

Corporate Governance Statement

EDF ENERGY (GAS STORAGE) LIMITED

(2023)



Statement approved by the Board of Directors on 12 April 2024 as part of the Company's Annual Report & Financial Statements (2023) and signed on its behalf by David Tomblin, Director, on 12 April 2024

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. Such an approach ensures that decisions taken by the Board support the long-term success of the Company and its stakeholders and demonstrates that the Company is compliant with the requirements of Section 172 of the Companies Act 2006 (the Act).

This statement describes the actions taken by the Directors to fulfil their responsibilities to promote the success of the Company in accordance with the Act for the financial year ending 2023. The Directors have considered the following Section 172 factors:

- The likely consequences of any decision in the long term,
- Employee interests,
- Fostering business relationships with suppliers, customers and others,
- The impact of operations on the community and the environment,
- Maintaining a reputation for high standards of business conduct, and
- Acting fairly between members of the Company.

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with Section 172 of the Companies Act 2006.

The Company purpose and strategy is set out in the Strategic Report and published on the EDF UK website. EDF UK's purpose is "Helping Britain to achieve Net Zero - Together" (the Purpose). The purpose is supported by the Company strategy, and both 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 Group, being EDF Energy Holdings and its subsidiaries (the Group); and iii) the environmental impact of those decisions.

The Company continues to support the corporate governance practices of its parent company, EDF SA Group. 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.

Although EDF SA is no longer publicly listed, to ensure strong corporate governance practices are maintained, the EDF UK Group acts in accordance with multiple overarching internal policies. These policies align with the policies and strategy of the EDF SA Group and are tested on an annual basis to satisfy the French Securities Markets Authority (Autorite des Marches) Listing Requirements.

The Company is committed to sustainability and published a Helping Britain Achieve Net Zero Progress Update in 2023 (available online). The update sets out how EDF UK is helping the transition to a secure, reliable, affordable and resilient decarbonised energy system through our business activities, which include generating zero carbon electricity, helping our customers to achieve net zero, decreasing our carbon footprint and contributing to environmental and societal improvements, all of which is underpinned by our commitment to health and safety. EDF UK also published its latest Carbon Reduction Plan (available online).

In 2023, the Company acquired the assets of Cheshire Cavity Storage 1 limited so that it had responsibility for operating both the Hill Top and Hole House gas storage facilities. Any strategic decisions relating to the operations of the gas storage facilities are addressed at the Board of the Company's parent company, EDF Energy (Thermal Generation) limited and therefore the acquisition of the assets of Cheshire Cavity Storage 1 limited was addressed by way of written resolution.

In early 2024, a deal was reached to sell the Company to Kistos Holdings pie. This deal signals EDF UK's exit from thermal operations in the UK, a decision that has been driven by EDF UK's clear strategy 'Helping Britain achieve net zero together', led by investment in Nuclear and Renewables generation.

1. OUR STAKEHOLDERS • WHO ARE THEY AND HOW DO WE ENGAGE WITH THEM?

The Company engages with a large variety of stakeholders. The Company's key stakeholders are summarised below:

- Employee and Trade Unions
- Communities
- Suppliers
- Customers/Developers
- Industry and Business Association
- Government and Regulators

The Company is clear that good governance and effective communication are essential on a day-to-day basis to deliver the Purpose, the "raison d'être" of EDF SA and to protect the Company's reputation and relationships with our stakeholder community including shareholders, customers, employees, suppliers, regulators and the local communities in which we work.

Employees and Trade Unions

The Company engages, informs and consults with its employees (employed by a group entity) on matters affecting them and the Company ensures that it has regard to the interests of employees in decision making. Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of the Company. In February 2024, the Company has commenced a period of consultation with employees affected by the deal to sell the Company, this was supported by the wider EDF UK Group.

During 2023, employee engagement is carried out in a number of ways which give employees a voice and in which our senior leaders actively participate. This has been demonstrated throughout some large change programmes where leaders have worked closely with employees and key stakeholders. Employee engagement mechanisms include:

- The development and roll out of our UK country strategy in 2023, which includes mechanisms designed to encourage team discussion as well as to cascade the information.
- Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the EDF UK intranet.
- A sustainability engagement plan, including items such as a sustainability segment in the Company's monthly internal, employee-led podcast, 'Connect'. The podcast is used to bring employees from across the business, both at a management and executive level, together to discuss relevant topics, and to showcase the EDF UK's passion and ambition in relation to sustainability. Employees can email in their stories and ideas to Connect and then share them through the written magazine or on the podcast, allowing employees to raise awareness on topics such as climate change.
- The EDF UK Group engages with Trade Unions to help understand our business better and shape policy with Company Council, European Works Council, Corporate Social Responsibility Forum, strategy meetings, and BU specific forums. After constructive conversations with Trade Unions in 2023, EDF UK was able to roll out an annual cash bonus to personal contract holders - see section below on 'Stakeholder concerns identified'.
- Employee networks sponsored by senior management which provide diverse and inclusive environments for employee support, feedback, comment, and consultation. 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 EDF UK CEO sets and reviews the EDF UK Group strategy, monitors progress and actions taken to promote Equity, Diversity and Inclusion (E,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 UK Group and wider EDF SA Group employee engagement surveys discussed further below, see 'Stakeholder concerns identified'.
- EDF UK launched its Everyone's Welcome vision for being a positive, inclusive place to work. Following the launch of such, and after engagement with employee networks, EDF UK then 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.
- EDF UK has worked closely with the employee networks during 2023. Alongside You"- a support hub for Mental Health and Well-being has continued to bring together resources to support employees during the energy market crisis.

Communities & Environment

The Company is committed to social responsibility, community engagement and environmental sustainability, which is demonstrated, through the Helping Britain achieve Net Zero - 2023 Progress Update (available online). EDF UK supports a decarbonised future and is committed to leading the UK's transition to a secure, low-carbon electricity system. As the UK's largest low-carbon generator¹, EDF UK is helping support the reduction in carbon emissions enacted by the Climate Change Act 2008 (amended in 2019 to set a Net Zero target by 2050) and the Paris Agreement on Climate Change.

The Group is further supported by various teams across the business specifically in managing sustainability risks and opportunities. This includes those that focus wholly on identifying and reporting on sustainability and climate-related risks or, more generally, those in roles where they need to be engaged in sustainability risks which may present themselves in the ordinary course of business. for example in procurement and supply chain management.

Furthermore, the Group has set up various groups across the business to help support sustainability. The Net Zero Steering Group, for example, is made up of a range of senior stakeholders from different BUs and functions across EDF UK, providing a forum to discuss and share knowledge and learnings on climate-related topics.

The EDF UK Group has also set up the Environmental Professional Network, which provides a link between business activities and individual professional development within the environmental sector across the different BUs. The network provides a forum for individuals to hear from each other build a professional network, mentor, and support development, with a focus on sustainability. Membership is open to all environmental professionals working within an EDF UK team, at all levels of the organisation and at all levels of experience. By having a range of employees coming together to form this network, it allows those with a diverse range of thoughts and experiences to be able to connect and share knowledge across the business, furthering the development of a climate-conscious future across the Company.

EDF UK aims to protect the natural environment and biodiversity through stewardship of land around its power stations and the commitments made through its renewables and new nuclear projects. Extensive consultation with local communities is undertaken to enable better decision-making.

The Company continues to support local communities through various fundraising initiatives. The Company was in partnership with Prostate Cancer UK for almost four years, during which time, the Company raised a significant amount of money for the charity. During 2023, the Company's four-year partnership with the charity came to an end and the Company engaged with employees through a company-wide survey to determine the next charity partner. This process allowed for a meaningful, transparent engagement process with employees to select the next charity partner, Alzheimer's Society. The Company's dedication to, and

¹ UK Fuel mix disclosure information, published by Government Department BEIS, recognises from wind, solar and nuclear fuel produces zero carbon dioxide emissions at the point of generation. [edfenergy.com](https://www.edfenergy.com)

focus on, fundraising continues to be a key priority and in the long-term will continue to support the Company's positive relationships with the wider community.

External Stakeholders

The Company and wider Group proactively engages with relevant external stakeholders where we have various trade association memberships (such as the Confederation of British Industry, Energy UK etc). The Group's active participation in these forums is a useful way to enhance relationships with stakeholders, providing a valuable channel for communication with government and regulators on matters of common interest. Through our affiliations the Company can gain the knowledge and skills necessary to operate in a highly competitive marketplace. The Company and Group have different types of memberships and affiliations relating to the different activities undertaken throughout the Group.

The Company and wider Group also engages directly with central Government (such as the Department for Energy Security and Net Zero) and industry & environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environment Policy Agency). We engage with political and regulatory stakeholders to help them understand our business better, and so shape the policy and the environment where we operate. Our direct engagement with these stakeholders is supplemented with additional engagement through trade associations where it is useful to do so. We have a role to play in sustainability, through our Purpose and enabling Britain to achieve Net Zero by championing the transition to a low-carbon future.

2. HOW DOES THE BOARD SET STRATEGY AND TAKE DECISIONS?

Setting Strategy

Purpose and Objective

During 2023, the Board approved the consolidation of the assets of the Company and Cheshire Cavity Storage 1 Limited into a single entity, the Company. The strategic decision making affecting the Company was managed by the Board of its parent company, EDF Energy (Thermal Generation) Limited. EDF Energy (Thermal Generation) Limited is responsible for managing the operations of the Hill Top and Hole House Gas Storage facilities, which is managed day-to-day through its subsidiary.

The assets are operated with a focus on stable, predictable revenue generation whilst also developing the fast cycling ability of the plant.

The Communications Team

To ensure the overriding strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team to support the Company issuing tailored communications to employees that support the Company's strategy, sustainable business plan and brand vision. The Company also has an open and ongoing dialogue with trade unions and other employee representatives, regulators and policy organisations and other stakeholders. The social media team has an active listening, response and monitoring strategy to gauge market perception of delivery of the strategy of the Company.

Externally, the communications team supports the Company to manage reputational issues and stakeholder engagement. Public and political opinion with regard to EDF is monitored and the team frequently engages with political parties and other stakeholders to ensure engagement continues.

The work carried out by the communications team enables a platform for Directors to engage with stakeholders, e.g. by attending external seminars to present on topical matters aligned to the Group's strategy or by filming a short video clip to upload on the [edfenergy.com](https://www.edfenergy.com)

Group's intranet or website giving an insight into its priorities. This type of activity helps Directors identify any key stakeholders to engage with further as part of reaching targets before presenting back to the Board in the future.

Taking Decisions

Meet the Board

The Directors of the Company have given careful consideration to the size and structure of the Board, in order to meet the strategic needs and challenges of the organisation and ensure there is a suitable level of knowledge and expertise of the Company and Group in order to discharge any decision-making responsibilities appropriately and satisfy the needs of this particular Board. In doing so, the composition of the Board is most likely to factor into promoting the success of the Company.

As at 31 December 2023, the-composition included the Nuclear Operations Managing Director and Finance Director. The Board was supported from both an operational and strategic perspective by EDF Energy (Thermal Generation) Limited. The Board of EDF Energy (Thermal Generation) Limited includes a mix of Directors and Special Advisors bringing experience from a broad range of energy backgrounds, with standing invitations to attendees including Legal, HR, Finance and Operations. The balance of skills and experience of the Board and its parent company's Board composition facilitates constructive challenge and effective decision-making.

In 2023, the Company's Board did not meet, however, its parent company's Board met quarterly and considered a rolling pipeline of strategic, financial and statutory agenda items agreed by the Chair in conjunction with the Head of Thermal Generation and the other constituents of the Board.

Scope of the Board & Delegations of Authority

Key financial information is collated from SAP, the Company's accounting system. The Company's finance function is appropriately qualified to ensure the integrity of this information is provided with the necessary training to keep up to date with regulatory changes.

The Company uses Financial Authority Limits (FAi.s) (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.

Stakeholder concerns identified.

Each business unit and the respective teams therein, are responsible for engagement with relevant stakeholders, evaluating any feedback and escalating information (where relevant) to the Board for consideration in order to aide its principle decision making.

As highlighted above, an example of this would be the annual My EDF survey, the results of which are disseminated by each team within the business before being presented to the Board to support the setting of company strategy etc. Another example could be the ongoing engagement with the Group's various Pensions Trustees and Advisors to ensure the schemes in place are run properly and that members' benefits are secure. This information is used to inform and support the Board taking decisions impacting the schemes, considering triennial valuations every three years and setting future pensions strategy.

3. DIRECTORS TRAINING & INDUCTION

Board Composition and Training

All changes to the Board composition, particularly appointments, are approved in accordance with the 'Polilique 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, including those in the Act, compliance, and EDF UK's corporate governance framework. Directors are encouraged to participate in bespoke training and are encouraged to update their skills and knowledge of the EDF UK Group by meeting with senior management, visiting sites (such as the power stations), undertaking external training, and engaging with stakeholders across the business and its operations.

To ensure that potential conflicts of interest 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 of the Company and if a conflict is considered to have arisen, appropriate advice on how to proceed is provided to the Director concerned. Directors are aware that new conflicts arising thereafter must be declared and authorised in advance by the board of Directors or by the shareholders. The EDF UK Employee Code of Conduct on the EDF internal internet, 'eNZO', also sets out the restrictions in relation to outside employment/interests and our Director training specifically covers conflict of interest.

The Company recognises the importance of board evaluation and development. This constitutes good governance and is a valuable process in improving board performance, even where the Board is composed of Directors who are experienced in fulfilling the role of Director on a number of senior boards. The continuous improvement of the Board and how it operates is critical to both the success of the Company and overall success of the Group; which in turn, highlights the paramount importance of ensuring the Directors fulfil their responsibilities to the Board and maintain relationships with key stakeholders to ensure all decisions taken are supported by the highest level of information to enable strong decision making. Board evaluations have historically been carried out on a biennial basis with a summary of the key strengths and areas for improvement presented back to the Board to discuss and agree actions to implement any proposed changes.

4. POLICIES & PROCESSES

Ensuring Best Practice

The Company has a robust risk management culture that is enabled through policies, reporting and internal audit and assurance, enabling Directors to make robust decisions concerning principal risks to the Company. The Group has a Risk & Resilience Policy (covering Risk Management, Internal Control, Business Continuity and Crisis Management), which defines the minimum standards that business units (BUs) within the company need to meet. The Company self-assesses against these standards and the EDF UK Group is audited against policy standards to provide assurance that those companies have an appropriate risk culture.

BU risks are identified by management, with each BU having their own risk governance structure and risk reporting arrangements. Directors agree how their principal risks should be managed or mitigated to reduce the likelihood of their incidence or magnitude of their impact. The key risks to the Group's objectives are set out in the "Principal risks and uncertainties" section of the Strategic Report and in the Annual Risk and Internal Controls Report. Each company level risk has an Executive Sponsor. This review provides an opportunity for the Directors to consider any emerging risks and have a forum to devise solutions to minimise their impact.

The Company has processes in place to ensure that all significant risks are effectively managed, at an appropriate level in the business, ensuring risks are 'communicated and escalated' and 'trends and interfaces are monitored' providing visibility of risks

from a local level (power station or BU) right through to company level. As the significance of the risk increases so does the level of communication and escalation in order to ensure significant risks are appropriately reviewed and stress tested, supporting effective decision making by key stakeholders at the appropriate level in the business. Risk reviews on progress against delivering mitigation plans and controls are conducted on a regular basis. On a quarterly basis, the business-level risk committees conduct a holistic review of the significant risks as well as the linkages to other risks challenging the effectiveness of the deployed risk strategies. Membership includes senior management from across the organisation providing diverse, independent and intrusive challenge of risks.