

Our corporate governance framework is fundamental to everything we do. It ensures that we operate safely, efficiently and effectively, comply with all relevant legal and regulatory conditions and report accurately on our performance.

Our Board of Directors' primary objective is to ensure that we deliver energy services safely and profitably, preserving and enhancing our investments for shareholders and other stakeholders. To enable this, they have put in place our Corporate Governance Policy.

We operate in a dynamic environment, adjusting our business objectives accordingly. Robust and effective corporate governance is needed to ensure that the objectives we set are appropriate, and that the risks associated with them are efficiently and economically managed.

How corporate governance works in EDF Energy

Our Board is responsible for providing effective corporate governance policies and ultimately accountable for every decision we make. The Board delegates the authority to make decisions to our Executive Committee, led by our Chief Executive (who reports directly to the Board) and our wider management team.

Acting on the Board's behalf, the Executive Committee ensures that our corporate governance policies and all other systems of internal control and risk management are implemented correctly (see "Corporate governance processes").

How we manage risk

Our Corporate Risk Assurance Policy sets out our risk management objectives, defines roles and responsibilities and provides the means to:

- Identify, evaluate, control and report significant risks as they arise

- Implement a comprehensive, consistent and company-wide approach to risk management
- Maintain a risk register detailing the risks faced by branches and support functions along with appropriate remedial action plans
- Promote risk control as a fundamental business process

Our internal control systems

Effective internal controls are essential. They help us reduce risks, improve competitiveness and comply with all UK legal requirements as well as those of the EDF Group.

In line with established and accepted principles, our definition of internal control covers all systems used in EDF Energy to provide directors and managers with reasonable assurance concerning:

- Compliance with laws and regulations
- Compliance with management decisions and guidelines
- The effectiveness and efficiency of internal activities and processes
- The relevance and reliability of financial and other information

We integrate our internal control systems into our day-to-day processes. Managers at every level of our business are responsible for aspects of internal control.

Corporate Responsibility and Environment Panel

We set up a Corporate Responsibility and Environment (CR&E) policy and standards panel in 2006 to help us achieve the levels of performance, strategic direction and cross-company co-ordination required to achieve our sustainable future ambitions. The panel, chaired by the Director Sustainable Future, plays many multiple roles – including helping in the development of clear company strategy and standards on priority CR issues and monitoring business compliance with these standards. Panel members act as champions and catalysts within their own

business areas, helping to establish a shared vision for CR&E and to promote collaborative action and achievement on CR&E objectives.

Our Internal Control Policy

Our Internal Control Policy is in place to provide clarity about management accountability, define minimum required standards and establish ways to report on internal control to our stakeholders. The policy supports the dynamic framework illustrated below.

EDF Energy internal control framework

In line with a clear vision, strategies are developed taking into account key strategic risks. Strategy is translated into objectives – delivered through 'business as usual' processes and projects

Barriers to achieving objectives are defined as risks. EDF Energy managers identify risks, assess the level of threat they present and develop appropriate processes and projects to manage them at an acceptable level.

EDF Energy Managers put performance indicators in place to monitor progress towards objectives. Performance is reported against these indicators regularly and reviewed by managers at the appropriate level.

Corporate governance systems are set out in policies and procedures – communicated effectively to all EDF Energy employees.

Internal control systems are monitored and assessed at least once a year to support continuous improvements. Self assessment methods are used to prepare formal performance reports that include action plans for future improvement.