biomass (Southern Pellets)	156.7
Biomass Generation	Biomass (Drax Power Station)	–
Flexible Generation	Lanark	11.3
	Galloway	40.1
	Cruachan	26.9
	Hirwaun	–
	Millbrook	–
	Progress	–
	Daldowie	–
Energy Solutions	Drax Energy Solutions	161.2
	Opus Energy	–
		396.2

Previously, the Group's pellet production activities in Canada and the US formed a single CGU (Pellet Operations), reflecting management's integration of the Group's Canadian and US pellet plants into one combined business following the Pinnacle acquisition in 2021, with pellets from the Canadian pellet plants (Northern Pellets) and the US pellet plants (Southern Pellets) being used interchangeably to fulfil third-party customer contracts and internally at Drax Power Station, with biomass generation forming a separate CGU (Drax Power Station). During 2025, market conditions changed significantly. Expected future demand for biomass pellets declined following changes to the UK support schemes, with reduced volumes under the low carbon dispatchable CfD agreed in November 2025, despite this agreement providing greater certainty over the future of Drax Power Station. At the same time, global pellet supply increased, particularly from Southeast Asia, and Canadian fibre availability was affected by tariffs. In the second half of 2025, the Group restructured its pellet operations, with its US pellet plants now dedicated to supplying Drax Power Station and its Canadian pellet plants focused on third-party customers. This operational change required a reassessment of the Groups CGUs and resulted in Northern Pellets and Southern Pellets being assessed separately, as their cash flows are now independent.

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

The Group's US pellet plants now operate solely to supply Drax Power Station, and therefore do not generate cash inflows independently from Drax Power Station. Due to their whole output being used internally, and the absence of an active external market for their output, from 2025, the US pellet plants and the biomass generation activities at Drax Power Station are assessed together as a single Biomass CGU.

Goodwill arising from the 2021 Pinnacle acquisition was previously allocated to the Pellet Operations CGU. Following the change in CGU structure, this goodwill has been reallocated between Northern Pellets and Southern Pellets using a relative fair value approach, in accordance with IAS 36. This resulted in C\$15.7 million (£8.4 million based on exchange rates at the time of reallocation) being allocated to Northern Pellets and US\$210.8 million (£156.7 million based on exchange rates at the time of reallocation) being allocated to Southern Pellets. As Southern Pellets is within the Pellet Production segment but forms part of the Biomass CGU, goodwill allocated to Southern Pellets is also tested at the Southern Pellets level to ensure allocation and testing of goodwill does not take place at a level higher than an operating segment.

There are no changes to any other CGUs from the prior year.

In respect of the Flexible Generation segment, the Group generally considers the smallest groups of assets that generate independent cash inflows to be the individual sites that share common infrastructure and control functions.

In respect of the Energy Solutions segment, the smallest groups of assets that generate independent cash inflows are the operating entities within the business, Drax Energy Solutions and Opus Energy.

The Group's Innovation, capital projects and other operations provides central support functions to the Group's main business activities and does not earn revenues and therefore does not meet the definition of a CGU. However, as explained above, corporate assets are considered for impairment individually where possible or as part of a CGU, and relevant centrally managed costs are allocated to each CGU on a reasonable and consistent basis.

Assessment of indicators of impairment for CGUs to which no goodwill is allocated

Full impairment reviews were performed on all CGUs to which goodwill had been allocated (see Impairment review section below). For CGUs to which no goodwill is allocated, impairment reviews are only performed if impairment indicators are identified.

In determining whether impairment indicators existed in respect of these CGUs, the Group considered changes in market prices for commodities, foreign currency exchange rates, changes in macro-economic conditions, potential impacts of climate change and regulatory requirements since the previous reporting date, and their potential impact on the Group's long-term planning models and future forecast cash flows. Given the relatively consistent macro-economic conditions compared to the prior year end, as well as falling interest rates, these are not considered to be impairment indicators. Commodity prices have been relatively stable (e.g. power and gas) since the prior year end. The Group's generation activities in CGUs to which no goodwill is allocated are less sensitive to power price changes due to generation activities being more dependent on the spread between gas and power prices. Further, a high proportion of the Group's income is not linked to power prices, such as income from renewable certificates, system support and ancillary services. From the factors considered above, no impairment indicators were noted.

Whilst the commissioning date for the assets in the Hirwaun, Millbrook and Progress CGUs have been delayed, this was not considered an impairment indicator as the cash flow impact of these delays is not significant.

There were no impairment indicators present for the Opus Energy, Hirwaun, Millbrook, Progress or Daldowie CGUs and accordingly no impairment review was performed for these CGUs in the current year.

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

Impairment review

For the purpose of impairment reviews, the recoverable amounts of the CGUs, or groups of CGUs, are measured using ViU or FVLCD. ViU is calculated based on a discounted cash flow method using the Group's established planning models. FVLCD uses a market price or comparable recent market transaction where possible. Where this information is not available FVLCD is also based on a discounted cash flow method using the Group's established planning models as a base, but adjusting for impacts or changes that a market participant would factor in. These calculations depend on a broad range of assumptions, the most significant of which are outlined below for each CGU, or group of CGUs, to which an impairment test has been performed in the current year. The bases of these estimates are outlined below.

CGU	Calculation method used to determine recoverable amount	Significant assumptions for ViU or FVLCD calculation	Management's bases for determining estimates used in ViU or FVLCD calculation
Northern Pellets	FVLCD	<ul style="list-style-type: none"> – Production costs – Production volumes – Sales volumes – Sales prices – Central costs – Discount rate 	<ul style="list-style-type: none"> – Future production costs are estimated based on a combination of current and historical costs, inflation expectations and maintenance/operating assumptions – Production volumes are estimated based on the sales volumes agreed under contractual pellet supply arrangements entered into with third parties as well as forecast sales volumes, taking into account planned and unplanned downtime provisions, and fibre availability – Sales volumes are estimated based on contractual pellet supply arrangements entered into with third parties and assumed further contracted volumes after current contracts expire based on third-party market demand forecasts and current contract negotiations – Sales prices are forecast based on contractual sales agreements and an assumed market price after current contracts expire based on third-party market forecasts and current contract negotiations – Central costs are estimated based on historical costs and adjustments that a third-party market participant could reasonably expect to implement – See below for details of the basis used to estimate discount rates
Biomass	ViU	<ul style="list-style-type: none"> – Power prices – Biomass support mechanisms – Post-March 2031 income – Pellet costs (self-supply and third-party) – Pellet production volumes – Ancillary income – Volume of generation – Discount rate 	<ul style="list-style-type: none"> – Power revenue is derived from hedged power sales, future wholesale energy price estimates and an assumption of additional value added through the balancing market and optimisation – Future wholesale energy price estimates are based on market traded power prices for around three years (the period they are liquid), gas market prices as a proxy for power for another two years, then the Group's long-term power price forecast, which is prepared using externally provided gas price forecasts and demand inputs – Biomass support mechanism income is based on the terms of existing biomass support schemes applicable to Drax Power Station for the period up to March 2027 and for the period April 2027 to March 2031 are based on the agreed terms of the low carbon dispatchable CfD agreement with the UK Government – Post-March 2031 biomass generation income is based on the assumption that the levels of income forecast under the low carbon dispatchable CfD agreement for the period April 2027 to March 2031 will continue at a similar level of value up to 2039 – Self-supply pellet production costs are estimated based on a combination of current and historical costs, inflation expectations and maintenance/operating assumptions – Third-party pellet costs are based on historical third-party pellet supply contracts, current pricing and offers, and ongoing negotiations – Pellet production volumes are estimated based on a combination of the capacity of the plant, current and historical volumes produced, planned and unplanned downtime provisions, and fibre availability – Ancillary income assumptions are based on past performance and current agreed prices with National Grid – Volume of generation is based on renewable support scheme terms and power price forecasts – See below for details of the basis used to estimate discount rates

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

Lanark, Galloway and Cruachan	ViU	<ul style="list-style-type: none"> – Power prices – Ancillary income – Volume of generation – Discount rate 	<ul style="list-style-type: none"> – Power revenue is derived from hedged power sales, future wholesale energy price estimates and an assumption of additional value added through the balancing market and optimisation – Future wholesale energy price estimates are based on market traded power prices for around three years (the period they are liquid), gas market prices as a proxy for power for another two years, then the Group's long-term power price forecast, which is prepared using externally provided gas price forecasts and demand inputs – Ancillary income assumptions are based on past performance and current agreed prices with National Grid – Volume of generation for the run-of-river hydro assets is derived from historical rainfall averages – Volume of generation for Cruachan is based on forecast volatility in power prices and assumed weather patterns – See below for details of the basis used to estimate discount rates
Drax Energy Solutions	ViU	<ul style="list-style-type: none"> – Customer margins – Supply volumes – Third-party cost estimates – Renewables services growth rates – Discount rate 	<ul style="list-style-type: none"> – Customer margins are estimated based on current contracted prices and on current and previously achieved profitability – The expectation of future organic supply volumes is based on past performance and management's expectations of market developments – Third-party cost estimates are based on a combination of externally published rates, management analysis of key market input assumptions, and forecasts from external experts – Renewables services growth is based on assumptions about the growth of relevant markets, such as electric vehicles – See below for details of the basis used to estimate discount rates

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

For the Northern Pellets CGU, FVLCD was higher than ViU. FVLCD was determined by discounting the post-tax cash flows that a third-party market participant would be expected to be able to generate from the CGU, less any costs of disposal. The cash flows used in calculating the FVLCD were based on management's detailed cash flows in the Group's established planning models, but adjusted for changes, primarily to reduce central costs, that a market participant with a different structure and requirements would be able to achieve.

For the Drax Energy Solutions CGU, management has projected detailed cash flows based on a period of five years, with cash flows beyond the five-year period taken into perpetuity using a long-term growth rate of 2%. For all other CGUs, management has projected detailed cash flows based on a period of 15 years, except for the Biomass CGU whose cash flows are forecast for 14 years in line with the useful economic life of Drax Power Station, which is to 2039. Whilst these periods are longer than the five-year period specified by IAS 36, and the period the Group assesses viability over in the Viability statement, they align with the Group's long-term strategic planning and takes into account future structural changes forecast within the generation and pellet production industries, as well as expected developments in the pellet production industry. These longer-term structural changes are mainly linked to climate change and the impact of changing weather patterns (including increased rain fall from storms and drier summer months for the run-of-river hydro CGUs and the impact on plant downtime and supply chains due to extreme weather events for the Northern Pellets and Biomass CGUs), the impact of decarbonisation and the transition to more renewable forms of energy and Net Zero, the impact of subsidy and support regimes, and the impact of repairs and maintenance expenditure which is not uniform across the lives of assets. Using a period of only five years for detailed cash flow forecasts could materially overstate or understate the recoverable amounts of these CGUs as the impact of these factors in periods after five years can be significant. The Northern Pellets CGU also has long term contracts that can be in excess of 10 years which further supports using a period greater than five years.

Where possible, for relevant commodities, forecasts are based on either contracted prices, particularly for the Northern Pellets and Biomass CGUs where the Group has a number of longer-term contracts to support the prices used, or observable market curves. Beyond the liquid portion of forward curves, internally constructed price curves are benchmarked against third-party market analysis to validate the reasonableness of the assumptions used. Management continually reassesses forecasting accuracy, considering changes in circumstances and whether forecasting differences were as a result of events that could not reasonably be foreseen at the date of the forecast. These reviews support the accuracy of management's forecasts. This supports the use of detailed forecast periods of longer than five years.

Where management has projected detailed cash flows based on a period of 15 years (Northern Pellets, Lanark, Galloway and Cruachan), cash flows beyond the 15-year period are taken into perpetuity using a long-term growth rate of 2%. The long-term growth rate is based on prudent expectations of market share and profitability along with more general macro-economic factors which were obtained from the Group's established planning model along with external macro-economic forecasts. The long-term growth rate does not exceed the relevant long-term average growth rate for each of the industries in which the Group operates.

The discount rates used for each CGU are calculated with input from third-party experts and reflect the weighted average cost of capital derived using the Capital Asset Pricing Model (CAPM). The estimations use a risk-free rate based on Government bonds, market participant capital structures and beta estimates adjusted for the specific circumstances and risk factors affecting the industry and markets in which the CGU operates (taking into account relevant peer data sets). The CAPM calculates a post-tax discount rate which is applied to post-tax cash flows. An iterative computation using pre-tax cash flows is then performed to derive an equivalent pre-tax discount rate.

Further details on the assessments for each group of CGU as well as sensitivities for reasonably possible changes in key assumptions at the date of the impairment test are given below. Where reasonably possible changes in key assumptions would result in a material adjustment to the carrying value of a CGU, these are disclosed as a key source of estimation uncertainty.

The carrying amount, length of detailed cash flows, pre-tax discount rate and the perpetuity growth rate, where applicable, used in the calculation of each CGU's recoverable amount are set out in the table below:

CGU	Carrying amount including allocated goodwill £m	Length of detailed cash flows £m	Pre-tax discount rate	Perpetuity growth rate
Northern Pellets	84.2	15 years	19.3%	2.0%
Biomass	1,412.3	14 years	11.5%	n/a
Drax Energy Solutions	178.2	5 years	9.2%	2.0%
Lanark	44.3	15 years	8.0%	2.0%
Galloway	174.2	15 years	8.0%	2.0%
Cruachan	298.6	15 years	8.0%	2.0%

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

Northern Pellets

The Northern Pellets CGU produces and sells biomass pellets to third-party customers. Market conditions during 2025 significantly reduced expected future demand, driven by changes and expiries in UK and Dutch support schemes, including lower contracted volumes under the low carbon dispatchable CfD effective from April 2027. Global supply has also increased, particularly from Southeast Asia, and fibre availability in Canada has been affected by tariffs. As a result, Northern Pellets has refocused on third-party sales, and expectations for its future growth have reduced.

The recoverable amount of the CGU, based on FVLCD, was less than its carrying value of £278.3 million, resulting in an impairment charge of £194.1 million. Assets for which ViU is determinable or FVLCD is measurable have not been impaired below these values. Goodwill was written down to £nil, with the remaining impairment allocated across other assets on a pro-rata basis. This resulted in an impairment of £8.5 million being allocated to goodwill and £185.6 million to other assets.

Following the impairment, the CGU's carrying value equals its recoverable amount. Assets with determinable fair values above their carrying value were not impaired, while assets without a measurable recoverable amount were written down to £nil. The carrying value remains sensitive to key assumptions in the FVLCD model.

Reasonably possible downside changes in assumptions from those used in the FVLCD calculation include a 50% reduction in assumed central cost savings, combined with a 7% decrease in pellet sales contract renewal prices, an increase in the pre-tax discount rate from 19.3% to 30.8% (equivalent to an increase in the post-tax discount rate from 15.0% to 18.0%), and a reasonably possible 30% decrease in the fair value determined for the individual assets that were not allocated an impairment loss. This combination of reasonably possible changes would result in an increase in the impairment recognised of £27.1 million and a corresponding reduction in the carrying value of the Northern Pellets CGU.

Reasonably possible upside changes in assumptions from those used in the FVLCD calculation include a 7% increase in pellet sales contract renewal prices, combined with a decrease in the pre-tax discount rate from 19.3% to 15.0% (equivalent to a decrease in the post-tax discount rate from 15.0% to 12.0%). This combination of reasonably possible changes would result in a reduction in the impairment recognised of £72.6 million and a corresponding increase in the carrying value of the Northern Pellets CGU.

Accordingly, the FVLCD assumptions for this CGU have been identified as a key source of estimation uncertainty.

Biomass

The Biomass CGU is principally focused on renewable biomass electricity generation, including its integrated pellet supply chain. Given the allocated goodwill, a full impairment assessment has been performed. The cash flows between April 2027 and March 2031 reflect management's best estimate of earnings based on the terms of the low carbon dispatchable CfD agreement signed in November 2025. The expected income beyond March 2031 to the cessation of operations in 2039, in line with the current end of station life of Drax Power Station, is based on the assumption that earnings will continue at a similar level to those under the low carbon dispatchable CfD. No value has currently been included in the ViU calculation for disposing of the site and assets in 2039 due to the uncertainty over the value that could be achieved as a result of a lack of comparable transactions for a large-scale generation site with a live grid connection. If a value was included this would further increase the headroom.

The ViU of the Biomass CGU was in excess of its carrying amount. The ViU of Southern Pellets was also in excess of its carrying amount when testing the goodwill allocated to Southern Pellets at a segment level or below.

The Biomass CGU has a carrying value at 31 December 2025 of £1,412.3 million. A combination of reasonably possible changes in certain assumptions used in the value in use model could lead to a material adjustment to this carrying value.

These include: an average 27% decrease in power prices over the period of the low carbon dispatchable CfD agreement from April 2027 to March 2031, combined with a 90-day outage of one of the units under the Renewables Obligation scheme in 2026, an increase in biomass production costs of US\$7 per tonne, an increase in the pre-tax discount rate from 11.5% to 23.7% (equivalent to an increase in the post-tax discount rate from 7.5% to 8.3%), and operations to cease in March 2031 at the end of the low carbon dispatchable CfD agreement. This combination of reasonably possible changes in the key inputs to the value in use model would lead to an impairment of £650.1 million. Therefore, reasonably possible assumptions in the ViU calculation of the Biomass CGU have been identified as a key source of estimation uncertainty.

Drax Energy Solutions

This segment is principally focused on renewable electricity sales to industrial and commercial (I&C) customers and providing other renewables services.

The ViU of the Drax Energy Solutions CGU was in excess of its carrying amount. A reasonably possible increase in the pre-tax discount rate to 12.5% combined with factoring in a reduction in forecast gross margin by 10%, 0% perpetuity growth rate and a reduction in growth of forecast income from the electric vehicles business, equivalent to a 50% reduction in future forecast earnings, would reduce the headroom by £331.0 million. This would not result in an impairment. Whilst reasonably possible changes in assumptions would reduce the headroom, they would not result in the recoverable amount being lower than the carrying value. As such management does not believe that any reasonably possible changes in the key assumptions would result in an adjustment to the carrying value of the Drax Energy Solutions CGU.

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

Lanark, Galloway and Cruachan

These CGUs are engaged in run-of-river hydro and pumped storage power generation. The VIU for all three CGUs (Lanark, Galloway and Cruachan) were in excess of their carrying amounts.

For the Cruachan CGU, a reasonably possible 25% average power price reduction combined with an increase in the pre-tax discount rate to 8.7%, and less favourable weather patterns, resulting in a reduction in value from market volatility, would reduce the headroom by £758.2 million. This would not result in an impairment. For the Lanark CGU, a reasonably possible 25% average power price reduction combined with an increase in the pre-tax discount rate to 8.7% and a low rainfall year, based on historical lows, every one in three years, would reduce the headroom by £26.3 million. This would not result in an impairment. Whilst reasonably possible changes in assumptions for the Lanark and Cruachan CGUs would reduce the headroom, they would not result in the recoverable amounts being lower than the carrying values. As such the Group does not believe that any reasonably possible changes in the key assumptions would result in an adjustment to the carrying values of either the Lanark or Cruachan CGUs.

For the Galloway CGU, a reasonably possible 25% average power price reduction combined with an increase in the pre-tax discount rate to 8.7% and a low rainfall year, based on historical lows, every one in three years, would result in an impairment of £5.9 million. The Galloway CGU is sensitive to reasonably possible changes in the key assumptions. Whilst reasonably possible changes to assumptions would result in an adjustment to the carrying value of the Galloway CGU, they would not result in a material adjustment to its carrying value and so it is not considered a key source of estimation uncertainty as defined by IAS 1.

Impairment of non-current assets

Longview

During 2025, an impairment loss of £108.8 million has been recognised relating to the Group's Longview pellet plant development project (Longview). Due to reduced expectations around global pellet demand in the short to medium term, in part as a result of the reduced volumes of biomass generation agreed under the low carbon dispatchable CfD contract, the decision has been taken to pause this development and no development of the site is expected in the near term.

The capitalised Longview assets have been impaired to their recoverable amount of £13.7 million (principally the value of the land at the site). This recoverable amount has been estimated after considering the level of customisation and general market conditions. If the Group is able to return assets to suppliers; or achieve third-party sales; or find internal use for parts and spares at the Group's other pellet plants; or if any scrap value achieved exceeds the costs of disposal, then the recovery value could be higher. If an average recovery value of 40% on plant and equipment had been assumed, this would result in a decrease in the impairment recognised of £29.5 million and a corresponding increase in the carrying value of the Longview assets.

As such the assumptions regarding the recoverable amount of Longview plant and equipment have been identified as a key source of estimation uncertainty.

A separate onerous contract provision for the Longview fibre purchase contracts has been recognised. See note 5.2 for further details.

UK BECCS

Given the current political environment and the lack of development of an appropriate regulatory framework to support the investment required for UK BECCS, the Group has refocused its investment priorities on nearer term opportunities with more balanced risk-return profiles and therefore has rationalised its level of investment in carbon capture opportunities. Whilst UK BECCS is still an attractive option for the Group long term and management still believes that the development of BECCS at Drax Power Station is important to the UK's Net Zero strategy, the full carrying amount of the development project of £47.6 million has been impaired due to the reduced likelihood of the project proceeding in the short to medium term. Although not expected in the near term, if an appropriate regulatory framework were to be developed and the political environment was to become more supportive of large-scale capital investment in UK BECCS, increasing the likelihood of the project progressing, a reversal of the impairment of certain UK BECCS costs may be required.

Section 2: Financial performance continued

2.4 Impairment review of non-current assets continued

Impairment	Year ended 31 December 2025					Year ended 31 December 2024		
	Longview £m	UK BECCS £m	Northern Pellets £m	Other assets £m	Total £m	Opus Energy £m	Other assets £m	Total £m
Investment in associate	-	-	3.6	-	3.6	-	4.6	4.6
Goodwill – cost (note 5.1)	-	-	8.5	-	8.5	-	-	-
Property, plant and equipment – accumulated depreciation and impairment (note 3.1)	108.8	47.6	139.3	26.1	321.8	-	6.1	6.1
Right-of-use assets – accumulated depreciation and impairment (note 3.2)	-	-	20.1	-	20.1	-	0.1	0.1
Intangible assets excluding goodwill – accumulated amortisation and impairment (note 5.1)	-	-	22.6	1.1	23.7	2.6	-	2.6
Other receivables	-	-	-	-	-	-	1.0	1.0
Total impairment of non-current assets	108.8	47.6	194.1	27.2	377.7	2.6	11.8	14.4

The total non-current asset impairment charge for the year of £377.7 million (2024: £14.4 million) is recognised in the impairment of non-current assets line in the Consolidated income statement. £350.5 million (2024: £2.6 million) of impairment directly relating to Longview, UK BECCS and Northern Pellets (2024: Opus Energy transaction and related restructuring) was treated as exceptional. See note 2.7 for further details.

Section 2: Financial performance continued

2.5 Net finance costs

Net finance costs reflect expenses incurred in managing the capital structure (such as interest payable on borrowings) as well as foreign exchange gains and losses, the unwinding of discounts on provisions for reinstatement of the Group's sites at the end of their useful economic lives (see note 5.2), and interest on lease liabilities (see note 3.2). These are offset by interest income that the Group generates through use of short-term cash surpluses, for example through investment in money market funds, and interest income on the Group's defined benefit pension scheme surplus (see note 6.3).

A reconciliation of net finance costs is shown in the table below:

	Year ended 31 December	
	2025 £m	2024 £m
Interest payable and similar charges:		
Interest payable	(97.0)	(105.9)
Unwinding of discount on provisions (note 5.2)	(2.9)	(2.7)
Capitalised interest	26.0	1.7
Total interest payable and similar charges included in Adjusted results	(73.9)	(106.9)
Interest receivable and similar gains:		
Interest income on bank deposits	16.1	17.1
Net interest income on defined benefit pension surplus (note 6.3)	1.4	0.9
Other interest income	0.3	0.4
Gain on repurchase of loan notes (note 4.2)	–	1.7
Total interest receivable and similar gains included in Adjusted results	17.8	20.1
Foreign exchange gains/(losses) included in Adjusted results	8.2	(9.4)
Net finance costs included in Adjusted results	(47.9)	(96.2)
Certain remeasurements on financing derivatives	(3.0)	(0.6)
Interest expense included within exceptional items (note (2.7))	(0.9)	–
Net finance costs included in Total results	(51.8)	(96.8)

In the year the Group capitalised interest of £26.0 million relating to the construction of the OCGTs, the Cruachan upgrade and the acquisition of the BESS assets at a weighted average rate of 5.43%, which is included within the cost of qualifying assets during the year.

Changes in the Group's financing structure during 2025 are described in note 4.2.

Foreign exchange gains and losses in net finance costs arise on the retranslation of non-derivative balances denominated in foreign currencies to prevailing rates at the reporting date and gains and losses on derivative contracts hedging foreign exchange risk on borrowings.

The Group has a number of intercompany loans denominated in the functional currencies of certain foreign subsidiaries, that are receivable from a sterling functional currency entity. Due to the strengthening of GBP against USD during the year, the Group has recognised a foreign exchange gain of £8.1 million (2024: £1.3 million) on the retranslation of intercompany loans in the sterling functional currency entity. This gain is recognised within the Consolidated income statement and within the foreign exchange gains or losses included in the Adjusted results line in the table above. Conversely, within the net gain or loss on translating the net assets of the foreign subsidiaries into the Group's sterling presentational currency there is a foreign exchange loss relating to the translation of the foreign subsidiaries' intercompany loans. This impacts the translation reserve, with the movement recognised in other comprehensive income.

2.6 Current and deferred tax

The tax charge of £121.3 million (2024: £227.9 million) includes both current and deferred tax. It reflects the estimated tax on the profit before tax for the Group for the year ended 31 December 2025 and the movement in the deferred tax balance in the year, so far as it relates to items recognised in the Consolidated income statement, in line with IAS 12.

Accounting policy

Current tax includes UK corporation tax, corporate income tax in Canada and US income tax. It is based on the taxable profit or loss for the year in the relevant jurisdiction. Taxable profit or loss differs from profit or loss before tax as reported in the Consolidated income statement because it excludes items of income or expenditure that are either taxable or deductible in other years or never taxable or deductible. The Group's liability (or asset) for current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

A provision is made for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases is based on specialist third-party tax advice. No uncertain tax provisions have been recognised in the current or prior year.

Section 2: Financial performance continued

2.6 Current and deferred tax continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current and deferred taxes are credited or charged against profit or loss in the Consolidated income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred taxes are recognised in the Consolidated statement of comprehensive income or directly in the Consolidated statement of changes in equity respectively.

In accounting for tax, the Group makes assumptions regarding the treatment of items of income and expenditure for tax purposes. The Group believes that these assumptions are reasonable, based on prior experience and consultation with third-party advisers where deemed necessary. These assumptions are consistent with other assumptions used in these Consolidated financial statements. Full provision is made for deferred tax at the rates of tax prevailing at the reporting date unless future rates have been substantively enacted. Deferred tax assets are recognised where it is considered more likely than not that they will be recovered. The recoverability of the deferred tax asset is considered an estimate as it relies on the future profitability of the Group's businesses. See table on page 162 for a breakdown of the net deferred tax asset or liability position for each jurisdiction.

	Year ended 31 December	
	2025 £m	2024 £m
Total tax charge comprises:		
Current tax		
– UK tax	(99.1)	(182.2)
– Overseas tax	(0.8)	–
– Adjustments in respect of prior periods	2.3	(2.4)
Deferred tax		
– Before impact of tax rate changes	(14.3)	(37.6)
– Adjustments in respect of prior periods	(9.4)	(5.7)
Total tax charge	(121.3)	(227.9)

	Year ended 31 December	
	2025 £m	2024 £m
Tax credited/(charged) on items recognised in other comprehensive income:		
Deferred tax on remeasurement of defined benefit pension surplus	0.7	(1.3)
Deferred tax on cash flow hedges	26.4	73.0
Deferred tax on cost of hedging	5.4	(1.7)
Total tax credit	32.5	70.0

	Year ended 31 December	
	2025 £m	2024 £m
Tax credited/(charged) on items released directly from equity:		
Deferred tax on cash flow hedges	(7.9)	(1.2)
Deferred tax on cost of hedging	1.1	5.7
Deferred tax on share-based payments	7.1	1.4
Total tax credit	0.3	5.9

UK corporation tax is the main income tax applicable on the Group's taxable profits and is calculated at 25.0% (2024: 25.0%) of the assessable profit or loss for the year. Due to the Group's overseas operations, the US income tax rate of 25.1% (2024: 21.0%), including provision for State income tax, and the Canadian corporate income tax rate of 27.0% (2024: 27.0%) are also relevant to the Group's total tax charge.

The effective tax rate of 64.0% (2024: 30.2%) for the full year is higher (2024: higher) than the standard corporation tax rate applicable in the UK, principally due to the effects of non-deductible impairment of non-current assets in Canada (see note 2.4) and the resulting write off of deferred tax assets (2024: due to the non-deductible Electricity Generator Levy).

Drax Power Limited was granted a patent to protect certain intellectual property it owns and which attaches to the technology developed to manage the combustion process in generating electricity from biomass. Under UK tax legislation, the company is entitled to apply a lower tax rate of 10.0% to profits derived from utilisation of the patented technology.

Section 2: Financial performance continued

2.6 Current and deferred tax continued

The Group tax charge for the year can be reconciled to the profit before tax as follows:

	Year ended 31 December 2025			Year ended 31 December 2024		
	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Profit before tax	623.3	(433.8)	189.5	704.0	49.4	753.4
Profit before tax multiplied by the rate of corporation tax in the UK of 25.0% (2024: 25.0%)	155.9	(108.5)	47.4	176.0	12.4	188.4
Effects of:						
Adjustments in respect of prior periods	7.1	-	7.1	5.6	2.5	8.1
Expenses not deductible for tax purposes	7.3	89.1	96.4	5.4	-	5.4
Electricity Generator Levy	-	-	-	40.2	-	40.2
Deferred tax asset unwind on US interest	-	-	-	10.9	-	10.9
Difference in overseas tax rates	(7.7)	3.1	(4.6)	(1.7)	-	(1.7)
UK Patent Box benefit	(24.4)	-	(24.4)	(23.4)	-	(23.4)
Partnership income allocation	(0.6)	-	(0.6)	-	-	-
Total tax charge	137.6	(16.3)	121.3	213.0	14.9	227.9

Section 2: Financial performance continued

2.6 Current and deferred tax continued

The movements in deferred tax assets and liabilities during each year are shown below.

	Financial instruments £m	Accelerated capital allowances £m	Intangible assets £m	Trade losses £m	Other liabilities £m	Other assets £m	Total £m
At 1 January 2024	(39.2)	(310.5)	(1.9)	56.6	(26.8)	57.6	(264.2)
(Charged)/credited to the income statement	(29.7)	(38.4)	1.1	(7.0)	14.7	16.0	(43.3)
Charged to other comprehensive income in respect of actuarial gains	-	-	-	-	(1.3)	-	(1.3)
Credited to other comprehensive income in respect of cash flow hedges	73.0	-	-	-	-	-	73.0
Charged to other comprehensive income in respect of cost of hedging	(1.7)	-	-	-	-	-	(1.7)
Charged to equity in respect of cash flow hedges	(1.2)	-	-	-	-	-	(1.2)
Credited to equity in respect of cost of hedging	5.7	-	-	-	-	-	5.7
Credited to equity in respect of share-based payments	-	-	-	-	-	1.4	1.4
Effect of changes in foreign exchange rates	-	(0.9)	(0.1)	0.6	-	0.2	(0.2)
At 1 January 2025	6.9	(349.8)	(0.9)	50.2	(13.4)	75.2	(231.8)
Credited/(charged) to the income statement	7.4	(33.2)	(0.2)	6.1	24.3	(28.1)	(23.7)
Credited to other comprehensive income in respect of actuarial gains	-	-	-	-	0.7	-	0.7
Credited to other comprehensive income in respect of cash flow hedges	26.4	-	-	-	-	-	26.4
Credited to other comprehensive income in respect of cost of hedging	5.4	-	-	-	-	-	5.4
Charged to equity in respect of cash flow hedges	(7.9)	-	-	-	-	-	(7.9)
Credited to equity in respect of cost of hedging	1.1	-	-	-	-	-	1.1
Credited to equity in respect of share-based payments	-	-	-	-	-	7.1	7.1
Effect of changes in foreign exchange rates	-	0.7	0.1	(2.3)	0.1	(0.2)	(1.6)
At 31 December 2025	39.3	(382.3)	(1.0)	54.0	11.7	54.0	(224.3)
Deferred tax balances (after offset) for financial reporting purposes:							
Net Canadian deferred tax asset at 31 December 2025	-	-	-	-	-	-	-
Net US deferred tax asset at 31 December 2025	-	(22.6)	-	53.5	-	6.1	37.0
Net UK deferred tax liability at 31 December 2025	39.3	(359.7)	(1.0)	0.5	11.7	47.9	(261.3)
Net Canadian deferred tax asset at 31 December 2024	-	(9.4)	0.3	20.3	(0.3)	25.1	36.0
Net US deferred tax asset at 31 December 2024	-	(22.3)	-	29.5	-	5.4	12.6
Net UK deferred tax liability at 31 December 2024	6.9	(318.1)	(1.2)	0.4	(13.1)	44.7	(280.4)

Section 2: Financial performance continued

2.6 Current and deferred tax continued

Deferred tax assets and liabilities are offset where they are levied by the same taxation authority and the Group has a legally enforceable right to offset the current taxes, otherwise they are shown separately in the Consolidated balance sheet. Within the above deferred tax asset on trade losses of £54.0 million (2024: £50.2 million) there is £53.5 million (2024: £29.5 million) in relation to losses in the US Pellet Production business, and the remaining £0.5 million relates to UK operations (2024: £0.4 million). Losses relating to the Canadian Pellet Production business were derecognised in 2025, following the impairment of that business, resulting in a balance of £nil (2024: £20.3 million).

The future expected reversal of accelerated capital allowances and other timing differences, coupled with the profitability (inclusive of the impact of transfer pricing adjustments), stable output and forecast improvement in operational performance, mean that the US business expects to generate sufficient profits in the short to medium term against which to utilise the deferred tax asset. The estimates used when assessing the future profitability of the US business have been approved by the Board and executive management, and are consistent with estimates used in the going concern assessment and the impairment assessments. The impairment assessment factors in climate change risks in the forecasts. See note 2.4 for further details on how climate change has been considered as part of the impairment assessments.

As at 31 December 2025, the Group held £78.5 million (2024: £78.5 million) of gross UK capital losses available for offset against future chargeable gains. These losses are unrecognised for deferred tax purposes as the Group does not currently expect UK taxable gains to arise that would be eligible to offset against these losses.

The Group is within Pillar 2 in all of the jurisdictions in which it operates. The Group is expected to be within the safe harbour provisions for 2025 and there is no exposure to any top up taxes. The Group continues to monitor developments, particularly in the US, and the transitional safe harbour provisions. The Group continues to assess the position and the latest forecasts confirm that there is no exposure to Pillar 2.

The Group has applied the temporary exemption under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar 2 rules, so that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar 2.

2.7 Alternative performance measures

This note provides details of all APMs used, each APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how each APM is calculated (see pages 169 to 170).

The Group presents Adjusted results in the Consolidated income statement. Management believes that this approach is useful as it provides a clear and consistent view of underlying trading performance. Exceptional items and certain remeasurements are excluded from Adjusted results and are presented in a separate column in the Consolidated income statement. The Group believes that this presentation provides useful information about the financial performance of the business and is consistent with the way the Board and executive management assess the performance of the business.

The Group has a policy and framework for the determination of transactions to be presented as exceptional. Exceptional items are excluded from Adjusted results as they are transactions that are deemed to be one-off or unlikely to reoccur in future years due to their nature, size, the expected frequency of similar events, or the commercial context. By excluding these amounts, this provides users of the Consolidated financial statements with a more representative view of the results of the Group and enables comparisons with other reporting periods as it excludes amounts from activities or transactions that are not likely to reoccur. All transactions presented as exceptional are approved by the Audit Committee. See the Audit Committee report on page 77 for further details.

In these Consolidated financial statements, the following transactions have been designated as exceptional items and presented separately:

- Opus Energy sale of meter points and restructuring: Costs and credits arising as a result of the transaction to sell the majority of the non-core Opus Energy SME customer meter points and related strategic restructuring to reflect the reduced size of the Opus Energy SME business and Energy Solutions' focus on core I&C customers and renewables services (Energy Solutions, 2024 and 2025). See below for further details.
- Impairment of Longview and related costs: Asset impairment charges of £108.8 million (see note 2.4), the recognition of provisions for onerous fibre contracts of £22.0 million (see note 5.2) and £8.1 million of other costs relating to the Group's decision to pause the Longview development project (Pellet Production, 2025).
- Impairment of UK BECCS: Impairment of capitalised development costs relating to the Group's UK BECCS development project (Biomass Generation, 2025). See note 2.4 for further details.
- Impairment of Northern Pellets CGU and related costs: Asset impairment charges of £194.1 million (see note 2.4) and related costs of £3.7 million within the Group's Northern Pellets business (Pellet Production, 2025). See note 2.4 for further details on the impairment of the Northern Pellets CGU.
- Change in the fair value of contingent consideration (Flexible Generation, 2025). See note 7.1 for details.
- Transformation and restructuring (all segments, 2025). See below for further details.

Certain remeasurements comprise fair value gains and losses on derivative contracts to the extent that those contracts do not qualify for hedge accounting, or hedge accounting is not effective, and those gains or losses are either i) unrealised and relate to derivative contracts with a maturity in future periods, or ii) are realised in relation to the maturity of derivative contracts in the current period. Management believes adjusting for fair value gains and losses recognised on derivative contracts provides users of the Consolidated financial statements with useful information, as this removes volatility caused by movements in market prices over the life of the derivative contracts. Gains and losses on derivative contracts prior to maturity generally reflect the difference between the contracted price and the current market price, which management does not believe provides meaningful information as the Group is not entering contracts with the intention of creating value from changes in market prices.

Section 2: Financial performance continued

2.7 Alternative performance measures continued

The Group regards all of its forward contracting activity to represent economic hedges to secure prices and rates, and lock in value for its future expected pellet production, generation or energy supply activities. The contracted price is therefore deemed relevant and representative of the Group and its performance, rather than how the contracted price compares to prevailing market prices, as the Group is not seeking to make trading profits on these derivative contracts through market price movements. The effect of excluding certain remeasurements from Adjusted results is that commodity sales and purchases are recognised in Adjusted results in the period they are intended to hedge at their contracted prices i.e. at the all-in-hedged amount paid or received in respect of the delivery of the commodity in question. It also results in the total impact of financial contracts being recognised in Adjusted results on maturity, being the period they are intended to hedge. Management believes this better reflects the performance of the business as it more accurately represents the intention for entering derivative contracts.

Movements on derivative financial instruments which do not qualify for hedge accounting, or where hedge accounting is ineffective, are shown in the table below. During 2025 the amounts recognised were predominantly due to fair value gains recognised on foreign exchange contracts on matured trades, due to GBP weakening against USD when compared to the original trade dates, and the realisation of losses on maturity of inflation and commodity hedges.

Further details on the Group's derivative financial instruments are provided in Section 7.

The effective tax rate on exceptional items of 2.2% during the current year is lower than the standard corporation tax rate applicable in the relevant jurisdictions as a result of the non-deductibility of the impairment of non-current assets within the Northern Pellets CGU, and the related derecognition of deferred tax assets in Canada as a result of this. The Group does not believe tax deductions will be recognised for these items in the future.

	Year ended 31 December	
	2025 £m	2024 £m
Exceptional items:		
Opus Energy sale of meter points and restructuring	(1.1)	(59.5)
Impairment of Longview and related costs	(138.0)	–
Impairment of UK BECCS	(47.6)	–
Impairment of Northern Pellets CGU and related costs	(197.8)	–
Change in fair value of contingent consideration	(9.4)	–
Transformation and restructuring	(9.4)	–
Exceptional items included within operating profit	(403.3)	(59.5)
Interest expense relating to Longview	(0.9)	–
Exceptional items included within profit before tax	(404.2)	(59.5)
Tax on exceptional items	8.9	14.8
Exceptional items after tax	(395.3)	(44.7)
Certain remeasurements:		
Net derivative fair value remeasurements included in revenue	24.9	11.9
Net derivative remeasurements realised on maturity included in revenue	8.4	77.6
Net hedge ineffectiveness recognised in revenue	2.0	(8.2)
Net derivative fair value remeasurements included in cost of sales	(55.4)	45.3
Net derivative remeasurements realised on maturity included in cost of sales	(6.5)	(17.1)
Certain remeasurements included within operating profit	(26.6)	109.5
Net derivative remeasurements realised on maturity included in interest payable and similar charges	0.3	(0.6)
Net amounts reclassified due to the hedged cash flows no longer expected to occur included in interest payable and similar charges	(0.9)	–
Net derivative fair value remeasurements included in foreign exchange gains	1.2	–
Net hedge ineffectiveness recognised in foreign exchange losses	(3.6)	–
Certain remeasurements included in profit before tax	(29.6)	108.9
Tax on certain remeasurements	7.4	(29.7)
Certain remeasurements after tax	(22.2)	79.2
Reconciliation of profit for the period:		
Adjusted profit for the period	485.7	491.0
Exceptional items after tax	(395.3)	(44.7)
Certain remeasurements after tax	(22.2)	79.2
Total profit for the period	68.2	525.5

Section 2: Financial performance continued

2.7 Alternative performance measures continued

Opus Energy sale of meter points and restructuring

In May 2025 the Group completed the sale of its non-core SME customer meter points, a process which commenced in 2024 with the sale of the majority of its SME customer meter points to EDF Energy Customers Limited and concluded with the sale of the residual SME customer supply meter points and related receivables to Pozitive Energy Limited. All SME supply meter points have now been disposed of. An employee consultation process has also been completed resulting in a reduction in headcount to reflect a focus on core industrial and commercial (I&C) and renewables services. The Group incurred costs of redundancies in order to reduce the headcount in the Opus Energy business and holds a redundancy provision at 31 December 2025 in respect of in scope colleagues who had not yet left the Group. See note 5.2 for further details.

The gains and losses described above that have been recognised in the period on the transaction and related restructuring have been classified as exceptional. Further details of the amounts recognised as exceptional are detailed below:

	Year ended 31 December	
	2025 £m	2024 £m
Consideration received for customer meter points	3.6	9.6
Net liabilities/(assets) disposed of directly related to the transferred customers	2.2	(8.4)
Profit on disposal of customer meter points – included in other gains and losses	5.8	1.2
Other losses incurred as a direct result of the transaction and restructuring		
Redundancy, transaction and migration costs – included in operating and administrative expenses	(2.6)	(9.2)
Onerous contracts provision, impairment of prepaid commissions and final commission settlement on retained customers – included in cost of sales	-	(23.3)
Fair value movements on receivables relating to customers transferred to EDF (note 3.5) – included in operating and administrative expenses	(0.5)	(12.9)
Impairment of trade receivables – included in impairment losses on financial assets	(3.8)	(12.7)
Impairment of non-current assets (note 2.4) – included in impairment of non-current assets	-	(2.6)
Net loss recognised as a result of the transaction	(1.1)	(59.5)

During the current year the Group had a net cash outflow of £1.1 million in respect of the Opus Energy transaction. This comprised a cash inflow of £3.6 million of consideration received and a cash outflow of £4.7 million in respect of redundancy, transaction and migration costs paid out in the year. The cash flows relating to the transaction have been recognised within operating cash flows in the Consolidated cash flow statement.

Transformation and restructuring

The Group has commenced a significant transformation programme (“Future Focus”) centred around growth, efficiency and performance culture. As part of this programme, the organisational structure has been redesigned in order to deliver an appropriate cost base under the low carbon dispatchable CfD agreement from April 2027. This transformation programme commenced in 2025 and is expected to run through to the end of 2026. The costs incurred in the year primarily relate to employee severance costs and related consultancy costs.

For each item designated as exceptional or as a certain remeasurement, the table below summarises the impact of the item on Adjusted and Total profit after tax, Basic EPS and Net cash from operating activities.

Section 2: Financial performance continued

2.7 Alternative performance measures continued

	Year ended 31 December 2025							
	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax (charge)/credit £m	Profit/(loss) for the period £m	Basic earnings per share Pence	Net cash from operating activities £m
Total results IFRS measure	5,390.7	1,512.9	241.3	189.5	(121.3)	68.2	20.7	810.0
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(35.3)	26.6	26.6	29.6	(7.4)	22.2	6.3	–
Exceptional items:								
Opus Energy sale of meter points and restructuring	–	–	1.1	1.1	–	1.1	0.3	1.1
Impairment of Longview and related costs	–	22.0	138.0	138.9	(34.7)	104.2	29.5	0.9
Impairment of UK BECCS	–	–	47.6	47.6	(11.9)	35.7	10.1	–
Impairment of Northern Pellets CGU and related costs	–	0.1	197.8	197.8	42.5	240.3	66.8	0.5
Change in fair value of contingent consideration	–	–	9.4	9.4	(2.4)	7.0	2.0	–
Transformation and restructuring	–	–	9.4	9.4	(2.4)	7.0	2.0	5.8
Total	(35.3)	48.7	429.9	433.8	(16.3)	417.5	117.0	8.3
Adjusted results totals	5,355.4	1,561.6	671.2	623.3	(137.6)	485.7	137.7	818.3
	Year ended 31 December 2024							
	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax (charge)/credit £m	Profit/(loss) for the period £m	Basic earnings/(loss) per share Pence	Net cash from operating activities £m
Total results IFRS measure	6,162.5	1,876.5	850.2	753.4	(227.9)	525.5	137.5	859.5
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(81.3)	(109.5)	(109.5)	(108.9)	29.7	(79.2)	(20.7)	–
Exceptional items:								
Opus Energy sale of meter points and restructuring	–	23.3	59.5	59.5	(14.8)	44.7	11.6	(9.6)
Total	(81.3)	(86.2)	(50.0)	(49.4)	14.9	(34.5)	(9.1)	(9.6)
Adjusted results totals	6,081.2	1,790.3	800.2	704.0	(213.0)	491.0	128.4	849.9

Section 2: Financial performance continued

2.7 Alternative performance measures continued

Adjusted EBITDA

Adjusted EBITDA is a key measure of financial performance for the Group. A reconciliation from Adjusted operating profit from the Consolidated income statement is shown below:

	Year ended 31 December 2025		
	Attributable to		Total £m
	Owners of the parent company £m	Non-controlling interests £m	
Adjusted operating profit/(loss)	671.3	(0.1)	671.2
Depreciation and amortisation	242.1	1.0	243.1
Other losses	4.4	–	4.4
Share of losses from associates	1.6	–	1.6
Impairment of non-current assets	27.2	–	27.2
Adjusted EBITDA	946.6	0.9	947.5

	Year ended 31 December 2024		
	Attributable to		Total £m
	Owners of the parent company £m	Non-controlling interests £m	
Adjusted operating profit/(loss)	801.3	(1.1)	800.2
Depreciation and amortisation	240.4	1.4	241.8
Other losses	8.5	–	8.5
Share of losses from associates	2.2	–	2.2
Impairment of non-current assets	11.8	–	11.8
Adjusted EBITDA	1,064.2	0.3	1,064.5

	Year ended 31 December	
	2025 £m	2024 £m
Segment Adjusted EBITDA:		
Pellet Production	129.4	143.0
Biomass Generation	725.4	813.5
Flexible Generation	110.9	137.6
Energy Solutions	48.7	51.2
Innovation, capital projects and other	(74.3)	(78.1)
Intra-group eliminations	6.5	(3.0)
Total Adjusted EBITDA	946.6	1,064.2

Net debt

The below table reconciles the Group's Net debt:

	As at 31 December	
	2025 £m	2024 £m
Borrowings (note 4.2)	(979.0)	(1,176.7)
Lease liabilities (note 3.2)	(98.6)	(116.5)
Cash and cash equivalents	302.1	356.0
Net cash, borrowings and lease liabilities	(775.5)	(937.2)
Non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	(0.6)	(0.8)
Non-controlling interests' share of lease liabilities in non-wholly owned subsidiaries	0.4	0.5
Impact of hedging instruments	(7.9)	(54.2)
Net debt	(783.6)	(991.7)

Section 2: Financial performance continued

2.7 Alternative performance measures continued

The table below reconciles Net debt in terms of changes in these balances across the year:

	Year ended 31 December	
	2025 £m	2024 £m
Net debt at 1 January	(991.7)	(1,219.7)
Decrease in cash and cash equivalents	(53.9)	(23.5)
Decrease/(increase) in non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	0.2	(0.5)
Decrease in borrowings	197.7	248.6
Decrease in lease liabilities	17.9	19.3
(Decrease)/increase in non-controlling interests' share of lease liabilities in non-wholly owned subsidiaries	(0.1)	0.5
Movement in the impact of hedging instruments	46.3	(16.4)
Net debt at 31 December	(783.6)	(991.7)

A reconciliation of the change in borrowings during the year is set out in the table in note 4.2.

As explained in the Basis of preparation, the Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.

	As at 31 December	
	2025 £m	2024 £m
Adjusted EBITDA (£m)	946.6	1,064.2
Net debt (£m)	(783.6)	(991.7)
Net debt to Adjusted EBITDA ratio	0.8	0.9

Cash and committed facilities

The below table reconciles the Group's available cash and committed facilities:

	As at 31 December	
	2025 £m	2024 £m
Cash and cash equivalents (note 4.1)	302.1	356.0
RCF available but not utilised ⁽¹⁾	450.0	450.0
Term loan agreed but not drawn	190.0	–
Total cash and committed facilities	942.1	806.0

(1) The Group holds a £450.0 million RCF facility. As at 31 December 2025, the Group had no cash or non-cash drawings under the RCF (31 December 2024: no cash or non-cash drawings). See note 4.2 for further information on the Group's facilities.

Capital expenditure

The Group's definition of capital expenditure was updated in the year to exclude capitalised borrowing costs and capital plant spares (see note 2.1 for further details of this change). The table below shows the reconciliation between capital expenditure in note 2.1 and the additions shown in notes 3.1 and 5.1:

	Year ended 31 December	
	2025 £m	2024 £m
Capital additions (notes 3.1 and 5.1)	232.5	332.4
Capitalised borrowing costs in period (note 2.5)	(26.0)	(1.7)
Capital plant spares additions (note 3.1)	(4.7)	(9.9)
Total capital expenditure (note 2.1)	201.8	320.8

Section 2: Financial performance continued

2.7 Alternative performance measures continued

APM	Closest IFRS equivalent measure	Purpose	Definition
Adjusted results	Total results	<p>The Group's Adjusted results are consistent with the way the Board and executive management assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Consolidated financial statements in evaluating the Group's trading performance and performance against strategic objectives on a consistent basis.</p> <p>Adjusted results excludes exceptional items and certain remeasurements.</p> <p>Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period.</p> <p>Certain remeasurements comprise fair value gains and losses that do not qualify for hedge accounting (or hedge accounting is not effective). The Group regards all of its forward contracting activity to represent economic hedges and therefore by excluding the volatility caused by recognising fair value gains and losses prior to maturity of the contracts, the Group can reflect these contracts at the contracted prices on maturity, reflecting the intended purpose of entering these contracts and the Group's underlying performance.</p> <p>Adjusted results are the metrics used in the calculation of Adjusted basic EPS and Adjusted diluted EPS.</p>	<p>Total results measured in accordance with IFRS excluding the impact of exceptional items and certain remeasurements.</p> <p>Exceptional items and certain remeasurements are defined above.</p>
Adjusted EBITDA	Operating profit ⁽¹⁾	Adjusted EBITDA is the primary measure used by the Board and executive management to assess the financial performance of the Group as it provides a more comparable assessment of the Group's year-on-year trading performance. It is also a key metric used by the investor community to assess the performance of the Group's operations.	<p>Earnings before interest, tax, depreciation, amortisation, other gains and losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements.</p> <p>Adjusted EBITDA excludes any earnings from associates or attributable to non-controlling interests.</p>
Adjusted basic EPS	Basic EPS	Adjusted basic EPS represents the amount of Adjusted earnings (Adjusted profit after tax) attributable to each ordinary share outstanding.	Adjusted basic EPS is calculated by dividing the Group's Adjusted earnings attributable to owners of the parent company (Adjusted profit after tax) by the weighted average number of ordinary shares outstanding during the period.
Adjusted diluted EPS	Diluted EPS	Adjusted diluted EPS demonstrates the impact upon the Adjusted basic EPS if all outstanding share options, that are expected to vest on their future maturity dates and where the shares are considered to be dilutive, were exercised and treated as ordinary shares as at the reporting date.	Adjusted diluted EPS is calculated by dividing the Group's Adjusted earnings (Adjusted profit after tax) attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares outstanding under share plans during the period.

(1) Operating profit is presented in the Group's Consolidated income statement; however, it is not defined per IFRS. It is a generally accepted measure of profit.

Section 2: Financial performance continued

2.7 Alternative performance measures continued

APM	Closest IFRS equivalent measure	Purpose	Definition
Borrowings	n/a ⁽²⁾	Borrowings provides information relating to the Group's use of debt. It is a key measure of leverage and provides information on the sources of liquidity for the Group.	Borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 4.2). Borrowings does not include other financial liabilities such as pension obligations (see note 6.3), trade and other payables including supply chain finance (see note 3.7), lease liabilities calculated in accordance with IFRS 16 (see note 3.2), and working capital facilities linked directly to specific payables (such as credit cards and deferred letters of credit) that provide a short extension of payment terms of less than 12 months (see note 4.3).
Net debt	Borrowings and lease liabilities less cash and cash equivalents	<p>Net debt is a key measure of the Group's liquidity and its ability to manage its financial obligations.</p> <p>Net debt is used as a basis by debt rating agencies to assess credit risk, and in the calculation of the Group's financial covenant requirements.</p> <p>The impact of hedging instruments included within Net debt shows the economic substance of the Net debt position, in terms of actual expected future cash flows to settle that debt.</p>	<p>Borrowings (as defined above) including the impact of hedging instruments, and lease liabilities calculated in accordance with IFRS 16 less cash and cash equivalents.</p> <p>Net debt excludes the proportion of cash, lease liabilities and borrowings in non-wholly owned entities that would be attributable to the non-controlling interests.</p> <p>Net debt includes the impact of foreign currency hedging instruments, meaning that any borrowings that have associated hedging instruments in place are adjusted to reflect those borrowings at the hedged rate.</p> <p>Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.</p>
Net debt to Adjusted EBITDA ratio	Borrowings and lease liabilities less cash and cash equivalents divided by operating profit ⁽¹⁾	<p>The Net debt to Adjusted EBITDA ratio is a debt ratio that gives an indication of how many years it would take the Group to pay back its debt if Net debt and Adjusted EBITDA are held constant.</p> <p>The Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.</p>	Net debt divided by Adjusted EBITDA for the last twelve months expressed as a multiple.
Cash and committed facilities	Cash and cash equivalents	<p>This is a key measure of the Group's available liquidity and the Group's ability to manage its current obligations.</p> <p>It shows the value of cash available to the Group in a short period of time.</p>	Total cash and cash equivalents plus the value of the Group's committed but undrawn facilities (including the Group's RCF, loan facilities and the Energy Solutions non-recourse trade receivables monetisation facility, to the extent that there are eligible receivables available to utilise undrawn amounts).
Capital expenditure ⁽³⁾	Property, plant and equipment (PPE) additions and intangible asset additions	Used to show the Group's total spend on PPE and intangible assets in a year.	PPE additions plus intangible asset additions, excluding capitalised borrowing costs and capital plant spare additions.

(1) Operating profit is presented in the Group's Consolidated income statement; however, it is not defined per IFRS. It is a generally accepted measure of profit.

(2) Borrowings are presented in the Group's Consolidated balance sheet; they are a commonly used balance sheet line item heading; however, borrowings are not defined by IFRS, therefore the Group's borrowings may not be comparable to borrowings presented by other companies.

(3) During 2025, the definition of Capital expenditure has been updated to align with the way the information is currently presented to the Board and executive management. The definition now excludes capitalised borrowing costs and capital plant spare additions. See the capital expenditure by segment table in note 2.1 for further details of this change.

Section 2: Financial performance continued

2.8 Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profits or losses) attributable to the weighted average number of ordinary shares outstanding in the year. Basic EPS is calculated by dividing the Group's earnings attributable to owners of the parent company (profit or loss after tax, excluding amounts attributable to non-controlling interests) by the weighted average number of ordinary shares that were outstanding during the year. Diluted EPS demonstrates the impact of all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the vesting period (such as those to be issued under employee share schemes – see note 6.2), and the options were exercised and treated as ordinary shares as at the reporting date. The 91.8 million of repurchased shares (2024: 57.8 million) held in treasury are shown in the own shares reserve and are not included in the weighted average calculation of shares. See note 4.4 for details of the shares repurchased in the current year as part of the £300 million and £450 million share buyback programmes and for further details on the own shares reserve. For the purpose of calculating diluted EPS, the weighted average calculation of shares excludes any share options that would have an anti-dilutive impact.

	Year ended 31 December	
	2025	2024
Number of shares (millions):		
Weighted average number of ordinary shares for the purposes of calculating Basic earnings per share	352.8	383.2
Effect of dilutive potential ordinary shares under share plans	8.5	7.6
Weighted average number of ordinary shares for the purposes of calculating Diluted earnings per share	361.3	390.8

	Year ended 31 December			
	2025		2024	
	Adjusted results	Total results	Adjusted results	Total results
Earnings per share attributable to owners of the parent company				
Earnings – profit after tax (£m)	485.8	73.0	492.1	526.6
Earnings per share – Basic (pence)	137.7	20.7	128.4	137.5
Earnings per share – Diluted (pence)	134.5	20.2	126.0	134.8

2.9 Dividends

	Year ended 31 December		
	Pence per share	2025 £m	2024 £m
Amounts recognised as distributions to equity holders in the year (based on the number of ordinary shares outstanding at the record date):			
Interim dividend for the year ended 31 December 2025 paid on 24 October 2025	11.6	40.0	
Final dividend for the year ended 31 December 2024 paid on 16 May 2025	15.6	55.7	
Interim dividend for the year ended 31 December 2024 paid on 25 October 2024	10.4		39.8
Final dividend for the year ended 31 December 2023 paid on 17 May 2024	13.9		53.7
Total distributions		95.7	93.5

At the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2025 of 17.4 pence per share (equivalent to approximately £59 million) payable on 15 May 2026. The final dividend has not been included as a liability as at 31 December 2025. This would bring total dividends payable in respect of the 2025 financial year to approximately £99 million.

The Trustee of the Employee Benefit Trust (EBT) waived dividends paid in the year on shares held by the EBT. The counterparty that holds shares as part of the Group's forward contracts to purchase its own shares (see note 4.4) has waived dividends paid in the year on shares they hold.

The Group has a long-standing capital allocation policy. This policy is based on a commitment to robust financial metrics that underpin the Group's strong credit rating: investment in the core business; paying a sustainable and growing dividend; and returning surplus capital to shareholders. The Board is confident that the dividend is sustainable and expects it to grow as the implementation of the Group's strategy generates an increasing proportion of stable earnings and cash flows. In determining the rate of growth in dividends, the Board will take account of future investment opportunities and the less predictable cash flows from the Group's commodity-linked revenue streams.

In future years, if there is a build-up of capital in excess of the Group's investment needs, the Board will consider the most appropriate mechanism to return this to shareholders.

Consideration of sustainability, including a link to the Group's dividend, can be found in the Market context section on pages 4 and 5.

Section 2: Financial performance continued

2.10 Retained profits

Retained profits are a component of equity reserves. The overall balance reflects the total profits the Group has generated over its lifetime that are attributable to the equity holders of the parent company, reduced by the amount of that profit distributed to shareholders. The table below sets out the movements in retained profits during the year:

	Year ended 31 December	
	2025 £m	2024 £m
At 1 January	1,118.1	666.4
Profit for the year attributable to the owners of the parent company	73.0	526.6
Remeasurement of defined benefit pension surplus (note 6.3)	(2.8)	5.5
Deferred tax on remeasurement of defined benefit pension surplus (note 2.6)	0.7	(1.3)
Equity dividends paid (note 2.9)	(95.7)	(93.5)
Movement in equity associated with forward contracts to purchase own shares to satisfy share-based payment arrangements	(7.2)	-
Own shares utilised to satisfy share-based payment arrangements (note 4.4)	(0.9)	-
Movement in equity associated with share-based payments	15.7	13.0
Deferred tax on share-based payments (note 2.6)	7.1	1.4
Acquisition of non-controlling interests without a change in control	2.9	-
At 31 December	1,110.9	1,118.1

The movement in equity associated with forward contracts to purchase own shares to satisfy share-based payment arrangements is described under the own shares reserve section in note 4.4.

Distributable reserves

The capacity of the Group to make dividend payments is primarily determined by the availability of retained distributable profits and cash resources.

The parent company's financial statements, set out on pages 243 to 249 of these Annual report and accounts, disclose the basis of the parent company's distributable reserves.

The majority of the Group's distributable reserves are held in holding and operating subsidiaries. Management actively monitors the level of distributable reserves in each company in the Group, ensuring adequate reserves are available for upcoming dividend payments and any share buyback transactions, and that the parent company has access to these reserves.

The immediate cash resources of the Group of £302.1 million are set out in note 4.1 and the recent history of cash generation within note 4.3. The majority of these cash resources are held centrally within the Group by Drax Corporate Limited for treasury management purposes and are available for funding the working capital and other requirements of the Group.

The Group's financing facilities (see note 4.2) place customary conditions on the amount of dividend payments that can be made in any given year. The Group expects to be able to make dividend payments, in line with its policy, within these conditions for the foreseeable future. See note 4.2 for further details on the covenants relating to the financing facilities.

Section 3: Operating assets and working capital

This section gives further information on the operating assets the Group uses to generate revenue and the short-term assets and liabilities, managed during day-to-day operations, that comprise the Group's working capital balances. This section also includes the considerations relating to the impact of climate change.

3.1 Property, plant and equipment

This note shows the cost, accumulated depreciation and impairment, and net book value of the physical assets controlled by the Group.

Accounting policy

Property, plant and equipment is stated at net book value, which is its cost less any accumulated depreciation and any accumulated impairment losses, if required, charged to date. Property, plant and equipment assets are initially measured at cost.

Cost comprises: the purchase price (after deducting trade discounts and rebates); any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and an estimate of the present value of the costs of dismantling and removing the item and restoring the site, where required. Depreciation reflects the usage of the asset over time and is calculated by taking the cost of the asset, net of any expected residual value, and charging it to the Consolidated income statement on a straight-line basis from the date that the asset is available for use and over its useful economic life (UEL). Where relevant, this is limited to the estimated decommissioning date of the site where the asset is located.

The Group constructs many of its assets as part of long-term development projects. Assets that are under the course of construction are not depreciated until they are ready for use in the manner intended by management.

The table below shows the weighted average remaining UELs of the main categories of assets held at the reporting date:

	Average UEL remaining 2025 (years)
Freehold buildings	18
Plant and equipment:	
Pellet production plant	8
Electricity generation assets:	
Biomass plant	12
Hydro plant (including pumped storage)	34
Other plant, machinery and equipment	11
Reinstatement assets	18
Plant spare parts	15

Freehold land held at cost is considered to have an indefinite UEL and is not depreciated. The value of freehold land held at 31 December 2025 is £32.5 million (2024: £35.5 million).

Electricity generation assets are grouped according to the fuel type of the relevant plant.

Pellet production plant includes the US and Canada based assets of the Group's Pellet Production business and the assets at the Daldowie fuel plant near Glasgow.

Plant spare parts are depreciated over the remaining UEL of the relevant power station or plant, or shorter if a shorter UEL is more appropriate.

Plant spare parts can be used within maintenance projects, which are operating in nature, and capital projects. Where plant spares are used for capital projects they are included within the cost of the asset and movements are presented in the transfer between PPE categories in the table below. Where plant spares are used for maintenance projects the net book value of the part is transferred from the property, plant and equipment balance and recognised as an expense in the Consolidated income statement within operating and administrative expenses. These movements are reflected in the issues to maintenance projects line in the table below.

Costs relating to major inspections, overhauls and upgrades to assets are included in the carrying amounts of existing assets or recognised as separate assets, as appropriate, if the recognition criteria are met; namely, when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Assets that are replaced as part of any overhauls or upgrades are disposed of. All other repairs and maintenance costs are expensed as incurred.

General and specific borrowing costs are capitalised as part of the cost of an asset if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that takes a substantial period to get ready for intended use. The Group defines this period to mean 12 months or more. Capitalisation of borrowing costs ceases once substantially all the activities necessary to prepare the asset for its intended use or sale are complete. See note 2.5 for details of the borrowing costs capitalised during the year.

Estimated UELs and residual values are reviewed as a minimum at the end of each reporting period, taking into account regulatory changes, climate change (see note 3.8 for further details) and commercial and technological obsolescence, as well as normal wear and tear. Residual values are based on prices prevailing at the reporting date. Any changes to estimated UELs or residual values are applied prospectively.

At each reporting date the Group reviews its property, plant and equipment to determine whether there is any indication that these assets may be impaired. The Group's accounting policy in respect of impairment, along with details of the impairment review conducted during the year are set out in note 2.4.

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

An impairment charge is recognised immediately if the net book value of an asset exceeds its recoverable amount, which is the higher of an asset's value in use and its fair value less cost of disposal. The Group's policy is to recognise an impairment charge through accumulated depreciation and impairment in the Consolidated income statement if the asset will continue to be used or retained by the Group. Cost and any accumulated depreciation and impairment are removed when an asset is disposed. Gains and losses on disposals are determined by comparing net proceeds with the asset's carrying amount.

During the year, the Group has impaired costs capitalised relating to its UK BECCS project, Longview pellet plant development project and non-current assets within the Northern Pellets CGU. See note 2.4 for further details of these impairments.

The Group has continued construction of the three OCGT projects that have obtained Capacity Market contracts. The amount capitalised up to the reporting date relating to these projects totals £466.6 million (2024: £420.7 million). Of this, £45.9 million (2024: £97.2 million) was capitalised during the year.

On 29 October 2025, the Group signed an agreement with Apatura Limited (Apatura) to acquire three battery energy storage system (BESS) projects across three sites in England and Scotland. Completion of these acquisitions is contingent on certain conditions precedent relating to all relevant planning permissions, construction and purchase contracts, and any other necessary contracts or agreements, being in place for the construction of these BESS assets. Completion of two of the sites occurred in 2025 with the remaining site expected to complete in 2026. For the two sites that completed in 2025, the total consideration was £22.8 million, however this amount is contingent based on the total construction costs. Apatura will manage the construction of the sites, with the amount of consideration due reducing (or increasing) if total construction costs exceed (or are less than) the agreed construction budget. The amount capitalised up to the reporting date relating to these projects totals £26.6 million which is presented in the assets under the course of construction category in the table below.

The Group's total commitment for future capital expenditure is disclosed in note 7.7.

The Group has made an estimate regarding the UEL of Drax Power Station. Given the continued focus on climate change, renewable sources of energy and transitioning to a Net Zero economy, the power generation industry is going through a period of transformation, which can impact on the UELs of assets. As the UK Government's Net Zero strategy becomes clearer, particularly in relation to biomass and BECCS, the Group will continue to assess any potential impact of these developments on the UEL of Drax Power Station.

The rate of change in these areas increases the risk that the UEL of Drax Power Station will be updated in the future as new information becomes available. If options, such as UK BECCS or data centres, are deployed at Drax Power Station this could result in an extension of the end of station life beyond the current assumed end date of 2039. If the UELs of Drax Power Station assets that are currently limited to 2039 were to increase by a further 10 years, the annual depreciation charge would decrease by approximately £18.0 million. If the assumed end of station life of 2039 were to decrease by 8 years to 2031, in line with the end of the low carbon dispatchable CfD, the annual depreciation charge would be increased by approximately £59.4 million, excluding the impact of any potential impairment.

The UEL of Drax Power Station is not considered a key source of estimation uncertainty as there is not a significant risk of a material adjustment to the carrying amounts and the annual depreciation charge within the next financial year, as it is not anticipated that any new information will be available within the next financial year that would result in a change to this UEL and lead to a material adjustment to the depreciation charge.

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

	Freehold land and buildings £m	Plant and equipment £m	Plant spare parts £m	Assets under the course of construction £m	Total £m
Cost:					
At 1 January 2024	494.1	3,506.2	83.1	656.1	4,739.5
Additions at cost	–	0.3	9.9	315.3	325.5
Disposals	(0.3)	(20.2)	–	(4.1)	(24.6)
Movement in reinstatement asset	–	0.7	–	–	0.7
Issues to maintenance projects	–	–	(3.3)	–	(3.3)
Transfers from/(to) intangibles (note 5.1)	0.2	–	–	(3.4)	(3.2)
Transfers to right-of-use assets	–	(1.5)	–	–	(1.5)
Transfers from inventories	–	–	3.3	–	3.3
Transfers between PPE categories	20.4	231.7	2.2	(254.3)	–
Effect of changes in foreign exchange rates	(0.3)	(4.2)	0.2	2.8	(1.5)
At 1 January 2025	514.1	3,713.0	95.4	712.4	5,034.9
Additions at cost	0.1	1.1	4.7	213.7	219.6
Disposals	(16.7)	(44.9)	(2.1)	(5.6)	(69.3)
Movement in reinstatement asset (note 5.2)	–	(9.6)	–	–	(9.6)
Issues to maintenance projects	–	–	(3.3)	–	(3.3)
Transfers to intangibles (note 5.1)	–	–	–	(0.3)	(0.3)
Transfers from right-of-use assets	–	1.9	–	–	1.9
Transfers to inventories	–	–	(1.2)	–	(1.2)
Transfers between PPE categories	3.9	84.0	–	(87.9)	–
Effect of changes in foreign exchange rates	(11.7)	(45.0)	(0.6)	(10.4)	(67.7)
At 31 December 2025	489.7	3,700.5	92.9	821.9	5,105.0

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

	Freehold land and buildings £m	Plant and equipment £m	Plant spare parts £m	Assets under the course of construction £m	Total £m
Accumulated depreciation and impairment:					
At 1 January 2024	167.9	1,815.6	35.4	21.8	2,040.7
Depreciation charge for the year	23.8	168.2	5.5	-	197.5
Impairment (note 2.4)	2.8	-	0.1	3.2	6.1
Disposals	(0.1)	(12.8)	-	-	(12.9)
Issues to maintenance projects	-	-	(1.1)	-	(1.1)
Transfers to right-of-use assets	-	1.1	-	-	1.1
Effect of changes in foreign exchange rates	0.5	1.0	-	-	1.5
At 1 January 2025	194.9	1,973.1	39.9	25.0	2,232.9
Depreciation charge for the year	24.3	173.8	2.4	-	200.5
Impairment (note 2.4)	13.6	138.9	4.9	164.4	321.8
Disposals	(12.3)	(37.6)	(2.0)	(2.8)	(54.7)
Issues to maintenance projects	-	-	(0.5)	-	(0.5)
Transfers to inventories	-	-	(0.2)	-	(0.2)
Transfers from right-of-use assets	-	1.9	-	-	1.9
Effect of changes in foreign exchange rates	(4.3)	(19.3)	(0.1)	(0.2)	(23.9)
At 31 December 2025	216.2	2,230.8	44.4	186.4	2,677.8
Net book value:					
At 31 December 2024	319.2	1,739.9	55.5	687.4	2,802.0
At 31 December 2025	273.5	1,469.7	48.5	635.5	2,427.2

Freehold land and buildings and plant and equipment, with a carrying amount of £1,429.6 million (2024: £1,580.7 million), have been pledged as security over the Group's secured borrowings. See note 4.2 for details of the Group's secured borrowings.

See note 2.4 for further details of the Group's accounting policy and presentation of impairments of non-current assets.

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

	Pellet production plant £m	Biomass plant £m	Hydro plant £m	OCGT plant ⁽¹⁾ £m	Other ⁽¹⁾ £m	Total plant and equipment £m
Cost:						
At 1 January 2024	730.8	2,278.5	479.4	–	17.5	3,506.2
Additions at cost	–	–	–	–	0.3	0.3
Disposals	(10.2)	(10.0)	–	–	–	(20.2)
Movement in reinstatement asset	–	(6.9)	–	7.6	–	0.7
Transfers between PPE categories	71.9	138.1	9.3	–	12.4	231.7
Transfers (to)/from right-of-use assets	(1.6)	–	–	–	0.1	(1.5)
Effect of changes in foreign exchange rates	(4.2)	–	–	–	–	(4.2)
At 1 January 2025	786.7	2,399.7	488.7	7.6	30.3	3,713.0
Additions at cost	–	–	–	–	1.1	1.1
Disposals	(35.0)	(7.9)	(0.9)	–	(1.1)	(44.9)
Movement in reinstatement asset (note 5.2)	–	(9.3)	–	(0.3)	–	(9.6)
Transfers between PPE categories	68.8	4.2	4.9	–	6.1	84.0
Transfers from right-of-use assets	1.9	–	–	–	–	1.9
Effect of changes in foreign exchange rates	(45.0)	–	–	–	–	(45.0)
At 31 December 2025	777.4	2,386.7	492.7	7.3	36.4	3,700.5
Accumulated depreciation and impairment:						
At 1 January 2024	250.4	1,483.5	66.2	–	15.5	1,815.6
Depreciation charge for the year	75.3	75.1	12.9	–	4.9	168.2
Disposals	(6.7)	(6.1)	–	–	–	(12.8)
Transfers from right-of-use assets	1.1	–	–	–	–	1.1
Effect of changes in foreign exchange rates	1.0	–	–	–	–	1.0
At 1 January 2025	321.1	1,552.5	79.1	–	20.4	1,973.1
Depreciation charge for the year	71.3	83.4	13.0	–	6.1	173.8
Impairment	138.9	–	–	–	–	138.9
Disposals	(27.6)	(8.8)	(0.1)	–	(1.1)	(37.6)
Transfers from right-of-use assets	1.9	–	–	–	–	1.9
Effect of changes in foreign exchange rates	(19.3)	–	–	–	–	(19.3)
At 31 December 2025	486.3	1,627.1	92.0	–	25.4	2,230.8
Net book value:						
At 31 December 2024	465.6	847.2	409.6	7.6	9.9	1,739.9
At 31 December 2025	291.1	759.6	400.7	7.3	11.0	1,469.7

(1) Comparative amounts have been re-presented to show the OCGT plant in a separate category.

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

The depreciation expense in the Consolidated income statement comprises the following:

	Year ended 31 December	
	2025 £m	2024 £m
Depreciation charged on property, plant and equipment	200.5	197.5
Depreciation charged on right-of-use assets (note 3.2)	26.9	28.1
Movement on depreciation included in closing inventories	1.5	(0.8)
Total depreciation expense	228.9	224.8

Depreciation charged on right-of-use assets in the table above is presented net of £1.7 million (2024: £0.9 million) depreciation related to salary sacrifice electric vehicles included within staff costs in operating and administrative expenses. Right-of-use asset depreciation totals £28.6 million for the year ended 31 December 2025 (2024: £29.0 million).

The Group's definition of capital expenditure has been updated in the year, see note 2.7 for a reconciliation between Capital expenditure presented in note 2.1 and capital additions presented in note 3.1.

3.2 Leases

Accounting policy

IFRS 16 determines a control model to distinguish between lease agreements and service contracts on the basis of whether the use of an identified asset is controlled by the Group for a period of time. If the Group is deemed to have control of an identified asset, then a right-of-use asset and corresponding lease liability are recognised on the Consolidated balance sheet.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate that is implicit in the lease. If this discount rate cannot be determined from the agreement, the liability is discounted using an incremental borrowing rate. The borrowing rate for leased property is derived with reference to property yields specific to the location of the leased property and property type. For non-property leases, the borrowing rate is derived from a series of inputs including counterparty-specific proxies for risk-free rates, such as UK Gilt curves, and an adjustment for credit risk based on the Group's credit rating. The liability is subsequently adjusted for interest, repayments, remeasurements and other modifications. The right-of-use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the initial calculation of the lease liability, estimated costs for dismantling or restoring the asset, any initial direct costs, and lease payments made less incentives received prior to commencement of the lease.

Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets, and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification decreases the scope of the lease, the carrying amount of the right-of-use asset and lease liability are adjusted, and a gain or loss is recognised in proportion to the decrease in the scope of the lease. All other modifications are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right-of-use asset.

Lease extension or termination options are included within the lease term when the Group, as the lessee, has the discretion to exercise the option and where it is reasonably certain that the option will be exercised.

Leases with a term shorter than 12 months, or where the identified asset has a value below £5,000, are expensed to the Consolidated income statement on a straight-line basis over the term of the agreement.

Lease remeasurements, lease modifications, transfers between property, plant and equipment and right-of-use assets, and disposals of leased assets are included within other movements in the table below.

Section 3: Operating assets and working capital continued

3.2 Leases continued

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Rail cars £m	Vessels £m	Total £m
Cost:					
At 1 January 2024	38.7	26.8	28.4	87.5	181.4
Additions at cost	2.3	6.0	–	–	8.3
Movement in reinstatement asset	2.3	–	–	–	2.3
Other movements	5.1	(3.2)	(0.4)	(5.2)	(3.7)
Effect of changes in foreign exchange rates	(0.3)	0.1	(1.0)	(5.3)	(6.5)
At 1 January 2025	48.1	29.7	27.0	77.0	181.8
Additions at cost	1.0	7.0	1.9	–	9.9
Movement in reinstatement asset (note 5.2)	(0.8)	–	4.1	–	3.3
Other movements	3.3	(6.2)	(2.0)	(0.1)	(5.0)
Effect of changes in foreign exchange rates	(0.5)	(0.6)	(1.1)	(2.0)	(4.2)
At 31 December 2025	51.1	29.9	29.9	74.9	185.8
Accumulated depreciation and impairment:					
At 1 January 2024	17.7	13.6	10.8	17.1	59.2
Depreciation charge for the year	8.2	7.7	5.0	8.1	29.0
Impairment	0.1	–	–	–	0.1
Other movements	(0.1)	(3.3)	(2.3)	0.1	(5.6)
Effect of changes in foreign exchange rates	(0.2)	0.1	(0.3)	(1.4)	(1.8)
At 1 January 2025	25.7	18.1	13.2	23.9	80.9
Depreciation charge for the year	8.7	7.7	4.7	7.5	28.6
Impairment	9.3	0.4	9.6	0.8	20.1
Other movements	(3.1)	(5.8)	(2.4)	–	(11.3)
Effect of changes in foreign exchange rates	(0.3)	(0.4)	(0.8)	(0.6)	(2.1)
At 31 December 2025	40.3	20.0	24.3	31.6	116.2
Net book value:					
At 31 December 2024	22.4	11.6	13.8	53.1	100.9
At 31 December 2025	10.8	9.9	5.6	43.3	69.6

Lease liabilities

	Year ended 31 December	
	2025 £m	2024 £m
Carrying amount:		
At 1 January	116.5	135.8
Additions	9.9	9.8
Interest charge for the year	6.5	6.6
Payments	(34.6)	(34.0)
Other movements	6.2	(2.8)
Effect of changes in foreign exchange rates	(5.9)	1.1
At 31 December	98.6	116.5

The existence of termination, extension and purchase options has not had a material impact on the determination of the lease liabilities.

In addition to the payments disclosed above, the Group made payments of £1.4 million during the year (2024: £6.0 million) in relation to short-term and low value leases.

The maturity of the gross undiscounted lease liabilities at the reporting date is as follows:

	As at 31 December	
	2025 £m	2024 £m
Within one year	31.2	31.6
Within one to two years	21.2	24.6
Within two to five years	30.4	39.0
After five years	38.3	47.2
Total gross lease liabilities	121.1	142.4
Effect of discounting	(22.5)	(25.9)
Lease liabilities recognised in the Consolidated balance sheet	98.6	116.5
Current	28.2	26.0
Non-current	70.4	90.5

Section 3: Operating assets and working capital continued

3.2 Leases continued

The Group recognised the following charges relating to leases in the Consolidated income statement:

	Year ended 31 December	
	2025 £m	2024 £m
Expense relating to short-term leases	1.4	5.9
Expense relating to low value leases	–	0.1
Interest charge for the year	6.5	6.6
Depreciation charge for the year	28.6	29.0
Variable lease payments	0.7	0.6

Right-of-use asset depreciation in the table above includes £1.7 million (2024: £0.9 million) depreciation related to salary sacrifice electric vehicles. The interest charge for the year on lease liabilities includes £0.3 million (2024: £0.1 million) related to salary sacrifice electric vehicles. These costs are included within staff costs in operating and administrative expenses.

3.3 Renewable certificate assets

The Group generates renewable certificate assets, including Renewables Obligation Certificates (ROCs) and Renewable Energy Guarantees of Origin (REGOs), which are accredited by the Office for Gas and Electricity Markets (Ofgem), as a result of generating renewable electricity using certain generating units at Drax Power Station and generating renewable electricity at the Group's run-of-river hydro plants. The Group also purchases renewable certificates from third parties. The Group's ROCs and REGOs are sold bilaterally to counterparties, including external suppliers, and are also utilised by the Energy Solutions business.

This note sets out the value of renewable certificate assets that the Group held at the reporting date.

Accounting policy

Renewable certificate assets are recognised at cost or deemed cost less any impairments. Renewable certificates, principally ROCs and REGOs, are recognised as current assets in the period they are generated or purchased. For generated renewable certificates the Group uses their fair value at initial recognition, based on the estimated price that would be achieved in a market sale transaction, as deemed cost. For renewable certificates purchased from third parties the agreed purchase price is the cost.

Generating renewable power simultaneously creates joint products, being electricity and the renewable certificates. The cost of generating renewable electricity is allocated between the cost of the electricity generation, which is recognised in the Consolidated income statement at the point of generation, and the cost of generating the renewable certificate, which is initially recognised as an asset in the Consolidated balance sheet. As such, the value of generated renewable certificates earned reduces the cost of electricity generation.

Where the Energy Solutions business incurs an obligation to deliver renewable certificates, that obligation is accrued in the period incurred and recognised within cost of sales.

Renewable certificate assets are derecognised when they are submitted to Ofgem or at the point of sale to a customer. The point of sale is when the customer takes control of the renewable certificate, which is usually at the point of transfer of the certificate. At this point any revenue expected to be received from the customer is recognised (see note 2.2) and the carrying amount of the renewable certificate asset sold is recognised within cost of sales.

Valuations of generated ROCs and REGOs are comprised of the expected value to be obtained in a sales transaction with a third-party supplier at the point of generation. These estimates are made using various sources of information including future contracted and recently achieved sales prices, ongoing sales negotiations, internal forecasts, and published third-party market price assessments and data.

The Renewables Obligation (RO) scheme places an obligation on electricity suppliers to source an increasing proportion of their electricity from renewable sources. Under the RO scheme, ROCs are issued to generators of renewable electricity which are then sold bilaterally to counterparties, including suppliers, to demonstrate that they have fulfilled their obligations under the RO scheme. ROCs are managed in compliance periods (CPs), running from April to March annually. CP1 commenced in April 2002. At 31 December 2025, the Group is operating in CP24.

To meet its obligations a supplier can either submit ROCs or pay the buy-out price at the end of the CP. The buy-out price rises annually in line with the UK Retail Price Index (RPI). From April 2026, the UK Government intends to change to Consumer Price Index (CPI)-based indexation, subject to the publication of statutory instruments. The buy-out price for CP24 is £67.06 (2024: CP23 £64.73). At the end of the CP, the amounts collected from suppliers paying the buy-out price form the recycle fund, which is distributed on a pro-rata basis to the suppliers who presented ROCs during the CP.

At initial recognition, valuations of generated ROCs are comprised of two parts: the buy-out price element and an estimate of the future benefit that may be obtained from the ROC recycle fund at the end of the CP. The recycle fund provides a benefit where supplier buy-out charges (incurred by suppliers who do not procure sufficient ROCs to satisfy their obligations) are redistributed to the suppliers who presented ROCs in a CP on a pro-rata basis. The estimate of the recycle value is based on assumptions about likely levels of renewable generation, which is generally weather dependent, the demand for ROCs over the CP, and the number of ROCs banked in a CP, and is thus subject to some uncertainty. The Group utilises external sources of information, such as energy demand and generation forecasts, average historical weather data, and published information about ROC banking in previous CPs, in addition to its own forecasts, in making these estimates. Historical experience indicates that the assumptions used in the valuations are reasonable, but the recycle value remains subject to possible variation and may subsequently differ from assumptions at the reporting date.

REGOs are certificates that enable suppliers to prove that energy supplied to their customers came from a renewable source. One REGO is issued to a generator for every MWh of renewable electricity they generate. The primary use of REGOs is for the Fuel Mix Disclosure that requires licensed electricity suppliers to disclose to potential and existing customers the mix of fuels used to generate the electricity supplied. REGOs are managed in CPs, running from April to March annually. CP1 commenced in April 2002. At 31 December 2025, the Group is operating in CP24. At initial recognition, valuations of generated REGOs are usually based on published third-party market price assessments.

Section 3: Operating assets and working capital continued

3.3 Renewable certificate assets continued

At each reporting date, the Group reviews the carrying value of renewable certificate assets held against updated anticipated sales prices or anticipated obligation requirements, and the estimated recycle value. Where relevant, this takes account of agreed forward sales contracts, changes in published third-party market price assessments, the likely utilisation of renewable certificates generated to settle the Group's own obligations, and any relevant information about the levels of wider renewable generation in the market. Any impairment loss on these assets is recognised in the Consolidated income statement in the period incurred within cost of sales.

	Year ended 31 December	
	2025 £m	2024 £m
Carrying amount:		
At 1 January	540.0	292.2
Earned from generation	768.9	752.6
Purchased from third parties	271.0	464.6
Utilised by the Energy Solutions business	(514.6)	(654.7)
Sold to third parties	(510.8)	(314.7)
Impairment	(12.4)	–
At 31 December	542.1	540.0

Of the £542.1 million of renewable certificates recognised at 31 December 2025 (2024: £540.0 million), £534.0 million (2024: £486.1 million) relates to ROCs and £8.1 million (2024: £53.9 million) relates to REGOs. Of the £768.9 million (2024: £752.6 million) of renewable certificates earned from generation, £758.2 million (2024: £652.6 million) was attributable to ROCs and £10.7 million (2024: £100.0 million) to REGOs.

Recognition of revenue from the sale of renewable certificates is described in further detail in note 2.2.

Climate change considerations for renewable certificate assets are discussed in more detail in note 3.8.

3.4 Inventories

The Group holds inventories of fuels and other consumable items that are used in the process of generating electricity and raw materials used in the production of biomass pellets. This note shows the cost of biomass, other fuels and consumables held at the reporting date.

Accounting policy

The Group's inventories are valued at the lower of cost and net realisable value. The costs of items of inventory are determined using weighted average costs.

The cost of purchased inventories includes all direct costs incurred in bringing the raw material, fuel or consumables to their present location and condition, including the purchase price, import duties and other taxes, and transport and handling costs. The Group uses forward foreign exchange contracts to hedge the costs of fuel denominated in foreign currencies. Where these contracts are designated into hedge relationships in accordance with IFRS 9, the inventory cost is recognised at the hedged value, to the extent these hedges are effective, and all such gains and losses are included in cost of sales as part of the inventory cost.

Biomass inventories are weighed when entering, moving within or exiting the Group's sites using technology regularly calibrated to industry standards. Fuel burn in the electricity generation process is calculated using calibrated weighers to provide closing inventory volumes. Calibrated weighers are subject to a range of tolerable error. All fuel inventories are subject to regular surveys to ensure measurements are sufficiently accurate.

The characteristics of biomass means that it requires specialist handling and storage. Biomass at Drax Power Station is stored in sealed domes with a carefully controlled atmosphere for fire prevention purposes and thus cannot be surveyed using traditional methods. Instead, this inventory is surveyed using regularly calibrated radar scanning technology to validate the accuracy of the weights outlined above. Recorded system volumes are also periodically verified through dome cycling (running a dome down until empty).

The cost of manufactured inventories includes all direct costs as well as conversion costs including labour, direct overheads and an allocation of indirect overheads, including depreciation. The cost of inventories includes other costs incurred in bringing the inventories to their existing condition and location.

Costs that do not contribute to bringing inventories to their present condition and location, such as storage and administration overheads, are excluded from the cost of inventories and expensed as incurred. Abnormal amounts of wasted materials, labour or other production costs are also excluded from the cost of inventories.

The valuation of fibre inventory involves estimations of conversion rates to determine the volume of residual fibre stockpiles and log inventory. Third-party surveys are performed regularly to assess the volume of inventory and appropriate adjustments are made, if required, using conversion factors estimated by management. Internal inventory counts are performed periodically at all locations.

Section 3: Operating assets and working capital continued

3.4 Inventories continued

	As at 31 December	
	2025 £m	2024 £m
Biomass – finished goods	167.1	244.7
Biomass – fibre and other raw materials	11.3	15.8
Other fuels and consumables	45.4	41.5
Total inventories	223.8	302.0

Total inventories of £223.8 million (2024: £302.0 million) are stated net of provisions of £6.2 million (2024: £5.3 million).

The cost of inventories recognised as an expense in the Consolidated income statement in the year ended 31 December 2025 was £1,712.8 million (2024: £1,627.3⁽¹⁾ million). This includes the value of write downs of inventory in the year.

(1) The 2024 amount for the cost of inventories recognised as an expense has been restated from £1,708.5 million to £1,627.3 million to exclude costs that are not directly attributable to the purchase or conversion of inventory on the Consolidated balance sheet.

3.5 Trade and other receivables and contract assets

Trade receivables represents amounts owed by customers for goods or services provided in the ordinary course of business that they have been invoiced for but have not yet paid. Accrued income represents income earned on goods or services provided in the ordinary course of business in the period, but not yet invoiced, largely in respect of energy supplied to customers that will be invoiced the following month. Prepayments represent amounts paid in respect of goods or services not yet received. Other receivables include collateral posted in relation to the Group's commodity and treasury trading activities, and other amounts for goods or services provided that have been invoiced for but not yet paid that do not fall under trade receivables. Contingent consideration related to amounts receivable dependent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of the Combined Cycle Gas Turbines (CCGT) generation portfolio in 2021.

Accounting policy

Trade receivables and accrued income that do not contain a significant financing component are initially measured at the transaction price. Other financial assets, principally other receivables, are initially measured at fair value plus transaction costs, other than financial assets measured at fair value through profit or loss (FVTPL) where transaction costs are recognised immediately in the Consolidated income statement.

The classification of financial assets subsequent to initial recognition depends on the business model used by the Group to manage them and the characteristics of the contractual cash flows.

Financial assets are recognised at amortised cost if:

- they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms give rise to payments that are solely payments of principal and interest (SPPI).

Financial assets are recognised at fair value through other comprehensive income (FVOCI) if:

- they are held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms give rise to payments that are SPPI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

The Group has access to a receivables monetisation facility under which amounts receivable from a portfolio of receivables can be sold to a third party on a non-recourse basis. This portfolio of receivables, that may be sold under this facility or held to collect the contractual cash flows, are accounted for at FVOCI in accordance with IFRS 9, due to the objective of the business model being achieved by both collecting contractual cash flows and the selling of the financial assets. For the receivables within this portfolio that are sold, the receivables are derecognised from the Consolidated balance sheet at the point of sale, which is shortly after the initial recognition of the receivable balance, as the significant risks and rewards of ownership are deemed to have been transferred. Fair value gains or losses on these receivables are recognised within other comprehensive income and reclassified to interest payable and similar charges in the Consolidated income statement when derecognised. Impairment gains or losses are recognised directly in the Consolidated income statement. At 31 December 2025, the receivables sold under this facility were £275.6 million (2024: £386.3 million). See note 4.3 for further information about the facility.

As part of the sale of customer meter points to EDF by Opus Energy in the prior year (see note 2.7 for further details), the receivables relating to the meter points sold were transferred to EDF. The amount the Group received for transferring these receivables was dependent on the amounts collected by EDF. The receivables sold to EDF did not qualify for derecognition under IFRS 9 as Opus Energy had retained substantially all the risks and rewards of ownership of the financial assets. These receivables were accounted for at FVTPL in accordance with IFRS 9, due to the contractual terms of the financial assets giving rise to cash flows that were not SPPI. The cash flows received by Opus Energy on collection of the receivables by EDF were calculated in accordance with the Asset Purchase Agreement (APA) and were dependent on the amounts collected by EDF, with the majority of these cash flows being settled in the prior year. The impairment requirements of IFRS 9 did not apply to these receivables as the receivables were measured at FVTPL. Subsequent to the transfer, any fair value gains or losses on these receivables were recognised within the Consolidated income statement within operating and administrative expenses. These receivables were fully settled during the year.

Section 3: Operating assets and working capital continued

3.5 Trade and other receivables and contract assets continued

Contingent consideration receivable is classified as a financial asset. As the cash flows are not SPPI, it does not meet the criteria for recognition at either amortised cost or FVOCI, and is therefore recognised at FVTPL. The impairment requirements of IFRS 9 do not apply to these receivables as the receivables are measured at FVTPL. Fair value gains and losses on this receivable are recognised in other gains and losses in the Consolidated income statement. At the reporting date the fair value of the contingent consideration was assessed as £nil (2024: £9.4 million) resulting in a £9.4 million fair value loss (2024: £0.2 million fair value gain) recognised in the Consolidated income statement.

	As at 31 December	
	2025 £m	2024 £m
Trade receivables	26.9	105.4
Accrued income	214.6	278.6
Prepayments	22.6	24.9
Other receivables	73.7	52.0
Contingent consideration	-	9.4
Total trade and other receivables and contract assets	337.8	470.3

At 31 December 2025, the Group had no amounts receivable from significant counterparties which represented 10% or more of total trade receivables and accrued income (2024: no significant counterparty).

Of total trade receivables and accrued income at 31 December 2025, £90.9 million (2024: £192.8 million) relates to the Energy Solutions business, £118.0 million (2024: £145.1 million) relates to the Biomass Generation business, £14.6 million (2024: £19.9 million) relates to the Flexible Generation business, and £18.0 million (2024: £26.2 million) relates to the Pellet Production business.

Accrued income includes contract assets which relate to amounts for goods or services provided under customer contracts, where the entitlement to consideration is contingent on something other than the passage of time. The Group has recognised a contract asset for any services provided where the Group does not yet have the unconditional right to receive payment and the condition is not solely the passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the Group's right to payment becomes unconditional and when an invoice is issued. Contract assets included in accrued income at 31 December 2025 were £11.1 million (2024: £43.4 million).

The contingent consideration relates to the Group's disposal of the CCGT generation portfolio in January 2021. Should the acquirer satisfy certain triggers in respect of the option to develop the land at the Damhead Creek 2 site, which was disposed of as part of this sale, £29.0 million of contingent consideration would become payable to the Group from the acquirer. The estimated fair value of this contingent consideration is £nil (2024: £9.4 million). Changes in the fair value of the contingent consideration are recognised within the other gains and losses line within the Consolidated income statement. See note 7.1 for further details on the contingent consideration.

The following table shows the movement in fair value of the Group's trade and other receivables measured at FVTPL:

	As at 31 December	
	2025 £m	2024 £m
Receivables measured at FVTPL:		
At 1 January	9.7	9.2
Fair value of transferred receivables at the date of transfer to EDF	-	21.6
Fair value losses recognised in operating and administrative expenses	(0.5)	(12.9)
Fair value (losses)/gains recognised in other gains and losses	(9.4)	0.2
Amounts paid to/(received from) EDF	2.7	(2.0)
Offset for credit balances transferred to EDF	(2.5)	(6.4)
At 31 December	-	9.7
Of which relates to:		
Receivables sold to EDF	-	0.3
Contingent consideration	-	9.4

Impairment of financial assets

Accounting policy

The Group applies the impairment model in IFRS 9 to provide for expected credit losses on the Group's financial assets not measured at FVTPL, including trade receivables, accrued income, contract assets and other financial assets. The provision for impairment of trade receivables and accrued income (including contract assets) is measured at an amount equal to the lifetime expected credit loss. Contract assets relate to amounts for goods or services provided under customer contracts and, therefore, have substantially the same risk characteristics as trade receivables for the same types of contracts.

Section 3: Operating assets and working capital continued

3.5 Trade and other receivables and contract assets continued

For other financial assets, the Group recognises a lifetime expected credit loss provision when there has been a significant increase in credit risk since initial recognition. If the credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognises a 12-month expected credit loss provision.

The greatest concentration of credit risk exists in the Energy Solutions business. For all receivables in the current year, across all businesses, a provision matrix method was adopted. The prior year includes the change from the combined probability method which was used for the small and medium-sized enterprise (SME) consumers within the Energy Solutions business. As a result of the sale of the majority of the SME portfolio to EDF, the receivables balance and exposure to credit risk for these customers significantly reduced in 2024. As such, the use of the combined probability method was not deemed appropriate subsequent to this sale and the provision matrix method was applied to all trade receivables.

Under the Group's debt recovery strategy, a breach in terms could lead to the customer being disconnected or pursued legally for recovery of an outstanding balance. The Group considers a financial asset to be in default when the amount due from a debtor is unlikely to be received in full, or when contractual payments are 90 days past due. The Group writes off a financial asset when there is no realistic prospect of recovery and all attempts to recover the balance have been exhausted. An indication that all credit control activities have been exhausted is where the debt on an account is exclusively greater than 365 days past due and active recovery attempts have failed, or where there are known insolvency issues relating to the customer.

Customers are grouped according to the age of the debt based on the number of days past due. The provision rates are based on historical collection rates and an expectation of future cash collection.

Expected credit loss

The movement in the overall allowance for expected credit losses on trade receivables is presented in the following table. This excludes £nil (2024: £0.3 million) of trade receivables measured at FVTPL:

	As at 31 December			
	2025	2024		Total £m
	Provision matrix method £m	Combined probability method £m	Provision matrix method £m	
At 1 January	42.4	50.6	8.8	59.4
Amounts written off	(12.0)	(28.5)	(17.9)	(46.4)
Net additional amounts provided against	7.8	28.0	20.9	48.9
Transfer of financial assets to FVTPL category	–	(19.5)	–	(19.5)
Change in provisioning methodology	–	(30.6)	30.6	–
Receivables sold	(7.6)	–	–	–
At 31 December	30.6	–	42.4	42.4
Gross trade receivables	57.5		147.5	147.5
Expected credit loss provision	(30.6)		(42.4)	(42.4)
Trade receivables subject to the IFRS 9 impairment model	26.9		105.1	105.1
Average expected credit loss	53%		29%	29%

The provision in the table above relates primarily to trade receivables in the Energy Solutions business (2024: £2.9 million of the total provision related to the Biomass Generation business).

The risk of default within the Biomass Generation, Flexible Generation and Pellet Production businesses is considered to be remote, supported by strong historical collection rates, high credit quality counterparties and short payment terms with timely receipts resulting in negligible aged debt.

The net charge to the Consolidated income statement in 2025 for impairment of financial assets was £3.3 million (2024: £40.0 million). This is the net of the additional amounts provided against in relation to trade receivables of £7.8 million (2024: £48.9 million) less a £4.5 million (2024: £8.9 million) benefit in the period in respect of the resolution of legacy credit balances. Of the net charge, £3.8 million (2024: £12.7 million) was recognised as exceptional as part of the Opus Energy sale of meter points and restructuring (see note 2.7 for further details).

Section 3: Operating assets and working capital continued

3.5 Trade and other receivables and contract assets continued

The value of provisions calculated using the Group's provision matrix method is set out below. This shows the ageing profile in 30-day increments of the trade receivables and accrued income (including contract assets) of the Group at 31 December 2025 excluding £nil (2024: £0.3 million) of trade receivables that are measured at FVTPL.

	As at 31 December 2025			As at 31 December 2024		
	Estimated total gross carrying amount at default £m	Lifetime expected credit losses £m	Expected credit loss rate %	Estimated total gross carrying amount at default £m	Lifetime expected credit losses £m	Expected credit loss rate %
Accrued income balances not yet due	219.6	5.0	2%	287.6	9.0	3%
Trade receivables days past due:						
Balances not yet due	4.0	1.5	38%	81.6	4.0	5%
Between 0–30 days	17.5	0.6	3%	5.2	0.8	15%
Between 31–60 days	1.1	0.7	64%	2.5	0.7	28%
Between 61–90 days	1.2	0.3	25%	2.1	0.8	38%
Over 90 days	33.7	27.5	82%	56.1	36.1	64%
Trade receivables subject to the IFRS 9 impairment model total	57.5	30.6	53%	147.5	42.4	29%
Total	277.1	35.6	13%	435.1	51.4	12%

The expected credit loss provision of £35.6 million (2024: £51.4 million) in the table above primarily relates to the Energy Solutions business. The expected credit loss rates above are expressed as a percentage of the gross carrying amount of all of the Group's trade receivables and accrued income balances that are subject to the provision matrix method. The provision for expected credit losses expressed as a percentage of gross trade receivables has increased to 53% compared to 29% as at 31 December 2024. The main cause of this is due to providing 100% for the remaining trade receivables in the Opus Energy business following the Opus Energy transaction.

The expected credit loss provision calculated for other financial assets of the Group was negligible.

Credit and counterparty risk are disclosed in further detail in note 7.2.

Section 3: Operating assets and working capital continued

3.6 Contract costs

The Group incurs costs of obtaining contracts in the Energy Solutions business.

Accounting policy

Management expects that incremental broker fees paid to intermediaries as a result of obtaining electricity and gas contracts are recoverable. The Group has therefore capitalised them as contract costs at the point the fee is paid. The fees are amortised over the contract period in line with the recognition of revenue and are charged to cost of sales. The balance is included within prepayments (see note 3.5). This amount includes both current and non-current balances. The reconciliation from opening to closing contract costs is as follows:

	Year ended 31 December	
	2025 £m	2024 £m
At 1 January	2.7	21.1
Additions	1.5	19.2
Amortisation	(2.7)	(21.5)
Accelerated amortisation – customers sold	–	(10.6)
Impairment – customers retained	–	(5.5)
At 31 December	1.5	2.7

During 2024, the Group sold the majority of its non-core SME customers in Opus Energy to EDF (see note 2.7 for further details). The amortisation of the commissions relating to the customers sold was accelerated due to the future cash flows from those customers' contracts being received as part of the consideration for the sale of the customer meters. This accelerated charge was recognised as exceptional within the Consolidated income statement. The remaining commissions relating to the customers retained by Opus Energy were impaired in the prior year due to those customer contracts being onerous following the sale (see note 5.2).

3.7 Trade and other payables and contract liabilities

Trade and other payables represents amounts the Group owes to its suppliers for trade purchases and ongoing costs, taxes and social security amounts due in relation to the Group's role as an employer, and other creditors that are due to be paid in the ordinary course of business. The Group makes accruals for amounts that will fall due for payment in the future as a result of the Group's activities in the current period. Contract liabilities represents the Group's obligation to transfer goods and services to its customers whereby the Group has already received the consideration in advance or where the amount is recognised as a receivable due from the customer at the reporting date.

Accounting policy

Trade and other payables are financial liabilities that are initially measured at fair value. Trade and other payables are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the existing financial liability is derecognised and a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying value of the financial liability based on the terms pre-modification and post-modification is recognised in the Consolidated income statement.

	As at 31 December	
	2025 £m	2024 £m
Trade payables	150.7	134.8
Fuel accruals	34.2	67.9
Energy supply accruals	403.2	473.2
Other accruals	289.5	319.5
Other payables	189.9	264.4
Contract liabilities	23.4	29.3
Total trade and other payables and contract liabilities	1,090.9	1,289.1

Trade payables are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade and other payables approximates their fair values, due to their short-term nature.

The Group facilitates a supply chain finance arrangement under which certain suppliers can obtain early access to payments from a bank and the Group pays the bank based on the original payment terms. The Group has assessed the supply chain finance arrangement, considering the nature and specific terms of the arrangement and has determined that it is appropriate for the amount to continue to be recognised within trade payables. This conclusion is supported by the fact that there are no changes to the Group's payment terms under this arrangement, nor would there be if the arrangement was to cease. The payable to the original supplier and the payable owed to the facility provider (once the payable owed to the original supplier has been derecognised) are both presented within trade payables as the payable remains operating in nature and there is no extension to the Group's payment terms under this arrangement. Trade payables includes £62.6 million (2024: £38.4 million) relating to supply chain finance. Cash flows relating to supply chain finance, being the Group's payment to the bank, are included within net cash from operating activities in the Consolidated cash flow statement. See note 4.3 for further details.

The Group also has access to deferred letter of credit payment facilities under which the Group benefits from an extension to invoice payment terms of less than 12 months for a fee. The original liability is derecognised from trade payables once the deferred letter of credit has been issued and drawn. This is normally at the point that the original liability is due for payment in accordance with original invoice payment terms. The amount due to the facility provider is recognised in other payables. Fees are either recognised in the Consolidated income statement, or capitalised if they are directly attributable to the construction of a qualifying asset and meet the criteria for capitalisation, in the period incurred. Other payables includes £73.2 million (2024: £150.3 million) related to deferred letters of credit. Of the total deferred letters of credit, £42.4 million (2024: £92.8 million) were utilised for capital expenditure and £30.8 million (2024: £57.5 million) were utilised for trade payables. Cash flows relating to deferred letters of credit, being the Group's payment to the bank, are included within net cash from operating activities in the Consolidated cash flow statement where utilised for biomass purchases or net cash used in investing activities for capital expenditure. See note 4.3 for further details.

Section 3: Operating assets and working capital continued

3.7 Trade and other payables and contract liabilities continued

The table below details the amount of trade and other payables and contract liabilities that relate to financial liabilities that are part of supplier finance arrangements, such as supply chain finance and deferred letters of credit, and how much of these amounts have already been paid out by the finance providers at the reporting date.

	As at 31 December					
	2025			2024		
	Supply chain finance	Deferred letters of credit – biomass purchases	Deferred letters of credit – capital expenditure	Supply chain finance	Deferred letters of credit – biomass purchases	Deferred letters of credit – capital expenditure
Carrying amount of financial liabilities:						
Financial liabilities that are part of the arrangement £m	62.6	30.8	42.4	38.4	57.5	92.8
– Of which represents the value of accelerated payments to suppliers £m	36.0	30.3	41.5	11.8	56.6	90.3
Presented within	Trade payables	Other payables	Other payables	Trade payables	Other payables	Other payables
Range of payment due dates:						
	45 to 65 days after invoice date	84 to 94 days after invoice date	Extension of invoice payment terms by 313-364 days	45 to 65 days after invoice date	80 to 117 days after invoice date	Extension of invoice payment terms by 329-364 days
Liabilities that are part of the arrangement	5 to 60 days after invoice date	5 to 10 days after invoice date	30 to 42 days after invoice date	5 to 60 days after invoice date ⁽¹⁾	5 to 10 days after invoice date ⁽¹⁾	30 to 42 days after invoice date
Comparable trade payables that are not part of the arrangement						
Non-cash movements in the period:						
Derecognition of amounts owed to the supplier and recognition of amounts owed to the facility provider £m	198.0	212.4	41.4	219.5	219.1	97.8
Effect of changes in foreign exchange rates £m	(1.9)	4.0	1.9	1.9	0.7	1.5

(1) The payment terms for comparable trade payables in the prior period has been updated to reflect payment terms from invoice date.

Section 3: Operating assets and working capital continued

3.7 Trade and other payables and contract liabilities continued

The Group does not include working capital facilities that are linked directly to a specific payable and give an extension in payment terms of less than 12 months (see note 2.7) in its definition of borrowings or Net debt. These amounts are recognised within trade and other payables and contract liabilities.

Energy supply accruals includes £296.4 million (2024: £347.7 million) in relation to the Group's obligation to deliver renewable certificates arising from activities in the Energy Solutions business. The decrease is due to the lower value of REGOs compared to the prior year. The remaining balance principally comprises third-party grid charge accruals of £57.7 million (2024: £65.5 million) and Feed-in-Tariff accruals of £16.2 million (2024: £25.3 million).

Contract liabilities primarily relate to the advanced consideration received from customers for fixed price electricity and gas contracts, for which revenue is recognised based on the stage of completion of the contract. The balance reduces as revenue is subsequently recognised in the following periods, offset by further advanced consideration received. Contract liabilities at the reporting date were £23.4 million (2024: £29.3 million). The movement in the current year includes a release of £2.2 million (2024: £4.2 million) as a result of the Opus Energy transaction.

3.8 Climate change

Climate change, and tackling it, is closely linked to the Group's purpose, as set out in the Strategic report on pages 1 to 50. The Sustainability Report, starting on page 18, sets out how the Group's ambition is not just to reduce emissions, but to have a net positive impact on the climate. The TCFD disclosures, starting on page 31, along with the Principal Risks section, starting on page 41, set out the Group's approach to managing climate risks and opportunities, including scenario analysis.

Climate change is factored into short, medium and long-term forecasts and estimates used by the Group. In the Viability statement on page 49 and the TCFD report, quantitative risk analysis on the Group's operational Biomass Generation, Flexible Generation and Pellet Production assets indicates that asset exposure to impacts arising from transitional and physical climate-related risks currently remains low.

Section 3: Operating assets and working capital continued

3.8 Climate change continued

Climate change and the transition to Net Zero have been considered in the preparation of these Consolidated financial statements. The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities. In preparing these Consolidated financial statements, the following climate change-related risks have been considered:

Area	Description	Page reference
Critical accounting judgements and key sources of estimation uncertainty	Impairment of assets and capitalisation of development project costs are sensitive to climate change. As detailed in note 2.4, the Group has impaired the carrying value of the UK BECCS project to £nil in the current year due to the reduced likelihood of the project proceeding in the short to medium term. However if an appropriate regulatory framework were to be developed and the political environment was to become more supportive of large-scale capital investment in UK BECCS, increasing the likelihood of the project progressing, a reversal of the impairment of certain UK BECCS costs may be required. In the Clean Power 2030 report issued in November 2024 by the National Energy System Operator (NESO) it is assumed that one biomass unit is converted to BECCS in their pathways. This is consistent with management's view that development of BECCS at Drax Power Station is important to the UK's Net Zero strategy.	132–134
Impairment of non-current assets	<p>The Group's expectations around the impacts of climate change, and in particular the requirements of the UK Government's commitment to reach Net Zero by 2050, are integral to the forecasts used in the Group's impairment analysis. For example, the forward power price curves used take into account expectations regarding the impact of climate change and the changing mix of generating assets on the UK power system. This could lead to lower average power prices as the proportion of intermittent renewables increases, but this would be tempered by increased structural volatility, meaning a need for biomass and other dispatchable generation.</p> <p>Government and societal responses to climate change are still developing, and therefore financial forecasts cannot capture all potential future scenarios. This presents uncertainty around future cash flows from an IAS 36 perspective. Sensitivities modelled seek to capture and assess some of these potential scenarios, including those around reductions in power prices and volatility, which could be caused by climate change and its impact on the energy transition, and biomass acceptability and changes in regulation. Consideration was given to and sensitivities modelled around biomass generation and biomass prices after the low carbon dispatchable CfD is due to end in March 2031. Sensitivities modelled in the impairment testing also included operational outages at both the generation and pellet production facilities, which could be caused by extreme weather conditions as a result of climate change or other factors.</p> <p>Climate change could have an impact on weather patterns and the supply of renewable energy generation, affecting energy prices. Sensitivities for these scenarios were run on the run-of-river hydro and pumped storage assets and did not indicate any potential impairments.</p> <p>See note 2.4 for further details on the impairment assessments performed.</p>	133–134 and 150–158
Going concern and viability	<p>As above, forecast power prices and potential operational outages are also incorporated into the going concern and viability assessments.</p> <p>Additionally, the impact of climate change on the OCGT assets has been considered as part of the going concern and viability assessments, by modelling the impact of low market volatility on the revenues of the OCGTs on the Group. Climate change could cause low market volatility by causing higher levels of wind and hydro generation. Whilst there is a risk of legislative change relating to unabated gas, the sites are underpinned by long-term, Government-backed Capacity Market contracts. When they are operational these assets will be amongst the newest on the system. The NESO Clean Power 2030 report states gas generation will remain critical for security of supply.</p>	Pages 15 and 131 for going concern and 15 and 49–50 for viability
Useful economic lives of non-current assets	<p>The potential impact of climate change is one of the factors assessed in determining how long the Group anticipates both new and existing assets will operate for. For example, the UELs of the OCGT assets due to be commissioned in 2026 will be in line with the Group's expectations around the UK's transition to a Net Zero position by 2050.</p> <p>As outlined in note 3.1, UELs at Drax Power Station may decrease or increase as a result of future decisions, that may be directly or indirectly linked to climate change. Were UELs to be shortened by 8 years to 2031, in line with the end of the low carbon dispatchable CfD, and if a decision was taken not to develop UK BECCS or other opportunities (such as data centres) at the site, the impact on the annual depreciation charge would be an increase of approximately £59.4 million. If the UELs of Drax Power Station assets that are currently limited to 2039 were to increase by a further 10 years, the annual depreciation charge would decrease by approximately £18.0 million.</p>	173

Section 3: Operating assets and working capital continued

3.8 Climate change continued

Area	Description	Page reference
Present value of decommissioning provisions	<p>As described in note 5.2, the decommissioning provisions in relation to Drax Power Station, the OCGTs and certain pellet plants have been assessed with the support of third-party experts.</p> <p>The third-party analyses specifically considered potential impacts of climate change, both physical and transitional, extending over the medium term, and concluded that direct effects were unlikely to have a significant impact over this time horizon.</p> <p>If Drax Power Station or the OCGT sites closed sooner than indicated by their current UELs, for reasons explained above, then the decommissioning provisions would increase as the cash outflows would occur earlier; however, this would not have a material impact on the provisions.</p> <p>Legislation and regulatory requirements could have an impact on the UELs of the OCGTs. If a law was enacted that could result in early closure of unabated gas generation, this would result in an earlier utilisation of the provision.</p>	203
Fair value of contingent consideration	<p>Future regulatory changes in relation to the type of assets that can be built in the UK and support mechanisms in place, in response to climate change, could lead to the project at Damhead Creek 2 becoming more or less likely to progress than is currently assumed. The Group has assessed the fair value of the contingent consideration at the reporting date to be £nil (2024: £9.4 million), but changes in the electricity industry and its regulatory environment could lead to a change increasing the likelihood of the project proceeding. This could increase the fair value of the contingent consideration. Currently, no reasonably possible changes would be expected to lead to a material increase in the fair value.</p>	218
Defined benefit pension scheme	<p>The Group operates one defined benefit pension scheme. The trustees of the scheme have an investment strategy that seeks to diversify its risk exposures. The investment policy requires investment managers to take climate risk into account. The impact of climate change is relatively low due to the risk profile of the assets held under the scheme.</p>	210
Renewable certificates	<p>The Renewable Energy Guarantees of Origin (REGO) market continues to be volatile. There was an increase in the demand for REGOs over the past five years that was in part due to the need for organisations to decarbonise and promote their corporate social responsibility and environmental social governance. This demand has reduced in the current year as high REGO prices resulted in customers looking for alternative options for renewable energy. The run-of-river hydro assets and biomass assets are eligible to claim REGOs on the electricity they produce. Certificates are utilised by the Energy Solutions segment, who submit them to Ofgem on behalf of their customers. Further volatility in REGO prices in the future could impact the value of renewable certificates held, in turn impacting future revenues.</p> <p>ROC valuations are comprised of two parts: the buy-out price element and an estimate of the future benefit that may be obtained from the ROC recycle fund. The recycle fund provides a benefit where supplier buy-out charges are redistributed to the suppliers who presented ROCs in a compliance period on a pro-rata basis. One of the key estimates of the recycle value are assumptions about the expected levels of renewable generation, which is largely dependent on weather. Climate change could have an impact on weather patterns and therefore the supply of ROCs, which would impact the recycle value recognised.</p>	180
Sustainable financing	<p>A number of the Group's facilities have embedded aspects of the Group's climate targets and commitments.</p> <p>The GBP and EUR term loan (2024) and the sustainability-linked £450 million RCF have a customary margin grid referenced over SONIA or EURIBOR with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 Science Based Targets initiative (SBTi) targets.</p> <p>Should the Group not meet the targets the Group would be liable to increased finance costs prospectively.</p>	191
Deferred tax assets	<p>Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.</p> <p>The Group currently has deferred tax assets related to its US business. The estimates used when assessing the future profitability of the US business have been approved by the Board and are consistent with estimates used in the going concern and impairment assessments. As discussed above, the impairment assessment factors in climate change risks in the forecasts. See note 2.4 for further details on how climate change has been factored into the forecasts used in the impairment assessments.</p>	159

Section 4: Financing and capital structure

This section provides further information about the Group's capital structure (equity and debt financing) and cash generated from operations during the year.

4.1 Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash at bank, short-term bank deposits with a maturity of three months or less, and money market funds. Cash equivalents are highly liquid low-risk investments and are readily convertible into known amounts of cash with a maturity of three months or less. As such, there is an insignificant risk of a change in value. The carrying amount of these assets is approximately equal to their fair value. It is the Group's policy to deposit available cash in low-risk bank accounts or short-term deposit accounts.

	As at 31 December	
	2025 £m	2024 £m
Cash at bank	95.5	73.5
Short-term deposits	204.7	179.4
Money market funds	1.9	103.1
Total cash and cash equivalents	302.1	356.0

4.2 Borrowings

Accounting policy

The Group measures all debt instruments initially at fair value, which equates to the principal value of the consideration received, net of transaction costs that are directly attributable to the debt issuance. Subsequent to initial measurement, debt instruments are measured at amortised cost using the effective interest method. Transaction costs (any such costs incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are recognised over the expected life of the instrument.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Loan commitment fees may be payable to the lender to entitle the Group to draw down at any time over a fixed period. Where there is a fixed repayment date, regardless of when the loan is drawn down, the commitment fees are recognised on a systematic basis over the period the Group is able to draw down. Where the loan has the same fixed term, regardless of when the loan is drawn down, if drawdown is probable, then the commitment fees are deferred until drawdown and are recognised over the life of the instrument as part of the effective interest rate. If drawdown is not probable, then loan commitment fees are recognised on a systematic basis over the period the Group is able to draw down.

Fees that are paid for the availability of a facility where the amount and timing of drawdown can vary at the Group's discretion, such as under a revolving credit facility (RCF), are recognised on a systematic basis over the life of the facility.

Debt instruments denominated in foreign currencies are revalued using the period-end exchange rates, with any exchange gains and losses being recognised as a component of foreign exchange gains or losses in the period they arise. The Group hedges foreign currency risk and interest rate risk in accordance with the policies set out in note 7.2. Where hedging instruments are used to fix cash flows associated with debt instruments, the debt instrument and the hedging instrument are measured and presented separately on the Consolidated balance sheet. Where hedge accounting is applied to foreign exchange risk and interest rate risk on debt instruments, gains and losses are recycled to the Consolidated income statement within either foreign exchange gains or losses or interest payable and similar charges, to match the exposure they are hedging, where effective. The borrowings amounts disclosed in the tables below exclude any impact of hedging instruments.

Debt instruments are derecognised when the contractual obligations are discharged, cancelled or expired. If the terms of a debt instrument are significantly modified, the existing liability is derecognised and a new liability based on the modified terms is recognised at fair value. The difference between the carrying value of the debt instrument based on the terms pre-modification and post-modification is recognised in the Consolidated income statement.

If the terms of the debt instrument are not significantly modified, the modification is accounted for as an adjustment to the carrying value of the existing liability. The revised cashflows are discounted at the original effective interest rate and the difference between the new present value and the current carrying value of the liability is recognised immediately in the Consolidated income statement.

Section 4: Financing and capital structure continued

4.2 Borrowings continued

The Group's borrowings at each reporting date were as follows:

	As at 31 December 2025				As at 31 December 2024			
	Effective sterling interest rate ⁽¹⁾ %	Principal value m	Year of maturity	Amortised cost £m	Effective sterling interest rate ⁽¹⁾ %	Principal value m	Year of maturity	Amortised cost £m
Non-current secured borrowings:								
5.875% EUR loan notes 2029	7.5%	€350.0	2029	306.5	7.5%	€350.0	2029	289.5
UK infrastructure private placement facility (2019)	3.0%	£50.0	2029	49.7	3.0%	£50.0	2029	49.5
UK infrastructure private placement facility (2020)	2.6%	€31.5 + £98.0	2027 – 2030	125.2	2.5%	€101.5 + £98.0	2026 – 2030	181.0
CAD term loan facility	–	–	n/a	–	6.1%	C\$200.0	2026	111.0
GBP and EUR term loan facility (2024)	5.5%	€185.0 + £100.0	2028 – 2029	260.6	5.5%	€185.0 + £100.0	2027 – 2029	251.9
£125m GBP term loan facility (2024)	6.2%	£125.0	2027 – 2029	125.6	6.2%	£125.0	2027 – 2029	124.9
£50m GBP term loan facility (2024)	5.5%	£50.0	2028	50.1	5.5%	£50.0	2028	49.9
Current secured borrowings:								
2.625% EUR loan notes 2025	–	–	n/a	–	4.6%	€143.8	2025	119.0
UK infrastructure private placement facility (2020)	2.1%	€70.0	2026	61.3	–	–	n/a	–
Total borrowings				979.0				1,176.7
Current				61.3				119.0
Non-current				917.7				1,057.7

(1) The effective sterling interest rate includes the impact of any interest rate and cross-currency interest rate swaps.

The effective sterling interest rate gives the rate that the Group has fixed to pay on each of the facilities, using a combination of interest rate swaps and cross-currency interest rate swaps. These instruments as well as foreign currency forward contracts are used to fix the sterling repayment of the principal. See note 7.2.2 for further details on the Group's hedging of borrowings.

During 2024, the Group refinanced a number of existing facilities to extend the Group's average debt maturity profile. Further details of this refinancing activity is provided in the Group's 2024 Annual report and accounts on pages 217–218.

During July 2025, the Group agreed with the lenders of the GBP and EUR term loan facility (2024) to extend the maturity of the €135.0 million and £50.0 million tranches that were due to mature in 2027, by one year, to 2028. This facility is sustainability-linked and has a customary margin grid referenced over SONIA or EURIBOR with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 Science Based Targets initiative (SBTi) targets. In August 2025, the Group chose to make an early repayment of the C\$200.0 million CAD term loan facility that had an original maturity of January 2026. In October 2025, the remaining €143.8 million outstanding principal of the 2.625% EUR loan notes was repaid.

In December 2025, the Group agreed a new £190.0 million term loan facility which remained undrawn at the reporting date (see note 2.7 for details on the Group's committed facilities). This was subsequently drawn during January 2026. Also during January 2026, the Group repaid €70.0 million of the UK infrastructure private placement facility (2020) at maturity.

The Group has a committed £450.0 million sustainability-linked revolving credit facility (RCF). During the period, the maturity of the facility was extended from August 2027 to August 2028. The facility has a customary margin grid referenced over SONIA with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 SBTi targets. No cash has been drawn under this facility since its inception in August 2024 and it remained undrawn as at 31 December 2025. See note 2.7 for further details on the Group's cash and committed facilities. See note 3.8 for further details on climate change considerations related to borrowings.

The Group's secured borrowings are secured by a charge over a number of the Group's assets. See note 3.1 for details of the assets pledged as security. The weighted average interest rate payable, at the reporting date, on the Group's borrowings was 5.40% (2024: 5.39%).

Section 4: Financing and capital structure continued

4.2 Borrowings continued

Reconciliation of borrowings

The table below shows the movement in borrowings during the current and prior year:

	Year ended 31 December 2025						Closing amortised cost £m
	Opening amortised cost £m	Amounts drawn £m	Transaction costs £m	Amounts repaid £m	Cash interest payments £m	Non-cash movements £m	
2.625% EUR loan notes 2025	119.0	-	-	(124.8)	(3.2)	9.0	-
5.875% EUR loan notes 2029	289.5	-	-	-	(17.6)	34.6	306.5
UK infrastructure private placement facility (2019)	49.5	-	-	-	(3.1)	3.3	49.7
UK infrastructure private placement facility (2020)	181.0	-	-	-	(9.2)	14.7	186.5
CAD term loan facility	111.0	-	-	(108.8)	(4.7)	2.5	-
GBP and EUR term loan facility (2024)	251.9	-	(0.2)	-	(13.0)	21.9	260.6
£125m GBP term loan facility (2024)	124.9	-	-	-	(7.9)	8.6	125.6
£50m GBP term loan facility (2024)	49.9	-	-	-	(3.0)	3.2	50.1
Total borrowings	1,176.7	-	(0.2)	(233.6)	(61.7)	97.8	979.0

Non-cash movements in borrowings during 2025 comprises foreign exchange losses of £32.1 million and interest costs of £65.7 million.

	Year ended 31 December 2024						Closing amortised cost £m
	Opening amortised cost £m	Amounts drawn £m	Transaction costs £m	Amounts repaid £m	Cash interest payments £m	Non-cash movements £m	
2.625% EUR loan notes 2025	215.7	-	-	(88.7)	(4.4)	(3.6)	119.0
6.625% USD loan notes 2025	391.5	-	-	(393.9)	(13.0)	15.4	-
5.875% EUR loan notes 2029	-	298.8	(4.4)	-	(7.8)	2.9	289.5
UK infrastructure private placement facility (2019)	373.9	-	-	(325.0)	(10.9)	11.5	49.5
UK infrastructure private placement facility (2020)	206.4	-	(0.8)	(21.6)	(11.5)	8.5	181.0
CAD term loan facility	117.8	-	(0.1)	-	(6.6)	(0.1)	111.0
GBP and EUR term loan facility (2024)	-	258.0	(2.0)	-	(9.9)	5.8	251.9
£125m GBP term loan facility (2024)	-	125.0	(1.3)	-	(3.7)	4.9	124.9
£50m GBP term loan facility (2024)	-	50.0	(0.4)	-	(0.6)	0.9	49.9
Collateral facility	120.0	-	-	(120.0)	(6.4)	6.4	-
Total borrowings	1,425.3	731.8	(9.0)	(949.2)	(74.8)	52.6	1,176.7

Non-cash movements in borrowings during 2024 comprises foreign exchange gains of £30.7 million, interest costs of £85.0 million and gains on extinguishment of £1.7 million.

Section 4: Financing and capital structure continued

4.2 Borrowings continued

As disclosed above, the Group has a number of cross-currency interest rate swaps and foreign currency forward contracts that fix the sterling value of the principal repayment of certain foreign currency denominated borrowings. Accordingly, the foreign exchange losses (2024: gains) on borrowings disclosed above have been offset by £33.5 million of foreign exchange gains (2024: £32.5 million losses) on cross-currency interest rate swaps and foreign currency forward contracts that have been recycled to profit and loss as part of the hedging relationship. See note 2.7 for further details of the impact of the Group's cash flow hedging relationships on Net debt. See note 7.2.2 for further details of the Group's cash flow hedging relationships on borrowings.

Compliance with loan covenants

The Group has customary financial covenants, principally in relation to the consolidated net leverage ratio. The consolidated net leverage ratio broadly equates to a Net debt to Adjusted EBITDA ratio calculation (see note 2.7), and is calculated in line with the Group's financial covenant requirements in the loan facility agreements⁽¹⁾. The Group also has conditions placed on its dividend payments as a result of the financing facilities. The Group is required to test its financial covenants every six months at financial full-year and half-year reporting periods, and has complied with all financial covenants during the current and prior year. The Group has significant headroom and expects to continue to comply with these financial covenants for the foreseeable future, including the five-year viability period. See the Viability statement on page 49 for further details on the scenarios considered.

(1) The net debt calculation for financial covenants is based on Net debt as defined in note 2.7 but also includes the cash, borrowings and lease liabilities attributable to non-controlling interests, and excludes the impact of hedging.

Letters of credit and surety bonds

As at 31 December 2025, the Group had issued letters of credit totalling £52.7 million (2024: £56.8 million), of which £14.5 million (2024: £14.5 million) were utilised to cover commodity trading collateral requirements. As at 31 December 2025, the Group had surety bonds with a number of insurers totalling £76.5 million (2024: £89.0 million), of which £20.0 million (2024: £30.0 million) were utilised to cover commodity trading collateral requirements.

4.3 Notes to the Consolidated cash flow statement

Accounting policy

In accordance with IAS 7 the Group has elected to classify cash flows from interest paid and interest received as cash flows from operating activities, dividends paid as cash flows from financing activities, and dividends received as cash flows from investing activities. The interest repayments on lease liabilities are included within interest paid, and the lease principal repayments are presented within cash flows from financing activities. Payments for short-term and low value leases are included within cash flows from operating activities.

Cash generated from operations

Cash generated from operations is the starting point of the Group's Consolidated cash flow statement on page 139. The table below makes adjustments for any non-cash accounting items to reconcile the Group's net profit for the year to the amount of cash generated from the Group's operations.

	Year ended 31 December	
	2025 £m	2024 £m
Profit for the period	68.2	525.5
Adjustments for:		
Interest payable and similar charges ⁽¹⁾	75.7	107.5
Interest receivable and similar gains	(17.8)	(20.1)
Tax charge	121.3	227.9
Movement in provision for research and development tax credits	2.0	(2.0)
Share of losses from associates	1.6	2.2
Depreciation of property, plant and equipment	202.0	196.7
Depreciation of right-of-use assets ⁽¹⁾	28.6	28.1
Amortisation of intangible assets	14.2	17.0
Impairment of non-current assets	377.7	14.4
Losses on disposal of non-current assets	5.4	11.2
Other losses	9.4	1.7
Certain remeasurements of derivative contracts ⁽²⁾	23.4	(89.3)
Non-cash charge for share-based payments	15.7	14.0
Effect of changes in foreign exchange rates	(13.6)	(21.9)
Operating cash flows before movement in working capital	913.8	1,012.9
Changes in working capital:		
Decrease in inventories	76.5	25.2
Decrease in receivables	136.2	392.2
Decrease in payables	(110.2)	(142.7)
Net movement in derivative-related collateral	(24.5)	83.7
Increase in provisions	10.4	11.5
Increase in renewable certificate assets	(2.1)	(247.8)
Total cash released from working capital	86.3	122.1
Pension service charge less contributions paid	(0.6)	0.1
Cash generated from operations	999.5	1,135.1

(1) Included within the adjustments above are interest charged on lease liabilities of £0.3 million and depreciation charged on right-of-use assets of £1.7 million in relation to the Group's salary sacrifice EV scheme. These costs are presented within staff costs within operating and administrative expenses in the Consolidated income statement.

(2) Certain remeasurements of derivative contracts includes the effect of non-cash unrealised gains and losses recognised in the Consolidated income statement and their subsequent cash realisation. It also includes the cash and non-cash impact of deferring and recycling gains and losses on derivative contracts designated into hedge relationships under IFRS 9, where the gain or loss is held in the hedge reserve and then released to the Consolidated income statement in the period the hedged transaction occurs.

Section 4: Financing and capital structure continued

4.3 Notes to the Consolidated cash flow statement continued

The most significant factors contributing to cash generated from operations are explained in further detail below.

The £23.4 million inflow due to the adjustment for certain remeasurements for derivative contracts in the current year (2024: £89.3 million outflow) mainly relates to unrealised fair value losses (2024: unrealised fair value gains) on open derivative contracts offset by cash payments on maturing trades.

Cash collateral is sometimes paid or received in relation to the Group's commodity and treasury trading activities. When derivative positions are out of the money for the Group, collateral may be required to be paid to the counterparty. When derivative positions are in the money, collateral may be received from counterparties. These positions reverse when mark-to-market positions reduce, or contracts are settled, and the collateral is returned.

The Group has had a net cash outflow of £24.5 million from derivative-related collateral during the year, as trades have matured and mark-to-market positions have reduced (2024: £83.7 million inflow). As at 31 December 2025, the Group held £nil (2024: £9.8 million) in cash collateral receipts recognised in payables, and had posted £19.4 million (2024: £4.7 million) of cash collateral payments recognised in receivables.

The Group actively manages its liquidity requirements. This includes managing collateral associated with the hedging of power and other commodities, as well as other contractual arrangements. Under certain arrangements the Group is able to use non-cash collateral, such as letters of credit and surety bonds, that may otherwise have required cash collateral. The Group utilised £14.5 million (2024: £14.5 million) of letters of credit and £20.0 million (2024: £30.0 million) of surety bonds to cover commodity trading collateral requirements. Letters of credit and surety bonds utilised at the reporting date have reduced the requirement for cash collateral payments, which has increased the amount by which receivables have decreased.

The Group has a strong focus on cash flow discipline and managing liquidity. The Group enhances its working capital position by managing payables, receivables, inventories and renewable certificate assets to make sure the working capital committed is closely aligned with operational requirements. The impact of these actions on the cash flows of the Group is included within the further detail explained below.

The table below sets out the key arrangements utilised by the Group to manage elements of its working capital:

	As at 31 December 2025 £m	As at 31 December 2024 £m	Inflow/ (outflow) £m
Receivables monetisation	348.4 ⁽¹⁾	400.0	(51.6)
ROC monetisation sales	50.0	–	50.0
Deferred letters of credit	(73.2)	(150.3)	(77.1)

(1) As at 31 December 2025 the Group had sold £275.6 million (2024: £386.3 million) of receivables under this facility (see note 3.5). At 31 December 2025 the Group had recognised an amount payable to the facility provider of £72.8 million (2024: £13.7 million), being the movement in the receivables sold compared to the prior month. This amount was paid to the facility provider in January 2026, so as at 31 December 2025 the utilisation of the facility was £348.4 million (2024: £400.0 million).

None of the balances in the table above are included within the Group's definition of Net debt or borrowings (see note 2.7 for further details on Net debt and note 4.2 for further details on borrowings). The receivables monetisation facility is non-recourse in nature and therefore there is no future liability associated with these amounts. Through standard ROC sales and ROC purchase arrangements the Group is able to manage the working capital cycle of inflows and outflows of these assets. The supply chain finance and deferred letters of credit facilities are linked directly to specific payables. The deferred letters of credit facilities provide a short extension of payment terms of less than 12 months. See note 3.7 for further disclosures relating to supplier finance arrangements. The impact of these facilities on the cash flows of the Group is explained further below.

The cash inflow of £76.5 million (2024: £25.2 million) as a result of the decrease in inventories primarily results from higher generation in December at Drax Power Station and the timing of shipments.

The overall cash inflow of £136.2 million (2024: £392.2 million) due to lower receivables in the current year is primarily a result of a reduction in energy prices compared to the prior year.

The Energy Solutions segment has access to a receivables monetisation facility which enables it to accelerate cash flows associated with amounts receivable from energy supply customers on a non-recourse basis. During the year the maturity of the facility was extended to March 2030, from March 2027. The Group now has the option to set the facility limit between £300.0 million and £400.0 million. Upon the Group's request, the lender agreed to reduce the facility limit to £350.0 million from August 2025 in line with the lower receivables balances in the Energy Solutions business. The limit was £350.0 million as at 31 December 2025 (31 December 2024: £400.0 million).

Section 4: Financing and capital structure continued

4.3 Notes to the Consolidated cash flow statement continued

Payables have decreased from the prior year, with a cash outflow of £110.2 million (2024: £142.7 million). This is due to a reduction in other payables as the deferred letters of credit have reduced in relation to OCGT capital expenditure now that the assets are nearing completion. The decrease in payables is also due to the reduction in energy supply accruals compared to the prior year as the value of REGOs has reduced year-on-year. Certain of the Group's suppliers are able to access a supply chain finance facility provided by a bank, for which funds can be accelerated in advance of normal payment terms. At 31 December 2025, the Group had trade payables of £62.6 million (2024: £38.4 million) related to this. The facility does not directly impact the Group's working capital, as payment terms remain unaltered with the Group and would remain the same should the facility fall away.

The Group also has access to deferred letters of credit facilities under which the Group benefits from an extension to payment terms of less than 12 months for a fee. The amount outstanding under these facilities at 31 December 2025 was £73.2 million (2024: £150.3 million). Of the total deferred letters of credit, £42.4 million (2024: £92.8 million) were utilised for capital expenditure and £30.8 million (2024: £57.5 million) were utilised for trade payables. Utilisation of these payment facilities impacted the purchases of property, plant and equipment line in the Consolidated cash flow statement and the movement in payables line above.

The movement in renewable certificate assets during the year includes a combination of generation, utilisation, purchases and sales, as described in note 3.3. Cash from renewable certificates, and in particular ROCs, is typically realised several months after they are earned; however, through standard ROC sales and ROC purchase arrangements the Group is able to manage the working capital cycle of inflows and outflows of these assets. At 31 December 2025, the Group had cash inflows of £50.0 million (2024: £nil) from using these standard renewable certificate sales.

Changes in liabilities arising from financing cash flows

A reconciliation of the movements in liabilities arising from financing activities as a result of both cash and non-cash movements is provided below:

	Borrowings £m	Lease liabilities £m	Hedging instruments ⁽¹⁾ £m	Obligation to purchase own shares £m	Total £m
At 1 January 2025	1,176.7	116.5	41.0	–	1,334.2
Cash flows from financing activities	(233.8)	(28.1)	(4.0)	–	(265.9)
Effect of changes in foreign exchange rates	32.1	(5.9)	(33.5)	–	(7.3)
Other movements	4.0	16.1	2.3	7.3	29.7
At 31 December 2025	979.0	98.6	5.8	7.3	1,090.7
	Borrowings £m	Lease liabilities £m	Hedging instruments ⁽¹⁾ £m	Total £m	
At 1 January 2024	1,425.3	135.8	32.5	1,593.6	
Cash flows from financing activities	(226.4)	(27.4)	(31.5)	(285.3)	
Effect of changes in foreign exchange rates	(30.7)	1.1	18.3	(11.3)	
Other movements	8.5	7.0	21.7	37.2	
At 31 December 2024	1,176.7	116.5	41.0	1,334.2	

(1) Hedging instruments include both financial assets and financial liabilities used to hedge liabilities arising from financing activities. At 31 December 2025 hedging instruments include £4.9 million (2024: £nil) of financial assets and £10.7 million (2024: £41.0 million) of financial liabilities.

Other movements on borrowings principally relate to interest. Other movements on lease liabilities principally relate to discounting and additions in the year. Other movements on hedging instruments include cross-currency interest rate swaps that are hedging both principal and interest payments on borrowings. Interest payments are classified as operating cash flows in the Consolidated cash flow statement. As such, fair value movements and cash settlements relating to the interest payments on these hedges are recognised within the other movements line above. Other movements on obligation to purchase own shares represent an initial liability of £7.2 million and £0.1 million of interest charged in relation to this liability.

Section 4: Financing and capital structure continued

4.4 Equity and reserves

The Group's ordinary share capital reflects the total number of shares in issue, which are publicly traded on the London Stock Exchange.

Accounting policy

Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Company after deducting its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Issued equity

	As at 31 December	
	2025 £m	2024 £m
Issued and fully paid:		
432,171,763 ordinary shares of 11 ¹⁶ / ₂₉ pence each (2024: 427,770,766)	49.9	49.4

The movement in allotted and fully paid share capital of the Company during the year was as follows:

	Year ended 31 December	
	2025 (number)	2024 (number)
At 1 January	427,770,766	424,923,406
Issued in respect of employee share schemes	4,400,997	2,847,360
At 31 December	432,171,763	427,770,766

The Company has only one class of shares, which are ordinary shares of 11¹⁶/₂₉ pence each, carrying no right to fixed income. Throughout the year, shares were issued in satisfaction of options vesting in accordance with the rules of the Group's employee share schemes (see note 6.2).

During the year 2,611,059 shares were issued at a weighted average exercise price of 190.2 pence per share in respect of options vesting on employee share purchase schemes and 1,789,938 shares were issued in respect of share options vesting on share awards with no exercise price.

Own shares reserve

The own shares reserve represents shares of Drax Group plc purchased under share buyback programmes and held by the Company as Treasury shares, or shares of Drax Group plc held by the EBT for the purpose of satisfying employee share plan awards. The EBT is treated as an extension of the Company and therefore the Group, in accordance with IFRS 10.

The cost of the shares held by the EBT or the Company are recognised as a deduction from equity until the shares are issued to employees under share awards, cancelled, reissued or disposed of. The amount deducted from equity includes any incremental directly attributable costs. No gain or loss is recognised in the Consolidated income statement on the purchase, sale, issue or cancellation

of the Company's own equity instruments. Where the Company has entered into a forward contract and has an obligation to purchase a fixed amount of its own shares for a fixed price, the present value of this obligation is recognised as a deduction to equity, within retained earnings, and a corresponding liability is recognised. The unwinding of the discount is included in interest payable and similar charges in the Consolidated income statement. Once the shares have been received under this forward contract, the deduction to equity within retained earnings is transferred to the own shares reserve.

As at 31 December 2025, the own shares reserve comprises 91.8 million (2024: 57.8 million) shares at a value of £534.6 million (2024: £314.2 million) held in treasury, and nil (2024: nil) shares held by the EBT.

During the year, the EBT subscribed for 1.8 million of new shares at nominal value for a total of £0.2 million, which were subsequently issued to employees to satisfy share plan awards during the year.

Share buyback programme

On 31 July 2025, the Group announced a £450 million share buyback programme, to commence immediately following the completion of the £300 million share buyback programme that took place between 2024 and 2025.

	Year ended 31 December 2025		Year ended 31 December 2024	
	Number of shares (million)	Total net cost £m	Number of shares (million)	Total net cost £m
Shares repurchased:				
£300 million buyback programme	29.4	185.7	17.8	115.4
£450 million buyback programme	4.7	35.4	–	–
Total	34.1	221.1	17.8	115.4

	Pence	
	2025	2024
Price paid per share:		
Average	644.7	645.6
Range	Between 544.3 and 833.3	Between 618.8 and 673.9

The £300 million share buyback programme completed on 8 October 2025. The £450 million programme is ongoing. During 2026, to 24 February 2026, under the £450 million share buyback programme, 2.5 million shares have been repurchased at a total net cost of £21.9 million.

Shares purchased under these share buyback programmes are held in treasury within the own shares reserve awaiting reissue or cancellation and have no voting rights attached to them. The shares purchased by the Group have not been cancelled and so continue to be included in the issued shares in the above table.

Section 4: Financing and capital structure continued

4.4 Equity and reserves continued

Share premium

The share premium account reflects amounts received in respect of issued share capital that exceeds the nominal value of the shares issued, net of incremental transaction costs and tax, that are directly attributable to the issue of new shares. Movements in the share premium reserve during the year reflect amounts received above the nominal value on the issue of shares under employee share schemes.

	Year ended 31 December	
	2025 £m	2024 £m
At 1 January	443.8	441.2
Issue of share capital	4.7	2.6
At 31 December	448.5	443.8

Other reserves

	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Own shares reserve £m	Total other reserves £m
At 1 January 2024	1.5	75.5	710.8	(199.6)	588.2
Exchange differences on translation of foreign operations	–	(6.6)	–	–	(6.6)
Own shares utilised to satisfy share-based payment arrangements	–	–	–	0.8	0.8
Repurchase of own shares through share buyback programmes	–	–	–	(115.4)	(115.4)
At 1 January 2025	1.5	68.9	710.8	(314.2)	467.0
Exchange differences on translation of foreign operations	–	(66.8)	–	–	(66.8)
Issue of share capital	–	–	–	(0.2)	(0.2)
Own shares utilised to satisfy share-based payment arrangements	–	–	–	0.9	0.9
Repurchase of own shares through share buyback programmes	–	–	–	(221.1)	(221.1)
At 31 December 2025	1.5	2.1	710.8	(534.6)	179.8

The capital redemption and own shares reserves initially arose when the Group completed previous share buyback programmes. The own shares reserve comprises 91.8 million shares at a value of £534.6 million held in treasury. The 91.8 million (2024: 57.8 million) shares held within the own shares reserve have no voting rights attached to them.

Exchange differences relating to the translation of the net assets of the Group's US and Canadian subsidiaries from their functional currencies (USD and CAD) into sterling for presentation in these Consolidated financial statements are recognised in the translation reserve.

Hedge reserve and Cost of hedging reserve

Movements in the hedge reserve and the cost of hedging reserve, which reflect the change in fair value of derivative financial instruments designated into hedge accounting relationships in accordance with IFRS 9 and related deferred tax, are set out in notes 7.3 and 7.4.

4.5 Non-controlling interests

Accounting policy

In accordance with IFRS 3, the Group elects on an acquisition-by-acquisition basis whether to measure non-controlling interests (NCIs) at their proportionate share of the identifiable net assets of the acquiree at the acquisition date, or at fair value. The Group treats transactions with NCIs that do not result in a loss of control as transactions with equity owners of the parent company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and NCIs to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to NCIs and the fair value of any consideration paid or received is recognised in equity, within retained profits.

At 31 December 2025, the Group has one (2024: two) subsidiary undertaking with NCIs.

During the year, the Group acquired the remaining 30% of NCI in Smithers Pellet Limited Partnership increasing the Group's interest to 100%. See the transactions with NCI section below for further information.

Summarised financial information

The summarised financial information disclosed is shown on a 100% basis. It represents the results of each entity below that would be shown in the subsidiaries' own financial statements prepared in accordance with IFRS, modified for Group-level fair value adjustments at acquisition, and gains or losses on translation of the entities' financial statements into the Group's presentational currency, which are recognised through the Consolidated statement of comprehensive income. All amounts are presented before intercompany eliminations.

Section 4: Financing and capital structure continued

4.5 Non-controlling interests continued

	Principal place of business	As at 31 December 2025		As at 31 December 2024	
		Non-controlling interest %	Non-controlling interests £m	Non-controlling interest %	Non-controlling interests £m
Lavington Pellet Limited Partnership	North America	25%	–	25%	5.9
Smithers Pellet Limited Partnership	North America	0%	–	30%	3.9
Total			–		9.8

Distributions of £1.2 million (2024: £0.4 million) were paid to non-controlling interests during the year.

Summarised statement of total comprehensive income

	Year ended 31 December 2025					Year ended 31 December 2024				
	Revenue £m	Loss £m	Loss attributable to the non-controlling interests £m	Total comprehensive loss £m	Total comprehensive loss attributable to the non-controlling interests £m	Revenue £m	Loss £m	Loss attributable to the non-controlling interests £m	Total comprehensive loss £m	Total comprehensive loss attributable to the non-controlling interests £m
Lavington Pellet Limited Partnership	30.7	(18.4)	(4.6)	(18.9)	(4.7)	27.6	(0.1)	–	(1.8)	(0.6)
Smithers Pellet Limited Partnership ⁽¹⁾	3.6	(0.7)	(0.2)	(0.7)	(0.3)	12.3	(3.6)	(1.1)	(4.5)	(1.3)
Total	34.3	(19.1)	(4.8)	(19.6)	(5.0)	39.9	(3.7)	(1.1)	(6.3)	(1.9)

(1) The 2025 Summarised statement of total comprehensive income for Smithers Pellet Limited Partnership is for the period up to acquisition of the remaining NCI on 30 April 2025.

Summarised balance sheet

	As at 31 December 2025					As at 31 December 2024				
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net assets £m	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net assets £m
Lavington Pellet Limited Partnership	–	3.4	(0.5)	(2.9)	–	22.0	7.6	(2.8)	(3.1)	23.7
Smithers Pellet Limited Partnership	–	–	–	–	–	13.9	3.3	(4.3)	–	12.9
Total	–	3.4	(0.5)	(2.9)	–	35.9	10.9	(7.1)	(3.1)	36.6

Section 4: Financing and capital structure continued

4.5 Non-controlling interests continued

Summarised cash flows

	Year ended 31 December 2025				Year ended 31 December 2024			
	Net cash inflow/ (outflow) from operating activities £m	Net cash outflow from investing activities £m	Net cash outflow from financing activities £m	Net cash outflow £m	Net cash inflow from operating activities £m	Net cash outflow from investing activities £m	Net cash inflow from financing activities £m	Net cash inflow £m
Lavington Pellet Limited Partnership	5.1	(0.5)	(4.9)	(0.3)	2.2	(0.7)	0.3	1.8
Smithers Pellet Limited Partnership ⁽¹⁾	(0.2)	–	–	(0.2)	1.4	(1.1)	–	0.3
Total	4.9	(0.5)	(4.9)	(0.5)	3.6	(1.8)	0.3	2.1

(1) The 2025 Summarised cash flow for Smithers Pellet Limited Partnership is for the period up to acquisition of the remaining NCI on 30 April 2025.

Transactions with NCI

When the Group acquired Pinnacle during 2021, the NCI in Smithers Pellet Limited Partnership was 30%. In April 2025, the Group acquired the remaining 30% of NCI in Smithers Pellet Limited Partnership, resulting in the Group now owning 100% of Smithers Pellet Limited Partnership. This resulted in a £2.9 million credit recognised in equity, within retained profits, for the difference between the adjustment to NCI and the fair value of the consideration paid. The following table summarises the impact of changes in the Group's ownership of Smithers Pellet Limited Partnership.

	Year ended 31 December 2025
Carrying amount of non-controlling interest acquired	3.6
Consideration paid to non-controlling interest	(0.7)
Increase in equity attributable to owners of the parent company	2.9

Section 5: Other assets and liabilities

This section provides information on the assets and liabilities in the Consolidated balance sheet that are not covered in other sections, including goodwill, other intangible assets and provisions.

5.1 Goodwill and intangible assets

Intangible assets are not physical in nature but are identifiable from other assets. Goodwill arises on the acquisition of a business when the consideration paid exceeds the fair value of the identifiable net assets acquired. Intangible assets other than goodwill can be acquired in business combinations, acquired separately or internally generated.

Accounting policy

Goodwill is measured as the excess of the:

- consideration transferred; less
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity;

over the fair value of the identifiable net assets acquired.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of that operation and therefore denominated in the functional currency of the operation to which it is allocated. Goodwill denominated in a foreign currency is subsequently translated at the rate prevailing at each reporting date. Foreign exchange differences arising on retranslation are recognised in the Consolidated statement of comprehensive income.

Goodwill is allocated to the cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. If one or more CGUs, or group of CGUs, to which goodwill is allocated are restructured, then the goodwill is reallocated to the CGUs impacted by the restructure. Goodwill is considered to have an indefinite useful life, is not amortised, and is assessed annually for impairment (see note 2.4 for further details).

Intangible assets acquired in business combinations are measured at fair value on the acquisition date. Other intangible assets are measured initially at cost. Cost comprises the purchase price (net of any discount or rebate) and any directly attributable costs of preparing the asset for use in the manner intended by management.

The carrying amounts of intangible assets are assessed for indicators of impairment at each reporting date. Intangible assets with an indefinite useful life are assessed for impairment annually at each reporting date, regardless of the presence of impairment indicators. The Group's policy is to recognise any impairment charge through accumulated amortisation and impairment.

Intangible assets are amortised over their anticipated useful economic lives (UELs), which are reviewed at least at each financial year end. When reviewing UELs the assessment takes into account regulatory changes, climate change, and commercial and technological changes. Any changes to estimated UELs are applied prospectively. Amortisation of intangible assets is presented through the amortisation line of the Consolidated income statement.

	Method of amortisation	Average UEL (years)
At 31 December 2025		
Customer-related assets:		
BMM	Straight line	7
Computer software and licences:		
Internally generated	Straight line	3
Acquired separately	Straight line	5

Carrying amounts are assessed for indicators of impairment at each reporting date. The customer-related asset is attributable to the Drax Energy Solutions CGU following the acquisition of BMM. During the year the Pinnacle customer-related asset and goodwill were impaired. During the prior year the Opus Energy CGU customer-related asset was disposed of and the brand asset impaired to £nil (see below for further details).

Section 5: Other assets and liabilities continued

5.1 Goodwill and intangible assets continued

	Customer-related assets £m	Brand £m	Software and licences – internally generated £m	Software and licences – acquired separately £m	Other intangibles £m	Goodwill £m	Total £m
Cost and carrying amount:							
At 1 January 2024	261.1	11.3	138.5	20.5	2.0	431.2	864.6
Additions at cost	-	-	6.9	-	-	-	6.9
Adjustment related to business combinations	-	-	-	-	-	(0.2)	(0.2)
Disposals	(211.1)	-	-	-	-	-	(211.1)
Transfers between categories	-	-	0.7	(0.9)	0.2	-	-
Transfers from property, plant and equipment (note 3.1)	-	-	2.9	0.3	-	-	3.2
Effect of changes in foreign exchange rates	(2.8)	-	-	0.1	(0.1)	(1.4)	(4.2)
At 1 January 2025	47.2	11.3	149.0	20.0	2.1	429.6	659.2
Additions at cost	-	-	12.3	0.6	-	-	12.9
Impairment	-	-	-	-	-	(8.5)	(8.5)
Disposals	-	(11.3)	(34.2)	(1.3)	-	(14.5)	(61.3)
Transfers between categories	-	-	0.1	(0.1)	-	-	-
Transfers from property, plant and equipment (note 3.1)	-	-	0.3	-	-	-	0.3
Effect of changes in foreign exchange rates	(1.1)	-	-	(0.1)	-	(10.4)	(11.6)
At 31 December 2025	46.1	-	127.5	19.1	2.1	396.2	591.0
Accumulated amortisation and impairment:							
At 1 January 2024	219.0	10.9	107.8	12.4	1.8	14.5	366.4
Amortisation charge for the year	6.7	0.2	8.7	1.4	-	-	17.0
Disposals	(209.2)	-	-	-	-	-	(209.2)
Impairment	-	0.2	2.4	-	-	-	2.6
Transfers between categories	-	-	0.3	(0.3)	-	-	-
Effect of changes in foreign exchange rates	(0.8)	-	-	-	-	-	(0.8)
At 1 January 2025	15.7	11.3	119.2	13.5	1.8	14.5	176.0
Amortisation charge for the year	4.6	-	8.9	0.6	0.1	-	14.2
Disposals	-	(11.3)	(34.2)	(1.3)	-	(14.5)	(61.3)
Impairment	22.5	-	1.1	-	0.1	-	23.7
Effect of changes in foreign exchange rates	(0.4)	-	-	(0.1)	-	-	(0.5)
At 31 December 2025	42.4	-	95.0	12.7	2.0	-	152.1
Net book value:							
At 31 December 2024	31.5	-	29.8	6.5	0.3	415.1	483.2
At 31 December 2025	3.7	-	32.5	6.4	0.1	396.2	438.9

Section 5: Other assets and liabilities continued

5.1 Goodwill and intangible assets continued

The Group has incurred research and development expenditure of £23.2 million (2024: £26.2 million), which is included within operating and administrative expenses in the Consolidated income statement.

Customer-related assets

Customer-related assets reflect the value of customer contracts acquired as part of business combinations, or purchased customer contracts. The assets included customer contracts from the acquisitions of Opus Energy, Pinnacle and BMM, and customer contracts acquired from Pacific BioEnergy.

The Opus Energy customer-related asset was disposed of in 2024 as part of the sale of non-core small and medium-sized enterprise (SME) meter points to EDF (see note 2.7 for further details). The Pinnacle and Pacific BioEnergy customer-related assets were fully impaired during the year (see note 2.4 for further details).

Opus Energy brand

The Opus Energy brand was acquired as part of the Opus Energy acquisition in February 2017. During 2024 the Opus Energy brand was fully impaired, and the asset has been disposed of during the year following the sale of the remaining meter points in the year. See note 2.7 for further details.

Computer software and licences

Additions in the year include those in the ordinary course of business, which principally reflect ongoing investment in business systems to support the Energy Solutions segment. Software assets are amortised on a straight-line basis over their estimated UELs ranging from 1–23 years.

As at 31 December 2025, computer software assets under the course of construction amounted to £21.1 million (2024: £12.5 million).

A £2.4 million impairment in respect of software specific to the Opus Energy business was recognised in the prior year as it was no longer considered to have future value following the Opus Energy transaction and the related restructuring of the Opus Energy business. See note 2.7 for further details.

Goodwill

The table below shows the carrying amount of goodwill by CGU:

	Drax Energy Solutions £m	Lanark £m	Galloway £m	Cruachan £m	Pellet Operations £m	Biomass £m	Northern Pellets £m	Total £m
Goodwill								
At 1 January 2025	161.2	11.3	40.1	26.9	175.6	-	-	415.1
Reallocations	-	-	-	-	(165.1)	156.7	8.4	-
Impairment (note 2.4)	-	-	-	-	-	-	(8.5)	(8.5)
Effect of changes in foreign exchange rates	-	-	-	-	(10.5)	-	0.1	(10.4)
At 31 December 2025	161.2	11.3	40.1	26.9	-	156.7	-	396.2

Goodwill arising from the 2021 Pinnacle acquisition was previously allocated to the Pellet Operations CGU. Following the change in CGU structure (see note 2.4 for further details), this goodwill has been reallocated between Northern Pellets and Southern Pellets using a relative fair value approach, in accordance with IAS 36. This resulted in C\$15.7 million (£8.4 million based on exchange rates at the time of reallocation) being allocated to Northern Pellets and US\$210.8 million (£156.7 million based on exchange rates at the time of reallocation) being allocated to Southern Pellets.

5.2 Provisions

The Group makes provisions for reinstatement to cover the estimated costs of decommissioning and demolishing or remediating the sites of its Biomass Generation, Flexible Generation and Pellet Production assets at the end of their UELs. The Group has recognised restructuring provisions in respect of the coal closure at Drax Power Station, the Opus Energy restructuring, and the Future Focus transformation and restructuring (see note 2.7). The Group has also recognised onerous contract provisions as a result of the Opus Energy restructuring, and fibre purchase contracts for the Longview site that are no longer expected to be utilised.

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount required to settle the obligation.

Specifically, a provision is made for the estimated decommissioning costs at the end of the UELs of the Group's generation assets and pellet plants, when a legal or constructive obligation arises, on a discounted basis. The amount provided is calculated on a site-by-site basis and represents the present value of the expected future costs. An amount equivalent to the discounted decommissioning provision is capitalised within property, plant and equipment (PPE), with the capitalisation shown in the movement in reinstatement asset line in note 3.1. For leased assets, an amount equivalent to the discounted provision is capitalised within right-of-use assets (ROU), with the capitalisation shown in the movement in reinstatement asset line in note 3.2. The amount

Section 5: Other assets and liabilities continued

5.2 Provisions continued

capitalised is depreciated over the UELs of the related assets. The unwinding of the discount is included in interest payable and similar charges in the Consolidated income statement.

The Group recognises a restructuring provision when it has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring either by starting to implement the plan or announcing its main features to those affected by it. The restructuring provision includes only the direct expenditures arising from the restructuring programme. These are costs that would have been avoided if the restructuring programme did not occur. Any costs to be incurred relating to the ongoing activities of the Group are excluded from the provision. A provision for termination benefits is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

Provisions are recognised for onerous contracts at the amount of the unavoidable costs of meeting the obligations of the contract that exceed the economic benefit expected to flow from the contract. The unavoidable costs are the lower of fulfilling the contract or paying any penalties to terminate the contract early.

Other provisions relate to a provision in respect of dilapidation costs for rail cars.

	Decommissioning provisions £m	Restructuring provisions £m	Onerous contract provisions £m	Other provisions £m	Total £m
Carrying amount:					
At 1 January 2025	72.0	10.8	13.1	-	95.9
Movement in provision charged to PPE (note 3.1)	(9.6)	-	-	-	(9.6)
Movement in provision charged to ROU (note 3.2)	(0.8)	-	-	4.1	3.3
Transfer between provision categories	(0.5)	-	-	0.5	-
Provisions utilised	(2.4)	(4.6)	(9.9)	(0.1)	(17.0)
Charged/(credited) to profit or loss:					
Additional provision recognised	-	5.0	22.0	-	27.0
Provisions released	-	(0.1)	-	-	(0.1)
Unwinding of discount (note 2.5)	2.9	-	-	-	2.9
Effect of changes in foreign exchange rates	0.2	-	-	-	0.2
At 31 December 2025	61.8	11.1	25.2	4.5	102.6
Current	2.9	7.3	7.0	0.4	17.6
Non-current	58.9	3.8	18.2	4.1	85.0

Decommissioning provisions

Decommissioning provisions are made in respect of Drax Power Station (£49.4 million), the OCGTs (£7.3 million), and certain pellet plants (£5.1 million).

Decommissioning work relating to certain elements of the coal operations at Drax Power Station began in 2024 and is expected to be completed by the end of 2026. All other decommissioning work relating to the Drax Power Station site is assumed to take place at the end of station life, which is currently estimated to be 2039. The decommissioning provision relating to certain pellet plants is based on the assumption that the decommissioning and reinstatement will take place at the end of the expected UELs of each site, which are estimated to be between 2033 and 2044. A legal obligation exists to decommission and demolish the OCGT sites at the end of station lives, which are assumed to be 2050.

Of the £9.6 million movement in the decommissioning provision charged to PPE, £2.3 million relates to additions offset by an £11.9 million adjustment for changes in assumptions.

The provisions have been estimated using existing technology at current prices based upon specialist, third-party advice, updated on a triennial basis as a minimum, but more regularly when deemed appropriate due to changes that might significantly impact the estimated cost, such as changes in prices, or changes in expected decommissioning plans. The most recent valuation for the Drax Power Station decommissioning provision took place in December 2023. For the majority of the pellet plant decommissioning provisions, the most recent valuations took place in December 2023. One plant received an updated valuation in December 2025. The exercise to assess the decommissioning provision relating to the three OCGT sites was performed in July 2024. There have been no significant changes to the scope, expected timing or prices since the most recent valuations that would indicate an updated valuation should be performed earlier than the planned triennial basis.

An inflation curve is used to inflate the separate elements of the decommissioning cost estimates (which are based on current prices) to the dates that they are expected to occur. These values are then discounted to calculate the present value of the provision to be recognised. The discount rates used are nominal risk-free rates that reflect the duration of the liabilities. These discount rates are estimated using forward UK Gilt curves for Drax Power Station and the OCGTs, and Canadian Government bonds for the pellet plants, as a proxy for risk-free rates. The use of a risk-free rate reflects the fact that the estimated future cash flows have built-in risks specific to the liability. The discount rates used for the Group's decommissioning provisions range from 3.68%–6.00% (2024: 3.33%–5.78%).

The cost of decommissioning Drax Power Station is estimated, based on the midpoint of the range calculated by third-party experts, to be £93.6 million at current prices with a range of £65.5 million to £121.6 million. The average cost of decommissioning each of the three OCGT sites is estimated to be £5.6 million at current prices with a range of between £5.5 million and £5.8 million.

For Drax Power Station decommissioning provision if inflation and discounting assumptions, consistent with those applied to the recognised Drax Power Station decommissioning provision, were applied to the range calculated by the third-party experts this would result in an estimated provision range of £35.3 million to £63.1 million. An increase of 100 basis points in the inflation and

Section 5: Other assets and liabilities continued

5.2 Provisions continued

discount rates used in the calculation of the Drax Power Station decommissioning provision would result in an increase of £9.3 million (2024: £8.5 million) and a decrease of £7.6 million (2024: £6.4 million) respectively in the amount recognised. The relationship between the change in basis points and change in the amount recognised is relatively linear, therefore the impact of similar sensitivities may be extrapolated from these amounts.

The cost of decommissioning a site the size of Drax Power Station will be impacted by things such as the exact composition and volumes of materials used in the structures to be decommissioned, and the presence of contaminants. Full site surveys and investigations will need to be performed once the site ceases operation to ascertain further information necessary to decommission the site which could impact the potential costs. The costs being estimated are also going to be incurred several years in the future. All of these factors increase the estimation uncertainty of the decommissioning provision. The impact of climate change, both physical and transitional, extending over the medium term, was also considered by the third party when determining the provision. The Group has concluded that climate change is unlikely to have a significant impact on the future decommissioning costs, however this risk will continue to be reassessed and the impact of any changes will be reflected in the valuation.

The decommissioning provisions are not considered a key source of estimation uncertainty as there is not a significant risk of a material adjustment to the carrying amounts within the next financial year. Decommissioning provisions are based on costs sufficiently far in the future that, given the length of time, it is not anticipated that any new, more reliable, or accurate information will be available within the next financial year to update this estimate that would result in a material adjustment.

Restructuring provisions

The restructuring provision at 31 December 2025 includes coal closure provision costs for engineering works that are required to make the coal units and related assets safe following the cessation of operations. The formal closure of the coal units commenced at the end of the winter contingency service in March 2023.

The restructuring provision also includes redundancy costs in relation to the Opus Energy restructuring. The sale of the non-core SME customer meter points resulted in a reduction in the required headcount to reflect the fact that Energy Solutions no longer has an SME customer base and its focus on core industrial and commercial (I&C) customer and renewables services.

The Group has commenced a transformation and restructuring programme ("Future Focus") described in note 2.7. A provision has been made for expected redundancy costs where consultations are already in progress and numbers of headcount reduction are known at the reporting date.

Of the £11.1 million balance at 31 December 2025, £6.1 million relates to engineering works associated with the coal closure, of which £2.3 million is expected to be utilised in 2026, with the remaining amounts expected to be utilised in the period from 2027 to 2029. A further £5.0 million relates to Future Focus employee severance costs, all of which are expected to be utilised in 2026.

Onerous contract provisions

As a result of the Opus Energy restructuring in the prior year, an onerous contract provision was recognised. Of the £25.2 million onerous contract provision at 31 December 2025, £3.2 million relates to Opus Energy with £2.2 million expected to be utilised in 2026 with the remaining amounts expected to be utilised in the period from 2027 to 2029.

Due to the decision to pause the Longview pellet plant development (see note 2.4 for further details), the Group has certain fibre purchase contracts where the fibre can no longer be utilised. An onerous contract provision of £22.0 million has been recognised in relation to these contracts, with £4.8 million expected to be utilised in 2026 and the remaining amounts expected to be utilised in the period from 2027 to 2029.

Section 6: People costs

The notes in this section relate to the remuneration of the Directors and employees of the Group, including the Group's obligations under retirement benefit schemes.

6.1 Employee costs

This note provides a detailed breakdown of the cost of employees, including Executive Directors of the Group. The average monthly number of employees in Operations (staff based at Pellet Production, Biomass Generation and Flexible Generation sites), Energy Solutions (employees in the Group's Energy Solutions segment), and Central corporate and commercial functions are also provided.

Further information in relation to pay and remuneration of the Executive Directors can be found in the Remuneration Committee report, starting on page 87.

Staff costs (including Executive Directors)

	Year ended 31 December	
	2025 £m	2024 £m
Wages and salaries	249.9	262.0
Social security costs	29.2	26.5
Defined benefit pension service cost (note 6.3)	1.6	2.1
Defined contribution pension cost (note 6.3)	24.3	24.1
Share-based payments (note 6.2)	15.7	14.1
Termination benefits	10.4	8.7
Total staff costs	331.1	337.5
Staff costs capitalised	(14.2)	(14.7)
Staff costs included in operating and administrative expenses (note 2.3)	316.9	322.8

Average monthly number of people employed (including Executive Directors)

	Year ended 31 December	
	2025 (number)	2024 (number)
Operations (Pellet Production)	818	815
Operations (Biomass Generation)	469	526
Operations (Flexible Generation)	175	163
Energy Solutions	449	802
Central corporate and commercial functions	1,217	1,151
Total average monthly number of people employed	3,128	3,457

6.2 Share-based payments

The Group operates five share option schemes for employees: the Long-Term Incentive Plan (LTIP) for Executive Directors and senior employees, the Deferred Share Plan (DSP) for Executive Directors, One Drax Awards which are recognition and retention awards granted to certain employees below senior management, the Employee Stock Purchase Plan (ESPP) for all qualifying US and Canada-based employees, and the Save As You Earn (SAYE) scheme for all qualifying UK employees. The Group incurs a non-cash charge in respect of these schemes in the Consolidated income statement, which is set out below along with a description of each scheme and the number of options outstanding at the reporting date.

Accounting policy

The LTIP, DSP, One Drax Awards, ESPP and SAYE share-based payment schemes are equity-settled. Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. The corresponding expense is recognised in the Consolidated income statement on a straight-line basis over the relevant vesting period, based on an estimate of the number of shares that will ultimately vest as a result of the effect of non-market-based vesting conditions, which is revised at each reporting date. Market-based vesting conditions are factored into the calculation of the fair value of options granted at the date of grant and are not subsequently remeasured.

If share options are cancelled due to non-vesting conditions not being met, for example employees withdrawing (by choice) part way through the vesting period or not exercising their options in the exercise period after they vest, the charge for such options is accelerated at the point of cancellation.

If share options are forfeited due to employees failing to meet continuing service conditions of a grant, or failing to meet non-market performance conditions, then these options do not attract a charge and any previously recognised charge is reversed.

Where share options have an exercise price, the proceeds received are credited to equity. Employer's social security obligations payable by the Group in respect of share-based payment awards are charged to the Consolidated income statement in line with IAS 19. Costs recognised in the Consolidated income statement in relation to share-based payments during the year were as follows:

	Year ended 31 December	
	2025 £m	2024 £m
LTIP	11.0	7.1
DSP	0.8	0.6
One Drax Awards	1.6	1.6
ESPP	0.1	0.2
SAYE	2.2	4.6
Total share-based payment expense included within staff costs (note 6.1)	15.7	14.1

Section 6: People costs continued

6.2 Share-based payments continued

Movements in the number of share options outstanding at the reporting date for each scheme is shown below. Discretionary awards are issued at nil cost and so have no exercise price.

	Discretionary awards			ESPP		SAYE			
	LTIP (number)	DSP (number)	One Drax Awards (number)	Weighted average exercise price (pence)	ESPP (number)	Three-year weighted average exercise price (pence)	SAYE three-year (number)	Five-year weighted average exercise price (pence)	SAYE five-year (number)
At 1 January 2024	5,385,172	285,774	259,788	469	64,497	470	2,886,902	173	2,585,809
Granted	3,065,741	106,341	360,448	468	126,303	378	3,334,272	378	470,417
Dividend shares granted	171,367	10,460	9,053		-		-		-
Forfeited	(228,490)	-	(31,443)	469	(3,801)	455	(111,452)	461	(4,521)
Exercised	(1,846,285)	(109,827)	(260,439)	398	(126,938)	327	(634,525)	290	(33,319)
Cancelled	-	-	-		-	496	(1,570,144)	492	(205,988)
Expired	-	-	-		-	331	(4,572)	298	(1,008)
At 1 January 2025	6,547,505	292,748	337,407	544	60,061	405	3,900,481	182	2,811,390
Granted	2,922,838	90,073	295,702	527	91,918	453	708,527	453	207,498
Dividend shares granted	137,719	7,706	15,053		-		-		-
Forfeited	(1,037,734)	-	(16,096)	544	(1,842)	413	(232,975)	367	(45,810)
Exercised	(1,505,654)	(84,808)	(348,446)	516	(112,841)	523	(296,161)	129	(2,202,057)
Cancelled	-	-	-		-	404	(238,679)	430	(20,628)
Expired	-	-	-		-	563	(4,345)		-
At 31 December 2025	7,064,674	305,719	283,620	548	37,296	404	3,836,848	395	750,393

Section 6: People costs continued

6.2 Share-based payments continued

Key information about each active scheme for options granted and exercised in the current and prior year is presented below.

Scheme	Year ended 31 December 2025					
	LTIP	DSP	One Drax Awards	ESPP	SAYE three-year	SAYE five-year
Weighted average share price of options exercised during the year at the date of exercise (pence)	599	586	570	612	665	665
Number of options exercisable at reporting date	102,942	7,648	–	37,296	75,233	2,058
Weighted average exercise price of options exercisable at reporting date (pence)	–	–	–	548	423	420
Range of exercise price of options outstanding at reporting date (pence)	–	–	–	548	Between 378 and 563	Between 127 and 563
Weighted average remaining contractual life (months)	50	15	3	–	24	42

Scheme	Year ended 31 December 2024					
	LTIP	DSP	One Drax Awards	ESPP	SAYE three-year	SAYE five-year
Weighted average share price of options exercised during the year at the date of exercise (pence)	484	484	484	565	538	538
Number of options exercisable at reporting date	120,705	13,351	–	–	149,486	120,418
Weighted average exercise price of options exercisable at reporting date (pence)	–	–	–	–	427	142
Range of exercise price of options outstanding at reporting date (pence)	–	–	–	544	Between 378 and 563	Between 127 and 563
Weighted average remaining contractual life (months)	51	22	2	2	32	20

The fair value of share options is calculated using a Monte Carlo simulation if the scheme vests subject to market conditions, or the Black-Scholes model otherwise. The Monte Carlo simulation takes into account the estimated probability of different levels of vesting for share options with market-based vesting conditions and produces a probability-based fair value calculation.

The key inputs to both the Monte Carlo and Black-Scholes valuation models are the share price at the date of grant, exercise price where applicable, dividend yield on the underlying share, time to expiry of the option, expected volatility and risk-free interest rate. Expected volatility for each scheme is determined by calculating the historical volatility of the Group's share price over the same length of time as the vesting period for that scheme. The expected life used in the valuations is based on the length of the vesting period. This is based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free interest rate is determined using the rate for the equivalent length zero-coupon UK Government bond for each scheme.

Section 6: People costs continued

6.2 Share-based payments continued

Information about the valuation models used for options granted during the current and prior year, and relevant inputs to those models, is set out in the tables below.

Scheme	Year ended 31 December 2025								
	LTIP	LTIP	DSP	One Drax Awards	ESPP	ESPP	SAYE three-year	SAYE five-year	
Grant date	20 March 2025	2 September 2025	20 March 2025	20 March 2025	1 March 2025	1 September 2025	10 April 2025	10 April 2025	
Valuation model used	Monte Carlo	Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	
Share price at grant date (pence)	581	627	581	581	610	645	546	546	
Exercise price (pence)	-	-	-	-	519	548	453	453	
Dividend yield	-	-	-	-	5.11%	3.60%	6.42%	6.77%	
Vesting period of options granted	3 years	3 years	3 years	1 year	6 months	4 months	3 years	5 years	
Expected volatility	35.75%	32.61%	35.75%	28.51%	21.52%	24.24%	36.24%	39.10%	
Annual risk-free interest rate	4.18%	3.99%	4.18%	4.13%	4.38%	4.01%	3.96%	4.03%	
Weighted average fair value of options granted at measurement date (pence)	449	484	581	581	112	123	128	132	

Scheme	Year ended 31 December 2024								
	LTIP	LTIP	DSP	One Drax Awards	ESPP	ESPP	SAYE three-year	SAYE five-year	
Grant date	15 March 2024	3 September 2024	15 March 2024	15 March 2024	1 March 2024	1 September 2024	10 April 2024	10 April 2024	
Valuation model used	Monte Carlo	Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	
Share price at grant date (pence)	473	641	473	473	466	639	483	483	
Exercise price (pence)	-	-	-	-	396	543	378	378	
Dividend yield	-	-	-	-	5.97%	3.17%	5.80%	6.42%	
Vesting period of options granted	3 years	3 years	3 years	1 year	6 months	6 months	3 years	5 years	
Expected volatility	37.48%	38.20%	37.48%	35.35%	42.23%	37.39%	36.94%	40.15%	
Annual risk-free interest rate	4.28%	3.88%	4.28%	4.98%	5.24%	4.80%	4.13%	4.03%	
Weighted average fair value of options granted at measurement date (pence)	363	447	473	473	109	147	132	132	

Section 6: People costs continued

6.2 Share-based payments continued

Each of the Group's share-based payment schemes vest subject to continued employment, or "good leaver" termination provisions. For the LTIP, DSP and One Drax Awards, each time a dividend is paid out during the vesting period of the scheme, participants are entitled to receive further share options of equivalent value to the dividends, determined using the market value of shares on the ex-dividend date, and which are formally granted on the vesting date for each scheme. As such, a dividend yield of 0% is input into the fair value calculations for each of these schemes to reflect that the fair value of each share option is not reduced by dividends paid out over the vesting period.

LTIP

The LTIP was introduced in 2020 for Executive Directors and senior employees. Under the LTIP, annual awards of performance and service-related shares are made for no consideration to Executive Directors and other senior employees up to a maximum of 200% of their annual base salary. Vesting of 50% of the shares is conditional upon whether the Group's Total Shareholder Return (TSR) matches or outperforms an index (determined in accordance with the scheme rules) over three years, and vesting of the remaining 50% of shares is conditional upon performance of cumulative Adjusted basic EPS over three years. The fair value of LTIP options with the TSR vesting condition is calculated with the support of external specialists due to the TSR vesting condition being market-based and therefore requiring a valuation to be performed using a Monte Carlo simulation.

DSP

The Group operates the DSP, under which Executive Directors receive 40% of their annual bonus in share options. DSP awards are granted at nil cost and vest after three years.

One Drax Awards

One Drax Awards are granted to certain employees below senior management and vest after one year. The number of shares awarded to the employee is equivalent to 10% of their base salary based on the Group's share price at the grant date.

ESPP

The ESPP scheme is offered to all US and Canada-based qualifying employees biannually. Under the ESPP, employees are granted the option to purchase shares at a 15% discount to the market price of Drax Group plc shares, based on the lower of the market price at the grant date and the market price at the vesting date. The options are exercisable at the end of six-month savings contracts, under which an employee selects a fixed percentage of their salary to be put towards the scheme.

SAYE

Participation in the SAYE scheme (Sharesave) is offered to all UK qualifying employees every April. Options are granted for employees to acquire shares at a discount of 20% to the market price of Drax Group plc shares, based on the average closing price for the five days immediately preceding the grant date, determined in accordance with the scheme rules. The options are exercisable at the end of three or five-year savings contracts.

Additional information in relation to the Group's share-based incentive plans is included in the Remuneration Committee report starting on page 87.

6.3 Retirement benefit obligations

The retirement benefit schemes operated by the Group are detailed in the table below:

Name of scheme	Type of benefit	Status	Country
Drax 2019 Scheme	Defined benefit final salary	Closed to new members on transfer in 2019	UK
My Drax Retirement Savings Section of the Aon MasterTrust	Defined contribution	Open to new members	UK
Drax Biomass Inc. 401(k) Plan	Defined contribution	Open to new members	US
Pinnacle Registered Retirement Savings Plan	Defined contribution	Open to new members	Canada

Trustee governance (defined benefit pension schemes)

The Drax 2019 Scheme is administered by a sole trustee (PAN Trustees UK LLP, "the Trustee"), which is legally separate from the Group. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the defined benefit scheme.

Accounting policy

Payments to defined contribution schemes are recognised as an expense when employees have rendered services that entitle them to the contributions. The Consolidated income statement charge for the defined contribution schemes represents the total contributions from the Group earned by employees for services rendered during the current period.

For the defined benefit pension scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement of the obligation, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognised immediately in the Consolidated balance sheet with a charge or credit to the Consolidated statement of comprehensive income in the period in which it occurs. Defined benefit costs, including current service costs, past service costs, and gains and losses on curtailments and settlements, are recognised in the Consolidated income statement as part of operating and administrative expenses in the period in which they occur. The net interest expense or income is recognised in the Consolidated income statement within either interest payable and similar charges or interest receivable and similar gains.

Significant estimation uncertainty

Measurement of the defined benefit pension obligation using the projected unit credit method involves the use of key assumptions, including discount rates, inflation rates, salary and pension increases, and mortality rates. These actuarial assumptions are reviewed annually and modified as appropriate. The Group believes that the assumptions utilised in measuring obligations under the schemes are reasonable based on prior experience, market conditions and the advice of pension scheme actuaries. However, actual results may differ from such assumptions.

Section 6: People costs continued

6.3 Retirement benefit obligations continued

The assumptions applied in 2025 have been prepared in accordance with third-party actuarial advice received and are consistent with those applied in the prior period.

Defined contribution schemes

The Group operates three defined contribution schemes for all qualifying employees. Pension costs for the defined contribution schemes are as follows:

	Year ended 31 December	
	2025 £m	2024 £m
Total included in staff costs (note 6.1)	24.3	24.1

As at 31 December 2025, contributions of £1.7 million (2024: £3.1 million) due in respect of the current reporting period had not been paid over to the schemes. This has been recognised within trade and other payables and contract liabilities within the Consolidated balance sheet. The Group has no further outstanding payment obligations in respect of the current reporting period once these contributions have been paid.

Defined benefit scheme

The Group currently operates one defined benefit scheme. The net pension surplus is as follows:

	As at 31 December	
	2025 £m	2024 £m
Total net surplus recognised in the Consolidated balance sheet	23.8	24.7

At 31 December 2025, application of the accounting assumptions used in relation to the defined benefit scheme, which are described in further detail below, continued to result in a net position of surplus assets over liabilities.

The Drax 2019 Scheme (the Scheme) is a defined benefit final salary plan, where employees are entitled to retirement benefits based on their final salary on attainment of retirement age (or earlier withdrawal or death). Pensions are payable for life and updated in line with inflationary increases. No other post-retirement benefits are provided. The Scheme is open to future accrual of benefits but closed to new members.

The Group and Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities to protect against interest rates being lower or inflation being higher than expected.

The Scheme exposes the Group to actuarial and other risks, the most significant of which are considered to be:

Investment risk	The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform against this yield, this creates a deficit. The Scheme holds a significant proportion of growth assets (diversified growth funds, direct lending, credit and property) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given this scheme's long-term objectives.
Discount rate risk	A decrease in corporate bond yields will increase the value placed upon the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Longevity risk	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities of the Scheme.
Inflation risk	The majority of the Scheme's obligations to pay benefits are linked to RPI inflation and, as such, higher inflation leads to higher liabilities. In most cases, caps on inflationary increases are in place to protect against extreme inflation. The Scheme has a significant holding in liability-driven investments to protect against inflation risk.
Credit risk	Around 95% of the Scheme's overall funded liabilities are currently hedged against interest rates and inflation using liability-driven investments. The Scheme hedges interest rate risks on a statutory and long-term funding basis (gilts driven) whereas AA corporate bonds are implicit in the discount rate and so there is a degree of mismatching risk to the Group should yields on gilts and corporate bonds diverge. The Scheme's holding in corporate bonds mitigates this risk to some extent.

Other risks include operational risks (such as paying out the wrong benefits), legislative risks (such as the UK Government increasing the burden on pension schemes through new regulation), and other demographic risks (such as making a higher proportion of members with dependents eligible to receive pensions from the Group). The Scheme's liabilities shown below reflect management's understanding of the benefits due at the reporting date and make no allowance for any potential impact on benefits of recent case law (such as the recent High Court judgment in the case of Virgin Media Limited vs NTL Pension Trustees II Limited).

Section 6: People costs continued

6.3 Retirement benefit obligations continued

A qualified third-party actuary, Aon, carried out the most recent funding valuation of the Scheme as at 31 March 2025. The actuarial review at 31 December 2025 is based on the same underlying membership and other data as this funding valuation. The Scheme's Board accepted the advice of the actuary and approved the use of these assumptions for the purpose of assessing the Scheme's costs.

The result of the latest funding valuation has been adjusted to 31 December 2025, taking into account experience over the period since 31 March 2025, changes in market conditions and differences in financial and demographic assumptions. The present value of the defined benefit obligation and the related current service costs were measured using the projected unit credit method.

The principal assumptions for the Scheme across the current and prior year are set out below.

	As at 31 December	
	2025 % p.a.	2024 % p.a.
Discount rate	5.6	5.5
Inflation (RPI)	2.8	3.0
Rate of increase in pensions in payment and deferred pensions	2.7	2.8
Rate of increase in pensionable salaries	3.2	3.4

The defined benefit obligation for the Scheme as at 31 December 2025 allows for expected benefit increases that will be awarded in 2026, based on known 2025 indices.

Mortality assumptions are based on recent actual mortality experience of the Scheme's members and allow for expected future changes in mortality rates. See table below for further details of mortality assumptions.

	As at 31 December			
	2025 (years)		2024 (years)	
	Male	Female	Male	Female
Life expectancy for pensioner members aged 60 at the reporting date	26	28	25	27
Life expectancy at 60 for non-pensioners aged 45 at the reporting date	27	28	26	28

The weighted average duration of the Scheme at 31 December 2025 based on the IAS 19 position was 14 years (2024: 15 years).

The defined benefit obligation in respect of the Scheme includes benefits for current employees of the Group (23%), former employees of the Group who are yet to retire (10%) and retired pensioners (67%).

The net surplus recognised in the Consolidated balance sheet in respect of the Scheme is the excess of the fair value of the plan assets over the present value of the defined benefit obligation, determined as follows:

	As at 31 December	
	2025 £m	2024 £m
Fair value of plan assets	208.6	203.4
Defined benefit obligation	(184.8)	(178.7)
Net surplus recognised in the Consolidated balance sheet	23.8	24.7

The total charges and credits recognised in the Consolidated income statement, within operating and administrative expenses and interest receivable and similar gains, are as follows:

	Year ended 31 December	
	2025 £m	2024 £m
Current service cost included in staff costs (note 6.1)	1.6	2.1
Interest income on net defined benefit surplus included in interest receivable and similar gains (note 2.5)	(1.4)	(0.9)
Total amount recognised in the Consolidated income statement	0.2	1.2

Section 6: People costs continued

6.3 Retirement benefit obligations continued

Changes in the present value of the defined benefit obligation of the Scheme are as follows:

	Year ended 31 December	
	2025 £m	2024 £m
Defined benefit obligation at 1 January	178.7	201.9
Current service cost	1.6	2.1
Interest cost	9.6	9.0
Actuarial losses/(gains) on defined benefit obligation	4.9	(24.3)
Benefits paid	(10.0)	(10.0)
Defined benefit obligation at 31 December	184.8	178.7

The actuarial losses of £4.9 million (2024: gains of £24.3 million) reflect gains of £5.9 million (2024: £23.5 million) arising from changes in financial assumptions, losses of £9.3 million (2024: £1.0 million) arising from scheme experience (including reflecting updated census data provided for the latest triennial actuarial valuation), and losses of £1.5 million (2024: gains of £1.8 million) arising from changes in demographic assumptions.

The gains in the current year due to changes in financial assumptions principally reflect the reduction in the present value of the Scheme's liabilities arising as a result of the movement in discount rate assumption to 5.6% p.a. (2024: 5.5% p.a.) following an increase in corporate bond yields, along with a reduction in overall long-term inflationary assumptions, reflecting market pricing.

Changes in the fair value of plan assets are as follows:

	Year ended 31 December	
	2025 £m	2024 £m
Fair value of plan assets at 1 January	203.4	220.3
Interest on plan assets	11.0	9.9
Remeasurement gains/(losses) on fair value of plan assets	2.1	(18.8)
Employer contributions	2.1	2.0
Benefits paid	(10.0)	(10.0)
Fair value of plan assets at 31 December	208.6	203.4

There were contributions of £nil (2024: £0.2 million) outstanding at the reporting date.

The actual return on plan assets in the period was a gain of £13.1 million (2024: loss of £8.9 million).

Remeasurement losses on the defined benefit pension scheme of £2.8 million (2024: gains of £5.5 million) were recognised in the Consolidated statement of comprehensive income. These are made up as follows:

	Year ended 31 December	
	2025 £m	2024 £m
Actuarial (losses)/gains on defined benefit obligation	(4.9)	24.3
Remeasurement gains/(losses) on fair value of plan assets	2.1	(18.8)
Total remeasurement (losses)/gains recognised in other comprehensive income	(2.8)	5.5

The fair values of the major categories of plan assets were as follows:

	As at 31 December					
	2025			2024		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Gilts	83.1	–	83.1	85.5	–	85.5
Equities	40.9	–	40.9	31.3	–	31.3
Bonds:						
Emerging market	8.1	–	8.1	5.3	–	5.3
High yield	14.1	–	14.1	14.0	–	14.0
Corporate	–	–	–	3.4	–	3.4
Property	4.7	15.1	19.8	6.7	15.0	21.7
Infrastructure	11.2	–	11.2	9.6	–	9.6
Cash and cash equivalents	2.1	–	2.1	5.3	–	5.3
Other assets:						
Private credit	–	15.8	15.8	–	16.6	16.6
Downside risk management ⁽¹⁾	4.7	–	4.7	4.7	–	4.7
Dynamic asset allocation ⁽¹⁾	3.8	–	3.8	–	–	–
Asset backed securities	5.0	–	5.0	4.0	–	4.0
Credit	–	–	–	–	2.0	2.0
Fair value of total plan assets	177.7	30.9	208.6	169.8	33.6	203.4

(1) Downside risk management relates to assets that are expected to reduce sensitivity to markets and protect in times of market falls. Typically, these strategies achieve this through the use of derivatives. Dynamic asset allocation relates to strategies that aim to generate returns by exploiting market inefficiencies and the Scheme's investment advisers short and medium term economic and market views.

Section 6: People costs continued

6.3 Retirement benefit obligations continued

The pension plan assets do not include any ordinary shares issued by Drax Group plc or any property occupied by the Group.

The valuation of the pension liabilities has been disclosed as a key source of estimation uncertainty due to the assumptions used in the valuation. The assumptions for discount rate, inflation rate (and related inflation-linked benefits), and life expectancy have a potentially significant effect on the measurement of the Scheme's surplus. The following table provides an indication of the sensitivity of the net pension surplus at 31 December to changes in these assumptions, considering the impact on the defined benefit obligation only. If a combination of the below reasonably possible changes to key assumptions were used in the valuation of the pension obligations, this could result in a material change to the amount recognised.

As at 31 December			Increase/(decrease) in net surplus	
			2025 £m	2024 £m
Discount rate	- Increase	0.25%	5.7	6.3
	- Decrease	0.25%	(6.1)	(6.5)
Inflation rate ⁽¹⁾	- Increase	0.25%	(4.5)	(5.2)
	- Decrease	0.25%	4.4	5.1
Life expectancy	- Increase	1 year	(5.2)	(4.8)
	- Decrease	1 year	5.3	5.1

(1) The sensitivity of the Scheme's liabilities to salary and pension increases is closely correlated with inflation, therefore separate sensitivities have not been performed on salary and pension increases as the inflationary sensitivity incorporates these.

The Group is exposed to investment and other risks. However, these risks are mitigated by the Scheme being around 95% hedged against movements in UK Government bonds and inflation of appropriate duration. This means from a discount rate perspective that the Scheme is broadly only exposed to changes in credit spreads plus around 5% of changes in underlying gilt yields and, for inflation, the Scheme's exposure is around 5% of any actual changes.

Future contributions

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). This funding is carried out with reference to actuarial valuations which are required by law to take place at intervals of no more than three years. Following each valuation, the Trustee and the Group must agree the contributions required (if any) such that the Scheme is fully funded over time on the basis of suitably prudent assumptions.

The Group does not expect to make any contributions to the Scheme during the 12 months ending 31 December 2026.

The latest actuarial valuation of the Scheme which was carried out as at 31 March 2025 resulted in a funding surplus of £7.1 million and so no deficit recovery plan was required.

It was agreed that the Group will cease paying contributions in respect of future accrual of benefits, with the cost being met from surplus assets, subject to annual reviews. The Group agreed to make an additional payment in 2029 if at that point the Scheme is not fully funded on a low-risk basis, as agreed between the Group and Trustee at the time. At this point, the Scheme is expected to be fully funded on the agreed low-risk basis, unless material adverse changes in economic conditions arise compared to those assumed in the valuation. The Group is satisfied that the additional payment is manageable within the Group's business plan. As part of the funding agreement between the Group and the Trustee, a surety bond has been provided by the Group.

The Trust Deed of the Scheme provides the sponsors of the Scheme with an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time. Based on these rights, any net surplus in the Scheme is recognised in full in the Consolidated balance sheet.

Update on the Virgin Media Limited v NTL Pension Trustees II Limited case

In June 2023, the High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. The ruling confirmed the need for actuarial confirmation where schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any relevant amendments were void without the appropriate confirmation. The Department for Work and Pensions has recently announced that it will introduce legislation and guidance that will allow and support retrospective confirmation of historical benefit changes. This announcement should significantly reduce the impact on pension schemes and mean that for most schemes the existence of confirmations is no longer the relevant issue, but rather whether confirmation was obtained or can be provided now.

The Trustee has taken legal advice and concluded that it is reasonable to believe that previous rule amendments were carried out in accordance with the relevant requirements and that no further action is needed at this stage.

Notwithstanding this initial risk assessment there remain areas of uncertainty that could potentially require legal clarification.

Management has performed an assessment to understand the potential impact of the ruling in the case and based on this is satisfied that there is no material liability or probable outflow, and as such, no adjustment has been reflected within the defined benefit obligation at this time.

Section 7: Risk management

This section provides disclosures around financial risk management, including the financial instruments the Group uses to mitigate such risks.

7.1 Financial instruments and their fair values

The Group holds a variety of derivative and non-derivative financial instruments, including cash and cash equivalents, borrowings, payables and receivables arising from operations.

Accounting classifications and fair values

IFRS 13 requires categorisation of the Group's financial instruments in accordance with the following hierarchy in order to explain the basis on which their fair values have been determined:

- Level 1 – Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Categorisation within this fair value measurement hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability.

The derivative financial instruments used by the Group and not subject to the own-use exemption have been categorised as follows:

- Commodity contracts – forward contracts for the sale or purchase of a commodity which may or may not be settled through physical delivery of the commodity, as well as weather-related contracts
- Foreign currency exchange contracts – currency-related contracts including forwards, swaps, vanilla options and structured option products
- Interest rate and cross-currency contracts – contracts that swap one interest rate for another in a single currency, including floating-to-fixed interest rate swaps, and contracts that swap interest and principal cash flows in one currency for another currency, including fixed-to-fixed and floating-to-fixed cross-currency interest rate swaps
- Inflation rate contracts – swap contracts, such as floating-to-fixed, that are linked to an inflation index such as the UK Retail Price Index (RPI) or the UK Consumer Price Index (CPI)

Fair value measurement

- Commodity contracts – the fair value of open commodity contracts that do not qualify for the own-use exemption, or are otherwise within the scope of IFRS 9, is calculated by reference to forward market prices at the reporting date
- Foreign currency exchange contracts – the fair value of foreign currency exchange contracts is determined using forward currency exchange market rates at the reporting date
- Interest rate contracts – the fair value of interest rate swaps is calculated by reference to

forward market curves at the reporting date for the relevant interest index. The fair value of cross-currency interest rate swaps is calculated using the relevant forward currency exchange market rates for fixed-to-fixed swaps and by using the relevant forward currency exchange market rates and interest index for floating-to-fixed swaps

- Inflation rate contracts – the fair value of inflation rate swaps is calculated by reference to forward market curves at the reporting date for the relevant inflation index

Given the maturity profile of all these contracts, liquid forward market price curves are available for the duration of the contracts.

The fair values of all derivative financial instruments are discounted to reflect both the time value of money and credit risk inherent within the instrument.

The assessment of fair value is derived in part by reference to a market price or rate for the instrument in question. The Group bases its assessment of market prices or rates upon forward curves that are largely derived from readily obtainable prices or rates published from third-party sources. However, any forward curve is based, at least in part, upon assumptions about future transactions and market changes. Due to the nature of the derivative financial instruments the Group holds, minor differences in the inputs, assumptions or methodologies used can result in different, but appropriate, estimates of fair values to those recognised by the Group. There may be choices to be made regarding which methodology or data source to use in the calculation of fair value for each derivative contract. Assumptions may also need to be made where forward curves are not an exact match for the Group's derivative contracts (e.g. due to quoted product types, maturity dates or time periods not exactly matching the terms of the Group's derivative contracts), or where different forward curves are available. Where such instruments extend beyond the liquid portion of the forward curve, the level of estimation increases as the number of observable transactions decreases. However, given the maturity profile of the Group's contracts, liquid forward market price curves are usually available for the duration of the contracts and any impact of assumptions that are made when forward curves are not an exact match for the Group's derivative contracts is not significant. As such, the fair value of derivatives is not considered a key source of estimation uncertainty, as defined by IAS 1, as reasonably possible changes in inputs, methodologies or assumptions would not result in a materially different value being recognised at the reporting date.

Whilst the carrying amount of derivative assets and liabilities will likely change materially within the next financial year, this is as a result of movements in market prices or rates. Movements in market prices or rates are as a result of changes that occur subsequent to the reporting date and are not indicative of an alternative valuation that could reasonably have been recognised at the reporting date.

Sensitivities are provided in note 7.2 for the impact of changes in inputs on the fair value.

The Group has reviewed all significant contracts for the presence of embedded derivatives. Certain of the Group's borrowings (see note 4.2) contain early repayment options that meet the definition of embedded derivatives. However, in all cases, these do not require separate valuations as they are deemed to be closely related to the host contract.

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy as defined by IFRS 13. It does not include fair value information for lease liabilities, or for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Cash and cash equivalents (note 4.1), trade and other receivables (note 3.5), and trade and other payables (note 3.7) generally have a short time to maturity. For this reason, their carrying values, on the historical cost basis, are approximate to their fair values. The Group's borrowings relate principally to the publicly traded loan notes and amounts drawn against term loans (note 4.2). These financial liabilities are measured at amortised cost.

	Carrying amount					Fair value				
	Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 December 2025										
Financial assets measured at fair value										
Commodity contracts	41.4	18.0	–	–	–	59.4	–	59.4	–	59.4
Foreign currency exchange contracts	1.9	25.8	–	–	–	27.7	–	27.7	–	27.7
Interest rate and cross-currency contracts	5.9	–	–	–	–	5.9	–	5.9	–	5.9
Trade and other receivables	–	–	13.8	–	–	13.8	–	13.8	–	13.8
Cash and cash equivalents	–	1.9	–	–	–	1.9	–	1.9	–	1.9
Financial assets not measured at fair value										
Trade and other receivables	–	–	–	290.3	–	290.3				
Cash and cash equivalents	–	–	–	300.2	–	300.2				
Financial liabilities measured at fair value										
Commodity contracts	(10.3)	(29.7)	–	–	–	(40.0)	–	(40.0)	–	(40.0)
Foreign currency exchange contracts	(78.7)	(20.7)	–	–	–	(99.4)	–	(99.4)	–	(99.4)
Interest rate and cross-currency contracts	(11.9)	(0.7)	–	–	–	(12.6)	–	(12.6)	–	(12.6)
Inflation rate contracts	(97.8)	–	–	–	–	(97.8)	–	(97.8)	–	(97.8)
Financial liabilities not measured at fair value										
Secured bank loans	–	–	–	–	(672.5)	(672.5)	–	(677.5)	–	(677.5)
Secured loan notes	–	–	–	–	(306.5)	(306.5)	(316.1)	–	–	(316.1)
Lease liabilities	–	–	–	–	(98.6)	(98.6)				
Trade and other payables	–	–	–	–	(673.8)	(673.8)				

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

At 31 December 2024	Carrying amount					Fair value				
	Fair value – hedging instruments £m	Mandatorily at FVTPL – others £m	FVOCI £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value										
Commodity contracts	101.9	51.6	–	–	–	153.5	–	153.5	–	153.5
Foreign currency exchange contracts	21.0	75.7	–	–	–	96.7	–	96.7	–	96.7
Interest rate and cross-currency contracts	7.1	–	–	–	–	7.1	–	7.1	–	7.1
Contingent consideration	–	9.4	–	–	–	9.4	–	–	9.4	9.4
Trade and other receivables	–	0.3	38.9	–	–	39.2	–	39.2	–	39.2
Cash and cash equivalents	–	103.1	–	–	–	103.1	–	103.1	–	103.1
Financial assets not measured at fair value										
Trade and other receivables	–	–	–	353.4	–	353.4				
Cash and cash equivalents	–	–	–	252.9	–	252.9				
Financial liabilities measured at fair value										
Commodity contracts	(50.9)	(30.9)	–	–	–	(81.8)	–	(81.8)	–	(81.8)
Foreign currency exchange contracts	(24.6)	(12.3)	–	–	–	(36.9)	–	(36.9)	–	(36.9)
Interest rate and cross-currency contracts	(30.6)	–	–	–	–	(30.6)	–	(30.6)	–	(30.6)
Inflation rate contracts	(184.0)	–	–	–	–	(184.0)	–	(184.0)	–	(184.0)
Financial liabilities not measured at fair value										
Secured bank loans	–	–	–	–	(768.2)	(768.2)	–	(771.2)	–	(771.2)
Secured loan notes	–	–	–	–	(408.5)	(408.5)	(422.3)	–	–	(422.3)
Lease liabilities	–	–	–	–	(116.5)	(116.5)				
Trade and other payables	–	–	–	–	(793.0)	(793.0)				

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

The fair value of commodity contracts, foreign currency exchange contracts, interest rate swaps, cross-currency interest rate swaps and inflation swaps are largely determined by comparison between observable, liquid, forward market prices or rates, and the trade price or rate; therefore, these contracts are categorised as Level 2. Credit risk is not a significant input to the fair value calculations.

There have been no transfers during the current or prior year between Level 1, 2 or 3 category inputs.

The Group is responsible for determining the policies and approach to valuations required for financial reporting purposes, including Level 3 fair values. No external specialists have been utilised for the valuation of the current or prior year derivative financial instruments. Valuation policies, approaches and the results are discussed with and approved by the CFO and the Audit Committee as required, based on the size, complexity and level of judgement required with each valuation.

Level 3 fair values

The contingent consideration receivable by the Group relates to the sale of the CCGT generation portfolio in 2021. The gross nominal value of £29.0 million is contingent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of these assets. The fair value measurement of the contingent consideration has been categorised as Level 3 based on the inputs to the valuation techniques used. The valuation technique in the prior year was based on the assumption that the option to develop the land would be exercised if the Capacity Market price were to clear above a certain level, providing sufficient certainty on the economics of the development. This was calculated using a range of forecasts for future Capacity Market auctions. During the current year, the probability of this trigger occurring is estimated to have reduced to virtually zero. The probability of any of the other triggers occurring that would result in the contingent consideration becoming due are also estimated to be virtually zero. Therefore, a fair value loss of £9.4 million has been recognised in the current year to reduce the carrying value of the contingent consideration to £nil.

As the change in fair value reflects the reversal of a previous credit recorded within exceptional items, the £9.4 million has been excluded from Adjusted results and presented as an exceptional item included within other gains and losses in the Consolidated income statement (see note 2.7).

A reconciliation of the contingent consideration is detailed below:

	Year ended 31 December	
	2025 £m	2024 £m
Balance at 1 January	9.4	9.2
Net change in fair value	(9.4)	0.2
Balance at 31 December	–	9.4

There are no reasonably possible changes to unobservable inputs to the fair value calculation that would have a material impact on the fair value measurement of the contingent consideration.

Accounting for derivatives

Derivatives (subject to certain exemptions described below) must be measured at fair value, which generally represents the difference between the price the Group has secured in the contract, and the price the Group could achieve in the market at the reporting date.

Changes in fair value are recognised either within the Consolidated income statement or the hedge reserve and cost of hedging reserve within the Consolidated statement of changes in equity, dependent upon whether the contract in question qualifies as an effective hedge under IFRS 9 (see note 7.2).

The own-use exemption applies to certain contracts for physical commodities entered into and held for the Group's own purchase, sale or usage requirements. The Group's own-use contracts, such as certain power purchase agreements (PPAs) and the Group's energy supply contracts, are excluded from fair value mark-to-market accounting.

Contracts for non-financial assets that do not qualify for the own-use exemption (principally wholesale power, gas and carbon emissions allowances) and financial contracts (principally foreign exchange, interest, inflation, financial oil and financial freight) are accounted for as derivatives in accordance with IFRS 9 and are recorded in the Consolidated balance sheet at fair value. Changes in fair value are reflected through the hedge reserve (see note 7.3) to the extent that the contracts are designated as effective hedges in accordance with IFRS 9, or the Consolidated income statement where the hedge accounting requirements are not met, or the hedges are ineffective. Changes in fair value of the derivatives that do not meet the hedge accounting requirements are excluded from Adjusted results in the Consolidated income statement until the contract matures, as management believes this more clearly reflects the underlying performance of the Group as it ensures these commodity and financial contracts are recognised in the period that they are intended to hedge at their contracted prices (see note 2.7 for further details).

The Group's biomass risk management policy permits some flexibility in trading activity to optimise the overall portfolio position and potentially release value in certain, limited circumstances. The nature of the biomass market means these contracts cannot be readily net settled in cash or other financial instruments and, as a result, they remain outside of the scope of IFRS 9 and are excluded from fair value mark-to-market accounting.

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

Derivative balances are classified in the Consolidated balance sheet as current or non-current based on the final maturity date of the contracts. The derivative financial instruments recognised in the Consolidated balance sheet at the reporting date are:

	As at 31 December	
	2025 £m	2024 £m
Non-current derivative financial instrument assets	24.4	81.7
Current derivative financial instrument assets	68.6	175.6
Total derivative financial instrument assets	93.0	257.3
Non-current derivative financial instrument liabilities	(75.6)	(262.2)
Current derivative financial instrument liabilities	(174.2)	(71.1)
Total derivative financial instrument liabilities	(249.8)	(333.3)
Total net derivative financial instruments	(156.8)	(76.0)

The gains and losses recognised in the period relating to derivative financial instruments mandatorily measured at fair value through profit or loss (FVTPL) are detailed below. The Group had no financial assets or financial liabilities voluntarily designated at FVTPL. In addition to the amounts disclosed below, gains and losses relating to derivative financial instruments qualifying for hedge accounting are disclosed in notes 7.2 to 7.4.

	Year ended 31 December	
	2025 £m	2024 £m
Net gains on derivative financial instruments not qualifying for hedge accounting – recognised in revenue	24.9	11.9
Net (losses)/gains on derivative financial instruments not qualifying for hedge accounting – recognised in cost of sales	(55.4)	45.3
Net gains on derivative financial instruments not qualifying for hedge accounting – recognised in foreign exchange gains/(losses)	1.2	–
Total (losses)/gains on derivative financial instruments not qualifying for hedge accounting	(29.3)	57.2

7.2 Financial risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, foreign currency risk, interest rate risk, inflation risk, liquidity risk, counterparty risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of commodity and financial markets and seeks to manage potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is overseen by the risk management committees as explained in the Principal risks and uncertainties section (starting on page 41). The Financial Risk Management Committee identifies, evaluates and manages financial risks in close coordination with the Group's trading and treasury functions under policies approved by the Board of Directors.

7.2.1 Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices, particularly the price of power, gas, other fuels and the price of carbon emissions allowances. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

Commodity price sensitivity

The sensitivity analysis below has been determined based on the Group's exposure to commodity prices and the impact on profit after tax and other components of equity of reasonably possible increases or decreases in commodity prices as at 31 December. The analysis assumes all other variables are held constant.

Sensitivities for a 10% change in prices have been included in the current and prior year. The impact of smaller and larger price changes can be interpolated or extrapolated from the table below as changes in prices have a relatively linear relationship with the impact on profit after tax and on the hedge reserve.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% decrease £m	10% increase £m	10% decrease £m	10% increase £m
At 31 December 2025				
Power	–	–	28.0	(27.7)
Carbon	(0.8)	0.8	–	–
Gas	(1.0)	1.0	–	–
Oil	(5.6)	5.2	–	–
Freight	(1.6)	1.6	–	–

Section 7: Risk management continued

7.2 Financial risk management continued

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% decrease £m	10% increase £m	10% decrease £m	10% increase £m
At 31 December 2024				
Power	-	-	43.0	(43.0)
Carbon	1.6	(1.6)	-	-
Gas	10.8	(10.8)	-	-
Oil	(4.8)	4.8	-	-
Freight	(0.2)	0.2	-	-

The Group designates certain derivatives as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to increases or decreases in commodity prices and the impact on the hedge reserve resulting from these movements. Profit after tax is sensitive to increases or decreases in commodity prices as a result of the impact on the fair value of derivative financial instruments not designated as hedging instruments under cash flow hedge accounting.

Commodity risk management

The Group has a policy of securing forward power sales and purchases, and purchases of fuel when it is profitable to do so and is in line with specified limits under approved policies. Forward power sales can be secured up to 100% of forecast availability, after taking account of the volume held back for operational risk management purposes. Where the power generation has contract indexation, forward power sales are generally entered once the indexation window has begun. All commitments to sell and purchase power under fixed price contracts are designated as cash flow hedges as they reduce the Group's cash flow exposure resulting from fluctuations in the price of power. The Group purchases biomass pellets and other fuels under either a fixed or variable priced contract with different maturities, principally from a number of international sources.

The Group considers all such commodity contracts to be economic hedges. If either the contracts cannot be readily net settled, or if the Group is able to demonstrate that these contracts were entered into and continue to be held for the purpose of receipt or delivery of the non-financial item in accordance with the Group's expected purchase, sale or usage requirements and the own-use exemption applies, then these contracts are not within the scope of IFRS 9. For other contracts that are within the scope of IFRS 9 the Group applies hedge accounting where possible. If the contracts are within the scope of IFRS 9 and hedge accounting is not applied then the contracts are recognised at FVTPL.

Where forward power curves are less liquid, the Group uses gas sales as a proxy for power to mitigate the risk of power price fluctuations. The Group also purchases gas under fixed-price contracts to meet the requirements of the Energy Solutions segment and for its Daldowie fuel plant. The Group's gas supply business is reducing in size due to the decision made in January 2023 to phase out the Group's gas supply contracts and due to the sale of the Group's non-core SME customer meter points (see note 2.7 for further details).

The Group purchases carbon emissions allowances under fixed-price contracts to cover the Group's purchase requirements under the UK Emissions Trading Scheme in relation to the Group's carbon emissions. Carbon emissions allowances are also sold as part of the proxy power hedges that utilise gas sales as a proxy for power, as described above. Sales and purchases of carbon are not designated as cash flow hedges.

The Group purchases financial oil contracts to hedge freight costs for the delivery of biomass. Oil is a significant input into the overall cost of freight. Financial oil contracts are not designated as cash flow hedges.

The Group purchases financial freight contracts to hedge freight costs for the delivery of biomass. Financial freight contracts are not designated as cash flow hedges.

Hedge accounting

The Group has cash flow hedges relating to commodity contracts, principally commitments to sell and purchase power. In the prior year, cash flow hedge accounting was also applied to certain carbon purchases for part of the year. Amounts are recognised in the hedge reserve as the designated contracts are marked-to-market at each reporting date for the effective portion of the hedge, which is generally 100% of the relevant contract. Amounts held within the hedge reserve are then recycled to the Consolidated income statement as the hedged item impacts profit or loss. For power sales and purchase contracts, this is when the underlying power is delivered.

Included in amounts released from equity are current and prior period gains and losses on financial instruments for which the hedged transaction has now occurred and these gains and losses have been released to the Consolidated income statement in the period. No ineffectiveness was recognised in the Consolidated income statement on continuing commodity hedges in the current or prior year. Due to the use of "all-in-one" hedges, this results in the movement in fair value for the hedged items and hedging instruments being identical. The only sources of ineffectiveness regarding the "all-in-one" hedges would be if delivery of the commodities was no longer expected to occur (which would result in hedge accounting being discontinued) and credit risk. The Group applies a hedge ratio of 1:1 to its commodity risk cash flow hedges.

The reconciliation of the reserves and time period when the hedging instrument will affect the Consolidated income statement are disclosed in note 7.3.

The summary of the amounts relating to the hedging instruments and any related ineffectiveness in the period is presented in the table below.

The average forward rates quoted below only reflect the rates applicable to the portion of the Group's commodity contracts that qualify for hedge accounting in accordance with IFRS 9. The rates do not reflect the overall average rate of the Group's total portfolio of commodity contracts that are used to protect the value of future cash flows.

Section 7: Risk management continued

7.2 Financial risk management continued

At 31 December 2025								
Exposure	Notional value of contracts (MWh, allowances)	Weighted average fixed price £	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Commodity contracts								
Sale and purchase of power	4,835,705	77.08	January 2026 – March 2030	156.8	41.4	(10.3)	15.6	–

31 December 2025								
Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – losses/(gains) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Commodity contracts								
Sale and purchase of power	156.8	122.3	–	Revenue	–	(114.7)	–	Revenue
			–	Cost of sales	–	(21.3)	–	Cost of sales

Section 7: Risk management continued

7.2 Financial risk management continued

Exposure	At 31 December 2024							
	Notional value of contracts (MWh, allowances)	Weighted average fixed price (£)	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) (£m)	Fair value recognised in balance sheet – assets (£m)	Fair value recognised in balance sheet – liabilities (£m)	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit (£m)	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit (£m)
Commodity contracts								
Sale and purchase of power	7,013,766	87.3	January 2025 – September 2028	34.5	101.9	(50.9)	25.9	–
Purchase of carbon emissions allowances	–	–	–	–	–	–	–	–

Exposure	At 31 December 2024							
	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – losses/(gains) (£m)	Hedging gains recognised in OCI in the period – gains/(losses) (£m)	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) (£m)	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset (£m)	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses (£m)	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses (£m)	Line item in the income statement/balance sheet affected by the transfer/reclassification
Commodity contracts								
Sale and purchase of power	34.5	(15.2)	–	Revenue	–	(397.5)	–	Revenue
Purchase of carbon emissions allowances	–	(0.6)	–	Cost of sales	–	103.9	–	Cost of sales
				Cost of sales	–	1.2	–	Cost of sales

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.2 Foreign currency and interest rate risk

Foreign currency risk

The Group is exposed to fluctuations in foreign currency rates as a result of committed and forecast transactions in foreign currencies, principally in relation to purchases of fuel for use in the Biomass Generation segment and principal and interest payments relating to foreign currency denominated borrowings. These fuel purchases are typically denominated in US dollars (USD), euros (EUR) or Canadian dollars (CAD), and the foreign currency borrowings are denominated in EUR (see note 4.2 for further details on the Group's borrowings). The Group also had CAD denominated borrowings at the prior year end.

The Group also has an exposure to translation risk in relation to its net investment in its US and Canadian subsidiaries within the Pellet Production segment.

Foreign currency sensitivity

The analysis below shows the impact on profit after tax and other components of equity, net of tax, of reasonably possible strengthening or weakening of currencies against GBP. The sensitivity analysis below shows the impact of a change in foreign exchange rates as at the reporting date on outstanding monetary items denominated in foreign currencies and the valuation of foreign currency derivative instruments. The analysis excludes the impact of the translation of the net assets of foreign operations. For foreign currency derivatives designated into hedge relationships the analysis includes the impact of recycling amounts from the hedge reserve if a change in foreign exchange rates would result in the recycling of gains and losses due to the item they are hedging impacting profit or loss. The analysis assumes all other variables are held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% strengthening £m	10% weakening £m	10% strengthening £m	10% weakening £m
At 31 December 2025				
USD	41.6	(41.5)	150.8	(121.6)
EUR	17.8	(17.5)	33.1	(26.9)
CAD	1.7	(1.7)	15.1	(12.3)
	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% strengthening £m	10% weakening £m	10% strengthening £m	10% weakening £m
At 31 December 2024				
USD	66.8	(57.4)	(75.9)	(75.9)
EUR	10.1	(8.9)	(19.1)	(27.4)
CAD	1.2	(1.0)	(6.6)	(6.9)

The Group designates certain foreign currency derivatives as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to the strengthening or weakening of other currencies in relation to the impact on the hedge reserve of these movements. Profit after tax is sensitive to the strengthening or weakening of other currencies as a result of the impact on the fair value of foreign currency derivatives not designated as hedging instruments under cash flow hedge accounting.

Foreign currency risk management

It is the Group's policy to hedge material transactional exposures using a variety of derivatives to protect the sterling values of foreign currency cash flows, except where there is an economic hedge inherent in the transaction. The Group enters into derivative contracts in line with the Group's currency risk management policy, including forwards and options, to manage the risks associated with its anticipated foreign currency requirements over a rolling six-year period, covering contracted exposures and a proportion of highly probable forecast transactions.

In addition, in order to optimise the cost of funding, the Group has issued foreign currency denominated borrowings (see note 4.2 for further details on borrowings). The Group currently has issued foreign currency denominated borrowings in EUR (2024: EUR and CAD). The Group utilises derivative contracts, including cross-currency interest rate swaps and foreign exchange forward contracts, to manage exchange risk on foreign currency borrowings.

Section 7: Risk management continued

7.2 Financial risk management continued

Foreign currency risk hedge accounting

The Group designates certain forward and option foreign currency exchange contracts as hedging instruments of the foreign currency risk of biomass purchases denominated in foreign currencies. Gains and losses on these foreign currency exchange contracts are transferred from equity to inventories for these hedges when the Group takes ownership of the biomass. The Group designates the spot element of these foreign currency exchange contracts and applies a hedge ratio of 1:1.

The Group designates certain foreign currency exchange contracts, such as forwards and swaps, as hedging instruments of the foreign currency risk on the principal repayments of certain foreign currency denominated borrowings. Gains and losses that are effective at hedging the foreign exchange risk on the principal repayments are released to foreign exchange gains or losses to offset gains and losses on retranslating the hedged foreign currency denominated borrowings. The Group designates the spot element of these foreign currency exchange contracts and applies a hedge ratio of 1:1.

The Group also designates certain cross-currency interest rate swaps as hedging instruments of the foreign currency risk on payments of both principal and interest on certain foreign currency denominated borrowings. Gains and losses that are effective at hedging the foreign exchange risk on the interest payments are released to interest payable and similar charges at the same time as the interest on the related hedged foreign currency denominated borrowings is expensed. Gains and losses that are effective at hedging the foreign exchange risk on the principal repayments are released to foreign exchange gains or losses to offset gains and losses on retranslating the hedged foreign currency denominated borrowings. The Group applies a hedge ratio of 1:1 for its cross-currency interest rate swaps.

The main sources of ineffectiveness relating to foreign currency exchange contracts (forwards and swaps) that are designated as hedging spot foreign currency risk are timing differences and credit risk. The main sources of ineffectiveness relating to cross-currency interest rate swaps are differences in the critical terms, differences in repricing dates, foreign currency basis spread, and credit risk.

Interest rate risk

The Group has exposure to interest rate risk, principally in relation to variable rate debt, cash and cash equivalents, and the revolving credit facility (RCF) and the Energy Solutions receivables monetisation facility, should they be utilised. The returns generated on the Group's cash balance, or payable on amounts drawn on the RCF or amounts utilised under the Energy Solutions receivables monetisation facility, are exposed to movements in short-term interest rates. The Group actively manages cash balances to protect against adverse changes in interest rates whilst retaining liquidity. Further information about the Group's variable rate borrowings (including the RCF) and their repayment schedules is provided in note 4.2.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the reporting date was outstanding for the whole year.

The analysis below shows what the impact on the current and previous year's profit after tax and other components of equity would have been for a reasonably possible increase or decrease in interest rates. For interest rate derivatives designated into hedge relationships the analysis includes the impact of recycling amounts from the hedge reserve. The analysis assumes all other variables are held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	100 basis points increase £m	100 basis points decrease £m	100 basis points increase £m	100 basis points decrease £m
At 31 December 2025				
Variable rate debt – hedged	(4.8)	4.8	–	–
Interest rate swaps	4.9	(4.9)	(0.1)	0.1
Net impact	0.1	(0.1)	(0.1)	0.1

	Impact on profit after tax		Impact on other components of equity, net of tax	
	100 basis points increase £m	100 basis points decrease £m	100 basis points increase £m	100 basis points decrease £m
At 31 December 2024				
Variable rate debt – hedged	(5.6)	5.6	–	–
Interest rate swaps	5.6	(5.6)	9.8	(9.8)
Net impact	–	–	9.8	(9.8)

An increase or decrease in interest rates would affect profit after tax as a result of the impact on the interest payable in the period on any variable rate borrowings. The Group has reduced its exposure to interest rate risk on variable rate borrowings through the use of floating-to-fixed interest rate and cross-currency swaps. These swaps are designated as hedging instruments under cash flow hedge accounting and therefore a change in interest rates would not have a significant impact on profit after tax as the recycling of gains and losses on these swaps would generally offset the impact of changes in interest rates on the Group's variable rate borrowings. Other components of equity are sensitive to an increase or decrease in interest rates due to the impact changes in interest rates has on the valuation of these floating-to-fixed interest rate and cross-currency swaps, however this impact is reduced by the amounts recycled to profit or loss to offset the interest payable. These fair value changes impact the hedge reserve.

Section 7: Risk management continued

7.2 Financial risk management continued

Interest rate risk management

The Group has a risk management policy in place relating to interest rate risk. The Group policy permits the use of hedging instruments in order to hedge up to 100% of the Group's current and forecast interest rate exposure.

Interest rate risk hedge accounting

The Group designates certain interest rate swaps as hedging instruments of the interest rate risk of variable rate borrowings. Gains and losses on the interest payments on interest rate swaps are released to interest payable and similar charges at the same time as the interest is expensed on the related hedged borrowings. The Group applies a hedge ratio of 1:1 to its interest rate swaps.

The main sources of ineffectiveness relating to interest rate hedges are differences in the critical terms, differences in repricing dates, and credit risk.

Hedge accounting information

The Group has Sterling Overnight Index Average (SONIA) floating-to-fixed interest rate swaps to fix the interest payments on the following facilities: £50.0 million of the UK infrastructure private placement facility (2019), £98.0 million of the UK infrastructure private placement facility (2020), two £50.0 million tranches of the GBP and EUR term loan facility (2024), £125.0 million of the GBP term loan facility (2024) and the £50.0 million GBP term loan facility (2024).

The Group has Euro Interbank Offered Rate (EURIBOR) floating-to-fixed interest rate swaps to fix the principal and interest payments on €70.0 million of the UK infrastructure private placement facility (2020). The Group has EURIBOR floating-to-fixed interest rate swaps to fix the interest payments on €185.0 million of the GBP and EUR term loan facility (2024). The Group has separately taken out €185.0 million notional value foreign exchange forwards in order to fix the sterling cash flows payable on the principal repayment.

The Group had Canadian Overnight Repo Rate (CORRA) floating-to-fixed interest rate swaps to fix the interest payments on the C\$200.0 million CAD term loan facility. The Group had separately taken out C\$200.0 million notional value foreign exchange forwards in order to fix the sterling cash flows payable on the principal repayment. During the year the Group chose to make an early repayment of this term loan facility. Due to the repayment of the underlying hedged item, hedge accounting ceased at the date the facility was repaid.

The Group has taken out fixed-to-fixed cross-currency interest rate swaps to hedge the future cash flows associated with the €350.0 million fixed rate EUR loan notes 2029 and the €31.5 million fixed rate element of the UK infrastructure private placement facility (2020).

The Group had a fixed-to-fixed cross-currency interest rate swap that was entered into to hedge the future cash flows associated with the €143.8 million 2.625% EUR loan notes 2025. During the year this swap and the underlying loan notes matured and were settled.

As at 31 December 2025, the Group has fixed in sterling all interest and principal payments on variable rate and foreign currency denominated borrowings through the use of interest rate swaps, cross-currency interest rate swaps, and foreign currency exchange forwards and swaps, as described above. See note 4.2 for further details on the Group's borrowings.

A summary of amounts relating to the Group's hedge accounting of foreign currency risk and interest rate risk are presented in the table below.

The information is disaggregated by risk type. Hedges of biomass purchases, principal repayments on borrowings hedged using foreign currency forwards or swaps, and fixed-to-fixed cross-currency interest rate swaps are designated as hedges of foreign currency risk. Interest rate swaps are designated as hedges of interest rate risk. Floating-to-fixed cross-currency interest rate swaps are designated as hedges of both foreign currency and interest rate risk.

The average forward rates quoted below only reflect the rates applicable to the portion of the Group's foreign currency hedging instruments that qualify for hedge accounting in accordance with IFRS 9. The rates do not reflect the overall average rate of the Group's total portfolio of derivatives that are used to fix the sterling value of future cash flows.

A reconciliation of reserves and the time period when the hedge will affect profit or loss, or will be transferred from equity and included in the initial cost of the non-financial item, are disclosed in notes 7.3 and 7.4.

Section 7: Risk management continued

7.2 Financial risk management continued

At 31 December 2025								
	Notional value of contracts US\$m, €m, C\$m	Weighted average fixed/variable rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	2,731.5	US\$1.29	January 2026 – December 2030	(92.0)	1.1	(66.0)	(47.3)	–
Purchases in foreign currency – EUR	487.0	€1.10	January 2026 – September 2030	(3.0)	0.8	(5.3)	0.4	–
Purchases in foreign currency – CAD	343.5	C\$1.75	January 2026 – October 2030	(11.8)	–	(5.6)	(4.8)	–
Foreign currency risk on borrowings								
Interest and principal payments – EUR	381.5	€1.16 / 7.22%	January 2026 – November 2026	4.5	4.9	(1.9)	(0.8)	–
Principal payments – EUR	185.0	€1.11	February 2027 – March 2028	6.5	–	(1.8)	–	–
Principal payments – CAD	–	–	–	(4.0)	–	–	–	–
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	255.0	€1.11 / 4.04%	January 2026 – March 2026	(6.8)	–	(7.0)	(1.0)	–
Interest payments – CAD	–	–	–	(2.1)	–	–	–	–
Interest rate risk on borrowings								
Variable rate GBP debt	423.0	2.89%	January 2026 – July 2029	(2.1)	1.0	(3.0)	(1.8)	–

Section 7: Risk management continued

7.2 Financial risk management continued

Exposure	At 31 December 2025							
	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – losses/(gains) £m	Hedging losses recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/balance sheet affected by the transfer/reclassification
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	(92.0)	(104.5)	–	Cost of sales	27.1	–	–	Inventories
Purchases in foreign currency – EUR	(3.0)	8.0	–	Cost of sales	(1.5)	–	–	Inventories
Purchases in foreign currency – CAD	(11.8)	(4.8)	–	Cost of sales	6.2	–	–	Inventories
Foreign currency risk on borrowings								
				Interest payable and similar charges	–	7.1	–	Interest payable and similar charges
Interest and principal payments – EUR	4.5	10.4	–	Foreign exchange gains/(losses)	–	(24.4)	–	Foreign exchange gains/(losses)
Principal payments – EUR	6.5	8.3	–	Foreign exchange gains/(losses)	–	(8.3)	–	Foreign exchange gains/(losses)
Principal payments – CAD	(4.0)	(2.3)	–	Foreign exchange gains/(losses)	–	2.3	–	Foreign exchange gains/(losses)
Foreign currency and interest rate risk on borrowings								
				Interest payable and similar charges	–	–	–	Interest payable and similar charges
Interest and principal payments – EUR	(3.2)	5.4	(3.6)	Foreign exchange gains/(losses)	–	(3.1)	–	Foreign exchange gains/(losses)
Interest payments – CAD	(2.1)	(0.3)	–	Interest payable and similar charges	–	1.0	0.9	Interest payable and similar charges
Interest rate risk on borrowings								
Variable rate GBP debt	(2.3)	(2.3)	–	Interest payable and similar charges	–	(5.9)	–	Interest payable and similar charges

Section 7: Risk management continued

7.2 Financial risk management continued

At 31 December 2024								
Exposure	Notional value of contracts US\$m, €m, C\$m	Weighted average fixed/variable rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	1,430.5	US\$1.27	January 2025 – February 2027	18.6	20.7	(2.1)	10.7	–
Purchases in foreign currency – EUR	270.0	€1.15	January 2025 – October 2026	(6.3)	–	(6.3)	(4.5)	–
Purchases in foreign currency – CAD	166.0	C\$1.67	January 2025 – March 2027	(5.1)	0.3	(5.4)	(5.8)	–
Foreign currency risk on borrowings								
Interest and principal payments – USD	–	–	–	–	–	–	–	–
Interest and principal payments – EUR	525.3	€1.14 / 6.48%	November 2025 – April 2028	(10.4)	–	(19.7)	4.4	–
Principal payments – EUR	185.0	€1.11	February 2027 – March 2028	(5.1)	–	(5.1)	–	–
Principal payments – CAD	200.0	C\$1.68	January 2026	(5.7)	–	(5.7)	–	–
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	255.0	€1.09 / 4.04%	January 2026 – March 2028	(8.6)	–	(8.7)	(2.7)	–
Interest payments – CAD	200.0	6.05%	January 2026	(1.5)	–	(1.8)	(1.3)	–
Interest rate risk on borrowings								
Variable rate GBP debt	423.0	2.89%	January 2026 – April 2028	6.1	7.1	(0.4)	4.3	–

Section 7: Risk management continued

7.2 Financial risk management continued

Exposure	At 31 December 2024							
	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – losses/(gains) £m	Hedging losses recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	18.6	19.7	–	Cost of sales	4.3	–	–	Inventories
Purchases in foreign currency – EUR	(6.3)	(7.1)	–	Cost of sales	0.9	–	–	Inventories
Purchases in foreign currency – CAD	(5.1)	(5.9)	–	Cost of sales	(0.4)	–	–	Inventories
Foreign currency risk on borrowings								
Interest and principal payments – USD	–	(5.6)	–	Interest payable and similar charges	–	(0.7)	–	Interest payable and similar charges
				Foreign exchange gains/(losses)	–	9.3	–	Foreign exchange gains/(losses)
Interest and principal payments – EUR	(11.3)	(7.5)	–	Interest payable and similar charges	–	7.4	–	Interest payable and similar charges
				Foreign exchange gains/(losses)	–	6.4	–	Foreign exchange gains/(losses)
Principal payments – EUR	(5.1)	(6.0)	–	Foreign exchange gains/(losses)	–	6	–	Foreign exchange gains/(losses)
Principal payments – CAD	(5.7)	(7.4)	–	Foreign exchange gains/(losses)	–	7.4	–	Foreign exchange gains/(losses)
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	(8.7)	(6.4)	–	Interest payable and similar charges	–	(2.5)	–	Interest payable and similar charges
				Foreign exchange gains/(losses)	–	3.4	–	Foreign exchange gains/(losses)
Interest payments – CAD	(1.6)	(1.3)	–	Interest payable and similar charges	–	(0.4)	–	Interest payable and similar charges
Interest rate risk on borrowings								
Variable rate GBP debt	10.8	(2.3)	–	Interest payable and similar charges	–	(12.0)	–	Interest payable and similar charges

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.3 Inflation risk

The Group is exposed to inflation risk on elements of its revenues and cost base. The Group's ROC revenue is linked to UK RPI and its CfD and Capacity Market income are linked to UK CPI (see note 2.2 for further information on ROC and CfD income). It is the intention of the UK Government to change to CPI-based indexation for ROC revenue from April 2026, subject to the publication of statutory instruments. In addition, a proportion of the Group's fuel costs are linked to either US or Canadian CPI. The Group has UK CPI and RPI swaps to hedge certain revenues linked to inflation.

Inflation risk sensitivity

The sensitivity analysis below has been determined based on the exposure to inflation rates on inflation-linked derivatives at the reporting date.

The analysis below shows the impact on profit after tax and other components of equity of a reasonably possible increase or decrease in inflation rates as at 31 December. The analysis assumes all other variables are held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	200 basis points increase £m	200 basis points decrease £m	200 basis points increase £m	200 basis points decrease £m
At 31 December 2025				
UK CPI inflation swaps	–	–	(22.3)	19.3
UK RPI inflation swaps	–	–	(1.6)	1.6

	Impact on profit after tax		Impact on other components of equity, net of tax	
	200 basis points increase £m	200 basis points decrease £m	200 basis points increase £m	200 basis points decrease £m
At 31 December 2024				
UK CPI inflation swaps	–	–	(25.7)	22.1
UK RPI inflation swaps	(1.0)	1.0	(10.9)	10.9

The Group designates the UK CPI and RPI inflation swaps as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to the impact on inflation-linked derivatives recognised in the hedge reserve of an increase or decrease in UK inflation rates. Profit after tax in the prior year was sensitive to an increase or decrease in UK inflation rates due to the impact these rate changes would have on the over-hedged portion of the inflation swaps, with this impact being recognised directly in the Consolidated income statement.

Inflation risk management

The Group has a risk management policy in place relating to inflation risk. The Group policy permits the use of hedging instruments in order to hedge up to 100% of the Group's current and forecast inflation exposure.

Hedge accounting

The Group has contracts for which the revenue is contractually linked to UK CPI inflation. The Group has designated this risk component as a hedged item. UK CPI and UK RPI inflation swaps are utilised as the hedging instruments for this inflation risk.

Gains and losses on the inflation swaps are held in the hedge reserve and reclassified to revenue in the Consolidated income statement at the same time the revenue from the inflation-linked contracts impacts profit or loss or if the hedged item is no longer expected to occur. The Group applies a hedge ratio of 1:1 for its inflation swaps.

The main sources of ineffectiveness relating to the inflation swaps are the basis difference between the RPI swaps and the CPI-linked revenues they are hedging, calculation differences, and the hedged item no longer being expected to occur. Calculation differences occur due to differences between the reference months used to calculate the inflationary increase per the swaps and the reference months used to calculate the inflationary increase for the CPI-linked revenues.

The Group recognised £3.5 million of gains (2024: £8.7 million of losses) as ineffective primarily due to the basis difference between the RPI hedging instruments and the CPI exposure. In the current year, as a result of the updated estimates of the OCGT commissioning dates, the Group recycled £0.8 million (2024: £1.2 million) of losses to the Consolidated income statement on CPI inflation swaps designated as hedging instruments for the OCGT Capacity Market revenues, due to the hedged item no longer being expected to occur.

Section 7: Risk management continued

7.2 Financial risk management continued

The summary of the amounts relating to the hedging instruments and any related ineffectiveness in the period is presented in the table below.

At 31 December 2025								
Exposure	Notional value of contracts £m	Weighted average fixed rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Inflation								
Inflation-linked sales contracts – CPI	30.4	CPI – 2.70%	April 2026 – July 2038	(8.5)	–	(13.1)	(6.3)	1.9
Inflation-linked sales contracts – RPI	440.0	RPI – 3.46%	April 2026	(133.5)	–	(84.7)	(19.0)	–

At 31 December 2025								
Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – losses/(gains) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness/reversal of ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/balance sheet affected by the transfer/reclassification
Inflation								
Inflation-linked sales contracts – CPI	(8.5)	3.3	–	Revenue	–	(4.6)	0.8	Revenue
Inflation-linked sales contracts – RPI	(109.8)	(3.9)	3.5	Revenue	–	25.1	–	Revenue

Section 7: Risk management continued

7.2 Financial risk management continued

At 31 December 2024								
Exposure	Notional value of contracts £m	Weighted average fixed rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Inflation								
Inflation-linked sales contracts – CPI	30.4	CPI – 2.70%	April 2026 – July 2038	(18.6)	–	(18.6)	(14.5)	10.5
Inflation-linked sales contracts – RPI	440.0	RPI – 3.65%	April 2026	(75.4)	–	(165.4)	(34.9)	–

At 31 December 2024								
Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Inflation								
Inflation-linked sales contracts – CPI	(18.6)	(1.3)	–	Revenue	–	(3.1)	1.2	Revenue
Inflation-linked sales contracts – RPI	(47.9)	(2.1)	(8.7)	Revenue	–	27.1	–	Revenue

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.4 Liquidity risk

The treasury function is responsible for liquidity, funding and settlement management under policies approved by the Board. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments. The Group maintains a mixture of cash and cash equivalents, committed facilities and uncommitted facilities in order to ensure sufficient funding for business requirements.

In managing liquidity risk, the Group has the ability to accelerate the cash flows associated with certain working capital items, principally those related to ROC sales and Energy Solutions energy supply sales. In each case this is undertaken on a non-recourse basis and, accordingly, the ROC assets and Energy Solutions receivables are derecognised from the Consolidated balance sheet at the point of sale. The Group also utilises standard purchasing facilities to extend the working capital cycle, whilst still paying suppliers on time. The impact on the Group's cash flows is described in note 4.3. Such facilities are not included within the Group's definition of Net debt, as outlined in note 2.7.

The following tables set out details of the expected maturity profile of the undiscounted, contractual payments of non-derivative financial liabilities. The tables include both interest and principal cash flows. To the extent that interest payments or receipts are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

	At 31 December 2025					Total £m
	Within 3 months £m	3 months – 1 year £m	1–2 years £m	2–5 years £m	>5 years £m	
Term loans, gross value	69.1	22.8	165.3	489.5	–	746.7
Loan notes, gross value	–	17.9	17.9	332.3	–	368.1
Borrowings, contractual maturity	69.1	40.7	183.2	821.8	–	1,114.8
Trade and other payables	594.7	77.5	1.6	–	–	673.8
Lease liabilities	9.0	22.2	21.2	30.4	38.3	121.1
	672.8	140.4	206.0	852.2	38.3	1,909.7

	At 31 December 2024					Total £m
	Within 3 months £m	3 months – 1 year £m	1–2 years £m	2–5 years £m	>5 years £m	
Term loans, gross value	11.2	30.5	202.8	613.3	27.0	884.8
Loan notes, gross value	–	139.1	17.0	332.2	–	488.3
Borrowings, contractual maturity	11.2	169.6	219.8	945.5	27.0	1,373.1
Trade and other payables	763.5	28.2	1.1	0.2	–	793.0
Lease liabilities	8.9	22.7	24.6	39.0	47.2	142.4
	783.6	220.5	245.5	984.7	74.2	2,308.5

The weighted average interest rate payable at the reporting date on the Group's borrowings was 5.40% (2024: 5.39%).

Trade and other payables of £673.8 million (2024: £793.0 million) excludes non-financial liabilities such as contract liabilities, the Group's obligation to deliver ROCs and employee benefit-related accruals.

The following tables set out details of the expected maturity profile of contractual payments and receipts of derivative financial instruments. Where the amount payable is not fixed, the amount disclosed has been determined by reference to projected commodity prices, foreign currency exchange rates, inflation rates or interest rates, as illustrated by the yield or other forward curves existing at the reporting date. Certain commodity contracts are expected to be gross settled through delivery or receipt of the commodity and a subsequent cash settlement of the traded value. Vanilla foreign currency exchange contracts are expected to be gross settled through delivery of one currency and receipt of another. Gross settlement of both the interest and principal on cross-currency interest rate swaps is expected through delivery of one currency and receipt of another. Financial contracts and other foreign exchange contracts (excluding forwards and swaps) are expected to be net settled. Interest rate contracts and inflation rate contracts are expected to include the net settlement of the interest rate and inflation rate differentials. For option derivative contracts, such as foreign currency options, the expected cash flows are only included if the option has intrinsic value at the reporting date and therefore would exercise based on the market curves existing at the reporting date.

Where derivatives are expected to be gross settled based on the traded value rather than the mark-to-market value, the gross undiscounted cash flows based on the contracted traded values have been presented in the table below. Where derivatives are expected to be net settled, the undiscounted net cash flows expected to occur based on the current fair value have been presented in the table below. Where derivative balances are subject to offsetting, the net expected contractual payments and receipts of the offset asset and liability have been presented.

The amounts included within the difference to carrying amount column include the effect of discounting for the time value of money and credit risk on all trade types. Additionally, for all physically settled commodity trades, the difference to carrying amount includes the market value of these trades, as the traded price is included as the cash payment or receipt in the table below, but the carrying amount is based on the mark-to-market of the trade, being the difference between the market value and traded value. For foreign currency exchange contracts the amounts included within the difference to carrying amount column also includes the time value of options that have no intrinsic value, for example out-of-the-money options. As these trades are not expected to exercise no cash flows have been included in the below table.

Section 7: Risk management continued

7.2 Financial risk management continued

	At 31 December 2025						At 31 December 2024					
	Within 1 year £m	1-2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m	Within 1 year £m	1-2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Derivative liabilities – cash inflow/(outflow)												
Commodity contracts – inflow	209.8	8.3	–	218.1	(224.0)	(5.9)	303.0	259.3	37.8	600.1	(673.5)	(73.4)
Commodity contracts – outflow	(137.7)	(52.5)	(15.6)	(205.8)	171.7	(34.1)	(33.8)	(1.4)	(4.1)	(39.3)	30.9	(8.4)
Foreign exchange contracts – inflow	1,075.4	688.7	1,497.0	3,261.1	26.4	(99.4)	641.1	468.4	328.0	1,437.5	15.2	(36.9)
Foreign exchange contracts – outflow	(1,118.0)	(711.9)	(1,557.0)	(3,386.9)	0.8	(9.6)	(637.4)	(494.6)	(357.6)	(1,489.6)	1.2	(30.2)
Cross-currency contracts – inflow	97.3	2.7	0.5	100.5	–	–	215.7	53.9	341.0	610.6	–	–
Cross-currency contracts – outflow	(107.3)	(3.1)	(0.5)	(110.9)	–	–	(241.3)	(63.4)	(337.3)	(642.0)	–	–
Interest rate contracts – inflow	–	–	–	–	0.1	(3.0)	0.3	–	–	0.3	0.1	(0.4)
Interest rate contracts – outflow	(1.6)	(1.3)	(0.2)	(3.1)	–	–	–	(0.5)	(0.3)	(0.8)	–	–
Inflation contracts – outflow	(86.9)	(1.5)	(12.1)	(100.5)	2.7	(97.8)	(84.3)	(91.5)	(20.0)	(195.8)	11.8	(184.0)
	(69.0)	(70.6)	(87.9)	(227.5)	(22.3)	(249.8)	163.3	130.2	(12.5)	281.0	(614.3)	(333.3)

	At 31 December 2025						At 31 December 2024					
	Within 1 year £m	1-2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m	Within 1 year £m	1-2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Derivative assets – cash inflow/(outflow)												
Commodity contracts – inflow	425.3	84.1	0.1	509.5	(458.0)	51.5	363.7	50.6	16.8	431.1	(306.5)	124.6
Commodity contracts – outflow	(36.6)	(77.3)	(45.1)	(159.0)	166.9	7.9	(117.5)	(4.5)	(24.9)	(146.9)	175.8	28.9
Foreign exchange contracts – inflow	172.4	2.4	–	174.8	1.2	27.7	874.6	1,030.0	245.1	2,149.7	–	–
Foreign exchange contracts – outflow	(148.3)	–	–	(148.3)	–	–	(839.9)	(977.1)	(226.3)	(2,043.3)	(9.7)	96.7
Cross-currency contracts – inflow	18.6	18.2	314.6	351.4	10.1	4.9	–	–	–	–	–	–
Cross-currency contracts – outflow	(22.8)	(22.6)	(311.2)	(356.6)	–	–	–	–	–	–	–	–
Interest rate contracts – inflow	1.0	–	–	1.0	–	1.0	6.3	1.1	–	7.4	–	–
Interest rate contracts – outflow	–	–	–	–	–	–	–	–	(0.1)	(0.1)	(0.2)	7.1
	409.6	4.8	(41.6)	372.8	(279.8)	93.0	287.2	100.1	10.6	397.9	(140.6)	257.3

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.5 Credit risk

The Group's gross exposure to credit risk for financial instruments is limited to the carrying amount of financial assets recognised at the reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 7.1.

Trade and other receivables are stated gross of the provision for expected credit losses on trade receivables of £30.6 million (2024: £42.4 million) and expected credit losses on accrued income of £5.0 million (2024: £9.0 million). The balance excludes non-financial receivables such as prepayments.

The Group's four reportable segments (Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions) are exposed to different levels and concentrations of credit risk, largely reflecting the number, size and nature of their respective customers.

The Pellet Production segment sells biomass pellets both intra-group and to external parties. Credit risk for the Group relates to the sales made to external parties. The majority of the Pellet Production segment's external sales are with large utility customers in Europe and Asia. The Pellet Production segment manages its credit risk by reviewing individual sales contracts, considering the length of the contract, payment terms, and assessing the credit quality of counterparties prior to signing contracts and throughout the duration of contracts.

For the Biomass Generation and Flexible Generation segments, the risk arises from treasury, trading and energy procurement activities. Wholesale counterparty credit exposures are monitored by individual counterparty and by category of credit rating. Counterparty credit exposures are subject to approved limits. The Group uses master netting agreements to reduce credit risk and net settles payments with counterparties where net settlement provisions exist. In addition, the Group employs a variety of other methods to mitigate credit risk: margining; various forms of parent company guarantee; deeds of charge; cash collateral; letters of credit; and surety bonds. The majority of the Biomass Generation and Flexible Generation segments' credit risk is with counterparties in related energy industries or with financial institutions. In addition, where deemed appropriate, the Group has historically purchased credit default swaps.

The highest credit risk exposure is in the Energy Solutions segment, with a large number of customers of varying sizes operating in a variety of markets. Credit risk is managed by checking a company's creditworthiness and financial strength both before commencing trade and during the business relationship. Credit risk is monitored and managed by industry sector. Due to the sale of the Opus Energy non-core SME meter points (see note 2.7) the Group has reduced its credit risk exposure for the Energy Solutions segment.

Further details on the impact of credit risk on trade and other receivables is disclosed in note 3.5.

The investment of surplus cash is undertaken with the objective of ensuring that there is sufficient liquidity at all times, so that funds are available to meet liabilities as they fall due, whilst securing a return from invested funds and preserving the capital value of those funds within Board-approved policies. These policies manage credit risk exposure by setting out minimum rating requirements and maximum investments with any one counterparty based on their rating and the maturity profile.

The Group had cash and cash equivalents of £302.1 million at 31 December 2025 (2024: £356.0 million). The Group's cash and cash equivalents excluding money market funds (held at FVTPL) are subject to the impairment requirements of IFRS 9. The Group had cash and cash equivalents excluding money market funds of £300.2 million at 31 December 2025 (2024: £252.9 million). The identified impairment loss, based on the 12-month expected credit loss basis, was immaterial. Cash and cash equivalents at the reporting date were held with banks with external credit ratings between AAA and A.

The Group is exposed to credit risk on derivative contracts, to which the impairment requirements of IFRS 9 are not applied as the fair value requirements of IFRS 13 are applicable. Credit risk is a factor in the determination of fair value. The carrying amount of these financial assets, disclosed in note 7.1, represents the Group's maximum credit risk exposure. Some derivative contracts are fully cash collateralised, thereby minimising credit risk. At 31 December 2025, the Group held £nil in cash collateral receipts (2024: £9.8 million) covering certain derivative assets and had posted £19.4 million (2024: £4.7 million) of cash collateral payments covering certain derivative liabilities. The credit rating of counterparties to which the £19.4 million of cash collateral had been posted ranged from A to A+.

Counterparty risk

As the Group relies on third-party suppliers and counterparties for the delivery of financial and non-financial items, it is therefore exposed to the risk of non-performance by these third-party suppliers. For financial instruments, such as foreign currency forwards, this risk is limited to the credit risk, as discussed above. The Group is also exposed to counterparty risk on non-financial items, such as the purchases of biomass and capital expenditure. If a large supplier were to fall into financial difficulty and/or fail to deliver against its contract with the Group, there would be additional costs associated with securing the lost goods or services from other suppliers.

The Group enters into purchase and sale contracts for a wide variety of goods and services, for example the sale of power to a number of counterparties. The failure of one or more of these counterparties to perform under their contractual obligations may cause the Group financial distress or increase the risk profile of the Group. The Group has acceptance procedures in place to ensure the counterparties the Group contracts with are appropriate. The Group also has limits in place, and actively monitors its exposures to individual counterparties to minimise this risk.

Section 7: Risk management continued

7.2 Financial risk management continued

Capital management

The Group is disciplined in its management of capital to ensure it is able to continue as a going concern; maintain a strong credit rating underpinned by robust financial metrics; invest in its core business; and pay a sustainable and growing dividend whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of shareholders' equity (excluding the hedge and cost of hedging reserves), plus Net debt. Net debt is comprised of borrowings, lease liabilities, cash and cash equivalents attributable to owners of the parent company and is inclusive of the impact of associated hedging instruments as disclosed in note 2.7.

See note 4.2 for details of loan covenants, and the Viability statement starting on page 49 for details of scenario analysis performed on covenant restrictions within the Group's financing facilities.

	At 31 December	
	2025 £m	2024 £m
Net debt (note 2.7)	783.6	991.7
Total shareholders' equity attributable to owners of the parent company, excluding hedge and cost of hedging reserves	1,789.1	2,078.3

7.3 Hedge reserve

The Group designates certain hedging instruments that are used to address commodity price risk, foreign currency exchange risk, interest rate risk, foreign currency exchange and interest risk, and inflation rate risk as cash flow hedges. At the inception of the hedge, the relationship between the hedging instrument and hedged item is documented, along with its risk management objectives. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of the hedged items. Changes in the fair value of contracts designated into such hedging relationships are recognised within the hedge reserve to the extent they are effective. Amounts accumulated in the hedge reserve are reclassified in the periods when the hedged item affects profit or loss. If the hedged item results in the recognition of a non-financial asset then the amount accumulated in the hedge reserve is transferred and included within the initial cost of the asset.

The table below details the gains and losses recognised in the current and prior year on hedging instruments, the amounts reclassified from equity due to the hedged item affecting profit or loss, and the amounts reclassified due to the hedged future cash flows no longer being expected to occur. See section 7.2 for further details on these amounts.

Section 7: Risk management continued

7.3 Hedge reserve continued

	Hedge reserve					Total £m
	Commodity price risk £m	Foreign currency exchange risk £m	Interest rate risk £m	Foreign currency and Interest rate risk	Inflation rate risk £m	
At 1 January 2024	257.0	(10.8)	15.1	1.4	(55.3)	207.4
Gains/(losses) recognised:						
– Change in fair value of hedging instrument recognised in OCI	(15.8)	(19.8)	(2.3)	(7.7)	(3.4)	(49.0)
Reclassified from equity as the hedged item has affected profit or loss:						
– Reclassified to the Consolidated income statement – included in revenue	(397.5)	–	–	–	24.0	(373.5)
– Reclassified to the Consolidated income statement – included in cost of sales	105.1	–	–	–	–	105.1
– Reclassified to the Consolidated income statement – included in interest payable and similar charges	–	6.7	(12.0)	(2.9)	–	(8.2)
– Reclassified to the Consolidated income statement – included in foreign exchange gains/(losses)	–	29.1	–	3.4	–	32.5
Reclassified from equity as the hedged item is no longer expected to occur:						
– Reclassified from equity – included in revenue	–	–	–	–	1.2	1.2
Transferred from equity and included within the initial cost of a non-financial asset:						
– Transferred to cost of inventories	–	4.8	–	–	–	4.8
Related deferred tax, net (note 2.6)	77.1	(5.2)	3.5	1.8	(5.4)	71.8
At 1 January 2025	25.9	4.8	4.3	(4.0)	(38.9)	(7.9)
Gains/(losses) recognised:						
– Change in fair value of hedging instrument recognised in OCI	122.3	(84.9)	(2.3)	5.1	(0.6)	39.6
Reclassified from equity as the hedged item has affected profit or loss:						
– Reclassified to the Consolidated income statement – included in revenue	(114.7)	–	–	–	20.5	(94.2)
– Reclassified to the Consolidated income statement – included in cost of sales	(21.3)	–	–	–	–	(21.3)
– Reclassified to the Consolidated income statement – included in interest payable and similar charges	–	7.1	(5.9)	1.9	–	3.1
– Reclassified to the Consolidated income statement – included in foreign exchange gains/(losses)	–	(30.4)	–	(3.1)	–	(33.5)
Reclassified from equity as the hedged item is no longer expected to occur:						
– Reclassified from equity – included in revenue	–	–	–	–	0.8	0.8
Transferred from equity and included within the initial cost of a non-financial asset:						
– Transferred to cost of inventories	–	31.8	–	–	–	31.8
Related deferred tax, net (note 2.6)	3.4	19.1	2.1	(0.9)	(5.2)	18.5
At 31 December 2025	15.6	(52.5)	(1.8)	(1.0)	(23.4)	(63.1)

Section 7: Risk management continued

7.3 Hedge reserve continued

The expected release profile from equity of post-tax hedging gains and losses is as follows:

	At 31 December 2025			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity risk	12.7	2.1	0.8	15.6
Foreign currency exchange risk	(19.9)	(9.0)	(23.6)	(52.5)
Interest rate risk	(1.0)	(0.7)	(0.1)	(1.8)
Foreign currency and interest rate risk	(0.8)	(0.2)	–	(1.0)
Inflation risk	(11.9)	(3.7)	(7.8)	(23.4)
	(20.9)	(11.5)	(30.7)	(63.1)

	At 31 December 2024			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity risk	34.7	(9.2)	0.4	25.9
Foreign currency exchange risk	(1.3)	(3.0)	9.1	4.8
Interest rate risk	4.2	0.4	(0.3)	4.3
Foreign currency and interest rate risk	(2.4)	(1.3)	(0.3)	(4.0)
Inflation risk	(15.1)	(10.1)	(13.7)	(38.9)
	20.1	(23.2)	(4.8)	(7.9)

7.4 Cost of hedging reserve

The Group designates the change in the spot rate as the hedged risk in the Group's cash flow hedge relationships hedging the purchase of inventory denominated in foreign currencies. The Group designates the cost of hedging, being the change in fair value associated with forward points including currency basis, to equity.

For foreign currency options designated as cash flow hedges for the purchase of inventory denominated in foreign currencies the Group designates only the change in intrinsic value as the hedged risk. The change in fair value associated with the time value of options is recognised in the cost of hedging reserve.

The purchase of inventory denominated in a foreign currency is a transaction related hedged item that results in the recognition of a non-financial asset. As such, amounts accumulated in the cost of hedging reserve are removed from the cost of hedging reserve and included within the initial cost of the non-financial asset, being the inventory, on initial recognition of the non-financial asset.

7.4 Cost of hedging reserve continued

All amounts within the cost of hedging reserve relate to foreign currency exchange risk.

The table below details the cost of hedging gains or losses recognised in the year on hedging instruments and the amounts transferred from equity and included within the initial cost of a non-financial asset:

	Cost of hedging	
	2025 £m	2024 £m
At 1 January	6.9	18.7
(Losses)/gains recognised:		
– Change in fair value of hedging instruments recognised in the Consolidated statement of comprehensive income	(21.9)	6.8
Transferred from equity and included within the initial cost of a non-financial asset:		
– Transferred to cost of inventories	(4.3)	(22.6)
Related deferred tax, net (note 2.6)	6.5	4.0
At 31 December	(12.8)	6.9

The expected release profile from equity of post-tax cost of hedging gains and losses is as follows:

	At 31 December 2025			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Foreign currency exchange risk	(3.6)	(4.1)	(5.1)	(12.8)

	As at 31 December 2024			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Foreign currency exchange risk	5.1	0.7	1.1	6.9

Section 7: Risk management continued

7.5 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the Consolidated balance sheet where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group also has financial assets and liabilities with certain counterparties that are subject to master netting agreements. Some financial assets and liabilities do not meet the criteria for offsetting at the reporting date but are subject to an enforceable master netting agreement that in certain circumstances, such as a bankruptcy, would allow for the amounts to be offset and a single net amount payable or receivable.

The table below shows the impact of financial assets and liabilities that are offset in the Consolidated balance sheet, and it also shows the impact if the carrying amounts that are subject to these master netting agreements were also to be offset in certain circumstances, such as a bankruptcy:

	At 31 December 2025						At 31 December 2024					
	Gross amounts of financial instruments £m	Gross amounts of financial instruments offset in the balance sheet £m	Net amounts of financial instruments presented in the balance sheet £m	Related financial instruments that are not offset £m	Related cash collateral assets/ (liabilities) that are not offset £m	Net amount £m	Gross amounts of financial instruments ⁽¹⁾ £m	Gross amounts of financial instruments offset in the balance sheet £m	Net amounts of financial instruments presented in the balance sheet ⁽¹⁾ £m	Related financial instruments that are not offset £m	Related cash collateral assets/ (liabilities) that are not offset £m	Net amount £m
Financial assets												
Derivative financial instruments	129.3	(36.3)	93.0	(46.5)	–	46.5	328.5	(71.2)	257.3	(166.4)	(1.5)	89.4
Trade and other receivables and contract assets	369.6	(65.5)	304.1	(2.7)	(10.9)	290.5	445.3	(52.7)	392.6	(2.5)	–	390.1
Financial liabilities												
Derivative financial instruments	(286.1)	36.3	(249.8)	47.8	10.9	(191.1)	(404.5)	71.2	(333.3)	156.1	–	(177.2)
Trade and other payables and contract liabilities	(739.3)	65.5	(673.8)	1.4	–	(672.4)	(845.7)	52.7	(793.0)	12.8	1.5	(778.7)

(1) The amounts in the table above have been represented to present only the financial assets and financial liabilities included within the balance sheet line item.

Collateral assets and liabilities are recorded in other receivables and other payables respectively.

Section 7: Risk management continued

7.6 Contingencies

Contingent assets are potential assets that arise from past events whose existence will be confirmed by a future event that is outside of the control of the Group. The amount or timing of any potential receipt is uncertain.

Contingent liabilities are potential obligations that arise from past events whose existence will be confirmed by a future event that is outside of the control of the Group. The amount or timing of any potential outflow is uncertain.

As at 31 December 2025, the Group had the following contingent liabilities.

Environmental

The Group's subsidiaries operate facilities in the United States that are subject to federal and state environmental regulation. In this context, certain of the Group's subsidiaries have been named as defendants in two U.S. civil proceedings in Federal Court in the Southern District of Mississippi. One complaint is filed as a putative class action, which alleges property damage, personal injury, and other harms alleged to arise from environmental emissions or other aspects of local site operations. The other complaint is a mass action with similar health and property harm allegations but additionally asserting Clean Air Act violations.

The Group intends to defend the complaints vigorously; however, the ultimate outcome and potential financial or operational impact cannot be predicted with certainty. The Group continues to assess these matters and will update disclosures as required. At this stage management cannot estimate the potential economic impact of the complaints with any reliable precision and therefore these have been treated as contingent liabilities. At this stage, they are not considered to be material to the Consolidated financial statements. Litigation of this nature in the United States can be complex, protracted, and costly to defend.

With litigation of this nature in the United States, there is risk of complaints expanding to more sites where the Group's subsidiaries operate facilities.

Third Party Intermediary commissions

Recent judicial developments relating to commission disclosure obligations of Third Party Intermediaries ("TPIs"), particularly in the non domestic energy sector, have increased the potential for claims by commercial customers alleging hidden or undisclosed broker commissions. A series of recent judgments have provided additional guidance on how such claims will be considered by the English courts. We are in the process of reassessing the potential exposure from existing and threatened commercial customer claims in light of such legal developments. At this stage, it is not considered to be material to the Consolidated financial statements.

7.7 Commitments

The Group has a number of financial commitments (i.e. a contractual requirement to make a cash payment in the future) that are not recorded in the Consolidated balance sheet as the contract is not yet due for delivery. Such commitments include contracts for the future purchase of biomass and contracts for the construction of assets.

	At 31 December	
	2025 £m	2024 £m
Contracts placed for future capital expenditure not provided in the Consolidated financial statements – property, plant and equipment	153.1	142.8
Contracts placed for future capital expenditure not provided in the Consolidated financial statements – intangible assets	2.5	–
Future commitments to purchase ROCs	51.7	–
Future commitments to purchase biomass under fixed and variable priced contracts	1,094.7	2,353.3
Future commitments to purchase fibre under fixed and variable priced contracts	275.8	424.4

Future commitments to purchase biomass have reduced compared to the prior year, as the majority of committed purchases match the period out to the end of the existing renewable schemes in March 2027.

The contractual maturities of the future commitments to purchase biomass and fibre are as follows:

	At 31 December	
	2025 £m	2024 £m
Within one year	1,053.2	995.2
Within one to five years	270.5	1,442.7
After five years	46.8	339.8
	1,370.5	2,777.7

Commitments to purchase biomass reflect long-term forward purchase contracts with a variety of international suppliers, primarily for the delivery of biomass pellets for use in electricity generation at Drax Power Station. To the extent that these contracts relate to the purchase of biomass pellets, they are not reflected elsewhere in the financial statements as they are not within the scope of IFRS 9 as they are for the purchase of a non-financial item that due to the nature of the biomass market cannot be settled net in cash, and are not, therefore, required to be measured at fair value.

Section 8: Reference information

This section details reference information relevant to the compiling of the Consolidated financial statements and provides general information about the Group. This section also sets out the basis of preparation of the Company financial statements and general accounting policies that are not specific to any one note.

8.1 General information

Drax Group plc (the Company) is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and registered in England and Wales. The Company and its subsidiaries (collectively, the Group) have four principal activities:

- Pellet Production: production and subsequent sale of biomass pellets from the Group's processing facilities in North America
- Biomass Generation: generation and sale of electricity from the Group's biomass assets in the UK
- Flexible Generation: generation and sale of electricity from pumped storage, run-of-river hydro and OCGT assets, and the processing and sale of waste-derived pellets, in the UK
- Energy Solutions: supply of electricity to non-domestic customers in the UK

The Group's activities are principally based within the UK, US and Canada.

The address of the Company's registered office and principal establishment is Drax Power Station, Selby, North Yorkshire, YO8 8PH, United Kingdom. A full list of the Company's direct and indirect related undertakings is disclosed in note 5 to the Company financial statements, which follow these Consolidated financial statements.

8.2 Adoption of new and revised accounting standards

The following amendments became effective for the first time in 2025. The Group adopted the following from 1 January 2025:

- IAS 21 (amended) – Lack of Exchangeability – effective from 1 January 2025

The adoption of this amendment in the current period has not had a material impact on these Consolidated financial statements.

At the date of approval of this report, the following new or amended standards and relevant interpretations, which have not been applied in these Consolidated financial statements, were in issue but not yet effective:

- IFRS 10 (amended) – Consolidated Financial Statements – effective date deferred indefinitely⁽¹⁾
- IAS 28 (amended) – Investments in Associates and Joint Ventures (2011) – effective date deferred indefinitely⁽¹⁾
- IFRS 9 (amended) and IFRS 7 (amended) – Amendments to the Classification and Measurement of Financial Instruments – effective from 1 January 2026
- IFRS Accounting Standards – Annual Improvements to IFRS Accounting Standards – Volume 11 – effective from 1 January 2026
- IFRS 9 (amended) and IFRS 7 (amended) – Contracts Referencing Nature-dependent Electricity – effective from 1 January 2026

- IFRS 18 – Presentation and Disclosure in Financial Statements – effective from 1 January 2027
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures – effective from 1 January 2027⁽¹⁾

(1) Pending endorsement by the UK Endorsement Board (UKEB).

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements, which is expected to be effective for periods commencing on or after 1 January 2027. This was endorsed by the UK Endorsement Board on 12 December 2025. The standard will replace IAS 1 Presentation of Financial Statements. Whilst IFRS 18 will not directly impact recognition or measurement, it will impact how amounts are presented, with the principal changes being:

- Categorisation of all income and expenditure into three newly defined categories: Operating, Investing and Financing
- Introduction of two newly defined subtotals to be presented within the income statement: Operating profit and Profit before financing and income taxes
- New disclosure requirement for Management Performance Measures (MPMs)
- New requirements regarding the aggregation and disaggregation of information to be presented in the financial statements

The Group is currently considering the impact of applying IFRS 18, prior to adoption. From the transition work completed so far, the Group expects the main impact to be in relation to the presentation of the Group's Consolidated income statement, as the Group determines the most appropriate categorisations and breakdowns of income and expense items to present. This will likely result in new consolidated income statement categories, different disaggregation of certain types of income and expenses, and will result in different subtotals being presented to those used currently. The Group does not expect a significant impact on either the APMs currently disclosed by the Group, or the level of disclosure provided, as many of the MPM disclosure requirements of IFRS 18 are already provided by the Group. However, the Group's current APMs will be clearly distinguished between those that meet the IFRS 18 definition of an MPM to which the requirements of IFRS 18 apply, and other performance measures provided. The Group's Consolidated cash flow statement under IFRS 18 will start at operating profit, rather than profit after tax, and interest paid and interest received will be presented in financing and investing activities respectively, rather than within operating activities as they are currently. Apart from the impacts described above, the new requirements are not expected to significantly impact any other primary statements or related disclosures.

Adoption of other new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the Consolidated financial statements of the Group. The Group will continue to monitor the developments of these new or amended standards as and when they are endorsed for use in the UK.

Section 8: Reference information continued

8.3 Related party transactions

A related party is either an individual or entity with control or significant influence over the Group, or a company that is linked to the Group by investment (such as an associated company or joint venture), that the Group has significant influence over. The Group's related parties are primarily its associate and its key management personnel. The amounts below are the total amount of transactions that have been entered into with any related parties in the year.

Houston Pellet Limited Partnership (HPLP)

HPLP is owned 30% by the Group and 70% by non-related third parties. The Group purchases biomass pellets from HPLP. The Group manages and administers the business affairs of HPLP and charges a management fee. These transactions are at negotiated amounts between the Group and the non-related third parties.

The transactions in the period and the balances at the reporting date with the related party are summarised below:

		Transactions in the year ended 31 December 2025				Balances as at 31 December 2025 ⁽¹⁾	
		Drax Ownership	Revenue £m	Other income £m	Purchases £m	Payable £m	Receivable £m
Houston Pellet Limited Partnership	HPLP	30%	2.0	0.6	18.4	1.2	0.7

		Transactions in the year ended 31 December 2024				Balances as at 31 December 2024 ⁽¹⁾	
		Drax Ownership	Revenue £m	Other income £m	Purchases £m	Payable £m	Receivable £m
Houston Pellet Limited Partnership	HPLP	30%	2.1	0.5	18.7	1.9	2.9

(1) The amounts payable to and receivable from HPLP are unsecured and non-interest bearing.

Remuneration of key management personnel

The remuneration of the Directors and executive management, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors, together with the Directors' interests in the share capital of the Company, is provided in the audited section of the Remuneration Committee report on pages 105–111.

	Year ended 31 December	
	2025 £000	2024 £000
Short-term employee benefits	7,604	7,274
Termination benefits	2,591	388
Share-based payments	5,203	4,107
Post-employment benefits	406	411
Total remuneration	15,804	12,180

Compensation of the Group's key management personnel includes short-term employee benefits, which includes salaries and other short-term benefits. The compensation also includes contributions to post-employment money purchase pension schemes.

Share-based payments compensation represents the amounts receivable under share-based incentive schemes as disclosed in note 6.2.

The average number of members of the Board and executive management during the year was 15 (2024: 16) and the amounts included in the table above reflect their remuneration.

There were no other transactions with Directors for the periods covered by these Consolidated financial statements.

Drax Group plc

Company financial statements

Company balance sheet

	Notes	As at 31 December	
		2025 £m	2024 £m
Non-current assets			
Investments in subsidiaries	5	785.1	769.4
Current assets			
Amounts due from other Group companies	6	319.2	318.9
Cash and cash equivalents		2.0	4.9
		321.2	323.8
Current liabilities			
Other payables		(7.4)	-
Amounts due to other Group companies		(2.8)	(2.2)
		(10.2)	(2.2)
Net current assets		311.0	321.6
Net assets		1,096.1	1,091.0
Shareholders' equity			
Issued equity	7	49.9	49.4
Share premium		448.5	443.8
Own shares reserve		(534.6)	(314.2)
Capital redemption reserve		1.5	1.5
Retained profits		1,130.8	910.5
Total shareholders' equity		1,096.1	1,091.0

The Company reported a profit for the financial year ended 31 December 2025 of £308.4 million (2024: £490.9 million).

These financial statements were approved and authorised for issue by the Board of Directors on 25 February 2026.

Signed on behalf of the Board of Directors:

Frank Lemmink
CFO

Company statement of changes in equity

	Issued equity £m	Share premium £m	Own shares reserve ⁽¹⁾ £m	Capital redemption reserve £m	Retained profits £m	Total £m
At 1 January 2024	49.1	441.2	(199.6)	1.5	500.1	792.3
Issue of share capital (note 7)	0.3	2.6	-	-	-	2.9
Profit and other comprehensive income for the year	-	-	-	-	490.9	490.9
Movement in equity associated with share-based payments	-	-	0.8	-	13.0	13.8
Equity dividends paid (note 8)	-	-	-	-	(93.5)	(93.5)
Repurchase of own shares through share buyback programmes (note 10)	-	-	(115.4)	-	-	(115.4)
At 1 January 2025	49.4	443.8	(314.2)	1.5	910.5	1,091.0
Issue of share capital (note 7)	0.5	4.7	(0.2)	-	-	5.0
Profit and other comprehensive income for the year	-	-	-	-	308.4	308.4
Movement in equity associated with forward contracts to purchase own shares to satisfy share-based payment arrangements	-	-	-	-	(7.2)	(7.2)
Own shares utilised to satisfy share-based payment arrangements	-	-	0.9	-	(0.9)	-
Movement in equity associated with share-based payments	-	-	-	-	15.7	15.7
Equity dividends paid (note 8)	-	-	-	-	(95.7)	(95.7)
Repurchase of own shares through share buyback programmes (note 10)	-	-	(221.1)	-	-	(221.1)
At 31 December 2025	49.9	448.5	(534.6)	1.5	1,130.8	1,096.1

(1) The 91.8 million (2024: 57.8 million) shares held in this reserve have no voting rights attached to them.

The movement in equity associated with forward contracts to purchase own shares to satisfy share-based payment arrangements is described under the own shares reserve section in note 11.

Drax Group plc

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC).

The principal activity of the Company is being the ultimate parent company of the Drax Group plc group of companies.

The Company financial statements have been prepared in accordance with FRS 101, Reduced Disclosure Framework.

The Company has an Employee Benefit Trust (EBT), primarily for the purpose of satisfying employee share plan awards. The Company is deemed to control the EBT in accordance with IFRS 10 and therefore the EBT is consolidated within the results of the Company. The assets and liabilities of the EBT are included in the Company balance sheet.

The Company applied certain new and amended standards for the first time in 2025. The full list of standards adopted is set out in the Consolidated financial statements in note 8.2. These updates and amendments have not had a material impact on the financial statements of the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, share-based payments, capital risk management, standards not yet effective and certain related party transactions. Where required, equivalent disclosures are given in the Consolidated financial statements.

The Company financial statements have been prepared under the historical cost convention and are presented in pounds sterling which is the functional currency of the Company and rounded to the nearest million to one decimal place unless stated otherwise. The principal accounting policies adopted are summarised below and have been consistently applied to both years presented.

2. Accounting policies

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where relevant, provision for impairment.

Financial assets

Amounts due from other Group companies and other receivables are initially measured at fair value, which is normally the transaction price, and subsequently at amortised cost less impairment. The company holds the receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less any impairment.

A provision for impairment of other receivables, including amounts due from Group undertakings, is measured at an amount equal to lifetime expected credit losses where there has been a significant increase in credit risk since initial recognition. If the credit risk of the financial instrument has not increased significantly since initial recognition, the Company recognises a 12-month expected credit loss provision.

Financial liabilities

Amounts due to other Group companies and other payables are financial liabilities that are initially measured at fair value. Amounts due to other Group companies and other payables are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the existing financial liability is derecognised and a new financial liability based on the modified terms is recognised at fair value.

Financial instruments

Issued equity – Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Company after deducting its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The share premium account reflects amounts received in respect of issued share capital that exceeds the nominal value of the shares issued, net of incremental transaction costs and tax, that are directly attributable to the issue of new shares. Movements in the share premium reserve during the year reflect amounts received above the nominal value on the issue of shares under employee share schemes.

Cash and cash equivalents – Cash and cash equivalents comprise cash at bank, short-term bank deposits with a maturity of three months or less, and money market funds. The carrying amount of these assets is approximately equal to their fair value.

Impairment of financial assets

The Company applies the impairment model in IFRS 9 to provide for expected credit losses on its financial assets including amounts due from other Group companies and other financial assets. The provision for impairment on amounts owed by Group companies is measured at an amount equal to the lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. If there has not been a significant increase in credit risk since initial recognition, a 12-month expected credit loss provision is recognised.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on a financial asset as at the reporting date with the risk of default as at the date of initial recognition. The following information is considered when assessing if a significant increase in credit risk has occurred since initial recognition:

- Changes in the external and internal credit ratings for the financial asset or counterparty to the financial asset
- Changes in credit default swap pricing or spreads for the financial asset or counterparty to the financial asset
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to impact the counterparty's ability to meet its contractual payments
- Actual or expected significant changes in the operating results of the counterparty

Regardless of the analysis factors, a significant increase in credit risk is presumed if a contractual payment due in respect of a financial asset is more than 30 days past due.

Drax Group plc

Notes to the Company financial statements continued

3. Critical accounting judgements and key sources of estimation uncertainty

There were no critical accounting judgements made in the preparation of the Company's financial statements and there are no areas of significant estimation uncertainty within the Company's financial statements.

4. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the years ended 31 December 2025 and 31 December 2024. The Company's financial statements were approved by the Board on 25 February 2026. The net profit attributable to the Company is £308.4 million (2024: £490.9 million).

The Company received dividend income from its subsidiary undertakings totalling £300.0 million in 2025 (2024: £485.0 million).

The Company has no employees other than the Directors in the current or prior year, whose remuneration was paid by a subsidiary undertaking and a proportion was recharged to the Company.

The auditor's remuneration for audit services provided to the Company for the year ended 31 December 2025 was £11,000 (2024: £10,000).

5. Investments in subsidiaries and related undertakings

	Year ended 31 December	
	2025 £m	2024 £m
Carrying amount:		
At 1 January	769.4	755.3
Capital contributions relating to share-based payments	15.7	14.1
At 31 December	785.1	769.4

Investments in subsidiary undertakings

The capital contributions in the current and prior year relate to charges in respect of equity-settled share-based payment awards granted by the Company to employees of its subsidiaries under employee share schemes, which the Company is obliged to settle. The charge is borne by the relevant employing subsidiary entities and a corresponding investment in subsidiary balance arises within the Company. For more information on each of the Group's share-based payment award schemes refer to note 6.2 to the Consolidated financial statements.

Full list of related undertakings

The table below lists the Company's direct and indirect related undertakings as at 31 December 2025:

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
Abbott Debt Recovery Limited*** ++	Dormant	England and Wales	Ordinary	5355799	100
Abergelli Power Limited***	Power generation	England and Wales	Ordinary	8190497	100
Alabama Pellets LLC*	Fuel supply	Delaware, USA	Common	7064679	100
Amite BioEnergy LLC*	Fuel supply	Delaware, USA	Common	5128116	100
Arkansas Bioenergy LLC*	Fuel supply	Delaware, USA	Common	7881707	100
Baton Rouge Transit LLC*	Fuel supply	Delaware, USA	Common	5128759	100
BMM Energy Solutions Limited^***	Energy services	Scotland	Ordinary	SC462201	100
C-Capture Limited	Research and development	England and Wales	Ordinary	6912622	3
Carbon Removals Denmark A/S<	Project development	Denmark	Ordinary	45187942	100
DBI O&M Company LLC*	Non-trading company	Delaware, USA	Common	5305470	100
Demopolis Pellets LLC*	Fuel supply	Delaware, USA	Common	6314280	100
Donnington Energy Limited	Dormant	England and Wales	Ordinary	7109298	100
Drax Asia (Japan) K.K.>	Provision of corporate services	Japan	Common	0100-01-227551	100
Drax BESS Holdco Limited***	Dormant	England and Wales	Ordinary	16152612	100
Drax BESS Marfleet Limited***	Power generation	England and Wales	Ordinary	12967525	100
Drax BESS Neilston Limited***	Power generation	England and Wales	Ordinary	14428809	100
Drax Biomass Acquisitions LLC*	Non-trading company	Delaware, USA	Common	7897331	100
Drax Biomass Holdings Limited***	Holding company	England and Wales	Ordinary	8322715	100
Drax Biomass Holdings LLC*	Dormant	Delaware, USA	Common	5128115	100

Drax Group plc

Notes to the Company financial statements continued

5. Investments in subsidiaries and related undertakings continued

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
Drax Biomass Inc.*	Biomass pellet manufacturing	Delaware, USA	Common	5068290	100
Drax Biomass International Holdings LLC*	Holding company	Delaware, USA	Common	5250168	100
Drax Biomass Transit LLC*	Holding company	Delaware, USA	Common	5128118	100
Drax CCS Limited	Dormant	England and Wales	Ordinary	7885329	100
Drax Corporate Limited	Group-wide corporate services	England and Wales	Ordinary	5562058	100
Drax Cruachan Expansion Limited***	Non-trading company	England and Wales	Ordinary	6657393	100
Drax Energy Solutions Limited	Power retail	England and Wales	Ordinary	5893966	100
Drax Finco plc	Finance company	England and Wales	Ordinary	10664639	100
Drax Fuel Supply Limited*** ++	Non-trading company	England and Wales	Ordinary	5299523	100
Drax Generation Developments Limited***	Development company	England and Wales	Ordinary	7821368	100
Drax Group Holdings Limited	Holding company	England and Wales	Ordinary	9887429	100
Drax Holdings Limited+	Holding company	Cayman Islands	Ordinary	92144	100
Drax Hydro Limited***	Holding company	England and Wales	Ordinary	8654218	100
Drax Innovation Limited***	Development company	England and Wales	Ordinary	10664715	100
Drax Netherlands B.V.~	Dormant	Netherlands	Ordinary	81848455	100
Drax Pension Trustees Limited	Dormant	England and Wales	Ordinary	9824989	100
Drax Power Limited	Power generation	England and Wales	Ordinary	4883589	100
Drax Pumped Storage Limited***	Power generation	England and Wales	Ordinary	6657336	100
Drax Research and Innovation Holdco Limited***	Holding company	England and Wales	Ordinary	6657454	100
Drax Retail Developments Limited	Dormant	England and Wales	Ordinary	10711130	100
Drax River Hydro Limited***	Power generation	England and Wales	Ordinary	5956747	100
Drax Smart Generation Holdco Limited***	Holding company	England and Wales	Ordinary	7821911	100
Drax Smart Sourcing Holdco Limited***	Holding company	England and Wales	Ordinary	7821375	100
Drax Smart Supply Holdco Limited***	Holding company	England and Wales	Ordinary	10664625	100
Elimini, Inc*	Provision of corporate services	Delaware, USA	Common	7216170	100
Elimini US Development, LLC*	Development company	Delaware, USA	Common	7234532	100
Elimini US Holdings, LLC*	Holding company	Delaware, USA	Common	7234548	100
Farmoor Energy Limited*** ++	Dormant	England and Wales	Ordinary	7111074	100
Haven Heat Limited++	Dormant	England and Wales	Ordinary	6657428	100
Haven Power Nominees Limited*** ++	Dormant	England and Wales	Ordinary	7352734	100
Hirwaun Power Limited***	Power generation	England and Wales	Ordinary	8190283	100
Houston Pellet Inc.**	General partner	Richmond, Canada	Common	BC0730544	33
Houston Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP0428310	30
Jefferson Transit LLC*	Dormant	Delaware, USA	Common	6297176	100
LaSalle Bioenergy LLC*	Fuel supply	Delaware, USA	Common	6297174	100
Lavington Pellet Inc.**	General partner	Richmond, Canada	Common	BC1022038	75
Lavington Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP0649393	75

Drax Group plc

Notes to the Company financial statements continued

5. Investments in subsidiaries and related undertakings continued

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
Longview Bioenergy LLC*	Fuel supply	Delaware, USA	Common	7881704	100
Millbrook Power Limited***	Power generation	England and Wales	Ordinary	8920458	100
Morehouse BioEnergy LLC*	Fuel supply	Delaware, USA	Common	5128117	100
Northern Pellet Inc.**	General partner	Richmond, Canada	Common	BC1213828	50
Northern Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Class A and Class C	LP781774	50
Opus Energy (Corporate) Limited***	Power retail	England and Wales	Ordinary	5199937	100
Opus Energy Group Limited***	Holding company	England and Wales	Ordinary	4409377	100
Opus Energy Limited***	Power retail	England and Wales	Ordinary	4382246	100
Opus Energy Marketing Limited*** ++	Dormant	England and Wales	Ordinary	5030694	100
Opus Energy Renewables Limited	Power retail	England and Wales	Ordinary	7126582	100
Opus Gas Limited***	Non-trading company	England and Wales	Ordinary	5680956	100
Opus Gas Supply Limited***	Power retail	England and Wales	Ordinary	6874709	100
Opus Water Limited	Dormant	England and Wales	Ordinary	9425319	100
Pinnacle Renewable Energy Inc.**	Fuel supply	Richmond, Canada	Common	BC1300366	100
Pinnacle Renewable Holdings (USA) Inc.*	Holding company	Delaware, USA	Common	7043656	100
Pirranello Energy Supply Limited	Dormant	England and Wales	Ordinary	10769036	100
Progress Power Limited***	Power generation	England and Wales	Ordinary	8421833	100
Smithers Pellet Inc.**	General partner	Richmond, Canada	Common	BC1135983	100
Smithers Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP730047	100

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
SMW Limited^	Fuel supply	Scotland	Ordinary	SC165988	100
Sunflower Energy Supply Limited	Dormant	England and Wales	Ordinary	9735929	100
Tyler Bioenergy LLC*	Dormant	Delaware, USA	Common	6297175	100
US Genco I, LLC*	Project development	Delaware, USA	Common	2595041	100
US Genco II, LLC*	Project development	Delaware, USA	Common	4375052	100
US Genco III, LLC*	Non-trading company	Delaware, USA	Common	2595050	100

All related undertakings are indirect apart from Drax Group Holdings Limited.

Registered office Incorporated in England and Wales

The registered address of all the companies incorporated in England and Wales is Drax Power Station, Selby, North Yorkshire, YO8 8PH. The exception to this is C-Capture Limited, which is registered at Windsor House, Cornwall Road, Harrogate, HG1 2PW.

*Incorporated in the USA

The registered address of all related undertakings incorporated in the USA is CSC, 251 Little Falls Drive, Wilmington, DE 19808-1674.

**Incorporated in Canada

The registered address of all related undertakings incorporated in Canada is 2800 Park Place, 666 Burrard Street, Vancouver, BC V6C 2Z7.

^Incorporated in Scotland

The registered address of all related undertakings incorporated in Scotland is 13 Queen's Road, Aberdeen, Scotland, AB15 4YL.

+Registered in Cayman Islands

The registered address of Drax Holdings Limited is C/O Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, George Town, Grand Cayman KY1 9005, Cayman Islands.

~Registered in Netherlands

The address of Drax Netherlands B.V. registered in Netherlands is Barbara Strozilaan 101, Amsterdam, 1083HN.

>Registered in Japan

The address of Drax Asia (Japan) K.K. registered in Japan is Level 21, Marunouchi Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-0005.

Drax Group plc

Notes to the Company financial statements continued

5. Investments in subsidiaries and related undertakings continued

<Registered in Denmark

The address of Carbon Removals Denmark A/S registered in Denmark is C/O DLA Piper Law Firm P/S, Oslo Plads 2, DK-2100 København Ø, Denmark.

***Exempt from audit

These subsidiaries have taken advantage of the exemption from audit available under section 479A of the Companies Act 2006 for the 2025 statutory accounts. These companies are all incorporated in the UK.

++Winding up

These companies are going through a voluntary winding up process. The companies have not traded for some time and their dissolution will help the Group save on administrative costs.

Abbott Debt Recovery Limited and Opus Energy Marketing Limited have 30 December 2025 year ends. All other related undertakings have 31 December 2025 year ends.

The Group consolidates all of the related undertakings disclosed above apart from:

- C-Capture Limited which is equity accounted
- Northern Pellet Inc. and Northern Pellet Limited Partnership which are accounted for as joint operations
- Houston Pellet Inc. and Houston Pellet Limited Partnership which are equity accounted

6. Amounts due from other Group companies

The amounts due from other Group companies include short-term trading balances which are unsecured, interest free and settled under normal payment terms. Amounts due from other Group companies also includes other funds advanced by the Company and cash pool arrangements which accrue interest at a commercial rate. Cash pool balances are repayable on demand and interest is settled quarterly. Other funds advanced by the Company are settled according to the terms of the agreement or, if shorter, the date demanded by the Company as the lender. If interest is not paid on the due date it is rolled over and capitalised.

The expected credit loss provision calculated on amounts due from other Group companies was negligible in the current and prior year due to the high credit quality of the counterparties and short time until expected receipt. As a result, no provision has been recognised.

7. Issued equity

	As at 31 December	
	2025 £m	2024 £m
Issued and fully paid:		
432,171,763 (2024: 427,770,766) ordinary shares of 11 ¹⁶ / ₂₉ pence each	49.9	49.4

The movement in allotted and fully paid share capital of the Company during the year was as follows:

	Year ended 31 December	
	2025 (number)	2024 (number)
At 1 January	427,770,766	424,923,406
Issued in respect of employee share schemes	4,400,997	2,847,360
At 31 December	432,171,763	427,770,766

The Company has only one class of shares, which are ordinary shares of 11¹⁶/₂₉ pence each, carrying no right to fixed income. The Trustee of the Employee Benefit Trust (EBT) waived dividends paid in the year on shares held by the EBT. The counterparty that holds shares as part of the Group's forward contracts to purchase its own shares (see note 4.4) has waived dividends paid in the year on shares they hold. During the year 2,611,059 shares were issued at a weighted average exercise price of 190 pence per share in respect of options vesting on employee share purchase schemes and 1,789,938 shares were issued in respect of share options vesting on share awards with no exercise price.

The total cash received, split between the nominal value of issued equity and share premium, is shown in the Company statement of changes in equity on page 243.

Full details of share options outstanding are included in note 6.2 to the Consolidated financial statements.

8. Dividends

	Pence per share	Year ended 31 December	
		2025 £m	2024 £m
Amounts recognised as distributions to equity holders in the year (based on the number of ordinary shares outstanding at the record date):			
Interim dividend for the year ended 31 December 2025 paid on 24 October 2025	11.6	40.0	
Final dividend for the year ended 31 December 2024 paid on 16 May 2025	15.6	55.7	
Interim dividend for the year ended 31 December 2024 paid on 25 October 2024	10.4		39.8
Final dividend for the year ended 31 December 2023 paid on 17 May 2024	13.9		53.7
Total distributions		95.7	93.5

At the forthcoming Annual General Meeting the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2025 of 17.4 pence per share (equivalent to approximately £59 million) payable on 15 May 2026. The final dividend has not been included as a liability as at 31 December 2025.

Drax Group plc

Notes to the Company financial statements continued

9. Distributable reserves

The Company considers its distributable reserves to be comprised of the retained profits, less credits to equity in respect of share schemes, less own shares. Accordingly, the Company considers itself to have sufficient distributable profits from which to pay the current proposed final dividend for 2025 of approximately £59 million. In addition to its own reserves, the Company has access to the distributable reserves of its subsidiary undertakings with which future dividend payments can be funded.

The Company is dependent upon its subsidiaries for the provision of cash with which to make dividend payments. The Group has sufficient cash resources with which to meet the proposed dividend (see note 4.1 to the Consolidated financial statements for additional information).

10. Share buyback programme

On 31 July 2025, the Company announced a £450 million share buyback programme, to commence immediately following the completion of the £300 million share buyback programme that took place between 2024 and 2025.

	Year ended 31 December 2025		Year ended 31 December 2024	
	Number of shares (million)	Total net cost £m	Number of shares (million)	Total net cost £m
Shares repurchased:				
£300 million buyback programme	29.4	185.7	17.8	115.4
£450 million buyback programme	4.7	35.4	–	–
Total	34.1	221.1	17.8	115.4
Price paid per share:		Pence		Pence
Average		644.7		645.6
Range	Between 544.3 and 833.3		Between 618.8 and 673.9	

The £300 million share buyback programme completed on 8 October 2025. The £450 million programme is ongoing. During 2026, to 24 February 2026, under the £450 million share buyback programme, 2.5 million shares have been repurchased at a total net cost of £21.9 million.

Shares purchased under these share buyback programmes are held in treasury within the own shares reserve awaiting reissue or cancellation and have no voting rights attached to them. The shares purchased by the Company have not been cancelled and so continue to be included in the issued shares in the above table.

11. Own shares

The own shares reserve represents shares of Drax Group plc purchased under share buyback programmes and held by the Company as Treasury shares, or shares of the Company held by the Employee Benefit Trust (EBT) for the purpose of satisfying employee share-based payment awards. The EBT is treated as an extension of the Company, in accordance with IFRS 10.

The cost of these shares held by the EBT or the Company are recognised as a deduction from equity until the shares are issued to employees under share awards, cancelled, reissued or disposed of. The amount deducted from equity includes any incremental directly attributable costs. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Where the Company has entered into a forward contract and has an obligation to purchase a fixed amount of its own shares for a fixed price the present value of this obligation is recognised as a deduction to equity, within retained earnings, with a corresponding liability recognised for the amount of the purchase price. Once the shares have been received under this forward contract the deduction to equity within retained earnings is transferred to the own shares reserve.

As at 31 December 2025, the own shares reserve comprises 91.8 million (2024: 57.8 million) shares at a value of £534.6 million (2024: £314.2 million) held in treasury.

During the year, the EBT subscribed for 1.8 million of new shares at nominal value for a total of £0.2 million, which were subsequently issued to employees to satisfy share plan awards during the year.

See the Company statement of changes in equity for a reconciliation of the movement in the own shares reserve.

12. Guarantees

The Company has provided guarantees over the liabilities of its subsidiaries that have taken advantage of the audit exemption available in section 479A of the Companies Act 2006. The list of subsidiaries who have taken this exemption can be found in note 5.

The possibility of an economic outflow in relation to the above guarantees is considered remote.

Shareholder information

Key dates for 2026

At the date of publication of this document, the following are the proposed key dates in the 2026 financial calendar:

Ordinary shares marked ex-dividend	23 April
Record date for entitlement to the final dividend	24 April
Annual General Meeting	30 April
Payment of final dividend	15 May
Financial half-year end	30 June
Announcement of half-year results	30 July
Financial year end	31 December

Other significant dates, or amendments to the proposed dates above, will be posted on the Group's website at www.drax.com as and when they become available.

Results announcements

Results announcements are issued to the London Stock Exchange and are available on its news service. Shortly afterwards, they are available under Regulatory News within the Investors section on the Group's website.

Share price

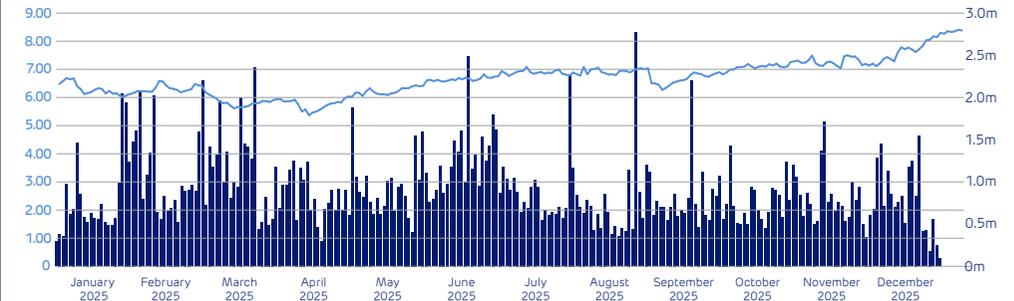
Shareholders can access the current share price of Drax Group plc ordinary shares on the Company's website. During London Stock Exchange trading hours, the price shown on the website is subject to a delay of approximately 15 minutes, and outside trading hours it is the last available price.

The table below provides an indication of the fluctuations in the Drax Group plc share price during the course of 2025, and the graph provides an indication of the trend of the share price throughout the year.

Closing price on 31 December 2024	Low during the year 9 April 2025	High during the year 30 December 2025	Closing price on 31 December 2025
647.8 pence	536.8 pence	840.7 pence	837.8 pence

Share price chart

Share price (GBP)



Note:

The share prices given are the middle market closing prices as derived from the London Stock Exchange Daily Official List.

Market capitalisation

The market capitalisation, based on the number of shares outstanding and the closing price at 31 December 2025, was approximately £2,205 million (2024: £2,396 million).

Financial reports

Copies of all financial reports published by the Group are available from the date of publication and can be downloaded from the Company's website. Printed copies of reports can be requested by writing to the Company Secretary at the registered office, by clicking on Contact Us on the website, or direct by email to Drax.Enq@drax.com.

Shareholder information continued

Drax shareholder queries

The Company's share register is maintained by Equiniti Limited (Equiniti), who are primarily responsible for updating the share register and for dividend payments.

Shareholders should contact Equiniti directly if they have a query relating to their Drax shareholding, in particular queries regarding:

- transfer of shares;
- change of name or address;
- lost share certificates;
- lost or out-of-date dividend cheques;
- payment of dividends direct to a bank or building society account; and
- death of a registered shareholder.

Equiniti can be contacted as follows:

- Call Equiniti on +44 (0)371 384 2030 from within the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday, (excluding Bank Holidays)
- Write to Equiniti at Equiniti Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH.

When contacting Equiniti by telephone or in writing it is advisable to have your shareholder reference to hand and quote Drax Group plc, as well as the name and address in which the shares are held.

Online communications

Registering for online communications allows you to have more control over the administration of your shareholding. The registration process is easy via Equiniti's secure website at shareview.co.uk.

Once registered with Shareview you are able to:

- elect how Drax communicates with you;
- amend some of your personal details;
- amend the way you receive dividends; and
- buy or sell shares online.

Registering for electronic communications does not mean that you can no longer receive paper copies of documents. Equiniti are able to offer a range of services and tailor the communications to meet your needs.

A range of frequently asked shareholder questions can also be found on the Company's website at www.drax.com/investors/investor-resources/equity-investors-faq/.

Tax on dividends

Below is a brief summary of the guidance provided by HMRC as it relates to the current tax year. If you are in any doubt as to the impact on your personal circumstances, you are recommended to seek your own financial advice from a professional adviser authorised under the Financial Services and Markets Act 2000.

There is a tax-free Dividend Allowance of £500 per annum in the 2025–2026 tax year (2024–2025: £500). This means that there is no tax to pay on the first £500 of dividend income, no matter what non-dividend income a shareholder may have. Dividends paid on shares held within pensions and ISAs are tax-free.

Non-taxpayers and basic rate taxpayers who receive dividend income of more than £500 but less than £10,000 are required to notify HMRC that they have this source of income.

Non-taxpayers and basic rate taxpayers who receive dividend income of more than £10,000 are required to file a self-assessment return with HMRC.

The above requirements apply to Share Incentive Plan participants receiving cash dividends on their plan shares.

Further information and updates on tax on dividends can be found at gov.uk/tax-on-dividends.

Beneficial owners and information rights

If your shares are registered in the name of a third party (i.e. an ISA provider or other nominee company) you may, if you wish, receive information rights under Section 146 of the Companies Act 2006. In order for this to happen, you must contact the third-party registered holder, who will then nominate you. All communications by beneficial owners of shares where the shares are held by third-party registered holders must be directed to that registered holder and not to Drax or Equiniti.

ShareGift

ShareGift (registered charity No. 1052686) is an independent charity which provides a free service for shareholders wishing to dispose charitably of small parcels of shares, which would most likely cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is possible to obtain income tax relief. Further information can be obtained directly from the charity at sharegift.org.

Share frauds (boiler room scams)

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence offering to purchase their shares at apparently inflated prices. It is often the case that the caller, or message in the correspondence, claims that they represent a majority shareholder who is looking to take over the Company. At the time of this report, the Company was not the subject of a take-over attempt, hostile or otherwise, and approaches such as those outlined are usually made by unauthorised companies and individuals. Shareholders should be very wary of any unsolicited advice, offers to buy shares at a premium or offers of free reports into the Company. Below is the advice from the Financial Conduct Authority (FCA).

Shareholder information continued

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud:

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.

Remember, if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Glossary

Ancillary services

Services provided to National Grid used for balancing supply and demand or maintaining secure electricity supplies within acceptable limits. They are described in Connection Condition 8 of the Grid Code.

Availability

Average percentage of time the units were available for generation.

BECCS

Bioenergy with carbon capture and storage, with carbon resulting from power generation captured and stored.

BESS

Battery energy storage system.

Biogenic carbon cycle

Biogenic refers to something that is produced by, or originates from, a living organism. The biogenic carbon cycle is the natural process of plants and animals releasing CO₂ into the atmosphere through respiration and decomposition, and plants absorbing CO₂ via photosynthesis.

Biomass

Organic material of non-fossil origin, including organic waste, that can be converted into bioenergy through combustion. The Group uses sawmill and other wood industry residues and forest residuals (which includes low-grade roundwood, thinnings, branches and tops) in the form of compressed wood pellets, to generate electricity at Drax Power Station or sell the pellets to third parties.

Branches and tops

Tops, bark, and limbs of trees that have been left behind post-harvest.

Capacity Market

Part of the UK Government's Electricity Market Reform, the Capacity Market is intended to ensure security of electricity supply by providing a payment for reliable sources of capacity.

Carbon capture and storage (CCS)

The process of trapping or collecting carbon emissions from a large-scale source and then permanently storing them.

CCC

The UK's Climate Change Committee.

CDR

Carbon dioxide removal.

Contracts for Difference (CfD)

A mechanism to support investment in low-carbon electricity generation. The CfD works by stabilising revenues for generators at a fixed-price level known as the "strike price". Generators will receive revenue from selling their electricity into the market as usual; however, when the market reference price is below the strike price, they also receive a top-up payment for the additional amount. Conversely, if the reference price is above the strike price, the generator must pay back the difference.

Combined Cycle Gas Turbines (CCGT)

A form of highly efficient energy generation technology that combines a gas-fired turbine with a steam turbine.

Department for Energy Security and Net Zero (DESNZ)

The UK Government Department that provides dedicated leadership focused on delivering security of energy supply, ensuring properly functioning markets, greater energy efficiency and seizing the opportunities of net zero to lead the world in new green industries.

Dispatchable power

An electricity generator produces dispatchable power when the power can be ramped up and down, or switched on or off, at short notice to provide (or dispatch) a flexible response to changes in electricity demand. Biomass, pumped storage, coal, oil, and gas electricity generation can meet these criteria and hence can be dispatchable power sources. Nuclear can be dispatched against an agreed schedule but is not flexible. Wind and solar electricity cannot be scheduled and hence are not dispatchable. An electricity system requires sufficient dispatchable power to operate and remain safe.

EBDS

The UK Government's Energy Bills Discount Scheme.

EGL

The Electricity Generator Levy.

ENGO

Environmental NGO.

ESG

Environmental, Social and Governance.

First Nations

Any of the groups of indigenous peoples in Canada.

FlexGen

The reportable segments Flexible Generation and Energy Solutions.

Forced outage/Unplanned outage

Any reduction in plant availability, excluding planned outages.

FSC®

Forest Stewardship Council: an international NGO which promotes responsible management of the world's forests.

Frequency response

The automatic change in generation output, or in demand, to maintain a system frequency of 50Hz.

GHG

Greenhouse gas.

Grid charges

Includes transmission network use of system charges (TNUoS), balancing services use of system charges (BSUoS) and distribution use of system charges (DUoS).

IAB

Independent Advisory Board, comprising scientists, academics, and forestry experts who provide independent challenge, insight and advice into the Group's activities.

Glossary continued

IFRS

International Financial Reporting Standards.

Lost Time Incident Rate (LTIR)

The frequency rate is calculated on the following basis: (fatalities and lost time injuries)/hours worked x 100,000. Lost time injuries are defined as occurrences where the injured party is absent from work for more than 24 hours.

Low-grade roundwood

Low-grade roundwood is material which does not satisfy the quality standards set by the timber industry and is rejected by a sawmill.

NGO

Non-governmental organisation.

Near Miss and Hazard Identification Rate (NMHIR)

NMHIR is the total number of near miss and hazard identification reports logged per 100,000 hours worked.

NESO

National Energy System Operator. The energy system operator for the UK.

Non-woody biomass

Biomass not derived from wood, for example non-woody processing residues.

Open Cycle Gas Turbine (OCGT)

A free-standing gas turbine, using compressed air, to generate electricity.

Planned outage

A period during which scheduled maintenance is executed according to the plan set at the outset of the year.

PEFC

Programme for the Endorsement of Forest Certification: an independent, non-profit, non-governmental organisation that promotes sustainable forest management through independent third-party certification.

REGO

The Renewable Energy Guarantees of Origin (REGO) scheme provides certificates called REGOs which demonstrate electricity has been generated from renewable sources.

Reserve

Generation or demand available to be dispatched by the System Operator to correct a generation/demand imbalance, normally at two or more minutes' notice.

Responsibly sourced biomass

Biomass that delivers climate, nature, and people positive outcomes, adhering to strict compliance, traceability, and third-party certification standards, where relevant.

ROC

A Renewables Obligation Certificate (ROC) is a certificate issued to an accredited generator for electricity generated from eligible renewable sources.

Salvage trees

Trees that are felled because they have defective stems, are ill or damaged (e.g. pest, insects, fungus, wind, storms, fires, etc.).

Sawmill and wood industry residues

Woody material produced during the processing of wood at the sawmill, such as sawdust, shavings, chips, and offcuts.

SBP

Sustainable Biomass Program: a certification system designed for woody biomass used in industrial energy production.

Summer

The calendar months April to September.

Sustainable biomass

Biomass which complies with the definition of "sustainable source", Schedule 3, Land Criteria, UK Renewables Obligation Order 2015.

System operator

National Grid Electricity Transmission. Responsible for the co-ordination of electricity flows onto and over the transmission system, balancing generation supply and user demand.

TCFD

Task Force on Climate-related Financial Disclosures.

Thinning

Wood from a silvicultural operation where the main objective is to reduce the density of trees in a stand, improve the quality and growth of the forest, producing saleable trees and forest health improvements.

TNFD

Taskforce on Nature-related Financial Disclosures.

Total Recordable Incident Rate (TRIR)

The frequency rate is calculated on the following basis: (fatalities, lost time injuries and worse than first aid injuries)/hours worked x 100,000.

Total results

Financial performance measures prefixed with "Total" are calculated in accordance with IFRS.

Total shareholder return (TSR)

A measure of the performance of a company's shares over time. It combines the rise or fall of the share price and dividends paid to shareholders to show the total return to shareholders over a particular period.

UK ETS

The UK Emissions Trading Scheme is a mechanism introduced across the UK to reduce carbon emissions; the scheme is capable of being extended to cover all greenhouse gas emissions.

Winter

The calendar months October to March.

Company information

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www.drax.com

Registration details

Registered in England and Wales
Company Number: 5562053

Group Company Secretary

Hillary Berger

Enquiry email address

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Brokers

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Cautionary note regarding forward-looking statements

This Annual Report and Accounts may contain certain statements, expectations, statistics, projections and other information that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans, beliefs, and objectives for the management of future operations of Drax Group plc ("Drax") and its subsidiaries (the "Group"), are not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although Drax believes that the statements, expectations, statistics and projections and other information reflected in such statements are reasonable, they reflect the Company's current view and no assurance can be given that they will prove to be correct. Such events and statements involve risks and uncertainties. Actual results and outcomes may differ materially from those expressed or implied by those forward-looking statements.

There are a number of factors, many of which are beyond the control of the Group, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These include, but are not limited to, factors such as: future revenues or earnings being lower than expected; increasing competitive pressures in the industry; uncertainty as to future investment and support achieved in enabling the realisation of strategic aims and objectives; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected, including the impact of prevailing economic and political uncertainty, the impact of conflicts, the impact of cyber attacks on IT and systems infrastructure (whether operated directly by Drax or through third parties), the impact of strikes, the impact of adverse weather conditions or events such as wildfires, and changes to the regulatory and compliance environment within which the Group operates. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.



Go Online. Go Paperless. It's Simple.

If you no longer wish to receive a hard copy of the Annual Report and Accounts, and instead wish to receive communications electronically, please contact our Registrar, Equiniti, on +44 (0)371 384 2030 (lines are open from 8.30am to 5.30pm, Monday to Friday, excluding public holidays, in England and Wales).

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Design and production

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