

Statement approved by the Board of Directors on 11 August 2021 as part of the Company's Annual Report & Financial Statements (2020) and signed on its behalf by Rob Guyler, Director, on 11 August 2021.

## PART 1 INTRODUCTION

For financial year ending 2020, the Company continued to act in accordance with the robust corporate governance arrangements, outlined further in this Statement, which are embedded across the EDF Energy group (the **Group**). The Company also continued to support its ultimate parent company, EDF SA, a listed company on the Euronext Paris, complying with its obligations under the French Afep-Medef Code.

Notwithstanding the ongoing support to EDF SA, the Group takes its own approach to corporate governance very seriously; something which is demonstrated through the company culture and behaviours adopted across the Group. To ensure strong corporate governance practices are maintained, the Group acts in accordance with 13 overarching internal policies which are underpinned by our sustainable business roadmap that sets out how we are delivering our Company purpose: Helping Britain Achieve Net Zero (the **Purpose**) sustainably and responsibly by:

1. Accelerating the UK's shift to low-carbon nuclear and renewable energy storage;
2. Helping households switch to low-carbon lifestyles through smarter innovative solutions;
3. Empowering our business customers to switch to low-carbon growth; and
4. Bringing everyone with us as our business transforms towards Net Zero impact.

Our Purpose and sustainable business roadmap are also published on our EDF Energy website. Application of the 13 policies is tested by Group on an annual basis as part of its companywide internal controls self-assessment. This is also linked to EDF SA's requirement to satisfy the French Securities Markets Authority (**Autorité des Marchés**) Listing Requirements.

The Company is not required to comply with the UK Corporate Governance Code but seeks to apply best practices from the Code as appropriate to the Company and aligned with the with the corporate governance practices of the EDF SA group. Going forward it will use Wates Principles for Large Private Companies as a benchmark for its corporate governance practices. This approach ensures the Board can demonstrate how it makes decisions for the long-term success of the company and its stakeholders and also how the Board ensures the Company and wider Group complies with the requirements of Section 172 of the Companies Act 2006.

### A summary of the Group

As outlined above, the corporate governance arrangements of the Group stem from our Purpose and sustainable business roadmap. The sustainable business roadmap sets our three commitments towards being a responsible business in support of helping accelerate the UK's shift to low-carbon nuclear and renewable energy, storage and supply:

1. To demonstrate real progress towards a Net Zero environmental impact by reducing out carbon emissions, waste, water use and effect on biodiversity.
2. To create a great workplace for our people by supporting their health and safety, diversity and inclusion and skills development.
3. To make a positive social contribution by supporting vulnerable customers, local economies and the STEM skills of tomorrow's energy innovators.

The Purpose, launched in July 2020, together with the sustainable business roadmap and its accompanying commitments, underpins all policy and forms the basis of all company decision making and all communication and engagement with both internal and external stakeholders.

The reason for creating the Purpose, as well as the sustainable business roadmap, was to firmly align the Group with the values and goals of its parent, being to build a net zero energy future with electricity and innovative solutions and services to help save the planet and drive wellbeing and economic development (the **Raison d'être**). The Purpose is a UK articulation of the Raison d'être

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with which it is entirely consistent and underpins all strategy setting and decision making within the Company, ensuring business activity is compatible with achieving these objectives.

Further, our sustainable business roadmap closely links to the Corporate Social Responsibility Goals of the EDF SA Group, and in turn, the United Nations' long term vision for sustainable development – the UN Sustainable Development Goals. In July 2019, EDF SA launched a new Group Ethics Charter which supports the 2030 Vision while bringing ethical requirements back to the heart of its corporate responsibility. Built upon EDF SA Group's three values of respect, solidarity and responsibility, it sets out the principles which guide the everyday actions and behaviour of EDF SA Group employees worldwide, which includes employees of the Group.

In addition, the Group promotes diversity through a number of diversity and inclusion networks for its workforce: LGBT Supporters; Women's; Black, Asian and Minority Ethnic; Disability and Carers; Working Parents; Forces Support; Young Professionals; Cancer Support; and Mental Health Supporters.

Part 2 of this statement will explain what arrangements the Company had in place during 2020 to maintain its strong corporate governance culture and support delivery of the Purpose, which, for ease of review, have been aligned with the Wates Principles for Large Private Companies to ensure consistency with the principles of formal codes of governance.

## **PART 2**

### **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 Energy 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 Energy 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". 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 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. These acquisitions 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 with the acquisition of Pod Point offering an innovative EV solution that empowers households to switch to low-carbon lifestyles and that of Pivot Power supporting a shift to low-carbon and renewable energy storage.

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 is in line with the Company's values, the Company maintained an 'excellent' Trust Pilot score during 2020, above its most significant competitor. The Customers Business also acquired 160,000 residential customer accounts from ISupply in 2020 which was a key activity for the Customers Retail strategy which the Board oversees implementation of.

The Company's principal activity is the procurement of energy and commodities on behalf of other companies within the Group together with provision of head office services. The Company is an intermediate holding company of Group.

EDF Energy's Purpose, which is supported by the Company, targets a sustainable long-term business that meets its customers' needs for energy and associated services in an efficient and responsible way while supporting the transition to a lower-carbon economy through generation of safe, reliable and affordable low-carbon electricity. In support of achieving the Purpose and 2030 strategy, EDF Energy has developed detailed action plans which build on the high-level vision and objectives. All these actions are underpinned by a focus on maintaining industry leading safety performance and improving cost efficiency across the business.

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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.

To ensure the overriding strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team which issues tailored communicates 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 Energy is monitored and the team frequently engages with political parties and other stakeholders to ensure engagement continues.

The Group conducts its EDF Group Employee Engagement Survey, 'My EDF', annually which gathers the views and opinions of all employees with regard to their work situation at local level and within the EDF SA Group. It identifies areas of satisfaction and opportunities for improvement in order to help establish priorities within the Group and to input action plans within the different teams. The results of the My EDF survey are used to support the setting of company strategy, realign company purposes / values (where identified as being required) and define individual team objectives to help deliver the 2030 strategy.

**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 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. Structurally, the business of the Group is transacted at either operational Board level or at a holding group Board level. As the Company is an intermediary holding company and not embedded within a particular business unit, the Board does not meet regularly. Instead, the Board meets / considers matters via written resolution on an ad hoc basis. The majority of topics referred to this Board are those that require statutory approval, i.e. approval of the annual accounts, share subscriptions etc. or matters of a material financial value.

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 Energy Executive Team;
2. Customers Margin Committee; and
3. EDF Energy Energy 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 Energy Company Health and Safety Committee;
2. EDF Energy Audit Committee; and
3. EDF Energy Remuneration Committee.

In addition, the Group has adopted and acts in accordance with a Financial Authority Limit (**FALs**) framework which means contracts and transactions up to a certain financial threshold are not required to be presented to a board for approval (unless otherwise required).

The composition of the Board includes two Executive Directors, being the Chief Executive Officer and Chief Financial Officer of EDF Energy, both having strong knowledge and expertise of the Company and Group in order to discharge any decision making responsibilities appropriately. The balance of skills and experience of the Board composition facilitates constructive challenge and effective decision-making in order to sufficiently satisfy the needs of this particular Board.

Any changes to the Board composition of the Company, 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 Energy Directors Training and Induction Manual which is intended to provide them with key information they need to understand their obligations as a Director, how to comply with them, and how to operate within EDF Energy'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.

In order to ensure that all potential conflicts of interest of Directors are identified and duly authorised, any newly appointed Director is 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 reminded that any new conflicts arising thereafter must be declared and authorised in advance by the board of directors or by the shareholders.

**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. As Executive Directors, the Board and individual directors understand their fiduciary accountabilities and responsibilities to the Company in addition to those of the wider Group.

Where the Board does meet, the directors receive timely information ahead of each Board meeting and are confident in the integrity of the information used for decision-making. This is due to its internal procedures in relation to financial reporting, key performance indicators (**KPIs**), workforce data, environmental data, stakeholder engagement feedback and consumer data.

The Group Corporate Governance Policy underpins the company policy framework and sets out:

1. the requirement for there to be governance bodies;
2. their composition;
3. the FALs framework;
4. the Policy Operating Framework;
5. the requirement to have processes and procedures in place to facilitate the discharge of board duties as well as to provide evidence of decision-making; and
6. the requirement for board members to receive training.

The above-mentioned policies and procedures enable the Board to make informed decisions on key issues including strategy and risk management (where required).

Key financial information is collated from SAP, the Group's accounting system. The Group'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 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 FALs are formally adopted by the Company annually as part of good governance procedures.

In addition, 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 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 and Internal Controls policy, which defines key standards the group companies should be achieving. The Company assess itself against these standards, and the Group is audited against them to provide assurance that group companies have an appropriate risk culture. The Directors have agreed on 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.

In practice, 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 across teams. These 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 Energy Remuneration Committee (as referenced above) of EDF Energy Holdings Limited. Although the purpose of the EDF Energy 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 that. 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 Energy 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 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 all our stakeholder community including shareholders, customers, employees, suppliers, regulators and the local communities in which we work.

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 Company (through relevant teams within the Group) engages, informs and consults with its employees on matters affecting them. 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. 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 through some large change programmes where leaders have worked closely with employees and key stakeholders. Some of the mechanisms include:

1. Formal and informal briefings, departmental meetings and regular reports in staff newsletters and on the Group intranet.
2. Through our existing Trade Union & Personal Contract holder structures - Company Council, European Works Council, Corporate Social Responsibility Forum, Strategy meetings, and Business Unit specific forums.
3. Our employee networks which are sponsored by senior management and provide diverse and inclusive environments for employee feedback and comment.
4. Our annual 'My EDF' employee engagement survey which enables employees to provide direct feedback to executives. The Board considers the results of all employee engagement surveys as a good barometer of the workforce's confidence in the Group's strategic direction, optimism in the future and career opportunities.
5. Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy.

EDF also partners with a wide range of organisations to ensure safe, secure and responsible energy generation and to deliver fair value, better service and simplicity for our customers. The Board recognises the key role these suppliers play in ensuring the longevity of the business and the wellbeing of our suppliers is a key priority for EDF.

Throughout the Covid-19 pandemic the Company has also ensured that there have been clear and regular communications with employees to ensure awareness of the actions the Company was taking and why these were necessary.

The Company and wider Group proactively engages with relevant external stakeholders where we have various trade association memberships (such as Confederation of British Industry, Energy UK, Nuclear Industry Association and Renewable UK, etc). The Group's active participation in these forums is a useful way to enhance relationships with stakeholders. These trade associations are the channels the Company and wider Group use to engage with central government (such as the Department for Business Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs) and industry & environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environment Policy Agency).

Each business unit and the respective teams therein, are responsible for engagement with relevant stakeholders affecting the 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 aide its principal decision making.

In recent years, the Company, in addition to other companies within the Group that meet the applicable threshold, have begun publishing its Modern Slavery Act Statement, Gender Pay Gap Report, Payment Practices and Report and Tax Strategy Statement in accordance with recent updates to UK law and regulation. Each of these is published externally. These reports are used to help the Company continue to improve its performance in these areas.