

Corporate Governance Statement

EDF Energy Nuclear Generation Limited

(2020)



Statement approved by the Board of Directors on 22 June 2021 as part of the Company's Consolidated Annual Report & Financial Statements (2020) and signed on its behalf by David Tomblin, Director, on 22 June 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 Part 2 of 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 (the **Code**) but seeks to apply best practices from the Code as appropriate to the Company and aligned with the corporate governance practices of the EDF SA group. Going forward it will use the 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

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 Company purpose and ensured the Company values, strategy and culture align with that purpose.

EDF is proud to be Britain's biggest generator of zero carbon electricity¹ 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.

The Company's principal activity is the generation and sale of electricity and it supports the Raison d'être by generating low carbon electricity and maximising the value of the existing generation fleet to rebalance the UK generation mix.

EDF'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 the generation of safe, reliable and affordable low-carbon electricity. In support of achieving the Purpose, EDF has developed detailed action plans which build on the high-level vision and objectives. All these actions are underpinned by the sustainable business roadmap and a focus on maintaining industry leading safety performance and improving cost efficiency across the business.

To ensure the Company's Purpose is articulated and implemented throughout the Generation business, internal communications are issued to employees from leaders at all levels. The Board has developed and promoted the Company's Purpose through the Group's communications team which supports the Company to ensure appropriate tailored communications are issued that support the Purpose, sustainable business roadmap and brand vision. The Company also has an open and ongoing dialogue with trade unions and other employee representatives.

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

¹ 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 engagement continues. The social media team has an active listening and monitoring strategy, as well as response, to gauge market perception of delivery of the strategy of the Company.

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, as well as their impression of the relevant company they work for, at local level or EDF SA Group-wide. It identifies areas of satisfaction and opportunities for improvement in order to help establish priorities within the Group and to implement 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's generating fleet in the future will be very different from today. The continued long term operation of Sizewell B, coupled with the Group's operation of Hinkley Point C and eventually Sizewell C. means it is crucial to have the right people to ensure safe, reliable generation from the Company's and the Group's future fleet. At the same time, the Company's AGR and coal stations are moving towards decommissioning over the course of this decade and the organisation and the way it supports the fleet will need to evolve. The Company also needs to ensure it is ready to manage decommissioning of the AGR power stations following their closure.

The business is undergoing a transformational change, on a scale unprecedented in the Company. To guide this change, the Company ensures that its activities are in line with its vision and strategic priorities which then inform and guide the business as it refocuses on the challenges and opportunities ahead. The ongoing transformation is preparing the Company and the generation business in the Group in the long term, as a highly skilled business ready to deliver on Britain's ambition to tackle climate change with low carbon electricity.

Generation's strategic priorities focus on three activities:

- **Generate:** Delivering operational excellence to maximise safe, reliable generation of the Company's existing nuclear and thermal assets;
- **Decommission:** Safely and efficiently defueling the AGRs and decommissioning the coal stations;
- and
- **Transform:** Transforming the business to maximise the existing and future value of the Company's unique capability.

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 and expertise to make a valuable contribution. The size of the board is appropriate to the scale and complexity of the company.

The Board has an obligation to discharge all of the Company's statutory and regulatory requirements as a holder of a Nuclear Site Licence granted by the Office for Nuclear Regulation. Additionally, the Board is required to set the strategy established within the Group, approve plans to achieve objectives in furtherance of the strategy and monitor the Company's performance against its objectives. The Board receives standing reports at each meeting to monitor business as usual activities and current trends, whilst also focusing on forward strategy and discussing ad-hoc matters of focus as they arise. The main areas of responsibility are as follows:

- To discharge the duties of the nuclear site licensee;
- To ensure nuclear safety and security in discharge of its licensee obligations;
- To monitor health, safety and environmental protection policies;
- To monitor compliance with Government and regulatory requirements;
- To monitor the Company's organisational structure and approve modifications;
- To approve contributions to the Nuclear Liabilities Fund and the budget for decommissioning works;
- To approve all policies and strategies applicable to the Company's business;
- To approve the acquisition and disposal of the Company's assets;
- To receive and approve capital investment programmes;
- To ensure that changes to Company organisation, resources and processes are properly justified and managed; and
- To review power station security arrangements.

To assist with the above responsibilities, the Company, together with EDF Energy (Thermal Generation) Limited, has management teams for: Coal and Gas; Nuclear Decommissioning; Nuclear Generation; and Transformation, which are responsible for the day-to-day management and comprise members of the Company's Executive Team.

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. There are regular Board evaluations undertaken with input from the Board's Independent Advisors. Structurally, the business of the Group is transacted at either operational Board level or at a holding group Board level. 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 Company's Board as at 31 December 2020 includes eight Executive Directors, two Independent Advisors and other attendees bringing oversight from other aspects of the business including HR and Legal. All directors appointed have a strong background in the relevant sector(s) and in 2021 the Board will include a new Independent Advisor with decommissioning experience to complement the Company's strategy. The Company's Board has recognised a need to improve the diversity on the Board but the roles in which the Directors are appointed are sufficient to satisfy the need of this particular Board, having strong knowledge and expertise of operations in order to discharge any decision making.

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 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's corporate governance framework. Directors are also offered face-to-face (in person or by video call) 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 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 Office for Nuclear Regulation undertakes periodic reviews of the Board's governance arrangements through observations of Board meetings and through meetings with the Board's Independent Advisors. The Board also receives reports from the Company's Independent Nuclear Assurance function which enables the Company to meet its obligations to have a strong internal regulator and the Nuclear Safety Committee which acts on its behalf in respect of Licence Condition 13. In addition, the Company receives further assurance with regards to its governance arrangements and performance from Lloyd's Register Quality Assurance Reports and from the oversight of the Nuclear Safety Review Board.

The Company is also part of the World Association of Nuclear Operators (**WANO**), which is a nuclear industry body established to ensure standards of nuclear safety governance across the nuclear industry, including processes, procedures and behaviours. The Company shares in their good practices around governance and organisational effectiveness. Additionally, the Company receives peer reviews from WANO and seconds employees into WANO which enables learning and best practice to be shared. The Company also adheres to the standards set by the International Atomic Energy Agency in respect of nuclear safety, design authorities and safety management principles.

The Company is also assessed by the Inspector General for Nuclear Safety and Radiation Protection, which produces annual reports on the nuclear safety and radiation protection within the Group. The report confirms whether the Company is operating within the Group's nuclear safety policy and is published annually for analysis by the public.

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. As at 31 December 2020, the Board was subject to appropriate independent challenge from two Independent Advisors and a Shadow Board.

The Directors receive regular, timely information on all aspects of the Generation business 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. Information provided to the Board as part of its Board pack or appended to any written resolution of the Board is verified by the respective Executive Team and/or Senior Leadership Team member before presentation or circulation to the Board.

The Board recognised its limited level of diversity and created a Shadow Board in response to this issue. The Shadow Board is made up of individuals from the Company's Early Talent and Diversity and Inclusion groups. The Shadow Board reviews the Board pack ahead of the Board meeting and a representative attends the Board meeting to provide feedback and help to inform discussions. This has provided the Board with an opportunity to take on more views from a diverse selection of the workforce, thus demonstrating the Board's commitment to diversity and inclusion.

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 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 Company formally adopts the FALs annually. There are set principles of delegation for each high level authority.

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.

In practice, control testing against each Group policy is carried out at least annually through the Internal Control Self-Assessment process. Improvement actions (where required) are identified following completion of the results 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 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 business unit) right through to company level (the '**Golden Thread**'). 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.

The day-to-day management and the implementation of strategies agreed by the Board are delegated to the relevant Director(s), who are also members of the Company's Executive Team. The reporting structure below board level is designed so that decisions are made by the most appropriate people in a timely manner. This is underpinned by the Management System Manual (**MSM**) of which the processes within detail the internal procedures in relation to all aspects of the business. An annual assessment of the controls of each process within the MSM is undertaken to ensure they remain fit for purpose at site and fleet level. There are periodic deep dives on the performance of the company processes and key performance indicators are monitored through both line management and functional oversight. The annual process control effectiveness assessments are reviewed and challenged and action plans to address gaps in controls are monitored on a regular basis. The overall outcome of the annual process control assessment is presented to the Company's Executive Team and is submitted to EDF Energy Limited for information.

During the Pandemic the Company set up various internal teams including the Incident Management Team and a Pandemic Working Group. At the outset of the Pandemic the Board communicated to these groups that the overriding priority throughout

the pandemic was to protect the Company's employees its Customers and those in the communities that EDF Energy operates in. This message has in turn influenced the day-to-day decisions taken within the Company to manage the influence of the pandemic, ensuring business continuity underpinned by a focus on promoting the wellbeing and safety of the Company's internal and external stakeholders.

Key decisions taken to maintain the critical national infrastructure in the UK during the Pandemic through ensuring safe and reliable electricity generation:

- Clear guidance to employees on COVID related sickness, signs and symptoms and supportive procedures to ensure that symptomatic individuals stayed at home.
- Early decision to install thermal imaging cameras at all of our sites.
- Early proactive decision to purchase Radox Testing machines, later complimented with the procurement of two LAMP trailers to enable high volume fast PCR testing of staff supporting outages.
- Establishment of Covid Hubs to coordinate testing and follow up with track and trace activities, ensuring individuals are requested to isolate quickly if identified as a contact.
- Clear definition of 'A' contacts for track and trace, with the additional 'B' contact definition which is above and beyond the government requirements.
- Ongoing advice, guidance and reporting support coordinated from the COVID Hubs.
- Enhanced employee management system (myHR) to track testing, vaccine, COVID related sickness to enable informed decision making.
- Clear guidance to employees on support during school closures.
- Procurement of approx. 1500 laptops to enable staff to work from home where possible.

In 2020, the Company also provided clarity on the end of generation dates of both Hunterston B and Hinkley Point B. A sub-committee of the Executive Team supported the process by which the end of generation date for these power stations was confirmed and made a recommendation to the Board when it had sufficient technical evidence to support any decision.

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 Remuneration Committee of the main governance board of the Group, EDF Energy Holdings Limited (EDF Energy Remuneration Committee). 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 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 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 Gap 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 engages, informs and consults with its employees on matters affecting them and the Company ensures that it has regard to the interests of employees in its 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. 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 stakeholder. 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 '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. The results 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 our purpose and deliver the 2030 strategy.
5. Regular employee surveys where senior leaders gather feedback on employee wellbeing which inform policy.

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). Directors and other attendees share feedback from these external discussions with internal stakeholders to support decision making and facilitate transparency.

The Company maintains four levels of interaction with the Office for Nuclear Regulation. These meetings, coupled with workshops when required, take place on a regular basis and ensure effective communication between the Company and its regulator. The Company adopts a similar approach to its engagement with the Environment Agency and the Scottish Environment Protection Agency.

In addition, as part of its work on the future defueling and decommissioning of its AGR power stations, the Company is proactively engaging with the Department for Business, Energy and Industrial Strategy, the Nuclear Liabilities Fund and the Non NDA Liabilities Assurance department.

The Company takes a proactive approach to communications with the public, regulators and stakeholders through communications on its website. The Company also engages with communities local to its power stations through its Site Stakeholder Groups and uses this as an alternative forum for communications. It is essential that the Company provides a range of opportunities to engage with the people in local communities, from constituency MPs and MSPs to local schoolchildren.

Each nuclear site has a fully-equipped visitor centre and hosts school visits and station tours by appointment. The Company also hosts community meetings throughout the year when the station director provides information about operations and takes questions from attendees. The Company ensures that it keeps in touch with the community between meetings and issues written updates from the station director as required. The Company also participates in local careers events and sponsors the Cheltenham Science Festival to help encourage young people to study STEM subjects. Employees select an employee charity every three years and from 2020 that is Prostate Cancer UK. Each site works with local branches of this and other local charities to raise funds and help their cause.