

# Corporate Governance Statement

## EDF Energy Customers Limited

### (2021)



**Statement approved by the Board of Directors on 26 September 2022 as part of the Company's Annual Report & Financial Statements (2021) and signed on its behalf by Simon Todd, Director, on 28 September 2022.**

#### Introduction

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code using the Wates Principles for Large Private Companies (the **Wates Principles**). This approach allows the Company to maintain robust corporate governance arrangements whilst continuing to support the corporate governance practices of its parent company, EDF SA Group (a listed company on the Euronext Paris), with its compliance obligations under the French Afep-Medef Code.

The Company purpose and strategy is set out in the Strategic Report and published on the EDF Energy (**EDF UK**) website. The purpose is summarised as helping Britain to achieve Net Zero. The purpose and strategy are guided by: i) feedback from stakeholder engagement; ii) consideration of the long-term impact of strategic decisions on the long-term objectives of the Company and the wider EDF UK Group, being EDF Energy Holdings Limited and its subsidiaries (the **Group**); and iii) the environmental impact of those decisions.

The purpose is a UK articulation of the EDF SA Group **Raison d'être**. It underpins strategy setting and decision making by the Board and ensures activity within the Company is compatible with achieving these objectives in order to promote long term success.

To ensure strong corporate governance practices are maintained, the Group acts in accordance with multiple overarching internal policies that are tested on an annual basis to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

This statement will explain what arrangements the Company had in place during 2021 to maintain its strong corporate governance culture and support delivery of the purpose and strategy, which, for ease of review, have been aligned with the Wates Principles to ensure consistency with the principles of formal codes of governance.

**The Company operates an effective board that has developed and promoted the purpose of a company, and ensured the Company values, strategy and culture align with that purpose.**

EDF UK is proud to be Britain's biggest generator of zero carbon electricity<sup>1</sup> the UK's largest producer of low-carbon electricity and in order to help Britain achieve Net Zero EDF intends to lead the transition to a decarbonised energy system across its seven business areas. To help effect this change, in 2020, EDF UK acquired Pod Point, one of the largest electric vehicle (**EV**) charging providers in the UK, following the launch of its low-carbon EV tariff "**Go Electric**". In 2021 EDF UK also chose to partner with DriveElectric, one of the UK's leading electric car lease providers, to provide customers with handpicked EV leasing deals, opening up the EV market to more individuals. With the UK Government vowing to phase-out the sale of new petrol and diesel cars by 2030, taking these decisions was an important step forward for EDF UK in its support of Britain in achieving its Net Zero goals. This followed the acquisition by the renewables arm of the business of UK battery storage developer Pivot Power in late 2019 which is helping the Group to develop battery storage and is creating business opportunities and economic activity.

In 2021 the Company also signed a fifteen-year power purchase agreement with RWE to purchase renewable electricity from Sofia, which will be one of the largest offshore wind farms in the world, located off the North East coast of the UK. This represents EDF UK's largest renewable energy agreement to date which will see EDF UK offtake all 6.5-terawatt hours of renewables wind energy each year. This equates to almost half of the electricity used in the North East of England annually, or the equivalent of the power needs of over 1.2 million homes. Providing additional large-scale offshore wind capacity to support the UK in achieving its ambitions of net zero emissions by 2050.

These corporate activities are not only in themselves a significant step towards helping Britain achieve Net Zero but are also illustrative of EDF's sustainable business roadmap underpinning activity within the Company.

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<sup>1</sup> UK Fuel Mix disclosure information, published by Government Department BEIS, recognises electricity from wind, solar and nuclear fuel produces zero carbon dioxide emissions at the point of generation.

Following the launch of a new ambition for the Customers Business in 2019, 'Simply Better for Customers', which strives to provide the best service for its customers and puts customers at the heart of everything it does in line with the Company's values, EDF was awarded the Uswitch 'Large Supplier of the Year' award in 2021, receiving a customer satisfaction score of 74% - the highest score of all the 'big six' suppliers. The Customers Business also acquired the customer accounts of Utility Point, Green Network and Zog Energy after being appointed Supplier of Last Resort following the collapse of these suppliers during the ongoing Energy Market Crisis (the **Crisis**), which was a key activity of the Customers Retail strategy which the Board oversees implementation of.

To ensure the strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team that provides support to the Group with issuing tailored communications to employees. Public and political opinion with regard to EDF UK is monitored and the team frequently engages with political parties and other stakeholders. The social media team also has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

**The Company has an effective board composition, with an effective Chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of the board is appropriate to the scale and complexity of the Company.**

The purpose of the Board is to provide vision and leadership to the Company's management and to oversee management's performance by having oversight over safety and operational performance; key technical issues; risks; HR, financial and commercial matters. The overriding objective of the Board is to act as a governance forum with oversight of the Company's operations within the Customers business unit. To assist with these responsibilities the Board utilises committees and internal governance bodies established within the Group to consider matters in detail. These current committees include:

1. EDF UK Executive Team;
2. Customers Margin Committee; and
3. EDF UK Risk Management Committee.

In addition, the Board utilises the following standing sub-committees adopted by the main governance board of the Group, being EDF Energy Holdings Limited, and which are governed by supporting Terms of Reference:

1. EDF UK Company Health and Safety Committee;
2. EDF UK Audit Committee; and
3. EDF UK Remuneration Committee.

The directors of the Company have given careful consideration to the size and structure of the board, to ensure it possess the knowledge and expertise to meet the Company's strategic needs. The Board is comprised of the Managing Director Customers and members of the Customers Business Unit Executive Team (the **Customers ET**) with expertise in Finance, HR and Sales & Marketing.

In addition to possessing wide-ranging expertise, there has been a considered effort to establish a diverse Board, including a balance of gender, ethnicity and social backgrounds. All changes to the Board composition, particularly appointments, are approved in accordance with the 'Politique Gouvernance des filiales' policy mandated by EDF SA for the worldwide EDF SA Group before being approved by the Company.

On appointment, directors are provided with the EDF UK Directors Training and Induction Manual which outlines their obligations as a Director, how to comply with them, and how to operate within EDF UK's corporate governance framework. Directors are also offered face-to-face bespoke training should they need additional support in their new role and are encouraged to update their skills, knowledge and familiarity with the Group by meeting with senior management, visiting sites (such as the power stations and call centres) and by attending appropriate external seminars and training courses.

To ensure that potential conflicts of interest of Directors are identified and duly authorised, newly appointed Directors are required to complete a Conflicts of Interest Questionnaire and sign a declaration to this effect. This information is collected by the Company Secretary. Directors are aware that new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders. In 2021, there was only one new appointment to the Board.

**The Board and individual directors have a clear understanding of their accountability and responsibilities. The Company's policies and procedures support effective decision-making and independent challenge.**

The Company's constitutional documents set out the authority, role and conduct of Directors. Day-to-day management and the implementation of strategies agreed by the Board are delegated to the relevant director(s) or Customers ET members in attendance., who are also members of the Customers ET. The reporting structure below Board level is designed to ensure that decisions are made by the most appropriate person(s). Management teams report to members of the Customers ET. Management teams report directly to members of the Customers ET.

The Directors receive regular updates on all aspects of the Customers business endorsed by the relevant Customers ET member ahead of each Board meeting and are confident in the integrity of the information used for decision-making. This is dictated by the Company's internal procedures in relation to financial reporting, key performance indicators (KPIs), workforce data, environmental data, stakeholder engagement feedback and consumer data.

The Company and wider Group uses Financial Authority Limits (FALs) (as detailed in the Group Corporate Governance Policy) and contract signatory authority mechanisms to control and provide oversight over the various financial commitments it enters into.

The Group Corporate Governance Policy underpins the Company policy framework that sets out:

1. Requirements for governance bodies;
2. their composition and Board member training;
3. Financial Authority Limit (FALs);
4. The Policy Operating Framework; and
5. Requirements for processes to facilitate the discharge of board duties as well as to provide evidence of decision-making and stakeholders considered as part of that decision-making.

The Group Audit Charter provides internal authority to independently assess the effectiveness of risk management, control and governance processes by the Company and wider Group. The findings of any such review are reported to the Audit Committee of the EDF Energy Holdings Limited Board and presented to the Company to discussion.

**The Board promotes long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risk.**

The Company has a stringent risk management culture through policies, reporting and internal audit and assurance enabling directors to make robust decisions concerning principal risks to the Group. The Group has developed a Risk Management, Internal Control, Business Continuity Policy, which defines key standards the companies within the Group are required to achieve. The Company self-assesses against these standards, and the Group is audited against them to provide assurance that Group companies have an appropriate risk culture. The directors agree how these principal risks should be managed or mitigated to reduce the likelihood of their incidence or magnitude of their impact. These risks are set out in the "Principal risks and uncertainties" section of the Strategic Report.

Control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Improvement. Actions are identified following completion of the results, where required, to facilitate continuous improvement. Results are then reported to the EDF Group Risk department to support EDF SA's compliance with the French Afep-Medef Code.

**The Board promotes executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the Company.**

The Group's executive remuneration structures and policies are set and implemented within the wider framework of EDF Group policies for Senior Leaders and operate under the supervision and governance of the EDF UK Remuneration Committee (as referenced above) of EDF Energy Holdings Limited. Although the purpose of the EDF UK Remuneration Committee is to provide a forum for considering the level and composition of the remuneration of the EDF Energy Holdings Board and Executive Team, its responsibilities are wide and go beyond the scope of just this. One of its responsibilities is to make recommendations about the overall remuneration policy of the Group having due regard to the practices adopted by comparator UK companies and the need to attract, retain and motivate employees of the experience and calibre required, including detailed elements of the remuneration packages, pension arrangements and service contracts for the above group.

The Group operates both short-term and long-term incentives arrangements for their Senior Leaders, with targets which align to and reinforce the requirement for the long-term sustainability and performance of the business. These incentives represent a significant part of the remuneration package of the Senior Leaders.

The individual performance of Senior Leaders across the Group, and determination of their annual pay awards, is balanced with affordability based on the Company's economic and financial position, including that of the wider Group. When determining the pay approach for the Senior Leaders, as well as setting the rules of the annual incentive arrangements, the EDF UK Remuneration Committee ensures that the principles used are consistent with the approach applied to the rest of the workforce (for instance regular benchmarking against the market, through Competition Act 1998 compliant processes).

The Company is committed to building a sustainable future for all employees. Honouring this commitment means fostering a work environment where everyone is rewarded fairly for the work they do and the contributions they make to the Company's success. The Group is also an active equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices (including remuneration) are objective, free from bias and based solely upon work criteria and individual merit. The Company publishes its annual Gender Pay Report on its website.

**Directors foster effective stakeholder relationships aligned to the Company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.**

The Company's key stakeholders, and the ways in which it engages with them, are set out in the Strategic Report.

The Group's key stakeholders, and the ways in which the respective companies engage with them, are set out in the Strategic Report of each set of Annual Accounts.

Good governance and effective communication are essential to deliver the purpose, the Raison d'être of EDF SA, and to protect EDF UK's reputation and relationships with all stakeholders including shareholders, customers, employees, suppliers, regulators and local communities. The Company purpose was developed with input from both employees and customers to ensure its relevance for stakeholders and secure their buy-in. By maintaining dialogue with stakeholders, the Board ensures that it takes decisions aligned with the Company purpose to support long term success.

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated, in particular, through the sustainable business roadmap which showcases our commitment to being a responsible business and our engagement with internal and external stakeholders.

The Group engages, informs and consults with its employees on matters affecting them and has regard to their interests in decision making. Employees who possess a diverse range of talents and perspectives, that feel engaged in their roles, are fundamental to the long-term success of the Company.

Employee engagement mechanisms include:

- Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
- Trade union and personal contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, strategy meetings, and business unit specific forums. In 2021, the Company engaged directly with the Trade Union regarding to the consolidation of EDF UK's three pension schemes - see section below on 'Stakeholder concerns identified'.
- Employee networks sponsored by senior management to provide diverse and inclusive environments for employee support, feedback and comment. They help build cultural awareness and understanding of identity, and how different demographic groups face different challenges.
- Diversity and Inclusion Strategy Group (**DISG**) chaired by the CEO reviews Group strategy and actions taken to promote Diversity and Inclusion (**D&I**). It discusses items raised via the employee networks to guide Company policy development.
- Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy, for example the EDF Group Employee Engagement Survey discussed further below, see 'Stakeholder concerns identified'.

In the summer of 2020, EDF UK launched its Everyone's Welcome vision for being a great place to work, where everyone is welcome. Following the launch and engagement with our employee networks, EDF UK issued a Standards of Behaviour statement in September 2021. The statement outlines the Company's expectation that all EDF UK employees have access to a respectful working environment and that behaviour which is not in line with the Everyone's Welcome vision will not be tolerated.

Throughout the Covid-19 pandemic, the Company issued regular communications to employees to ensure awareness of the actions taken by the Company and the reason behind them. The protection of EDF UK employees and contractors has remained of paramount importance to the company as the pandemic continued throughout 2021 and concern for the safety of employees has remained at the forefront of the Board's mind in decision making.

The Company has faced serious challenges during 2021 due to the impact of the pandemic. The Board has maintained that the mental health and wellbeing of employees, particularly those in customer facing roles, should remain a top priority for management.

The Company and wider Group proactively engages with relevant external stakeholders (such as the Department for Business Energy and Industrial Strategy, Ofgem, Citizens Advice, etc) to provide updates and discuss issues in the energy market. Directors and other attendees share feedback from these external discussions with internal stakeholders to support decision making and facilitate transparency.

The Customers business unit and its respective teams therein, are responsible for engagement with relevant stakeholders affecting the Customers business, ensuring that the information shared with them represents a fair, balanced and understandable assessment of the Company's position and prospects. These teams also evaluate any feedback from stakeholders and escalate information (where relevant) to the Board for consideration in order to aid its principle decision making. For example, the Company uses customer insight from both specific research exercises and more general customer feedback, such as complaints data, to inform decision making.

The Company is an active member of the industry trade body Energy UK, with internal stakeholders attending monthly Retail Committee Meetings. Through our engagement in this forum we collaborate with other suppliers and industry participants to progress various consumer, regulatory and policy matters alongside discussing regulatory and policy issues to provide direction to Energy UK when engaging external stakeholders.

The Company, in addition to other companies within the Group that meet the applicable threshold, publishes its Modern Slavery Act Statement, Gender Pay Gap Report and Payment Practices Report in accordance with UK law and regulation. Each of these is published externally and gives consideration to EDF UK's relationships with its suppliers, particularly the Modern Slavery and Payment Practice and Reporting Statements. The Board welcomes this transparency and uses these reports to help EDF UK continue to improve its performance in these areas.