

S.172 Directors Duties Statement

EDF Energy Holdings Limited

(2021)



Statement approved by the Board of Directors on 29 April 2022 as part of the Company's Consolidated Annual Report & Financial Statements (2021) and signed on its behalf by Rob Guyler, Director, on 29 April 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. 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 and its subsidiaries (the **Group**) are 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 2021. 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 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 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 (a listed company on the Euronext Paris), with its compliance obligations under the French Afep-Medef Code. 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.

Taking Decisions

Board of directors

The overriding objective of the Board is to provide a management framework within which the Group is able to operate to the highest ethical and health and safety standards in order to preserve and enhance its investments. The Board is responsible for providing proper stewardship of the Group. Specifically, it ensures that the Group acts as a responsible business by pursuing sustainable growth, protecting shareholder value and fulfilling its fiscal and statutory obligations.

The directors of the Company have given careful consideration to the size and structure of the Board to ensure it possesses the knowledge and expertise to meet the Company's strategic needs.

Board composition and training

The Board is comprised of an independent Chairman, contributing significant experience from the engineering and UK infrastructure industries, two Executive directors (Chief Executive Officer (**CEO**) and Chief Financial Officer, EDF UK) and eight (8) Non-Executive Directors who are all representatives of the Ultimate Parent Company, EDF SA, with expertise in Finance, Legal, HR and Operations.

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, including those in the Act, compliance, and EDF UK's corporate governance framework. Directors are able to participate in bespoke training and are encouraged to update their skills and knowledge of the Group by meeting with senior management, visiting sites (such as the power stations and call centres), 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. 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 with the new director offered training in addition to provision of the EDF UK Directors Training and Induction Manual.

EDF UK 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 experienced directors. The continuous improvement of the Board and how it operates is critical to the success of EDF UK; Board Self Assessments have been carried out following which a summary of the key strengths and areas for improvement have been identified and actions agreed and implemented.

The EDF UK Executive Team (**ET**), is comprised of the Senior Leaders of each business unit / corporate function across the Group. The ET is responsible for presenting matters to the Board to ensure an appropriate degree of knowledge of the topics being presented, and for challenge, analysis and approval.

The Board is scheduled to meet five (5) times a year (sitting at least once in each quarter) with an 18 month rolling pipeline of strategic, financial and statutory agenda items agreed by the CEO, EDF UK, in conjunction with the independent Chairman and Company Secretary.

Sub-Committees of the Board

In addition to scheduled meetings, the Board may meet on an ad hoc basis to meet the needs of the business. The Board utilises standing sub-committees to consider particular matters in detail. These current committees include:

- CECEG Sub-Committee – *for investments that have received prior approval by the 'Commitments Committee' that reports to the EDF SA Executive Committee (known as the Comité des Engagements du Comité Exécutif du Groupe being "CECEG");*
- EDF UK Company Health and Safety Committee – *responsible for demonstrating a strong and active health and safety leadership from the top of the organisation and achieving the Group's zero harm ambition;*
- EDF UK Audit Committee - *assists the Board in fulfilling its responsibilities by reviewing the main policies and practices of the Company and its controlled subsidiaries, i.e. the wider Group, in respect of accounting and financial control matters, the internal control environment, risk assessment, risk management and corporate governance; and*
- EDF UK Remuneration Committee - *provides a forum for considering the level and composition of remuneration for the Company's executive directors and the ET.*

Each sub-committee has adopted Terms of Reference setting out the parameters within which authority by the Board is delegated to it with any material changes to these documents requiring approval by the Board.

The Board engages with further internal governance bodies within EDF UK, including the ET and EDF UK Risk Management Committee which reports to the Board annually on operational energy market risk management and defines the scope and risk limits within which each of the business units across the Group are authorised to operate.

During the Covid-19 pandemic, the Company established several internal teams including a Crisis Management Team, specific Incident Management Teams within each business unit and a general Health and Safety Team. At the outset of the pandemic, the Board advised these groups of the Company's priority to protect the Company's employees, customers and those in the communities within which EDF UK operates. This objective continues to influence 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.

Scope of the Board and Delegations of Authority

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 ET member in attendance. 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 ET. The directors receive regular updates on all aspects of the business endorsed by the relevant 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 relating to financial reporting, key performance indicators (**KPIs**), workforce data, environmental data, stakeholder engagement feedback and consumer data.

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 FALs of the CEO, EDF UK, are agreed with EDF SA and approved by the Board. The CEO, EDF UK, has the authority to delegate FALs to the ET (where appropriate / required to discharge the needs of each business unit) and to enable the ET to further cascade their FALs down to Leaders within their teams.

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

- Requirements for governance bodies, their composition and Board member training;
- Financial Authority Limit (**FALs**) framework;
- The Policy Operating Framework; and
- 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 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 and Crisis Management Policy, which defines key standards that 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. Actions are identified following completion of the results, where required, to facilitate continuous improvement. Results are reported back to the Board as part of the Annual Risk and Internal Controls Report (the **Report**), setting out the highest risks to the Company's objectives for their consideration. This presents an opportunity for the directors to consider any emerging risks and provides a forum to devise solutions to minimise the impact of those risks. The Report is shared with the ET for managing actions at a local business unit level and to the EDF SA Group Risk department to support compliance with the French Afep-Medef Code.

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 Company and presented to the Board for discussion.

Stakeholder Engagement

The Company is the holding company and main governance Board for the Group and therefore engages with a large variety of stakeholders, directly and indirectly through its various subsidiary companies. 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.

To ensure the strategy, objective and purpose of the Company is articulated and implemented throughout the organisation, the Group has a communications team to support the Company 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 CEO and independent Chair meet quarterly with the communications team to review stakeholder interaction and to ensure regular dialogue with key senior stakeholders. This helps directors identify key stakeholders to engage with further as part of reaching targets before presenting back to the Board in the future.

Employees and trade unions

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 positive, inclusive place to work. Following the launch and engagement with 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 current UK energy market crisis (the **Crisis**). The Board advised that the mental health and wellbeing of employees, particularly those in customer facing roles, should remain a top priority for management.

Communities and environment

The Board is committed to social responsibility, community engagement and environmental sustainability which is demonstrated, through the sustainable business roadmap (available online). The roadmap showcases the Company's commitment to operating as a responsible business and continued engagement with internal and external stakeholders.

EDF UK supports a decarbonised future and is committed to leading the UK's transition to a safe, low-carbon energy 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 in 2008 and Paris Agreement on Climate Change. The Company is significantly investing in low-carbon technologies, including nuclear, and through EDF Renewables UK, wind, solar and battery storage, and exploring emerging technologies such as clean hydrogen. The Board takes an active role in setting the strategy for such projects and acquisitions. The community and environment relating to the impact of construction and/or development remains a focus of the Board in decision making.

The new nuclear power station currently under construction at Hinkley Point C (**HPC**), and the UK Government's positive engagement on the proposed construction of a nuclear power station at Sizewell C (**SZC**), has opened a new chapter in the UK's long-standing nuclear industry. Hinkley Point C will make a major contribution to reduce carbon emissions in the UK and the electricity generated by the two EPR reactors will offset nine million tonnes of carbon dioxide emissions a year or 600 million tonnes over its 60-year lifespan. If the construction of Sizewell C is approved, it will generate enough low-carbon electricity to supply six million homes and will avoid around nine million tonnes of carbon emissions each year by replacing fossil-fuel power.

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,

Suppliers

EDF UK 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 customers. The wellbeing of suppliers is a key priority for EDF UK and the Board recognises the key role partners and suppliers play in ensuring the longevity of the business.

Day-to-day decisions on supply chain matters are largely taken at a business unit level. The Board oversees key decisions and is regularly updated on key contract negotiations, for example, the Board receives regular updates from the Sizewell C Executive Team on the Sizewell C project including updates on any successes or difficulties experienced with supplier negotiations. This dialogue provides the Board with an opportunity to give direction to the Group on how to overcome difficulties and key considerations for during negotiations.

One of the ways EDF UK supports its suppliers is by offering a Santander backed Supply Chain Financing scheme which allows suppliers to get early access to payment for invoices which have cleared and approved through the payment process. The Board will review and approve the implementation of new processes such as this. As a result, the directors can ensure that decisions to implement new processes align with the Company's purpose and the best interests of stakeholders, including suppliers.

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.

In 2021, the Board approved a deal to build on EDF UK's industry-leading customer service² by licencing the cutting-edge Kraken energy technology platform. The licensing agreement will see EDF UK use Kraken to manage its customer accounts in the UK and further develop its home heat and EV offerings. The move to Kraken's dynamic platform will allow EDF UK to grow and quickly adapt to rapid changes in the energy industry. The introduction of the platform will represent a significant change in the way EDF UK's Customers Business operates. Strategic decisions, such as the move to Kraken, are approved by the Board.

EDF UK also held its first Generation Suppliers conference since 2019 which was attended by 25 suppliers, representing over 60% of the annual Nuclear Generation expenditure through supply chain. The meeting provided an opportunity for EDF UK to engage directly with its supply partners and provide them with an update about the future strategy of Generation.

Other stakeholders

The Company and wider Group proactively engages with relevant external stakeholders including trade associations (such as the Confederation of British Industry, Energy UK, Nuclear Industry Association and RenewableUK, etc). The Company's participation with these groups supports stakeholders' relations and provides a channel to engage with government and regulators.

The Company and wider Group also engages directly with central government (including officials within the Department for Business Energy and Industrial Strategy, the Department for Environment, Food and Rural Affairs and HM Treasury) and industry and environmental regulators (such as Ofgem, the Environment Agency and the Scottish Environmental Protection Agency). Engagement with political and regulatory stakeholders supports better understanding of EDF UK's business, and influences the policy and the operating environment. Direct engagement with these stakeholders is supplemented by our participation in trade associations.

The latest Hinkley Point C Socio-economic Impact Report (available online) demonstrates that the project is meeting its ambitious targets to deliver a lasting legacy. For Sizewell C, the Company, guided by the Board, has worked closely with numerous external stakeholders including local councils, emergency services, Natural England and Office for Nuclear Regulation to complete the examination process of the Development Consent Order that was submitted in 2020. The Board continues to receive regular updates on the project and continues to oversee decision making within the project.

In preparation for the COP26 UN Climate Change Conference held in 2021, the Company worked closely with the wider international EDF Group to develop a proposition that reflected the Company purpose. The Company also engaged with various stakeholders and produced advertising in the months leading up to COP26 to convey EDF UK's message in a way that aligned with the Company purpose and avoided any 'green washing' or disingenuous environmental commitments.

Throughout the energy price crisis in late 2021 and 2022, EDF UK worked closely with the energy regulator, Ofgem, and the Government to secure additional support for households to manage the increased cost of energy which complements the help EDF UK already provides to its customers³. The energy market requires longer-term reform to reduce the risk of future crises and the Board ensures that EDF UK is leading on this matter.

Stakeholder concerns identified

Each business unit is responsible for engagement with relevant stakeholders, evaluating feedback and escalating information (where relevant) to the Board for consideration and to aid its principal decision making. The Board maintains an open dialogue with the business units and in 2021 a number of focused, topical, board papers were presented to the Board. Where key stakeholder concerns are raised in these "deep dive" board papers the directors are able to take decisions and provide guidance on any areas where key stakeholder concerns have been raised.

² EDF was rated 4th out of 24 energy suppliers by Citizens Advice in its latest star rating and 1st of the large suppliers, as defined by Ofgem: <https://www.citizensadvice.org.uk/consumer/energy/energy-supply/get-a-better-energy-deal/compare-domestic-energy-suppliers-customer-service1/>

³ EDF offers a range of financial and practical support that is tailored to each customer who is having difficulty managing their energy <https://www.edfenergy.com/about/support-for-customers>

The Board considers employee views through the annual 'My EDF' survey, which canvasses employee opinion, at a local level and within the EDF SA Group. The survey identifies areas of satisfaction and opportunities for improvement to help inform priorities within the Group. 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 the purpose and strategy.

In addition, throughout the Covid-19 pandemic, EDF UK has continued to undertake frequent employee surveys regarding their wellbeing. These surveys enable EDF UK to better support its employees, for example, by implementing more flexible working opportunities for parents and the provision of IT equipment free of charge for employees working from home.

During 2021, after meaningful engagement with the Trade Union and Pensions Trustees, EDF UK took the decision to consolidate its three pension schemes into one pension scheme (the **Scheme**). The consolidation process was overseen by the Board who, after considering the impact of the proposal, approved the activity on the basis that it would materially improve the long-term benefit to its members. Throughout the consolidation process, EDF UK engaged with Scheme members to ensure those affected had a sound understanding of the impact of the changes. The affected members were given numerous opportunities to raise questions during webinar sessions and through a dedicated email mailbox with frequently asked queries addressed in FAQ documents published on the Company intranet.

Other reporting

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, Payment Practices and Report and Tax Strategy Statement 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.