Shaping tomorrow's energy landscape

Drax Group plc Annual report and accounts 2024

Welcome to our 2024 Annual Report

02
Our story

12
CEO's Review

22
Responsible sourcing

Contents

Strategic report

2 Our story
4 At a glance
6 Market context
8 Business model
10 Chair's Statement
12 CEO's Review
18 Financial review
22 Safeguarding responsible biomass sourcing
28 Key Performance Indicators

Sustainable Development

30 Introduction
38 Climate Positive
44 Nature Positive
50 People Positive
56 Task Force on Climate-Related Financial Disclosures (TCFD)
69 Non-Financial Sustainability Information Statement

70 Principal risks and uncertainties
84 Viability Statement

Governance

86 Governance at Drax
90 Corporate Governance Report
93 Board of Directors
96 Section 172 Statement
96 Stakeholder engagement
107 Nomination Committee report
112 Audit Committee report
126 Remuneration Committee report
145 Directors' report
149 Directors' responsibilities statement

Financial statements

150 Financial statements contents
152 Independent Auditor's report to the members of Drax Group plc

Shareholder information

274 Shareholder information
277 Alternative performance measures glossary
279 Glossary
281 Company information

Pictured: Galloway Hydroelectric power scheme

Financial & ESG highlights

Total revenue
£6,163m
(2023: £7,733m)

Adjusted EBITDA [1]
£1,064m
(2023: £1,009m)

Total basic earnings per share
137.5 pence
(2023: 142.8 pence)

Cash generated from operations
£1,135m
(2023: £1,111m)

Total operating profit
£850m
(2023: £908m)

Dividend per share
26.0 pence
(2023: 23.1 pence)

Percentage of total UK renewable electricity generated
10%
(2023: 8%)

Net debt [1] [2] [3]
£992m
(2023: £1,220m)

Group carbon intensity
34 tCO_2e/GWh
(2023: 39 tCO_2e/GWh)

Group carbon emissions Scope 1 and 2 (location-based)
546 $ktCO_2e$
(2023: 486 $ktCO_2e$)

Total recordable incident rate
0.24
(2023: 0.38)

Group carbon emissions Scope 3
2,867 $ktCO_2e$
(2023: 3,534 $ktCO_2e$)

Wood pellets produced
4.0Mt
(2023: 3.8Mt)

Employee engagement score [4]
7.4
(2023: 79%)

(1) Adjusted financial performance measures are described on page 191.
(2) Net debt is described in Alternative performance measures on page 195.
(3) Net debt was historically defined excluding lease liabilities. We now calculate Net debt including lease liabilities. The 2023 comparative number has been updated accordingly.
(4) Score changed to out of 10 in 2024.

Our story

Our purpose is to enable a zero carbon, lower cost energy future.

Our strategy is to be a UK leader in flexible renewable generation, and a global leader in both sustainable biomass pellets and carbon removals.

Our people are valued members of a winning team with a worthwhile mission.

By delivering our strategy and achieving our purpose, we can continue to play a key role in helping to tackle the challenges of global climate change.

10%

Drax Group generates 10% of UK renewable power

To achieve our purpose and align to net zero targets, we are working hard to deliver our strategic pillars:

To be a UK leader in dispatchable, renewable generation

Flexible generation – supporting the system and providing energy security

The energy transition, and the move away from fossil fuels, will require a significant increase in the amount of renewable electricity we use, including for transport and heating, on top of our current uses. This increase in demand may largely be met by intermittent renewables like wind and solar. However, when the wind doesn't blow or the sun doesn't shine, the UK needs flexible sources of energy generation such as renewable biomass, pumped storage hydro, and fast response open-cycle gas turbines (OCGTs), as well as demand-side response.

These all feature within our portfolio of flexible, low-carbon power assets, which can dispatch and turn up or down to support the system, in response to changes in demand. In addition to helping to keep the lights on, our assets support energy security by providing essential generation and system support services to the UK electricity grid, enabling the UK energy system to meet demand regardless of weather conditions.

See page 13 for more

To be a global leader in sustainable biomass pellets

Sustainable biomass – to power the journey to net zero

Biomass is organic matter like wood, forest residues, or plant material. When sourced sustainably and used to generate renewable, low-carbon electricity, it is a key element in the road to net zero. This is at the heart of our purpose.

The material we use to make our biomass pellets includes residues from sawmills and other forestry activities. This helps to support forest health and local communities, creating positive outcomes for nature and people.

This is helping to accelerate decarbonisation worldwide, by replacing fossil fuels with renewable energy, and achieving our aim of being a global leader in sustainable biomass pellets.

See page 14 for more

To be a global leader in carbon removals

Carbon removals – to achieve global climate goals

Renewables are a key part of the global fight against climate change but, in order to limit global warming to 1.5°C, the world needs to go further and remove carbon emissions from those hard to abate sectors of the economy like agriculture and aviation.

Bioenergy with carbon capture and storage (BECCS) is a carbon removal technology. It has the potential to generate around-the-clock renewable power and remove large quantities of carbon from the atmosphere and store it permanently underground. Currently, BECCS is the only technology capable of generating 24/7 renewable power while simultaneously removing carbon.

See page 15 for more

At a glance

We are committed to enabling a zero carbon, lower cost energy future

Our strategic aims are to be a UK leader in flexible, renewable generation, and a global leader in both sustainable biomass pellets and carbon removals.

Our business today and long-term targets

FlexGen & Energy Solutions

c.1.5GW portfolio
- 0.44GW Pumped storage
- 0.13GW Hydro
- 0.88GW OCGTs*

Energy Solutions
Large Industrial & Commercial customer base

Targeting post-2027 recurring Adjusted EBITDA
>£250m p.a.

* Commissioning from 2025.

Pellet Production

c.5Mt p.a. of capacity across 17 plants in the USA and Canada

Diversified logistics

15Mt of offtake contracts

Own-use contracts

Targeting post-2027 recurring Adjusted EBITDA
>£250m p.a.

Targeting post-2027 recurring Adjusted EBITDA >£500m p.a.

Biomass Generation

c.2.6GW of flexible renewable generation
- Largest single source of renewable power

Strong forward power hedges (2025–March 2027)

Expect long-term value from bridging mechanism, BECCS, and other uses

Targeting Adjusted EBITDA of £100–200m p.a. (April 2027–March 2031)

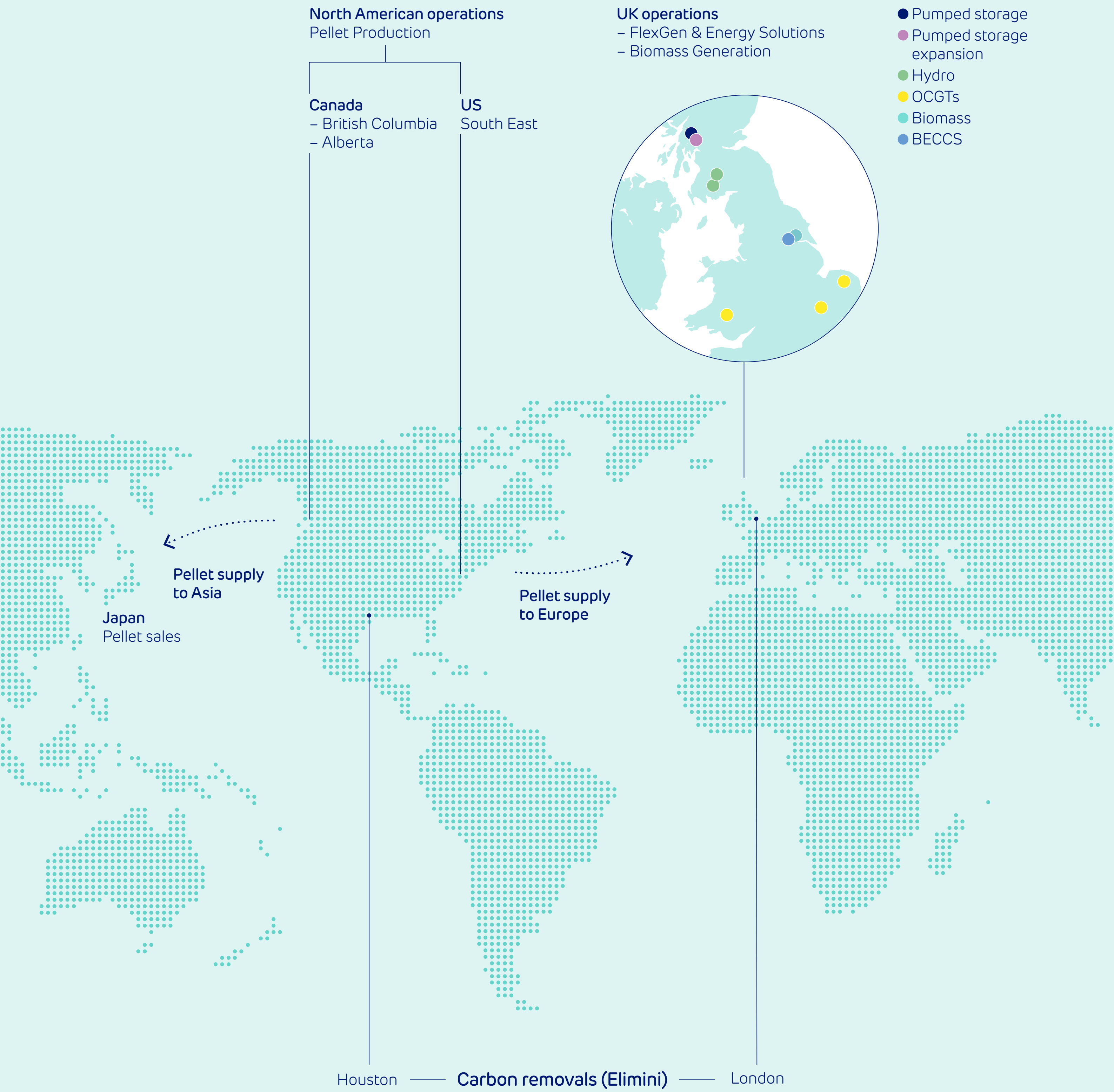
Attractive options for long-term growth

UK BECCS

Global BECCS (Elimini)

Long duration energy storage (Pumped Storage Hydro)

Where we operate



3,250
Employees worldwide

4
Number of countries in which we operate

Market context

The world is continuing to navigate a complex interplay of technological, geopolitical, environmental, and social factors, requiring global co-operation and innovative solutions.

The energy sector continues to underpin modern society, providing the essential energy resources that power our homes, industries, and transportation networks.

There is a growing global consensus behind the need for action on climate change, a Just Transition, and greater focus on sustainability. At the same time, there is concern about the cost and implications of the transition and a growing recognition that in order for businesses to be sustainable they must also be profitable.

Moving beyond reducing emissions from electricity, industry, and waste, many developed nations are now turning their attentions towards delivering net zero and determining how to tackle the more challenging, harder to abate, elements of climate change. This is complicated by the increasing demands on the power system from the growth in Artificial Intelligence (AI); quantum computing; and large-scale, energy-intensive computing infrastructure, such as data centres.

The system will need to manage the supply to meet these growing demands, while also securing energy security and helping to reduce emissions. As such, the energy trilemma – energy security, energy equity, and environmental sustainability – remains a central theme for society.

At Drax, through our strategic focus on flexible power generation, sustainable biomass, and carbon removals in the UK and globally, we believe that we are well placed to support the energy transition and in doing so develop our business with benefits to our investors and stakeholders.

Political change

Our principal geographies experienced a change in political leadership in 2024.

In the UK, having campaigned in the July 2024 election with a manifesto pledging to "accelerate to net zero", the Labour Government recognised that it has a lot to do if it wants to keep that promise. It has renewed Britain's climate change targets with an ambitious goal of a clean energy system by 2030. In the US, the election of a new president has led to concerns about a potential move away from renewables but also a focus on energy security. Drax has significant business interests in many Republican states in the US South which have active forest economies and have benefitted from the investment initiated by the previous administration.

In November 2024, the National Energy System Operator (NESO) issued a report to the UK Government on the pathways to a clean power system by 2030, outlining the need for significantly more renewable energy and power system flexibility. Both of NESO's pathways include large-scale biomass generation and at least one BECCS unit by 2030, and the Department for Energy Security and Net Zero's Action Plan recognises that biomass "could play an important role in Clean Power 2030 by providing flexible or firm generation".

10%

In 2024 across its pumped storage, hydro and biomass assets, Drax provided 10% of the UK's renewable power

FlexGen and Biomass Generation – energy security and decarbonisation

In the years since the Ukraine-Russia war started, energy security has remained a priority, with countries and organisations facing a tough balancing act between energy security and cutting emissions.

Drax has continued to play an important role in preserving the UK's energy security. In 2024 across its pumped storage, hydro, and biomass assets, Drax provided 10% of the UK's renewable power, and Drax Power Station in North Yorkshire was the largest single source of renewable power in the UK.

With the growth in electrification likely to lead to a significant increase in the demand for electricity, in addition to the emerging demand from AI and data centres, there is a clear need for the development of new capacity. This will likely come from wind and solar and will drive a need for a more flexible power system. This is at the heart of our FlexGen and Biomass Generation models.

Drax helps to keep the lights on when the wind doesn't blow and the sun doesn't shine, and supports the build-out of intermittent renewables. Unlike wind or solar, our sites provide secure, dispatchable, low carbon power whatever the weather – supporting grid stability.

Pellet Production

The forest products industry is a major global industry providing products which we all consume across a global supply chain.

Within that, the pellet production industry is a small part of this much larger system, utilising lower value residuals from the forest products industry. The global pellet market totals over 40Mt of demand each year, which we believe will grow. As well as the current market of generation and heating, we see growth opportunities including Sustainable Aviation Fuel (SAF), where Drax is developing a pipeline of biomass sales opportunities in North America and Europe.

Sustainability remains at the heart of the debate on biomass and while the science in favour is clear and strong, biomass is not without challenge and we need to do more to demonstrate the positive benefits of its wider use.

Pellets produced

4Mt

The growing global role of BECCS and Carbon Dioxide Removal (CDR)

Without immediate action to cut emissions, protect ecosystems, and deploy scalable carbon removal technologies, climate change – with more frequent extreme weather and rising sea levels – could reduce global GDP by up to 14% and displace up to 1.2 billion people as climate refugees by 2050.

Alongside urgent emission reductions, addressing historical and residual emissions through CDR is crucial. UN scientists estimate that billions of tonnes of carbon must be removed from the atmosphere annually, using nature or technology, to meet global climate goals.

The Intergovernmental Panel on Climate Change (IPCC), the world's leading authority on climate science, states that CDR methods, including BECCS, are needed to mitigate residual emissions and keep the world on a pathway to limit warming to 1.5°C. The illustrative mitigation pathways assessed by the IPCC use significant volumes of CDRs, including BECCS, as a tool for mitigating climate change. IPCC modelling shows that between 0.5 and 9.5 billion tonnes of CDRs, via BECCS, could be required annually by 2050 to reach global net zero targets. The UN-backed Principles for Responsible Investment estimate that the CDR market could be worth up to 1.2 trillion dollars by 2050. More supply is required to meet the scale of the challenge, and the IPCC has assessed that globally up to 9.5 billion tonnes of CDRs from BECCS could be required per year by 2050.

It is estimated that the UK possesses 25% of Europe's geological storage opportunities for carbon and also holds an advantage in infrastructure, skills, and engineering due to the legacy associated with the oil and gas industry. In 2024, the UK made further strides towards becoming a global centre for carbon capture and storage (CCS) by progressing with its "cluster" process – providing financial support to companies delivering CCS technology in heavily polluting industrial regions.

Business model

A leading UK-based renewable energy company with global growth opportunities aligned to net zero targets

Our assets

Sites
- c.2.6GW biomass
- c.0.9GW OCGTs*
- c.0.6GW pumped storage and hydro
- c.5Mt pellet production

People
Supportive, diverse, and inclusive culture where colleagues feel they belong

Resilient supply chain
Geographically diversified biomass supply chain

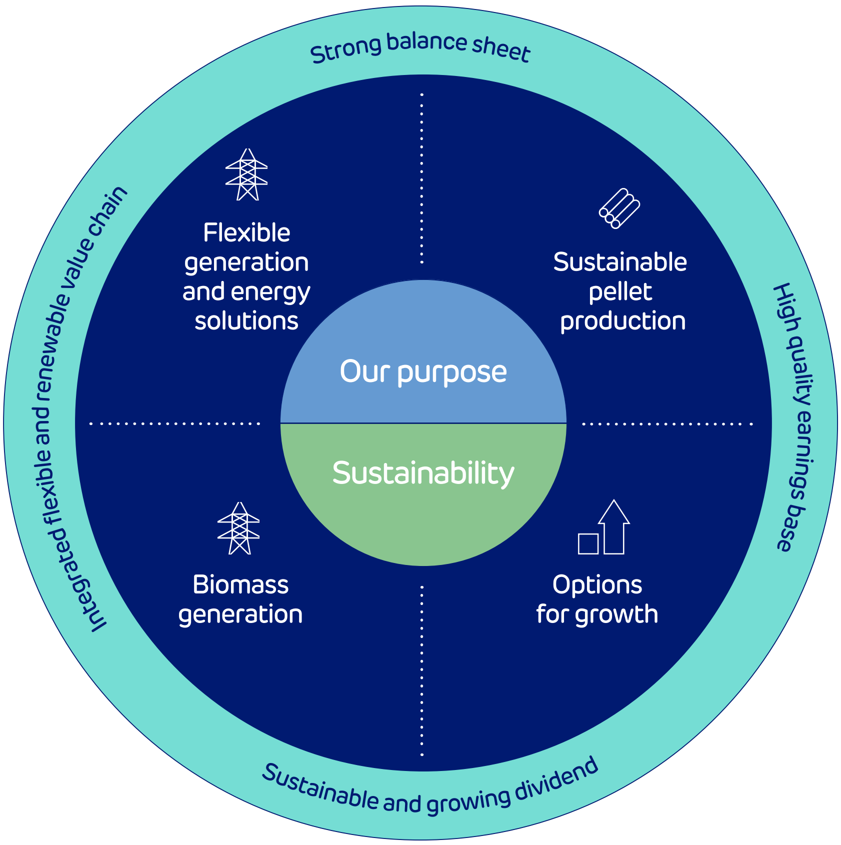
Innovation
Developing options for large-scale carbon removal technologies

Financial strength
Clear capital allocation policy to support the strategy

Energy solutions
Decarbonisation services to high-quality business customers

* Commissioning from 2025.

Driven by our purpose
Our purpose is to enable a zero carbon, lower cost energy future



Sustainability underpins what we do
Helping to ensure we have a positive impact on the climate, nature, and people

How we add value

Supporting the UK's energy security – stable, resilient energy supply, and reduced reliance on fossil fuels

Supporting the energy transition – secure, renewable, dispatchable UK power generation

No.1

UK's largest single source of renewable power (9.8%)

No.2

Second largest producer of sustainable biomass globally

Our stakeholders

Workforce
See page 97

Shareholders and investors
See page 99

Communities
See page 102

Government, political bodies and regulators
See page 100

Customers and suppliers
See page 101

Chair's statement

Our purpose is well aligned with the competing priorities of energy security, affordability, and the need to decarbonise economies.

2024 was a successful year for the Group in which we delivered a strong operational and financial performance.

Andrea Bertone
Chair

Introduction

2024 was a successful year for the Group in which we delivered a strong operational and financial performance. We also made good progress with our medium-term strategy to deliver over £500 million of recurring Adjusted EBITDA from our FlexGen & Energy Solutions and Pellet Production portfolios, as well as our long-term strategy for growth.

Our purpose, to enable a zero carbon, lower cost energy future, is well aligned with the competing priorities of energy security, affordability, and the need to decarbonise economies – what is known as the energy trilemma.

Low-carbon dispatchable CfD agreement

Together with my fellow Board members, I welcomed the announcement on 10 February 2025, of the non-binding heads of terms agreed with the UK Government for the operation of Drax Power Station beyond 2027. For more information please see page 17.

People and values

Throughout the year I continued to engage with stakeholders, including shareholders, colleagues, regulators, and suppliers.

From site visits in the UK, US, and Canada, I have been impressed with the commitment and enthusiasm of colleagues, and the strong sense of pride in what we are doing. This extends to making sure we do what is right in how we work and that we provide a safe and supportive working culture.

The Board remains committed to building a supportive and inclusive working environment where all colleagues feel enabled to contribute to achieve the best results for themselves and the Group. In our latest colleague engagement survey we received positive outcomes on measures such as wellbeing and inclusion, with an overall engagement score of 7.4 out of 10.

I am also pleased to report that, as at 31 December 2024, 44% of the Board were women. We have more to do to strengthen diversity across the organisation, and through the updates we receive from Will Gardiner, and my own engagement with the Group's employee forums, the Board continues to be informed about colleague opinions and ways in which appropriate changes can be made.

Governance, compliance, and sustainability

Good governance, compliance, and sustainability are prerequisites for a well-run company and long-term success.

We recognise the importance of these matters and over the last five years we have continued to invest in our governance and compliance functions as the footprint of the business has grown. We are making progress and believe we have good processes in place, however we are not complacent and recognise that there are always opportunities to further enhance our capabilities in these important areas.

Delivering positive outcomes for climate, nature, and people is central to our plans. Ensuring that we only use biomass that is sourced sustainably is key to this ambition. Biomass, when sustainably sourced, supports good forestry, is a renewable source of energy, and an important part of both UK and international renewable energy policy. As such, I was pleased to see the closure of Ofgem's investigation into the Group's biomass profiling data. Ofgem confirmed that it found no evidence that the Group's biomass is not sustainable or that Drax was incorrectly issued with renewable certificates but in recognition of Ofgem's findings, Drax made a payment of £25 million into Ofgem's voluntary redress fund.

Board changes

In February 2024, Vanessa Simms, Non-Executive Director and Chair of the Audit Committee, announced her intention

Board composition (women)

44%

Dividend per share increase

12.6%

"

Delivering positive outcomes for climate, nature, and people is central to our plans.

to stand down from the Board, leaving in June 2024 after serving the Company for six years. Following a comprehensive selection process, Rob Shuter was appointed to the Board in June 2024 as a Non-Executive Director and Rob was also appointed Chair of the Audit Committee.

In December 2024, Andy Skelton, Chief Financial Officer (CFO), announced his intention to retire from the Board and his role as CFO. Andy will remain as a Director of the Company and CFO until a successor is in place, and we have started a recruitment process.

I would like to welcome Rob, who has been a great addition to the Board, and thank Vanessa and Andy for their service to the Company. I am particularly grateful to Andy for his ongoing commitment through 2025 until a successor is established.

Results

Adjusted EBITDA in 2024 was £1,064 million (2023: £1,009 million), which reflects strong operational and financial performance. This includes a high level of renewable power generation and system support services in response to system need, and an improvement by Pellet Production. The balance sheet is strong, with Net debt of £992 million (2023: £1,220 million), which means that Net debt to Adjusted EBITDA was a multiple of 0.9 times at 31 December 2024 – significantly below our target ratio of around 2 times Net debt to Adjusted EBITDA.

At the 2024 Half Year Results, we confirmed an interim dividend of £40 million (10.4 pence per share). The Board proposes to pay a final dividend in respect of 2024 of £57 million, equivalent to 15.6 pence per share. This will make the full-year 2024 dividend £97 million (26.0 pence per share) (2023: £89 million, 23.1 pence per share).

This represents a 12.6% increase on the dividend per share paid in respect of 2023. It is also consistent with our policy to pay a dividend that is sustainable and expected to grow, as the strategy delivers stable earnings and cash flows as well as opportunities for growth.

The Group has a clear capital allocation policy. In determining the rate of growth in dividends from one year to the next, the Board will take account of several factors, including cash flows from contracted income, the less predictable cash flows from the Group's commodity-linked revenue streams, and future investment opportunities. If there is a build-up of capital, the Board will consider the most appropriate mechanism to return this to shareholders. In line with this policy, in August 2024 the Group commenced a share buyback programme for up to £300 million of Drax shares to be carried out over a two-year period. As at 31 December 2024, the programme had spent £115 million on the purchase of Drax shares.

Summary

In 2024, we generated a record level of renewable generation across our portfolio of flexible and renewable generation assets as we continue to play an important role in the UK energy system, supporting energy security. This has contributed to a strong financial performance, dividend growth, and capital returns to shareholders. At the same time, we have made good progress with our medium and long-term objectives, which are well aligned with our purpose and the energy trilemma. Through these complementary opportunities, we believe we can deliver sustainable long-term value to all of our stakeholders while realising our purpose of enabling a zero carbon, lower cost energy future.

I would like to thank all colleagues for their hard work, dedication, and expertise in helping us deliver a strong result in 2024 and their continued commitment to our purpose and the delivery of our strategy.

Andrea Bertone
Chair
26 February 2025

CEO's review

Our strategy is designed to realise our purpose of enabling a zero carbon, lower cost energy future.

Energy security, affordability, and the need to decarbonise economies – the energy trilemma – have remained important global themes in 2024.

Will Gardiner
CEO

Introduction

Energy security, affordability, and the need to decarbonise economies – the energy trilemma – have remained important global themes in 2024. Our purpose – to enable a zero carbon, lower cost energy future – is well aligned with these competing priorities and we are committed to playing our part in delivering a Just Transition.

Drax plays an important part in the UK energy system and in 2024 we delivered a strong operational and financial performance, providing the services our markets and stakeholders demand – reliable renewable electricity, flexibility and system support services, all of which contribute to energy security. Our dispatchable 24/7 generation portfolio, backed up by our resilient North American supply chain, enables us to operate the UK's largest single source of renewable power, and through our flexibility we are an enabler of more renewables on the system.

The UK has led the way in decarbonising power generation but there is much more to do. At Drax, we are playing our part by developing options for carbon removals, flexible generation, and energy storage. In its recent "Clean Power 2030" report, the UK's National Energy System Operator (NESO) noted that all of its pathways to a clean power system in 2030 required more renewable energy and more power system flexibility. Both of NESO's pathways included large-scale biomass and BECCS.

We believe that investment in new generation capacity, technology, and infrastructure to deliver a clean power system, and beyond that net zero, requires greater policy certainty. Absent this certainty, the pace of development is likely to be insufficient to deliver what is required and, in that environment, we believe that the value of proven operational assets should increase as growing demand for power – for electrification of heating, transport, and new markets like data centres – moves ahead of supply.

We are excited by the long-term global potential for carbon removals, and through our new Elimini business we are evaluating options for 24/7 power generation and carbon removals in North America and beyond. To support the realisation of these opportunities and the transformation of the Group, we are continuing to develop a culture and the capabilities to support the delivery of our strategy and create long-term value for stakeholders.

Our balance sheet is strong, and the business is generating significant free cash flow. We stand ready to invest in our strategy and opportunities to create value from our asset base, but will be disciplined on capital allocation, as we seek to maximise value. Such strategic investment remains subject to appropriate regulatory structures and investment returns. In the short term, those structures are not yet sufficiently developed and so, in line with the Group's capital allocation policy, in August 2024, we commenced a share buyback programme, for the purchase of shares worth up to £300 million over a two-year period.

Safety

Safety remains a primary focus. In 2024, we achieved a significant improvement in performance with a Total Recordable Incident Rate (TRIR) of 0.24 (2023: 0.38). This reflects ongoing investment in training and the strengthening of our safety culture as we continue to work hard to investigate near misses and hazards so that we can take action to prevent incidents. We also continue to track leading indicators of near miss and hazard identification rate as well as our lagging indicators, which are key targets across the Group.

Summary of 2024

Adjusted EBITDA of £1,064 million represents a 5% increase on 2023 (£1,009 million). This reflects a strong operational and financial performance, with a high level of renewable power generation and system support activity

> We continue to develop a culture with the capabilities to support the delivery of our strategy and create long-term value.

in response to system need and an improvement in the Pellet Production business.

Net debt to Adjusted EBITDA was less than 1 times at 31 December 2024 – significantly below the Group's target of around 2 times. In aggregate, through 2024, the Group put in place over £1 billion of new longer-dated debt and facilities, significantly extending our maturity profile beyond 2027, whilst reducing Net debt by over £200 million.

In line with our policy to pay a sustainable and growing dividend, the Board proposes to pay a final dividend in respect of 2024 of £57 million, equivalent to 15.6 pence per share, giving a full-year dividend of 26.0 pence per share. This is an increase of 12.6% on 2023 (23.1 pence per share). Since its inception in 2017, the annual average rate of dividend growth has been c.11%.

In August 2024, the Group commenced a share buyback programme for up to £300 million of Drax shares over a two-year period. As at 31 December 2024, the programme had purchased £115 million of Drax shares. When combined with dividend payments this represents total returns to shareholders of £209 million for 2024.

Progressing towards >£500 million p.a. of Adjusted EBITDA post-2027 from FlexGen & Energy Solutions, and Pellet Production

In February 2024 Drax set out a target to deliver more than £500 million p.a. of recurring Adjusted EBITDA from our FlexGen & Energy Solutions, and Pellet Production businesses.

The FlexGen & Energy Solutions portfolio made good progress in 2024, and we expect to benefit in future years from the full operation of three new Open Cycle Gas Turbines (OCGTs), as well as the 40MW expansion of Cruachan, all of which are underpinned by long-term Capacity Market agreements.

We also believe that the restructuring of the Energy Solutions business to focus on larger customers and renewable products, including electric vehicle (EV) services, will support the delivery of this ambition.

Pellet Production made strong progress towards its target in 2024 with improved performance and the development of new markets for biomass sales.

FlexGen & Energy Solutions

The UK's plans to achieve net zero by 2050 will require the electrification of sectors such as heating and transport systems, resulting in a significant increase in demand for electricity. We believe that intermittent renewable and inflexible low-carbon energy sources – wind, solar, and nuclear – could help meet this demand. However, this will only be possible if other power sources can provide the dispatchable power and non-generation system support services required to ensure security of supply.

We believe that the retirement of older thermal generation assets and increased reliance on intermittent renewables, as well as an increase in power demand, will drive a growing need for dispatchable power and system support services, creating long-term, earnings opportunities for, and value from, the Group's flexible generation assets.

As such, and in line with our ambition to be a UK leader in flexible renewable generation, the Group continues to assess opportunities for the development of its portfolio. In addition to the Group's options for increasing long duration energy storage at Cruachan, this could also include medium-term opportunities in other storage solutions like batteries, which could complement the range of services which the Group's FlexGen business can provide. Any investment would be subject to the Group's capital allocation policy and appropriate returns on capital.

CEO's review continued

Pumped storage and hydro

The Group's pumped storage and hydro business performed well, providing flexible and renewable power generation and a wide range of system support services. Adjusted EBITDA of £138 million (2023: £230 million) is in line with the Group's target for post-2027 Adjusted EBITDA. 2023 included the benefit of forward selling higher peak power and buying back lower off-peak power. As forward power prices have reduced, we expected a lower level of Adjusted EBITDA in 2024.

An £80 million investment to refurbish and upgrade two units at Cruachan Power Station is progressing. The project, which is underpinned by a 15-year Capacity Market agreement worth over £220 million (c.£15 million Adjusted EBITDA p.a.), will add 40MW of additional capacity by 2027 and improve unit operations.

OCGTs

Commissioning of three new-build OCGTs at two sites in central England and one in Wales is expected to commence in 2025. This is later than originally planned, primarily due to delays in grid connection by the relevant authorities. The OCGTs will provide combined capacity of c.900MW and be remunerated under 15-year Capacity Market agreements, worth over £240 million, in addition to revenues from peak power generation and system support services. Drax will continue to assess options for these assets, including their potential sale.

Energy Solutions (Customers)

Adjusted EBITDA of £51 million was down 29% on 2023 (£72 million), comprised of profitable Industrial & Commercial (I&C) and renewables services businesses, and a loss-making Small & Medium-sized Enterprise (SME) business.

I&C and renewables services Adjusted EBITDA of £81 million was a strong performance. Alongside supplying renewable energy, this business is increasingly active in the provision of value adding services, including asset optimisation and EV services.

Opus Energy (Opus), the Group's SME business, was loss making at the Adjusted EBITDA level, reflecting an exit from gas supply as part of the Group's decarbonisation strategy and lower customer numbers. Opus was acquired by Drax in 2017 and over the past seven years, elements of the acquired business have been transferred to our core I&C business. Those transfers included renewables services, which incorporates Power Purchase Agreements with renewable generators, and certain other customers. These businesses have contributed to the strong underlying performance in the I&C business.

In September 2024, Drax completed the sale of the majority of its non-core Opus SME customer meter points. An employee consultation process has also been completed resulting in a reduction in headcount to reflect a focus on core I&C and renewables services. The sale is expected to be supportive of the Group's post-2027 Adjusted EBITDA target, with a leaner, more focused I&C business model, which can better support customers with their energy needs and decarbonisation objectives.

> Alongside supplying renewable energy, we are increasingly active in the provision of value adding services, including asset optimisation and EV services.

Pellet Production

Adjusted EBITDA of £143 million (2023: £89 million) was an increase of 61%. This is a strong performance which reflects higher production and improved margin versus 2023.

Output benefitted from the commissioning of a 130kt expansion of the Aliceville pellet plant. Deliveries were incrementally weighted towards own-use contracts, which are more reflective of the current market value of long-term large-scale supply than some legacy third-party supply contracts. These contracts will fall due for renewal in the coming years.

As a vertically integrated producer, user, buyer, and seller of biomass, we operate a differentiated biomass model from our peers and see the current global biomass market as having a favourable balance of risks and opportunities.

Drax continues to target post-2027 recurring Adjusted EBITDA over £250 million from Pellet Production. This could comprise a combination of own-use and third-party sales, from existing and new markets, including Sustainable Aviation Fuel (SAF), where Drax is developing a pipeline of biomass sales opportunities in North America, Asia, and Europe.

We believe that SAF could be a major market opportunity for biomass pellets. During 2024 Drax agreed heads of terms with Pathway Energy LLC (Pathway) on a multi-year agreement that could see Drax supply 1Mt of sustainable biomass each year for the production of SAF at their proposed plant in Port Arthur, Texas. The project could provide an attractive home market for the Group's US pellet production, with pricing expected to be consistent with the Group's target for post-2027 recurring Adjusted EBITDA.

In the future, Drax could also potentially supply biomass to two additional Pathway projects, delivering a further 2Mt of sustainable pellets per year to Pathway's sites through the 2030s.

Separately, as a part of its plans to reduce carbon emissions in its supply chain, Drax announced a partnership with Smart Green Shipping to trial, develop, and use an innovative wind-assisted "FastRig" sail with a view to demonstrating how the technology can reduce fuel consumption and resulting emissions, which Smart Green Shipping believes could be up to

Our strategic pillars

To be a UK leader in dispatchable, renewable generation

To be a global leader in sustainable biomass pellets

To be a global leader in carbon removals

For more information on our strategic pillars, please see "Our Story" on page 3.

30% per year. This is in addition to efforts to reduce emissions in UK rail logistics by substituting diesel for biofuel.

Biomass Generation

Drax Power Station is the largest power station in the UK and the country's largest single source of renewable power. The site has four fully flexible and independent biomass units providing 2.6GW of capacity for secure 24/7 renewable power, supporting UK energy security with a wide range of system support services. We believe that the size, flexibility, and location of the site make it an important long-term part of the UK energy system.

In 2024, the site generated over 5% of the UK's electricity and around 10% of its renewable power. During this period, it produced on average 19% of the UK's renewable power at times of peak demand and on certain days over 50%. During October and November 2024, anticyclonic weather systems led to a prolonged period of low wind speed (dunkelflaute) leading to lower levels of wind generation and higher demand for power from our assets. This demonstrates the important role that Drax plays in security of supply in the UK.

Biomass generation is underpinned by a robust and diversified supply chain, using sustainable biomass material from the Group's own production capacity and third-party suppliers across the US, Canada, and Europe. This diversification also provides operational redundancy designed to mitigate potential disruptions at the supplier level.

In the UK, Drax utilises dedicated port facilities at Hull, Immingham, Tyne and Liverpool, with annual throughput capacity significantly in excess of the Group's typical annual biomass usage. Drax Power Station has around 300,000 tonnes of on-site biomass storage capacity. Taken together with volumes throughout the supply chain, the Group currently has visibility of around 1Mt of biomass in inventories. This adds to the resilience of the UK power market in periods of high demand.

The strategically important role which Drax Power Station plays highlights the importance of continued investment to ensure good operational performance and availability of our generation assets. As part of this investment, a major planned outage on one unit was completed in August 2024 and the unit returned to service ahead of schedule.

Adjusted EBITDA of £814 million was an increase of 16% on 2023 (£703 million). This reflects a higher level of renewable power generation and system support services in response to greater system need.

With demand for power expected to grow – through the electrification of heating, transport and other sources like data centres – and more intermittent renewables, we believe that there remains a need for assets like Drax Power Station to continue providing large-scale dispatchable 24/7 renewable energy.

Opportunities for investment aligned with long-term strategy

Our strategy is designed to realise our purpose of enabling a zero carbon, lower cost energy future. It includes three complementary strategic pillars, closely aligned with global energy policies: (1) to be a UK leader in dispatchable, renewable generation; (2) to be a global leader in sustainable biomass pellets; and (3) to be a global leader in carbon removals.

These strategic pillars inform the development of our short, medium and long-term investment opportunities in energy security and renewable power, flexible generation, and carbon removals.

Biomass generation – BECCS

We continue to evaluate an option for BECCS at Drax Power Station, with plans to add post-combustion carbon capture technology to two of the existing biomass units that use sustainable biomass. In total the project could capture up to 8Mt of carbon per year, making a major contribution to the UK's legally binding net zero targets, in addition to providing 24/7 renewable power and energy security. Consistent with the position set out by Drax in 2023, clear Government policy support and milestones (including details of the subsequent allocation rounds for carbon capture and storage (CCS) projects and transportation and storage processes) are required to unlock further investment in the development of BECCS at Drax Power Station.

Biomass generation – data centres

The growing demand for 24/7 power to meet the needs of data centres represents a potential opportunity for generators like Drax. NESO's Future Energy Scenarios indicate a potential doubling of demand for power consumption from data centres by 2030.

The Group's asset base of large-scale dispatchable power generation and cooling solutions from secure sites backed up by a resilient North American supply chain, and a route to large-scale high-integrity carbon removals via BECCS, is well aligned with the needs of this growing industry.

We have received positive engagement with data centre providers in relation to the potential to co-locate a data centre with biomass generation and Drax continues to explore such opportunities.

New pumped storage hydro – Cruachan

In October 2024, the UK Government confirmed its intention to introduce a "cap and floor" scheme to underpin investment in long duration energy storage schemes like Cruachan.

The location, flexibility and range of services Cruachan can provide makes it strategically important to the UK power system and a source of long-term earnings and cash flows linked to the UK's energy transition.

Initial design and engineering work is now complete on the option for a 600MW expansion of Cruachan. No investment decision has been taken at this stage.

Taken together with current developments, we could create a FlexGen

CEO's review continued

+5%

Adjusted EBITDA of £1,064 million represents a 5% increase on 2023 (£1,009 million).

37%

improvement in safety performance, with a TRIR of 0.24 (2023: 0.38).

portfolio of scale comprising c.1.2GW of pumped storage and hydro capacity and c.0.9GW of OCGT capacity, in addition to 2.6GW of biomass generation capacity (and a further 1.3GW of additional grid access rights) at Drax Power Station.

Elimini (Global BECCS)

In September 2024, Drax launched Elimini, our international carbon removals business, which is operationally separate from the Group and is developing opportunities globally for 24/7 renewable power and high-integrity carbon removals.

To support the development of this business, in 2023 Drax established a global HQ for carbon removals in Houston, Texas, and the launch of Elimini represents the continued evolution of the carbon removals business.

Governance, regulation and compliance

Good governance and compliance are prerequisites for a well-run company and long-term success.

We recognise the importance of these issues and have invested to develop our governance and compliance functions as the footprint of the business has grown. We have made progress and believe that we have good processes in place, but we are not complacent and recognise that we can enhance our capabilities in these important areas.

In August 2024, Ofgem closed its investigation into Drax Power Limited's biomass profiling data relating to the Renewables Obligation scheme. Ofgem confirmed that it did not find any evidence that the biomass used at Drax Power Station was not sustainable or that Drax had been issued with Renewables Obligation Certificates (ROCs) incorrectly. No harm had been caused to the consumer, but in recognition of Ofgem's findings, Drax made a payment of £25 million into Ofgem's voluntary redress fund. Drax has resubmitted its CP20 profiling data for Canada and committed to undertake an independent audit of its biomass profiling data for CP22 (April 2023 to March 2024).

Sustainability

As a purpose-led organisation, as we grow, positive outcomes for climate, nature, and people should grow too. Our operations can help sustain more working forests and provide more jobs and opportunities in communities where we operate.

Working in partnership with industry, communities, scientists, regulators, government and civil society organisations will be vital to achieving our ambitions. We will look to work constructively with them to help deliver improvements and perpetuate positive outcomes for the climate, nature, and people.

We have been developing a new Sustainability Framework which sets out specific KPIs for our Climate, Nature, and People Positive pillars. These have been developed in conjunction with internal and external stakeholders, including shareholders, as we recognise the importance of a wide range of views in the development of our broader targets and which support the long-term success of the business.

We expect to publish our Climate Transition Plan in 2025 and are in the validation process for a new set of long-term (2040) Science Based Targets initiative (SBTi) targets, which will complement our existing, validated near-term (2030) targets which are in line with the actions required to follow a 1.5°C pathway.

We are fully aligned with the Task Force on Climate-related Financial Disclosures (TCFD). We are also an early adopter to the Taskforce on Nature-related Financial Disclosures (TNFD) and expect to produce our first TNFD report by the end of 2026. We are also a signatory to the UN Global Compact (UNGC) and we are committed to promoting the UNGC principles concerning respect for human rights, labour rights, the environment, and anti-corruption.

Biomass sustainability

Biomass, when sustainably sourced, supports good forestry, is a renewable source of energy, and we believe represents an important part of both UK and international renewable energy policy. As one of the world's largest users of sustainable biomass for energy generation, Drax is committed to ensuring the woody biomass we source comes from forests that are managed in accordance with standards designed to support their health and growth over the long term.

Drax sources its biomass from well-established forestry markets mainly in the US and Canada, as well as Europe. The main output from these markets is sawlogs, which are processed for use in construction and manufacturing. When used in this way, these materials represent a source of long-term carbon storage and, when the forest regenerates or is replanted, the growing trees absorb carbon from the atmosphere.

Drax supports these forest economies by providing incremental secondary revenues to forest landowners, particularly in the US South, through the purchase of material which is not otherwise merchantable to a sawmill. These materials include bark, branches, low-grade wood and woody matter from forest management activities (thinning), in addition to purchasing sawmill residues. Our part of the supply chain is purchasing these materials. This helps to reduce the risk of wildfire and the spread of disease and allows for replanting of the forest. Where there would otherwise be no demand for these materials, they are sometimes burned at the roadside, as happens in British Columbia, or potentially even landfilled.

In the US South, the periodic thinning of a forest helps improve the size and quality of sawlogs when the trees reach maturity, the economic value of the timber produced and the carbon absorbed and stored, as well as helping forest health and biodiversity.

If forests were not thinned, the revenue from sawlogs would be reduced and landowners may consider other uses for their land, such as agricultural crops and livestock farming. The management of forestland to produce sawlogs ensures forests are growing and absorbing carbon, which means forests remain a carbon sink.

Forests in the areas where Drax sources material are subject to national and regional regulation and typically supported, and independently monitored for compliance, by forest certification schemes. These include Forest Stewardship Council® (FSC®) (FSC-123692), the Sustainable Forestry Initiative® (SFI) (SFI 01578)*, and the Programme for the Endorsement of Forest Certification (PEFC) (PEFC/29-31-286).

We supplement this regulation through our own biomass sourcing policy and supply chain checks, with third-party verification under the Sustainable Biomass Program (SBP) in respect of woody biomass used at Drax Power Station.

“

Drax is continuing to play an important role in supporting energy security in the UK.

Outlook

The UK and the world need more renewable energy, more flexible energy systems and energy security. Drax is continuing to play an important role in supporting energy security in the UK with its dispatchable 24/7 generation portfolio, and the UK's largest single source of renewable power.

We are continuing to develop a culture with the capabilities to support the delivery of our strategy and create long-term value and benefits for stakeholders.

We are continuing to target >£500 million of recurring post-2027 Adjusted EBITDA from our FlexGen & Energy Solutions and Pellet Production businesses. We believe that these, together with Drax Power Station, are an integral part of enabling a clean power system in the UK by 2030.

In the long term we remain focused on our strategic investment opportunities in 24/7 renewable power and carbon removals via BECCS, data centres, and energy storage. As we seek to maximise value we will exercise prudence in how we commit development investment to our larger projects. Until we receive greater certainty on appropriate regulatory structures and investments returns, we expect to commit less development investment.

We will continue to apply our capital allocation policy with a focus on balance sheet strength, investment in the core business, a sustainable and growing dividend, and to the extent there are residual cash flows beyond the current needs of the Group, additional returns to shareholders. Through these strategic objectives and a disciplined approach to capital allocation and development costs, we expect to create opportunities for value and growth in the UK and beyond, underpinned by strong cash generation and attractive returns for shareholders.

Will Gardiner
CEO
26 February 2025

Post balance sheet event

Low-carbon dispatchable CfD agreement for Drax Power Station

In February 2025, Drax agreed a non-binding heads of terms with the UK Government for a low-carbon dispatchable CfD agreement for Drax Power Station, which would operate between April 2027 and March 2031.

The agreement is intended to support UK energy security, represent value for money for consumers, and support long-term options for growth and carbon removals, including BECCS.

The proposed agreement remains subject to Parliamentary procedures, agreement of a final contract, and also anticipates a tightening of biomass sustainability requirements. Drax supports these developments and will continue to engage with the UK Government on the implementation of any future reporting requirements.

* SFI marks are registered marks owned by the Sustainable Forestry Initiative Inc.

CFO's financial review

The Group continued to deliver strong financial performance, which has enabled increased returns to shareholders in 2024.

Strong financial performance and cash generation in 2024 supported increased returns to shareholders, with a 12.6% increase in dividend per share and a new share buyback programme initiated.

Andy Skelton
Chief Financial Officer

Introduction

Adjusted EBITDA of £1,064 million was an increase of 5% compared to 2023 (£1,009 million). This contributed to cash from operations of £1,135 million, a slight increase on 2023 (£1,111 million). Our Net debt[(1)]: Adjusted EBITDA ratio of 0.9 times (2023: 1.2 times) is significantly below our long-term target of around 2 times.

While Adjusted operating profit grew from £782 million in 2023 to £800 million in 2024, Total operating profit in 2024 was £850 million (2023: £908 million). Total operating profit includes non-cash mark-to-market reductions in forward commodity contracts.

Our capital allocation policy remains focused on balance sheet strength, investment in the core business, a sustainable and growing dividend and, to the extent there are residual cash flows beyond the current needs of the Group, additional returns to shareholders.

During 2024 we put in place over £1 billion of new longer dated debt and credit facilities, significantly extending the Group's average maturity profile beyond 2027. Net debt reduced by £228 million after increasing returns to shareholders, reducing gross debt and investing £332 million in capital expenditure in the core business. We grew the dividend by 12.6% and, with capital in excess of the Group's current investment requirements, in August 2024 commenced a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period.

Financial performance

Adjusted EBITDA by segment

FlexGen & Energy Solutions

Adjusted EBITDA in our FlexGen business of £138 million reduced compared to 2023 (£230 million). Our Cruachan pumped storage power station, as well as the run-of-river hydro assets at Lanark and Galloway performed strongly, with increased generation output compared to 2023. The first quarter of 2023 included significant benefit achieved through forward selling higher peak power and buying back lower off-peak power.

Adjusted EBITDA in Energy Solutions of £51 million (2023: £72 million) comprised Adjusted EBITDA of £81 million from our core I&C and renewables services business (2023: £102 million) and a loss of £30 million from the non-core SME business (Opus) (2023: a loss of £30 million).

I&C and renewables services earnings reflect a consistent margin on contracted power prices.

Most of the meter points in the SME business were sold in Q3 2024. Further information can be found in 'Other information' below. Losses continued in 2024, but have been mitigated by the sale of the meters.

We continue to target greater than £250 million of Adjusted EBITDA from our FlexGen & Energy Solutions business post-2027. Delivery of this target is dependent on expected growth from the existing business, combined with the contribution of OCGT assets under construction, and the Cruachan units 3 and 4 refurbishment which is ongoing. The 2024 performance of the existing business was in line with the delivery of this target.

Pellet Production

Adjusted EBITDA of £143 million grew 61% from 2023 (£89 million). The Pellet Production business produced 4.0Mt (2023: 3.8Mt) and shipped 5.1Mt (2023: 4.6Mt) at a higher average margin per tonne. Of the 5.1Mt shipped, 3.0Mt was to Drax Power Station (2023: 2.1Mt). The Pellet Production business purchased 1.1Mt of third party pellets during 2024 (2023: 0.9Mt).

We continue to target greater than £250 million of Adjusted EBITDA from our Pellet Production business post-2027. We expect delivery of this target will be supported by renewal of legacy, lower margin contracts and sales into new markets, such as SAF.

Adjusted EBITDA	Adjusted operating profit	Total operating profit	Cash generated from operations
£1,064m	**£800m**	**£850m**	**£1,135m**
(2023: £1,009m)	(2023: £782m)	(2023: £908m)	(2023: £1,111m)

Adjusted basic earnings per share	Total basic earnings per share	Net debt[1]: Adjusted EBITDA	Total dividend per share
128.4 pence	**137.5 pence**	**0.9 times**	**26.0 pence**
(2023: 119.6 pence)	(2023: 142.8 pence)	(2023: 1.2 times)	(2023: 23.1 pence)

		Year end 31 December	
		2024	2023
Financial performance (£m)	**Total gross profit**	**1,877**	1,954
	Operating expenses	**(721)**	(712)
	Impairment losses on financial assets	**(40)**	(33)
	Depreciation and amortisation	**(242)**	(225)
	Impairment of non-current assets and Other	**(24)**	(76)
	Total operating profit	**850**	908
	Exceptional costs and certain remeasurements	**(50)**	(127)
	Adjusted operating profit	**800**	782
	Adjusted depreciation, amortisation and similar charges and share of losses from associates	**264**	228
	Adjusted EBITDA	**1,064**	1,009
Capital expenditure (£m)	Capital expenditure	**332**	519
Cash and net debt (£m unless otherwise stated)	Cash generated from operations	**1,135**	1,111
	Net debt[1]	**992**	1,220
	Net debt to Adjusted EBITDA (times)	**0.9**	1.2
	Cash and committed facilities	**806**	639
Earnings (pence per share)	Adjusted basic	**128.4**	119.6
	Total basic	**137.5**	142.8
Distributions (pence per share)	Interim dividend	**10.4**	9.2
	Proposed final dividend	**15.6**	13.9
	Total dividend	**26.0**	23.1

Throughout this document we distinguish between Adjusted measures and Total measures, which are calculated in accordance with International Financial Reporting Standards (IFRS). We calculate Adjusted financial performance measures, which exclude income statement volatility from derivative financial instruments and the impact of exceptional items. This allows management and stakeholders to better compare the performance of the Group between the current and previous period without the effects of this volatility and one-off or non-operational items. Adjusted financial performance measures are described in more detail in the APMs glossary, with a reconciliation to their closest IFRS equivalents in note 2.7. Tables in this financial review may not add down or across due to rounding.

(1) Net debt was historically defined excluding lease liabilities, as this mirrored the treatment in the Group's covenant calculations. However, recent facilities have had covenants which incorporate net debt including lease liabilities. Therefore, we now calculate Net debt including lease liabilities, and Net debt including lease liabilities to Adjusted EBITDA. Net debt excluding lease liabilities at 31 December 2024 was £876 million (31 December 2023: £1,084 million).

CFO's financial review continued

Biomass Generation

Adjusted EBITDA from Biomass Generation was £814 million, a 16% increase on 2023 (£703 million). Drax Power Station produced 14.6TWh (2023: 11.5TWh) of electricity, providing dispatchable, renewable generation when the grid needed it most. This result is inclusive of a £25 million cost in relation to the closure of the Ofgem investigation. Details of both the biomass output and Ofgem investigation are included in the CEO's review.

Options for growth (Innovation, Capital Projects, and Other)

Development expenditure of £81 million was slightly below 2023 (£85 million). Of this total, £47 million related to Elimini (Global BECCS) (2023: £57 million). Spending on UK BECCS was minimised as we await clarity from the UK Government on next steps.

Total operating profit

Total operating profit of £850 million represents a 6% decrease from 2023 (£908 million), predominantly driven by a £91 million change in certain remeasurements, which are not included in Adjusted EBITDA. This change was attributable to gas prices and foreign exchange movements. The Exceptional items value in Operating expenses in 2024 relate to the sale of the SME customer book, as described in 'Other information' (2023: impairment of Opus Energy, net credit from legal claim and change in fair value of contingent consideration). These transactions had an immaterial net cashflow impact. Further information on Exceptional items and certain remeasurements can be found in note 2.7 (Alternative performance measures).

Depreciation and amortisation of £242 million is above 2023 (£225 million), driven by an increase in the Pellet Production and Biomass Generation segments.

Profit after tax and Earnings per share

Total net finance costs for 2024 were £97 million (2023: £112 million). The reduction of £15 million is because of higher interest receivable as more cash was held at higher rates, a one-off gain on repayment of debt, and lower absolute levels of facilities through 2024, partially offset by higher interest rates on the new debt. At 31 December 2024 the weighted average interest rate payable on the Group's borrowings was 5.4% (31 December 2023: 4.8%).

The effective tax rate of 30% was in line with 2023 (30%). This includes the impact of the Electricity Generator Levy (EGL) (which is not allowable for corporation tax purposes) and one-off non-cash revaluations of deferred tax balances, partially offset by benefits from patent box and research and development credits. The impact of EGL was an increase to the effective tax rate of 5% (2023: 6%).

Adjusted basic EPS was 128.4 pence (2023: 119.6 pence) and Total basic EPS was 137.5 pence (2023: 142.8 pence). The average number of shares used in deriving these calculations was 383.2 million (2023: 393.8 million). The number of outstanding shares at 31 December 2024 was 369.9 million, a 4% reduction on 31 December 2023 (384.7 million), reflecting the ongoing share buyback.

Capital allocation

Maintain credit rating

In 2024 the Group secured over £1 billion of new debt and facilities and extended the average maturity date post 2027. Details of the new debt and facilities, and repayments are provided in note 4.2 'Borrowings'. In 2024, Net debt reduced by over £200 million.

During the second quarter of 2024, the Group's Issuer Credit Ratings were reaffirmed as 'BB+' by Fitch and S&P and as 'BBB (low)' by DBRS, with a Stable Outlook in each case.

Invest in core business – capital expenditure

Capital expenditure of £332 million consists of £212 million of growth expenditure, £83 million of maintenance, and £37 million of Other (including HSE and IT). Of the £212 million of growth expenditure, £90 million related to the OCGTs (2023: £189 million) and £64 million to Pellet Production capacity expansion (2023: £76 million), mainly on the Longview site. We capitalised £34 million in relation to the upgrade of Cruachan units 3 and 4 (2023: £nil) and capitalised spend on UK BECCS was £4 million (2023: £18 million).

Further information on the OCGT commissioning dates, and the steps required before the Group would increase investment in UK BECCS, can be found in the CEO's review.

Sustainable and growing dividend

The Group is committed to paying a growing and sustainable dividend. On 25 July 2024, the Board resolved to pay an interim dividend for the six months ended 30 June 2024 of 10.4 pence per share, representing 40% of the expected full year dividend. The interim dividend was paid on 25 October 2024.

At the Annual General Meeting on 1 May 2025, the Board will seek shareholder approval to pay a final dividend for the year ended 31 December 2024 of 15.6 pence per share. If approved, the final dividend will be paid on 16 May 2025, with a record date of 25 April 2025.

Taken together with the interim dividend, this would give a total dividend for 2024 of 26.0 pence per share. This is a 12.6% increase on 2023 and represents sustainable growth in accordance with our capital allocation policy.

Return surplus capital beyond investment requirements

In August 2024, in line with our capital allocation policy and reflecting a strong balance sheet, current investment requirements, and the dilution expected from share schemes vesting, we commenced a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period. Up to 26 February 2025 we had purchased over 23 million shares for c.£150 million.

Cash and Net debt

Net cash movements

Operating cash flows before movements in working capital of £1,013 million is in line with 2023 (£1,013 million). Cash generated from operations, inclusive of working capital, was £1,135 million (2023: £1,111 million). The net decrease in cash and cash equivalents during 2024 was £22 million (2023: £146 million increase).

The net working capital inflow of £122 million was broadly in line with the prior year (£108 million). The main movements in 2024 were outflows on renewable certificates of £248 million and payables of £143 million being offset by an inflow of £392 million on receivables, attributable to lower power prices at the end of 2024 compared to 2023.

Cash outflows on purchases of property, plant and equipment and intangibles of £388 million were more than the amount capitalised of £332 million mainly because of timing of payments in relation to the construction of the three OCGT developments.

Financing activities related to principal drawdowns and repayments of borrowings showed a net outflow of £217 million in line with the narrative in note 4.2 'Borrowings'.

Liquidity

Cash and committed facilities at 31 December 2024 provided substantial headroom over our short-term liquidity requirements.

No cash has been drawn under our revolving credit facilities (RCF) since at least 2020. At 31 December 2024 there were no balances drawn as letters of credit under the RCF (31 December 2023: £46 million).

At 31 December 2024, the Group held net cash collateral of £5 million (31 December 2023: £79 million posted). This will be returned by the Group as the associated contracts mature. Depending on market movements, collateral may need to be posted in future by the Group.

Net debt and Net debt to Adjusted EBITDA

Net debt to Adjusted EBITDA is significantly below the Group's long-term target of around 2 times.

Other information

Sale of SME customer book

In September 2024, the Group completed the asset sale of the majority of the Opus Energy customer meter points. Over the past seven years the renewables business holding the Group's Power Purchase Agreements with renewable generators, and certain other customers acquired with the Opus Energy business in 2017, have been transferred to Drax Energy Solutions.

There is no change to the Group's FlexGen & Energy Solutions Adjusted EBITDA expectations because of this process.

This transaction resulted in an exceptional item netting to a cost of £60 million.

Further information is set out in note 2.7 (Alternative Performance Measures).

Going concern and viability

The Group's financial performance in 2024 was strong, delivering improved profitability and a lower ratio of Net debt to Adjusted EBITDA, which remains significantly below the Group's long-term target of around 2 times. Following the refinancing activity during 2024, the Group's debt maturities have been extended, with a significant proportion now beyond April 2027, and significant liquidity headroom is available from existing facilities.

The Group refreshes its business plan and forecasts throughout the year, including scenario modelling designed to test the resilience of the Group's financial position and performance to several possible downside cases. Based on its review of the latest forecast, the Board is satisfied that the Group has sufficient headroom in its cash and committed facilities and covenants headroom, combined with available mitigating actions, to be able to meet its liabilities as they fall due across a range of scenarios. Consequently, the Directors have a reasonable expectation that the Group will continue in existence for a period of at least twelve months from the date of the approval of the financial statements and have therefore adopted the going concern basis of preparation. Further, the Directors have a reasonable expectation that the Group will be able to continue in operation over the five-year period of the viability assessment, as documented in the Viability statement.

Andy Skelton
CFO
26 February 2025

Liquidity

	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents	**356**	380
RCF available but not utilised	**450**	260
Cash and committed facilities	**806**	639

Net debt and Net debt to Adjusted EBITDA

	31 December 2024 £m	31 December 2023 £m
Cash and cash equivalents	**356**	380
Current borrowings	**(119)**	(264)
Non-current borrowings	**(1,058)**	(1,161)
Impact of hedging instruments and NCI	**(55)**	(38)
Lease liabilities	**(117)**	(136)
Net debt	**(992)**	(1,220)
Adjusted EBITDA	**1,064**	1,009
Net debt to Adjusted EBITDA	**0.9**	1.2

Safeguarding responsible biomass sourcing

The backbone of a net zero economy will be a zero-carbon power system. Biomass, in the form of compressed wood pellets, is a low-carbon replacement for coal that can be used at power stations to generate renewable energy.

As one of the world's largest users of sustainable biomass for energy generation, Drax is committed to ensuring the woody biomass we source comes from forests that are managed in accordance with standards designed to support their health and growth over the long term. By doing this, we can work towards our commitment to deliver positive outcomes for climate, nature and people.

It is important Drax only sources biomass which is sustainable, otherwise the benefits to climate, nature, and people may be lost.

Drax uses a series of controls and mitigations, including our policies, processes and procedures, post-harvest monitoring and independent third-party certification.

> **The Climate Change Committee (CCC), International Energy Agency (IEA), and UN Intergovernmental Panel on Climate Change (UNIPCC) all identify an important ongoing role for sustainable biomass power in delivering a decarbonised energy system.**

Types of feedstock (global)

Sawmill and other wood industry residues

Woody material produced during the processing of wood at the sawmill, such as sawdust, shavings, chips, and offcuts.

Low-grade roundwood

Low-grade roundwood is material which does not satisfy the quality standards set by the timber industry and is unsuitable for use in a sawmill.

Thinnings

Wood from a silvicultural operation where the main objective is to reduce the density of trees in a stand, improve the quality and growth of the remaining trees and produce a saleable product.

Agricultural residues

Non-woody processing residues, that are not the end product that a production process directly seeks to produce.

Branches and tops

Tops, bark and limbs of trees that have been left behind post harvest.

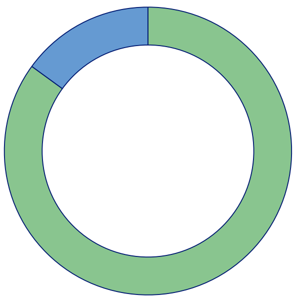
End-of-life trees

Trees that are felled because they have defective stems, are ill or damaged or trees that are removed from a plantation because they have reached the end of their productive lifetime or trees that must be removed for the permitted construction of infrastructures.

Drax Group sourced a total of 9 million tonnes of fibre in 2024 from 13 sourcing regions

9m
tonnes of fibre sourced

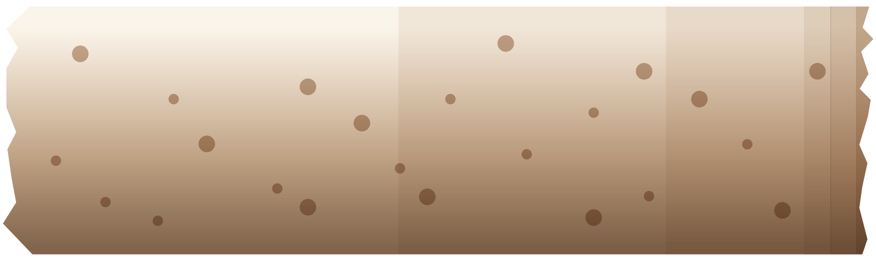
13
regions



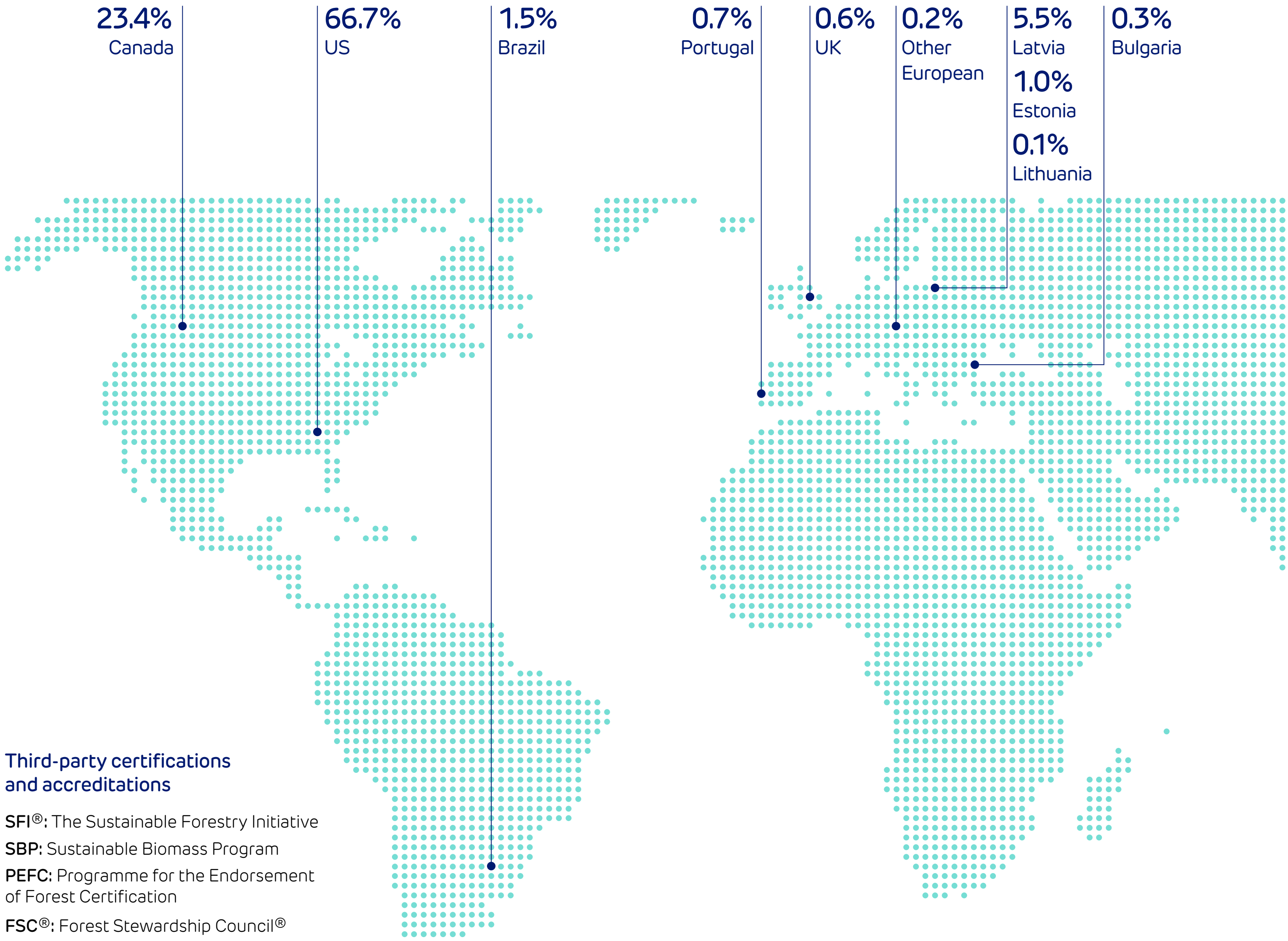
How we use our sourced fibre

- Fuel for Drax Power Station: **85%**
- Third-party pellet sales: **15%**

Proportions of feedstock sourced in 2024



Regions where we source our wood



Third-party certifications and accreditations

SFI®: The Sustainable Forestry Initiative

SBP: Sustainable Biomass Program

PEFC: Programme for the Endorsement of Forest Certification

FSC®: Forest Stewardship Council®

Drax does not own forests or sawmills. While we do not own or manage forests, we do safeguard our wood sourcing by abiding by the certifications and accreditations applicable to each of the territories and applying our biomass sourcing policy to all biomass we source.

Third-party certification is a critical part of our due diligence process. Our key certification scheme is SBP a scheme specific to the biomass industry. Under the scheme, independent certification bodies audit biomass suppliers against the standards developed by SBP. The standards look holistically across the supply chain including the management of forests to ensure the health and vitality of ecosystems are maintained. Also, in many cases the forests we source from are certified to the SFI Forest Management Standard, which is endorsed under the PEFC.

In the US, where there is abundant privately owned forest land, our SFI Fiber Sourcing, FSC® Controlled Wood, and SBP Certifications provide a robust framework for assuring, and verifying, sustainability. All Drax operated pellet plants hold an SBP Certificate and are subject to an annual audit by an independent certification body. Pellet plants holding an active SBP certification can apply SBP claims to the pellets they produce. The certification status of wood pellets produced at Drax pellet plants varies by customer requirement, but are sustainably produced either way.

Canadian operations

In Canada, where Drax operates 10 pellet mills, around 94% of the forests are publicly owned. The Government of British Columbia, in partnership with First Nations, has procedures, policies, and laws in place to help ensure sustainable forest management practices, protect important forest ecosystems and support the forest products sector.

Without a market for the low-grade woody fibre from forests, this material may be burnt on site at sawmills or may be left as slash (piles of timber damaged or otherwise unsuitable for lumber mills and other woody debris). Removal of debris is a tactic used as part of a wider set of activities to mitigate wildfire risk and the spreading of disease and pests in Canadian forests. But it is not a good climate or economical outcome to burn forest residue in forests or at the roadside. We believe that it is far better to utilise this fibre according to strict criteria and best practice, to generate social value and renewable electricity.

81% of our fibre from Canada comes from sawdust and other sawmill residues created when sawmills produce wood products used in construction and other industries. The remaining 19% of our fibre comes from forest residues, including low-grade roundwood, tops, branches and bark. Typically, pellets produced by Drax in Canada are sold to third-party customers in Asia to fulfil long-term sales contracts.

Biomass sourcing: Group overview

US operations

In the US South, where Drax operates seven pellet plants, over 85% of the forest is privately owned, with the majority in family ownership and a smaller percentage owned by large forestry organisations. Our business model supports the broader forest products sector and provides a valuable market for forest residues including low-grade roundwood and thinnings – material which is not suitable for sawtimber. The established sustainable forest management practice of thinning is widely used in the US South and serves to maintain forest health, increase sawtimber production, and improve the productivity of the forest ecosystem.

In 2024, 56.3% of biomass Drax sourced in the US South was from thinnings and low-grade roundwood, whilst 39.3% was sourced from sawmill residues. In addition to our Biomass Sourcing Policy, processes, and procedures, Drax utilises independent third-party certification schemes, which in the US South includes SFI and FSC® across all its US pellet plants. This is in addition to SBP where all Drax operated pellet plants had a valid SBP Certificate and, in 2024, over 88.5% of the material supplied came with a SBP Compliant Claim.

Third-party pellet sourcing

In addition to our own operations, we source third-party pellets from across North and South America, as well as Europe, to be used at Drax Power Station. Additionally Drax trades pellets from Asia, North America, and Europe to fulfil long-term sales commitments to third-party customers. Sourcing of these pellets is subject to due diligence and Drax has processes and procedures in place to establish that the material is sustainably produced and compliant with our biomass sourcing policy and relevant legislation.

In 2024, the volume of pellets traded was 703,992 tonnes. 84% of the traded volume held an SBP Compliant claim. The remainder was either PEFC/SBP controlled or without the claim. The volume without a claim was sourced from a supplier that is SBP certified and FSC® certified. Through a combination of on the ground supplier visits, independent external audit, and assessment of sustainability risks, we work to ensure our suppliers' meet their markets' requirements.

Biomass sourcing policy

In 2025, we expect to publish a revised biomass sourcing policy with an explicit commitment that this applies to all biomass that Drax sources – whether this is for our pellet production, sold to third parties, used at Drax Power Station (including third-party purchased biomass), or potential future use in BECCS at Elimini.

The revised policy will be an evolution of the 2019 publication and more accurately reflects our global business today. It is structured around a series of core principles and builds on the wider Sustainability Framework of delivering positive outcomes for Climate, Nature, and People; underpinned by a commitment to compliance, traceability, and transparency whilst conducting open stakeholder engagement.

Drax will use independent third-party certification schemes as part of the implementation of the new policy.

CASE STUDY

US – The Federation of Southern Cooperatives (TFSC)

Drax is proud to acknowledge its ongoing Memorandum of Cooperation with The Federation of Southern Cooperatives.

Drax and the Federation of Southern Cooperatives share a joint understanding of the important role that small forest landowners play in delivering forest health, environmental justice, and good economic and social outcomes in rural communities. We also share an ambition to increase access for small forest landowners to the fibre market, where these landowners have been previously disadvantaged.

This Memorandum of Cooperation sets out a joint understanding between Drax and the TFSC, as well as areas for cooperation.

Policy and standard developments

CAAs

As part of the assessment of carbon stocks, Drax commissions independent Catchment Area Analysis (CAA) in some of the regions from which we source. These studies evaluate the carbon stocks in those forests and how forestry and other human or natural interventions have impacted or may impact those carbon stocks. We are committed to reviewing the methodology of these studies as the science develops. Our CAAs are published on our website, with details of the independent body completing the work, the methodology used, and their findings. Where findings are inconclusive or indicate a negative impact, we aim to investigate further. Completion of our CAAs is part of a rolling programme, and to date we have covered 52.2% of our sourcing, based on Group sourcing in 2024. During 2024, Drax completed all four of its CAAs, commissioned in 2023. Drax will continue to assess the CAA programme for its pellet plants, for more information see Drax's website.

REDIII and EUDR

2025 is a crucial year for the implementation of new regulation covering biomass sourced for use in the EU. The EU's "Fit for 55" legislative package brings updates to key pieces of legislation including the Renewable Energy Directive (REDIII).

Meanwhile, the new EU Deforestation-free products Regulation (EUDR) introduces new requirements prohibiting deforestation and forest degradation. REDIII strengthens biomass sustainability criteria to reflect good forest management practices and aligns with the cascading principle to ensure that wood is utilised to its highest economic and environmental added value. The EUDR requires companies to undertake due diligence to ensure products do not result from recent (post 31 December 2020) deforestation, forest degradation, or breaches of local environmental and social laws. Both pieces of legislation impose additional requirements that will require adjustments in order to trade wood pellets into and from the EU. We are working towards compliance with EUDR and REDIII and have formed a project to do so. We therefore continue to closely monitor the implementation process, through our membership of trade associations and engaging with different governments, including the US, Canada and the EU.

UK Government requirements, certification and assurance

The biomass used at Drax Power Station is required to comply with the standards set out in law, regulations, and the requirements of the renewable support schemes under which we operate. The UK Government outlines sustainability requirements for biomass generation to be eligible for renewable support.

In order to qualify for subsidies, the biomass received at Drax Power Station must comply with the Land Criteria (which for wood pellets, sets out a range of measures for sustainable forest management) and the Greenhouse Gas (GHG) Criteria. The GHG Criteria is a limit set out by the UK Government, which ensures that the totality of emissions involved in our biomass supply chain represents significant GHG reductions compared to fossil fuels. The current criteria for biomass, in the UK, is to ensure supply chain emissions do not exceed 200kgCO_2e/MWh electricity generated. We are required to demonstrate, and assure to an ISAE 3000 limited assurance standard, that the biomass we use at Drax Power Station is consistent with the UK's sustainability standards. We therefore report monthly on the amount of biomass used, the type of material used, where it came from, and the GHG emissions from the supply chain. Under UK regulations, we must also confirm if the biomass complied with the Land Criteria. At the end of every compliance year, the renewable support schemes require we have an independent third-party audit to assess the accuracy of the monthly reporting submitted through the year. At Drax Power Station, to ensure we can identify and track material through our supply chain, we are certified against FSC® (C-119787), SBP and PEFC® (PEFC/16-37-1769).

CASE STUDY

Old Growth Deferral Areas and our approach

In 2021, the Government of British Columbia introduced Old Growth Deferral Areas (OGDAs) as an interim measure before a new forest management approach could be agreed with First Nations.

These began to be implemented in 2022 and are separate to Legal Old Growth Management Areas (OGMAs).

Whilst the work to implement this interim policy alongside the permanent new forest management approach is continuing, Drax has made the decision to stop sourcing wood fibre directly from OGDAs, even if a legal harvest was subsequently granted.

The implementation of this policy change is ongoing and is in addition to our commitment to not source fibre from OGMAs which are protected.

Biomass sourcing: Data summary

Drax has a long-term commitment to only utilise sustainable biomass in its production processes. The collection and analysis of biomass sourcing data plays a vital role in ensuring its sustainability and understanding the origins and methods of procurement. This also allows us to make informed decisions and support transparency in reporting and accuracy of the information.

CASE STUDY

Managing healthy and productive pine forests

In the US South, thinning plays an important role in managing healthy and productive pine forests.

Thinning is an intermediate harvest, taken by forestry managers, aimed at reducing tree density to allocate more resources, like nutrients, sunlight, and water, to trees which will eventually become valuable sawtimber. Thinning improves the forest's resilience to pest, disease, and wildfire, as well as enhancing diversity and wildlife habitat. It also increases future sawtimber yields. Results across US forestland show the volume of annual timber growth is higher than the volume of annual timber removals.

Drax Group sources of fibre

	Sawmill and other wood industry residues (t)	Branches and tops (t)	Thinnings (t)	Low-grade roundwood (t)	End-of-life trees (t)	Agricultural residues (t)	Country total (t)
US	2,351,502	64,931	1,342,820	2,026,266	2	194,110	5,979,631
Canada	1,703,775	173,279	–	214,408	6,529	–	2,097,990
Latvia	54,380	6,833	16	428,738	–	–	489,967
Brazil	6,527	–	–	42,137	84,399	–	133,062
Estonia	17,073	372	12,256	63,488	–	–	93,189
Portugal	1,136	7,412	44,528	10,659	514	–	64,249
UK	–	–	–	–	–	55,103	55,103
Bulgaria	–	–	–	–	–	23,394	23,394
Other European	2,623	–	–	11,561	–	–	14,184
Lithuania	6,444	–	–	6,334	–	–	12,777
Total	4,143,459	252,827	1,399,620	2,803,591	91,443	272,608	8,963,549

Drax Power Station sources of fibre (material consumed at Drax Power Station)

	Sawmill and other wood industry residues (t)	Branches and tops (t)	Thinnings (t)	Low-grade roundwood (t)	End-of-life trees (t)	Agricultural residues (t)	Country total (t)
US	2,257,841	64,931	1,342,820	2,026,266	2	194,110	5,885,970
Canada	683,002	67,243	–	57,893	6,529	–	814,667
Latvia	54,380	6,833	16	428,738	–	–	489,967
Brazil	6,527	–	–	42,137	84,399	–	133,062
Estonia	17,073	372	12,256	63,488	–	–	93,189
Portugal	1,136	7,412	44,528	10,659	514	–	64,249
UK	–	–	–	0	–	55,103	55,103
Bulgaria	–	–	–	0	–	23,394	23,394
Other European	2,623	–	–	11,561	–	–	14,184
Lithuania	6,444	–	–	6,334	–	–	12,777
Total	3,029,026	146,792	1,399,620	2,647,076	91,443	272,608	7,586,564

Our performance

	Unit	**2024**	2023	2022
Drax Power Station				
Total volume of fibre (material consumed at Drax Power Station)(1)	t	**7,586,564***	5,979,554	6,633,722
Proportion of woody biomass consumed at Drax Power Station with SBP Compliant claim	%	**98.6***	96.9	96.6

* Limited external assurance by Bureau Veritas UK Limited using the assurance standard ISAE 3000. For assurance statement see drax.com/sustainability.
(1) Reported figure reflects volume consumed for power generation at Drax Power Station in 2024.

We are committed to responsible biomass sourcing, outlined in our biomass principles, which can generate broader benefits and create positive outcomes across the value chain. Some of these are listed here.

Utilising low-grade woody fibre from forests helps prevent the spread of fire, pests, and disease by reducing forest density to healthier levels and removing deadwood which can attract insects and pathogens. We believe it is far better to utilise this fibre according to strict criteria and best practice, in order to generate social value and renewable electricity.

Reducing carbon dioxide emissions

We are committed to ensuring our use of biomass makes a positive contribution to tackling climate change which we believe can contribute to fulfilling the UK's net zero target by 2050.

See page 38

Protecting the natural environment

We recognise our part in supporting a thriving forestry industry and to respect the many benefits that forests bring, including carbon storage, protection of soil and water quality, supporting biodiversity and provision of habitat.

See page 44

Supporting people and communities

From state-owned forests to smallholdings, and from British Columbia to the Baltic states, forest owners, forest workers, and communities in our sourcing areas are bound by their common reliance on forests for employment, wellbeing, and quality of life.

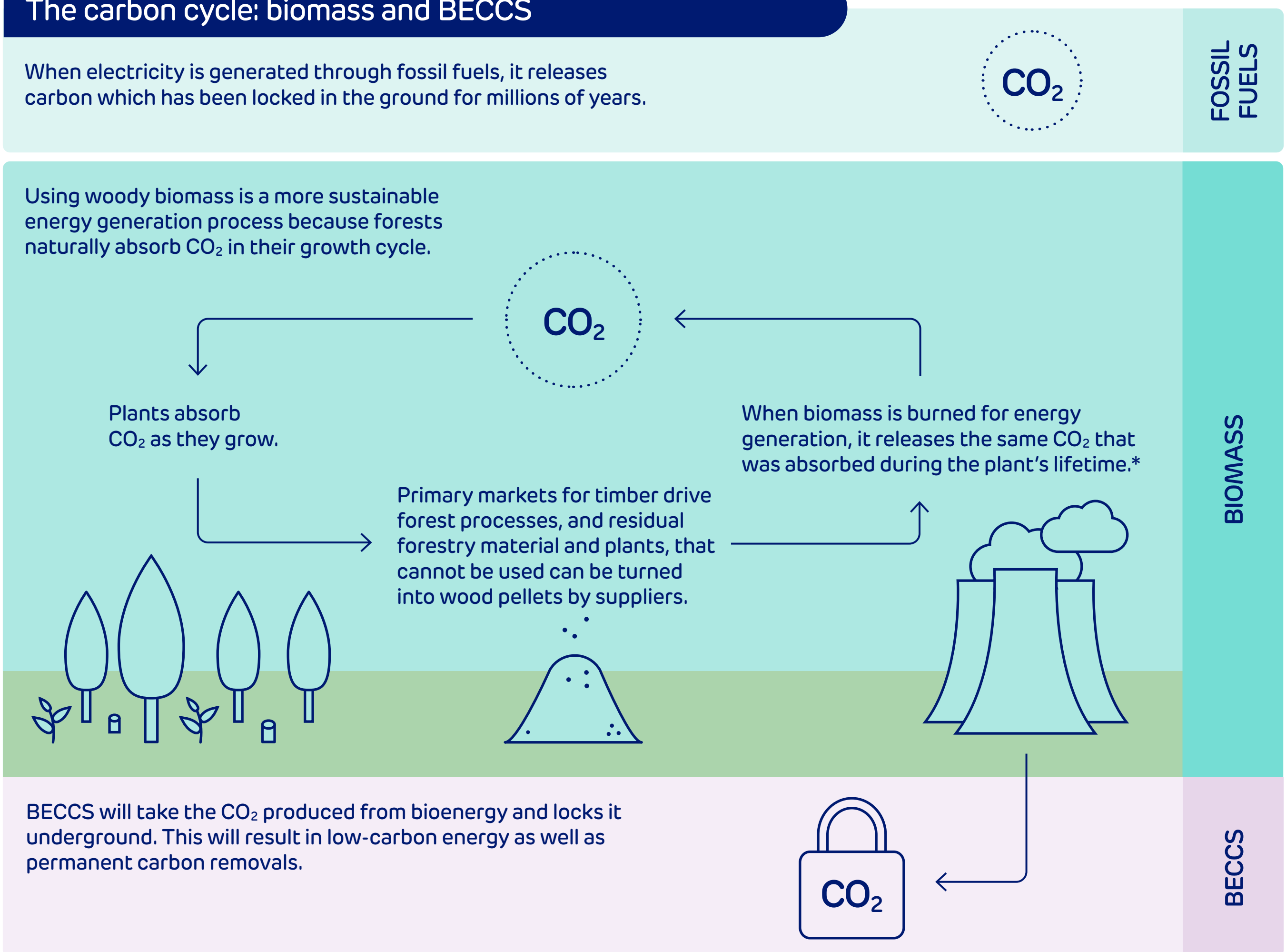
See page 50

Investing in research, outreach, and intervention

The strength of our collaboration with others will improve the sourcing choices we make. We are committed to working with governments, non-governmental organisations, academia, and other stakeholders to continually improve biomass sourcing and develop best practice that reflects our goals for Climate, Nature and People positive outcomes.

See page 96

The carbon cycle: biomass and BECCS



* As long as wood pellets are sourced from areas that are managed to maintain or increase productive forest cover, CO_2 emissions and forest uptake will balance on climate relevant timescales.

Key performance indicators

Our strategic pillars:

- To be a UK leader in dispatchable, renewable generation
- To be a global leader in sustainable biomass pellets
- To be a global leader in carbon removals

Measure	Definition/why it matters	Performance
Financial		
Adjusted EBITDA (£million)	This is our principal financial performance metric, combining the earnings of each business to give a Group outcome. The reconciliation of statutory earnings to Adjusted EBITDA is on page 195.	2024: 1,064 2023: 1,009 2022: 731
Net debt (£million)	This is a key aspect of measuring liquidity through assessing compliance with the Group's financial covenants and is used as a basis by debt rating agencies to assess credit risk. The definition and calculation of Net debt is set out on page 195.	2024: 992 2023: 1,220 2022: 1,359
Adjusted Pellet Production EBITDA (£million)	This is a key measure of the performance of this operating segment and our ability to manage our strategy for the business. The reconciliation of statutory earnings to Adjusted EBITDA is on page 195 and EBITDA by segment is included on page 195.	2024: 143 2023: 89 2022: 134
Adjusted Flex Gen & Energy Solutions EBITDA (£million)	This is a key measure of the performance of these operating segments and our ability to manage our strategy for the combined business. The reconciliation of statutory earnings to Adjusted EBITDA is on page 195 and EBITDA by segment is included on page 195.	2024: 189 2023: 302 2022: 197
Non-financial		
Total Recordable Incident Rate (TRIR)	Keeping our people safe is a core principle. TRIR is an industry standard measure of fatalities, lost time injuries and medical treatment injuries per 100,000 hours worked. You can read more about health, safety, and wellbeing in People Positive on page 50.	2024: 0.24 2023: 0.38 2022: 0.44
Group carbon emissions Scope 1, 2 and 3 ($ktCO_2e$)	We are focused on reducing carbon emissions – as measured by reductions in our Scope 1, 2 and 3 footprint – which enables us to track progress towards achieving our near-term and net zero SBTi targets. You can read more about this in Climate Positive on page 38.	2024: 546 / 2,867 2023: 486 / 3,534 2022: 669 / 3,123 Scope 1 and 2 / Scope 3
Biomass generation (TWh)	This is an important measure of the renewable power generation at Drax Power Station and a key part of our strategy – to be a UK leader in dispatchable, renewable generation.	2024: 14.63 2023: 11.45 2022: 12.68
Pellets produced (Mt)	This measures a key part of our strategy – to increase our pellet production capacity and output. This represents the number of pellets produced in millions of tonnes.	2024: 4.0 2023: 3.8 2022: 3.9

Our Risks:

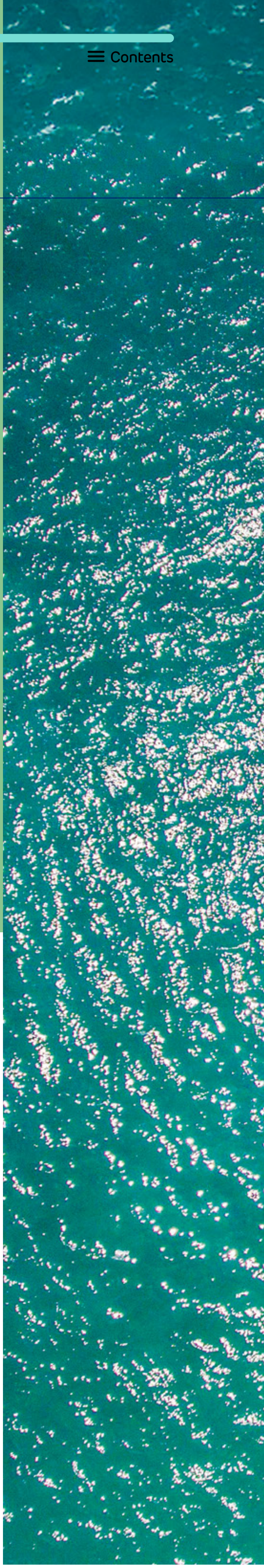
1. Environment, Health & Safety
2. Political & Regulatory
3. Strategic
4. Biomass Acceptability
5. Plant Operations
6. Trading & Commodity
7. Information Systems & Security
8. Climate Change
9. People

Target	Strategic link	Link to risks	Link to remuneration
To grow the Adjusted EBITDA of the Group to support investment in the strategy.		2 3 4 5 6 7 8	The Adjusted EBITDA performance measure has a 40% weighting on the Group Scorecard. See page 133
Long-term target of Net debt to EBITDA of around 2.0 times.		3 4 5 6 8	The 2024 bonus Scorecard has a 15% weighting on net cash flow, which is directly linked to Net debt. See page 133
Targeting Adjusted EBITDA of £250 million post 2027.		3 4 5 6 7 8	This is linked to the Group's Adjusted EBITDA performance measure that has a 40% weighting on the Group Scorecard.
Targeting Adjusted EBITDA of £250 million post 2027.		3 5 6 7 8	This is linked to the Group's Adjusted EBITDA performance measure that has a 40% weighting on the Group Scorecard.
TRIR of 0.20 per 100,000 hours worked.		1 9	The safety performance measure has a 5% weighting in Group Scorecard. See page 133
To achieve our externally disclosed SBTi decarbonisation targets.		2 3 4 5 6 8	The 2024 Group Scorecard has a 5% weighting on measures focused on reducing our carbon emissions. See page 133
To be a UK leader in dispatchable, renewable generation.		1 2 3 4 5 6 8	Biomass generation plays a significant role in the Group strategy and links to the financial performance as well as indirectly linked to other elements of the Group Scorecard, including UK BECCS and pellet production.
To be a global leader in sustainable biomass pellets.		3 4 5 6 8	Increasing the pellet production capacity is a key component in growing reported Adjusted EBITDA results. Delivery of pellet volume has a 5% weighting in the Group Scorecard. See page 133

Sustainable development

Contents

34 Introduction
38 Climate positive
44 Nature positive
50 People positive
56 Task Force on Climate-related Financial Disclosures (TCFD)
69 Non-Financial and Sustainability Information Statement
69 Assurance statements



> Sustainability is a core part of our mission, as we seek to address the global challenge of climate change.

Miguel Veiga-Pestana
Chief Sustainability Officer

ESG Ratings Summary

CDP Climate Change

A- (2023: A-)

In 2024, Drax Group plc received a score of A- (on a scale of F – A). CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Please see the CDP website for further details.

CDP Forests

A- (2023: B)

In 2024, Drax Group plc received a score of A- (on a scale of F – A).

MSCI

A (2023: A)

In 2024, Drax Group plc had a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment[(1)].

Morningstar Sustainalytics

22 (2023: 23.5)

As of February 2025, Drax Group plc's Sustainalytics ESG Risk Rating was 22 – medium risk[(2)].

ISS ESG

B- prime (2023: B- prime)

As at 18/02/2025, Drax Group plc had an ISS ESG Corporate Rating of B-Prime (on a scale of D- to A+). Corporate Rating prime status is awarded to companies with an ESG performance above the sector-specific Prime threshold.

Moody's Analytics

60 (2023: 62)

In 2024, Drax Group plc had an overall ESG score of 62 from Moody's Analytics (on a scale of 0 to 100, with 100 being the highest score).

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Sustainable development continued

"Sustainability is the cornerstone of long-term success and fundamental to the transformation of our business. By ensuring that we source sustainable biomass, and that we embed sustainable practices into every facet of our operations, we can build lasting value for our business and the communities we serve.

Miguel Veiga-Pestana
Chief Sustainability Officer

Sustainability is core to our purpose of enabling a zero carbon, lower cost energy future.

We recognise the significant role we can play in shaping a sustainable future. The challenges society faces environmentally, socially, and economically are vast, but so are the opportunities. Businesses must step up and participate in driving positive change, and Drax is fully committed to playing our part. Our responsibilities go beyond short-term business goals. We appreciate that the impacts of our actions resonate across industries, communities, and ecosystems, and we must be part of the wider efforts to safeguard the future of our planet.

Drax generates 10% of the UK's renewable power, and as such we have an important part to play in the UK's role in tackling climate change. We have a heritage in contributing to that change, through our successful transition from fossil fuels, and we remain committed to further reducing carbon emissions subject to the right investment environment.

During 2024 we made positive strides in several key areas for delivering our sustainability objectives, particularly in enhancing our governance structures and increasing the transparency of our disclosures.

We have largely concluded the development of our 2030 Sustainability Framework – our guiding principles and commitments – setting out the vision for our 2030 Sustainability Plan, which will shape our commitments and targets. The Framework retains our existing purpose to enable a zero carbon, lower cost energy future and its existing pillars of Climate, Nature, and People positive with focused and time-bound commitments against each of the pillars.

This Framework will guide us as we address the interconnected challenges of environmental protection, social equity, and economic resilience and I look forward to sharing this with you in 2025.

We have continued to progress towards our SBTi targets, and remain ahead of our Generation Scope 1 and 2 intensity target for 2030. These targets are considered and approved by the Board and supplemented by a programme that embeds the delivery of decarbonisation across the Group. In 2024 we also began the process of seeking validation from SBTi for additional 2040 targets.

We have made progress developing disclosures, on a voluntary basis, based on the recommendations of the Taskforce for Nature-related Financial Disclosures (TNFD). We worked with business colleagues to develop programmes at a unit level intended to realise specific community level targets. In 2024, we also strengthened our reporting through the publication of our first EU Taxonomy report and a Double Materiality assessment, both of which are intended to further enable and support the delivery of future key climate-related actions and were completed on a voluntary basis. The rest of this report provides further details on all of these areas.

These steps reflect our core values and our commitment to operating with integrity and accountability.

Notwithstanding this progress, regrettably there were aspects of our 2024 ambitions that were not fully realised in the year.

In 2023 we committed to the delivery of our Climate Transition Plan by the end of 2024, but proactively elected not to do this in the fourth quarter. This was done in order to co-ordinate its release with the closely related Sustainability Framework. Additionally, this allows for a more up-to-date assessment of our current progress utilising 2024 emissions data (versus previous 2023 data set).

We did not achieve a full roll-out of a Group Nature Policy in 2024, but we did develop our understanding of the Group's nature-related risks, impacts, dependencies and opportunities. Until a new policy becomes effective, the Group Environment Policy outlines our commitment to minimise adverse impacts of our operations on the environment, and our management and monitoring commitments to support this.

The myriad of regulatory regimes and their varied reporting obligations that apply across our Group can be challenging, but we continue to make progress in verifying compliance across the breadth of our activities. We recognise that this requires continuous attentiveness, attention to detail, and close collaboration across all levels of the organisation. We have sought to align our practices with the expectations of a broad range of stakeholders, ensuring that their perspectives are integrated into our approach. Regulatory compliance is no longer about simply meeting minimum standards – it is about actively engaging with emerging frameworks and advancing beyond compliance to lead by example in the industry.

Acting responsibly is core to Drax's future success, and I am excited about the journey ahead. With the building blocks we have put in place – including conducting our first Double Materiality assessment, the launch of our new five year Sustainability Framework, our alignment with EU Taxonomy, and the work we have done to revise our Biomass Sourcing Policy – we will be better positioned to meet the sustainability challenges of the future whilst creating long term value for our stakeholders.

From these strong foundations, I believe we will continue to build on 2024's momentum in the years to come. Our commitment to sustainability is not a one-time effort but an ongoing journey, one that we approach with passion, dedication, and a sense of responsibility to future generations. I look forward to sharing more about our work and our vision as we continue to evolve and grow as a sustainable, forward-thinking business.

Miguel Veiga-Pestana
Chief Sustainability Officer
26 February 2025

What's inside

Climate positive

Reaching net zero by 2040 across our value chain.

See page 38

Nature positive

Supporting biodiversity across our sites and in our value chain by the end of 2030.

See page 44

People positive

Making a positive contribution to the lives and livelihoods of our colleagues, communities, and workers in our supply chain by 2030.

See page 50

Task Force on Climate-related Financial Disclosures

See page 56

Our reports and policies

ESG Performance Report 2024
Our ESG Performance Report provides additional environment, social, and governance data.
Visit www.drax.com/sustainability

Policies
For publicly available policies referenced in this section:
Visit www.drax.com/about-us/corporate-governance/compliance-and-policies/

Introduction

At Drax, sustainability is a core principle that shapes our day-to-day operations and our vision for the future. In 2024, we continued to invest in enhancing our strategy, in the science that informs our business model, and to lead the way with our transparent reporting.

Key highlights

BECCS Done Well

In 2024, we published our updated response to "BECCS Done Well", the independent inquiry by Jonathon Porritt and the High Level Panel he led. Our response grouped the 30 conditions for BECCS Done Well into six themes:

1. Biomass – Drax policies and processes requires it sources all biomass to verified standards for sustainability.

2. Climate Positive Outcomes – Drax maximises the "net negativity" of BECCS by maximising high CO_2 capture rates and decarbonising the BECCS operation and value chain.

3. Nature Positive Outcomes – Drax recognises the growing need for companies to contribute towards a nature positive future.

4. People Positive Outcomes – Drax will work hard to realise positive impacts on neighbours, communities and colleagues while reducing negative impacts.

5. Transparency and Governance – Drax will engage in reporting and disclosure. It will use frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and Taskforce on Nature-Related Financial Disclosures (TNFD), as well as all applicable regulatory requirements.

6. Science – Drax is informed by science and will listen to stakeholder feedback. We routinely engage with academics, NGOs, and industry bodies to assess the breadth and robustness of scientific evidence.

We believe our response shows how we have listened to our stakeholders – including Carbon Removal customers – and their interests. Some of the issues presented by this work will not be solved quickly or by Drax alone.

However, our response demonstrates how we will approach these issues and play our part in the wider global challenge of mitigating the adverse affects of climate change.

Biomass Sourcing Policy

In 2025, Drax will publish its revised biomass sourcing policy. The revised policy is an evolution of the 2019 publication which more accurately reflects the business today. The policy applies to all the biomass that we source – whether for our pellet production, sold to third parties, used at Drax Power Station, or used in the future for BECCS by Elimini. For more information see page 24.

Double Materiality Assessment

Recognising the importance of understanding both the financial impact of environmental, social, and governance (ESG) factors on our Group, and the impact our activities have on the broader environment and society, we undertook a Double Materiality assessment in 2024. This rigorous process built on the single ESG materiality assessment performed in 2023. See page 37 for more detail.

EU Taxonomy

Reporting against the EU Taxonomy for the first time in 2024 has been another important development for us, marking a new era of transparency and accountability in sustainable financial reporting.

The EU Taxonomy report shows the proportion of alignment of our Group revenue, operating and capital expenditure, and EBITDA with the taxonomy criteria. The results show our commitment to increasing the proportion of our financials aligned with the taxonomy criteria, and reaffirm our commitments to being a responsible business.

Our 2025 priorities

Sustainability Framework

We are committed to advancing our sustainability efforts through a focused and forward-looking strategy. In 2025, we plan to launch our Sustainability Framework under the pillars of Climate, Nature and People positive.

The Framework will enable Drax to develop a coherent narrative around these pillars, with time-bound commitments, clear governance and established implementation plans. In addition, the Framework is expected to support continued gap identification in our disclosures ensuring ongoing compliance with reporting obligations.

Evidence Hub

The Evidence Hub (formerly "Evidence Book") exists to provide examination of scientific evidence and research related to the BECCS value chain.

In compiling this, we are working with external organisations, technical experts and our Independent Advisory Board (IAB) to ensure accurate reflection of the science. As the science evolves, so too will the Evidence Hub, ensuring the topics covered reflect findings and research surrounding the BECCS value chain.

We expect to publish each phase of the Evidence Hub when finalised and it will be reviewed by the IAB.

Climate Transition Plan

In 2025, we expect to publish our first Climate Transition Plan (CTP) in line with the Transition Plan Taskforce (TPT) Disclosure Framework.

Our CTP provides detail to our stakeholders on how we intend to meet our near term Science Based Targets Initiative (SBTi), and net zero targets across our operations and value chain.

For more detail see our "at a glance" summary on page 41.

TNFD

By the end of 2026, we intend to publish our first TNFD report.

Though this ambition is voluntary, it underscores our commitment to integrating nature-related risks and opportunities into our strategic decision-making processes.

Through work to meet the requirements of the TNFD framework, we expect to be better able to identify, assess, and manage our dependencies and impacts on nature, which is increasingly recognised as a critical factor in financial and operational resilience.

Independent Advisory Board

The IAB was established in 2019 to provide independent scientific challenge, insight and advice on our biomass sustainability.

The IAB focuses explicitly on the science that supports our strategy for each of the three pillars of our Sustainability Framework – Climate, Nature and People positive – and in particular the biomass sustainability that underpins these.

The IAB comprises six scientists and technical specialists (biographies are available on the Drax website). In 2024, Lord John Krebs took the position of Chair, with Professor Sir Ian Boyd assuming the role of Vice Chair. We thank our previous chair of five years, Sir John Beddington.

In 2024, the IAB met four times, with further ad-hoc engagement between members on topics pertaining to technical expertise and background.

Every six months, the IAB produces a report summarising its activities and conclusions as well as how Drax is responding to these. These are published on drax.com/sustainability/sustainable-bioenergy/independent-advisory-board-on-sustainable-biomass.

The IAB Chair updates the CEO after each meeting. The Chair and Vice Chair met the Drax Executive Committee in November 2024, discussing the work programme and key topics advised on.

Key matters discussed and advised on during the year included:

1. **Developing research questions for commissioning biodiversity studies in areas from which Drax sources.**
2. **Community engagement plans led by our Head of Community.**
3. **Our forest carbon strategy and ways to engage with the research community.**

The IAB has also been included in discussions pertaining to the development of the Evidence Hub, the final response to BECCS Done Well, and the new Sustainability Framework.

> Much of the evidence related to the use of biomass to generate electricity and to extract carbon from the atmosphere by Bioenergy with Carbon Capture and Storage (BECCS) is contested. The IAB's job is to advise Drax on the state of the scientific evidence and to act as a "critical friend" in helping to ensure that their use of biomass is as sustainable as possible.

Lord John Krebs
Independent Advisory Board

Sustainable development continued

Sustainability governance

The Board has ultimate accountability for the Group's sustainability performance. It approves the Group's purpose and strategic aims, which are underpinned by a commitment to sustainability that informs business operations and activities. The CEO has overall responsibility for the implementation of that strategy in realising our purpose. Miguel Veiga-Pestana, CSO, heads the Sustainability and Corporate Affairs functions, leading Group implementation of the sustainability programme and underlying framework.

The Sustainability Council provides governance and oversight of all sustainability activity across the Group, with delegated authority from the Executive Committee, ensuring alignment with the Group's strategy. The Council reviews and approves sustainability-related Group policies, reviews and challenges the management of sustainability data and sustainability risks (including the Climate Change Principal Risk), as well as assessing and approving Sustainability-driven investments and improvements, as part of the Group-wide capital allocation process.

During 2024, the membership of the Council was updated, with core membership comprising four Executive Committee members, and chaired by the CSO, with delegated decision-making authority from the Executive Committee with the aim of improving and accelerating decision-making processes as well as enhancing accountability for decision making and delivery of sustainability issues with the wider business. The Council is supported by a panel of technical experts from across the business.

The Council has accountability for the administration of the Drax Foundation and Social Investment Funds. For more information see page 55.

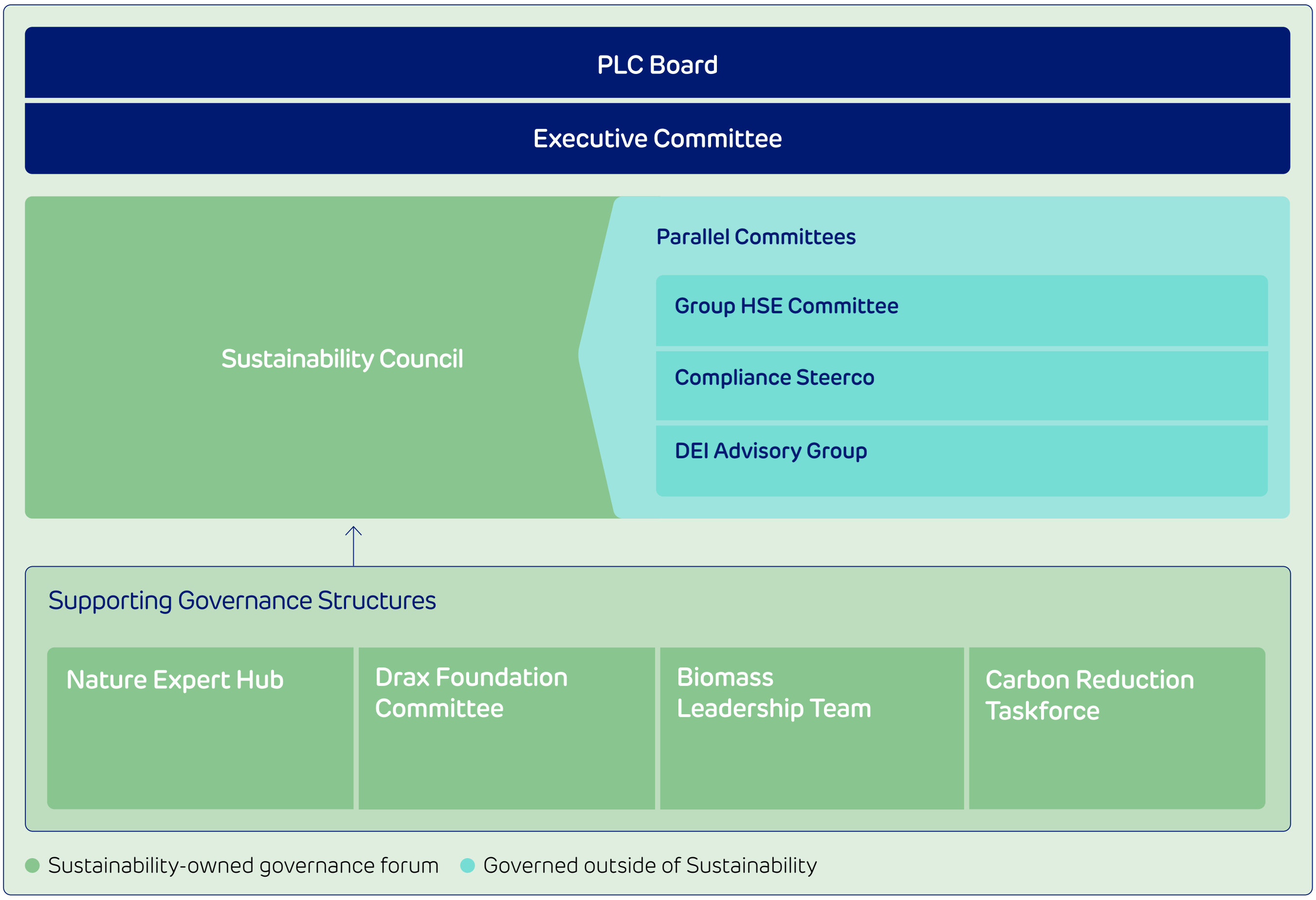
Our commitment to long-term value creation

We recognise that a coherent and well-structured sustainability framework is essential for driving long-term value, not only for our business but also for the communities and environments in which we operate.

Our commitment to sustainability goes beyond compliance – it is integral to our strategy and is critical to addressing both the challenges and opportunities of a rapidly changing global landscape. In 2024, we made significant strides in refining our approach to sustainability through the development of a framework that focuses on the material topics most relevant to our operations, stakeholders, and overall impact.

Designing this framework was not a task we undertook lightly. It was the result of an extensive process that involved collaboration across various departments, extensive stakeholder engagement, and the input of external experts. We undertook detailed assessments of environmental, social, and governance issues relevant to our sector, and mapped these against the concerns of our stakeholders, including employees, customers, investors, suppliers, and the broader communities in which we operate. This considered analysis enabled us to prioritise sustainability issues based on their significance to our business and their potential impact on society and the environment.

Sustainability Governance structure



Double materiality as the foundation

Central to our Sustainability Framework is the principle of double materiality. This approach considers sustainability issues relevant in terms of their potential impact on the financial performance of Drax, but also in terms of how our business activities affect the environment and society.

Building on our 2023 work, we conducted a Double Materiality Assessment. This assessment evaluates the risks and opportunities that may arise from sustainability factors – those that may influence our operations and those that may be influenced by them.

The process in 2024 involved reviewing the external landscape and single materiality completed in 2023 to determine a list of 22 material themes.

The themes, aligned with the Corporate Sustainability Reporting Directive (CSRD), were evaluated in workshops with the sustainability team, and wider stakeholders. Using these themes, we interviewed colleagues to gather diverse perspectives from across Drax. The process also included external interviews across key stakeholder groups. An employee survey, issued to a sample of colleagues, asked them to rank the relative importance of the 22 topics based on their impact and financial materiality.

The 22 topics presented below (A-Z) all represent materially relevant topics to Drax. The relative impact and financial materiality determined by the stakeholders who took part is demonstrated by the score (out of 4), presented in columns "Impact Materiality" and "Financial Materiality". There is generally a strong correlation between the topic scores for impact and financial materiality, indicating that topics scoring high on impact also tend to score high on financial materiality.

The assessment identified six topics that are deemed as our more pressing sustainability priorities: Climate change mitigation and adaptation; Air pollution; Community impact; Corporate culture, ethics and compliance; Employee health, safety and wellbeing; and, Responsible procurement and sourcing. These six represent areas where Drax has the most significant impact, and/or where our associated monitoring, and management programmes have the greatest financial sway (both positive/negative).

This assessment was important to the development of our 2030 Sustainability Framework and reflects pressing issues that enable us to identify key focus areas for action and guiding sustainability efforts with clarity and purpose for the next years.

Double Materiality Assessment: Summary of results

Material Topic (A-Z)	Link to Sustainable Development Goal (SDG)	Impact Materiality	Financial Materiality	Page Link
Air pollution	3 13 14 15	●●●○	●●●○	51
Biodiversity and ecosystems	12 14 15	●●●○	●●○○	46
Circular economy and waste	6 12 14 15	●○○○	●○○○	46
Climate change mitigation and adaptation	7 9 12 13 15 17	●●●●	●●●●	40
Community impact	4 5 7 8 10 13 14 15	●●●●	●●●○	57
Corporate culture, ethics and compliance	16 17	●●●○	●●●○	53-54
Data privacy and management	16 17	●●○○	●●○○	52
Diversity, equity and inclusion	3 4 5 8 10	●●○○	●●○○	52
Employee health, safety and wellbeing	2 3 6 8	●●●○	●●●○	51-52
Energy management and consumption	7 12 13	●●●○	●●○○	38
Fair and equitable compensation	5 8 10	●●○○	●●○○	52
Human and labour rights	1 2 4 5 8 10 16	●●○○	●●○○	51,53
Political engagement and lobbying activities	10 16 17	●●○○	●●●○	53
Responsible procurement and sourcing	3 5 7 8 9 10 12 13 15 16 17	●●●○	●●●○	22
Responsible products and customer relations	7 8 10 11 13 16 17	●○○○	●○○○	22
Rights of indigenous peoples	1 2 4 5 8 10 11 15 16	●●○○	●●○○	55
Soil pollution	13 14 15	●○○○	●○○○	44
Substances of concern	6 12 13 14 15	●○○○	●○○○	44
Training and skills development	4 5 8 9 10	●○○○	●○○○	53
Water	6 7 13 14 15	●●○○	●●○○	49
Working conditions in the value chain	3 8 10 12 16	●○○○	●○○○	50
Workplace culture	3 4 5 8 10	●●○○	●●○○	54

Key to SDGs

Climate positive

Reaching net zero by 2040
across our value chain.

For additional data see ESG Performance Report
www.drax.com/sustainability

Our performance

Carbon and energy use data summary

	Unit	2024	2023	2022	2021
Carbon emissions					
Generation CO_2e emissions[1]	$ktCO_2e$	**207**	141	310	525
Group total Scope 1[2]	$ktCO_2e$	**266Ⓐ**	255	336	932
Group total Scope 2 (location-based)[3]	$ktCO_2e$	**280Ⓐ**	231	333	323
Group total Scope 2 (market-based)	$ktCO_2e$	**367Ⓐ**	273	332	323
Group total Scope 1 and 2 (location-based)	$ktCO_2e$	**546**	486	669	1,255
Proportion of Group (Scope 1 and 2) emissions within UK	%	**43Ⓐ**	34	51	78
Group total Scope 3	$ktCO_2e$	**2,867Ⓐ**	3,534	3,123	3,121
Biogenic CO_2 emissions[4]	$ktCO_2e$	**13,276**	11,463	12,130	13,415
Carbon intensity					
Generation emissions per GWh of electricity generation	tCO_2e/GWh	**13Ⓐ**	11	23	33
Group emissions per GWh of electricity generation[5]	tCO_2e/GWh	**34Ⓐ**	39	49	78
Total energy consumption					
Group total energy consumption	GWh	**41,521Ⓐ**	34,113	38,341	44,113
Group total energy consumption within the UK	GWh	**38,294**	30,125	33,789	40,112

Ⓐ This metric was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC') as part of their assurance over metrics in the ESG Performance Report 2024. For the results of that assurance, refer to the ESG Performance Report 2024.

(1) Generation emissions cover the total direct emissions from Scope 1 and indirect emissions from Scope 2 activities across our generation sites.
(2) Group total Scope 1 covers all direct emissions from our own business operations, across all sites.
(3) Group total Scope 2 covers all indirect emissions associated with our electricity and heat consumption, across all sites. For 2023 and 2024 we have updated the location-based methodology, where the Group is able to apply our own generation (currently UK REGOs) and apply a zero-carbon factor for UK grid locations.
(4) The biogenic CO_2 emissions across the Group are zero-rated under the GHG Protocol methodology and our SBTi targets. Biogenic CO_2 emissions are reported separately as "outside of scope" in ESG reports or under "Memo items" of UK Emissions Trading Scheme (UK ETS).
(5) Group emissions are total Scope 1 and 2 (location-based) emissions as reported.

Understanding our carbon emissions

Scope 3 – Upstream

- Natural gas supply chain
- Biomass supply chain
- Supply chain for other fuels
- Supply of sludge to Daldowie Treatment Plant
- Biomass transport from Pellet Production sites to Drax Power Station
- Utilities as part of lease contracts
- Emissions from operational and capital purchases
- Business travel
- Hotel stays
- Employee commuting

Scope 1 – Direct emissions

- Methane and nitrogen oxides emissions from biomass generation
- Pellet plant operations
- Pellet port operations
- Large plant vehicles
- Flue gas desulphurisation systems
- Company vehicles
- Fluorinated gases from heating, ventilation, and air conditioning systems

Scope 2 – Indirect emissions from electricity

- Hydro electricity consumption
- Cruachan electricity imports
- Generation electricity consumption
- Pellet plant electricity consumption
- Office sites electricity consumption

Scope 3 – Downstream

- Recycling, processing and disposal of waste
- Reuse and reprocessing of ash and by-products
- Transmission and distribution
- Emissions from use of sold electricity
- Emissions from use of sold natural gas
- Emissions from transport and use of sold pellets

Our approach to climate positive

Responding to the challenge of climate change is central to our purpose and our three strategic aims. Our Group Climate Policy outlines our approach in line with the TCFD framework. For more information on climate-related governance see pages 56 to 68.

Carbon Reduction Taskforce

The Carbon Reduction Taskforce (CRTF) is made up of representatives from different business units to centrally co-ordinate the prioritisation and delivery of decarbonisation projects. These individual business unit forums meet regularly to evaluate projects and develop business cases that help Drax to realise decarbonisation objectives, including our carbon reduction targets. The business unit forums feedback to the CRTF of which updates are provided to the Executive Committee during the quarterly business review process, by the Head of Climate and Nature.

For each of the business units, potential projects are compiled into a list of candidate projects, ranked by factors including cost per tonne of carbon produced, time to deliver, and feasibility of scaling the project.

During the course of 2024, some of our projects were costed using our internal shadow carbon price. The CRTF evaluates which projects represent the most scalable and viable decarbonisation opportunities and then develops the business case for funding and implementation. These project lists form business units' carbon reduction plans, aspects of which form part of the future Group Scorecard KPIs, and inform discussions on allocation of funding through individual business unit budgets.

In 2024, the CRTF's activities included the delivery of three decarbonisation projects that form part of the Group Scorecard (see page 40).

Internal shadow carbon price

In our FlexGen and Biomass generation business units, we have embedded a shadow carbon price within the capital expenditure decision-making process.

We use it principally to inform the Net Present Value and Internal Rate of Return models, which are the basis for assessing new business and investment cases and a corresponding penalty for investments that increase our carbon footprint. The shadow carbon price was set at c.£95 per tonne of CO_2e in 2024.

Advocacy on climate

In 2024, Drax continued to advocate for climate action through our engagement in relevant industry initiatives. See page 67 for more detail on our climate advocacy.

RE100

In 2024, Drax continued to support our customers in fulfilling their RE100 obligations through the provision of renewable energy from sustainably sourced biomass. RE100 is a global initiative bringing together the world's most influential businesses committed to using 100% renewable electricity in their operations.

This is to incentivise the increased production of renewable energy through both the creation of new sites as well as the modernisation of existing renewable energy sources to increase efficiency.

(1) Our internal shadow price of carbon is used to incorporate the potential future costs (or benefits) of the corresponding increase (or decrease) in carbon emissions on the Group's total footprint, as a specific result of the project under consideration. This is calculated as an amendment to project Net Present Value, where applicable.

Sustainable development continued
Climate positive

Ambition, targets and progress

Our climate ambition

Our climate ambition is to achieve our Science Based Targets while delivering our corporate strategic objectives, contributing to energy security within the UK, and carbon removals capacity globally.

In 2024, we continued to develop options for BECCS, both in the UK and globally, including the launch of our US carbon removals business, Elimini. Read more on page 15.

SBTi targets

As we pursue options for carbon removals, we are focused on finding opportunities to reduce our absolute emissions across Scope 1, 2 and 3. Our near-term targets, below, were validated by the SBTi in 2023, aligned with a 1.5°C pathway. Since our baseline year of 2020, we have reduced our total emissions footprint from 5.5Mt to 3.5Mt.

Long-term targets

In 2024 we set our Group net zero target for 2040, and are awaiting validation of this target from the SBTi.

We recognise there are external dependencies that could impact our target to be net zero by 2040, including commercialisation and deployment of low-carbon technologies, and changes in the breadth and nature of the Group's activities. Our decarbonisation activities have a particular focus on logistics, pellet production, and construction therefore any external factors impacting these sectors could affect our ability to meet our target. An appropriate fiscal and legislative framework is required to support the scale of the UK BECCS programme and our future investment decisions. Like the rest of the carbon removals industry, our targets are subject to appropriate action from Government.

Progress against SBTi targets

Progress against our SBTi targets is shown opposite. In summary we remain ahead of our Generation Scope 1 and 2 intensity targets for 2030.

We have made progress under our Scope 3 targets, placing us on track to meet the 2030 SBTi target. Scope 3 emissions decreased by 667ktCO_2e from 2023 to 2024 mostly as a result of the 635ktCO_2e footprint included in our 2023 inventory from the sale of coal as part of the winter contingency agreement with UK Government.

Progress against our non-generation Scope 1 and 2 target remains challenging in light of increased pellet production volumes and increased biomass generation in 2024.

SBTi targets	Target year	Base year 2020	2023 % change against 2020 baseline	2024 % change against 2020 baseline
75.7% reduction in Scope 1 and 2 emissions from electricity generation by 2030 (kgCO_2e/MWh)	2030	100	89% reduction 11	87% reduction 13
75.7% reduction in Scope 1, 2, and 3 emissions from all sold electricity by 2030 (kgCO_2e/MWh)	2030	103	78% reduction 22	80% reduction 21
42% reduction in non-generation Scope 1 and 2 emissions by 2030	2030	282,926	22% increase 345,051	19% increase 337,517
42% reduction in Scope 3 emissions by 2030	2030	3,537,561	0.1% reduction 3,534,369	19% reduction 2,866,692

Our 2024 Scorecard carbon reduction targets

For the 2024 Group Scorecard, a 5% weighting was allocated to the achievement of carbon reduction KPIs. This was divided between three projects. See results of full Scorecard on page 133.

2024 Group Scorecard target	Delivery date/year	Project outcome	Result	Baseline period
Green fuel for trains: Replacement of diesel fuel used in Drax trains running from the Port of Immingham to Drax Power Station. Using hydrotreated vegetable oil (HVO) would result in a c.90% reduction in carbon emissions in this portion of the supply chain	December 2024	68.6% of the trains that delivered pellets to Drax Power Station in 2024 ran on HVO	Project outcome achieved versus a target of >50% total journeys	Financial year 2023
Pellet production energy reduction: Implement technological and operational changes that will reduce the energy intensity of pellet manufacturing within our pellet plants.	December 2024	The team achieved a 4.8% reduction in energy intensity per tonne of pellets	Project outcome achieved versus a target reduction of 4%	Financial year 2023
Opus gas portfolio rundown: Reducing Scope 3 emissions associated with the sale of fossil natural gas from Opus Energy in the Customers business, via the offboarding and run-down of the customer book.	December 2024	A 92.5% reduction in gas volumes (including the impact of the book sale in September 2024 to EDF)	Project outcome achieved versus a target reduction of 40% from December 2023 volumes	December 2023

Our strategy: carbon reduction pathway

Climate Transition Plan

In 2025 we expect to publish our first Climate Transition Plan in line with the Transition Plan Taskforce (TPT) Disclosure Framework.

Our plan provides detail to stakeholders on how we intend to meet our near term SBTi and net zero targets across our operations and value chain.

The below "at a glance" summarises our plan to meet the three goals of the TPT.

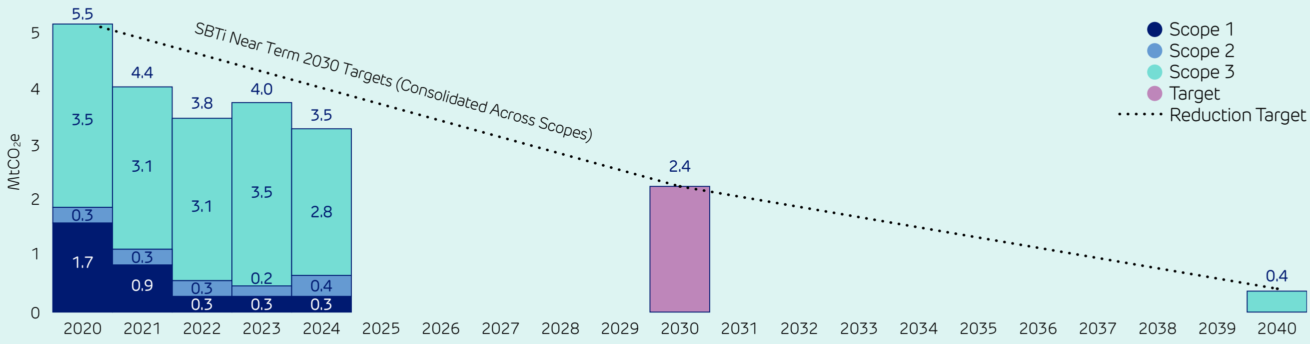
Business unit carbon reduction plans

Each business unit maintains a portfolio of decarbonisation projects that will deliver reductions across the supply chain. "Our carbon reduction pathway" below summarises our current business unit reduction plans, and those under development.

Our Transition Plan "at a glance"

Our ambition	Our SBTi targets	Our Sustainability Framework	Implementation strategy (Action)	Governance and accountability
– To be a UK leader in dispatchable, renewable generation; to be a global leader in sustainable biomass pellets; and to be a global leader in carbon removals – Since 2023 we have four validated near-term SBTi 2030 targets – In 2025, we expect to formally validate a long-term 2040 net zero target	**Near-term** Four SBTi targets by 2030 (see page 40) **Long-term** Net zero across our value chain by 2040 (see page 40)	– Climate positive: Achieve net zero by 2040, deliver evidence on forest carbon and deploy BECCS – Nature positive: Mitigate harm and promote circular resource use; deliver biodiversity enhancements across our value chain – People positive: An inclusive workplace, upholding human rights and partnering with communities to make a positive difference	– A project management model which shares responsibility for delivery of costed decarbonisation goals – Inclusion of decarbonisation projects in the Group Scorecard – Use of sustainability linked loans to encourage progress against decarbonisation	– The plan is tracked and governed with oversight residing with the Drax Board – Day-to-day tracking is monitored by the Carbon Reduction Task Force – Updates against decarbonisation projects and SBTi targets are shared with ExCom, reviewed by the Board, and will be published in our Annual Report and Accounts and ESG Performance Report

Our carbon reduction pathway (Absolute Emissions: $MtCO_2e$)



Pellet Production

Pellets energy optimisation: Expanded our portfolio of energy optimisation initiatives that target a reduction of energy consumption between 4-8% across our US and Canadian sites.

Natural gas feedstock dryers in Canada: Feasibility studies into the impacts of replacing gas burning dryers with electric or biomass-fuelled units.

Source a Renewable PPA deal in Canada: Exploring types of Renewable Energy Certificates to apply to high GHG intensive grids in our operations.

FlexGen & Energy Solutions

Hydro assets: Drax aim to create and publish a time-based carbon accounting methodology to estimate the avoided emissions from grid balancing technologies.

Solar Hydro Installation Project: Considering the use of solar panels on our run-of-river hydro sites to reduce Scope 2 emissions.

Biomass Generation

Hydrotreated vegetable oil (HVO) fuel train project: Following the success of HVO to replace diesel in our rail freight route from Immingham to Drax Power Station, we are now looking to expand our commercial supply to apply to all our UK train routes.

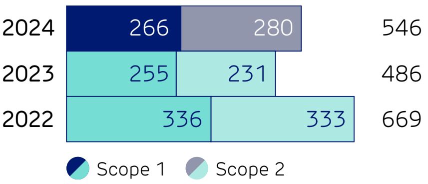
Heavy fuel oil (HFO) alternatives: Exploring options to use alternative renewable fuel sources to replace HFO for start-up and boiler stabilisation operations at Drax Power Station.

Sustainable development continued
Climate positive

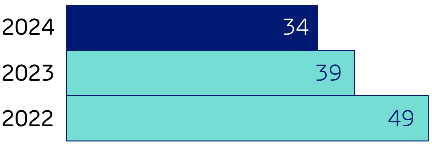
Our carbon emissions and decarbonisation initiatives

Direct operations (Scope 1 and 2)

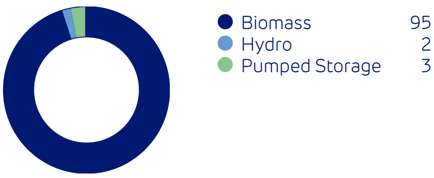
Group total Scope 1 and 2 (location-based) emissions ($ktCO_2e$)



Group emissions intensity (tCO_2e/GWh)



Generation output by technology type (% total output), 2024



* Includes pumped storage generation net of imported and exported power.

In 2024, our total Scope 1 and 2 carbon emissions (location-based) increased by 12%. This can be attributed to the increase in pellets produced by the Group to 4mt, as well as an increase in our UK generation output to 14.9TWh which involves the use of fossil fuels for boiler start-ups, for example. The increased generation also affected Scope 2 emissions at our Pumped Storage facility at Cruachan as water is pumped to the reservoir at times of excess grid demand, to generate energy at times of high grid demand. We seek to move away from environmental attribution towards local site-based emission reduction solutions. Notwithstanding these increases, our decarbonisation projects delivered benefits in 2024. For example, in Canada as a result of energy efficiency projects, the overall $kgCO_2e/t$ of pellets produced has reduced by 4%.

Value chain (Scope 3)

The most significant contributor to our Scope 3 emissions profile continues to be from fuel and energy-related activities, primarily driven by the biomass fuel supply chain. In 2024, Group total Scope 3 emissions decreased by 19% compared with 2023. This is mostly due to the contribution the sale of coal made to our 2023 inventory, (acquired as part of the winter contingency agreement with the UK Government). In 2024, no coal sales were recorded in our Scope 3 profile. Drax also sold a sizable portion of its gas and electricity customer contracts away from its Opus accounts. While the associated emissions still exist, they will now be accounted for by the purchaser and as a result contribute to a decrease in our overall GHG inventory.

Of our total Scope 3 emissions in 2024, $100ktCO_2e$ were attributable to the sold Opus accounts. We believe the circumstances of this sale require us to rebaseline our emissions in line with the GHG protocol – the emissions attributable to Opus accounts in 2020 was $640ktCO_2e$. We will conduct this exercise in 2025, taking advantage of the protocol's "year after" disclosure guidance, when full data is available for us to accurately analyse its impact on our baseline, and we will restate reporting as required.

CASE STUDY

Smart Green Shipping

In 2024, Drax partnered with Smart Green Shipping by injecting £1 million into a groundbreaking project to develop and use innovative wind-assisted "FastRig" technology, which will be used to decarbonise the shipping sector.

GHG emissions from shipping contribute around 3% of all global emissions and this financial assistance has contributed to Smart Green Shipping's wingsail being installed on a vessel, to demonstrate how the technology can reduce fuel consumption and resulting emissions by up to 30% per year.

Smart Green Shipping has now completed sea trials of FastRig on the Pacific Grebe – a purpose-built ship designed to carry nuclear cargo around the world safely. Data received from the sea trials is currently being validated by a third party and we look forward to seeing the final report.

Biomass supply chain emissions

Biomass is only considered low-carbon, renewable energy when regulatory requirements are met. This evidence must show that the savings of GHG emissions are delivered on a lifecycle basis, compared to alternative fossil fuel generation.

Therefore, we collect fuel and energy data for each step within the supply chain. This enables us to calculate lifecycle GHG emissions for our biomass and check we are compliant with relevant regulatory requirements.

The UK Government sets the limit on biomass supply-chain emissions which should not exceed 200kgCO_2e/MWh. Generators must meet this limit to be eligible for support under the Renewables Obligation and Contract for Difference schemes – schemes which cover all four of our operational units at Drax Power Station, and which run until 2027. In 2024, our average biomass supply chain GHG emissions were 93.7kgCO_2e/MWh of electricity. This is a decrease from 2023 due to decarbonisation initiatives such as the HVO train project, see page 41.

In 2025, the regulatory threshold will reduce to 180kgCO_2e/MWh.

Forest carbon

While the carbon emissions from biomass is zero rated under IPCC rules, Drax continues to make decisions informed by science that underpin this position. We recognise that biomass is only low carbon (or better) if it meets certain sustainability criteria, and we are developing our Biomass Sourcing Policy on this premise.

We have reviewed multiple approaches of modelling forest carbon, including commissioning external forestry experts to perform forest carbon studies on Drax catchment areas. We have increased our in-house expertise and are developing a framework for evaluating and monitoring forest carbon in our catchment areas, encompassing future risks.

We are pursuing the use of remote sensing to provide accurate data on forest carbon and assess changes in these levels. We are working with remote sensing data and service providers to develop a solution that will support delivery of our sustainability commitments. To provide support to the integration of remote sensing, we have joined the "Nature Tech Collective" accelerator programme.

We have also continued our investment in research, including commissioning a study on the lifecycle carbon impacts of using different biomass sources, to determine how well bioenergy and BECCS perform against other biomass uses and expect to publish a white paper to share these findings.

Carbon dioxide removals

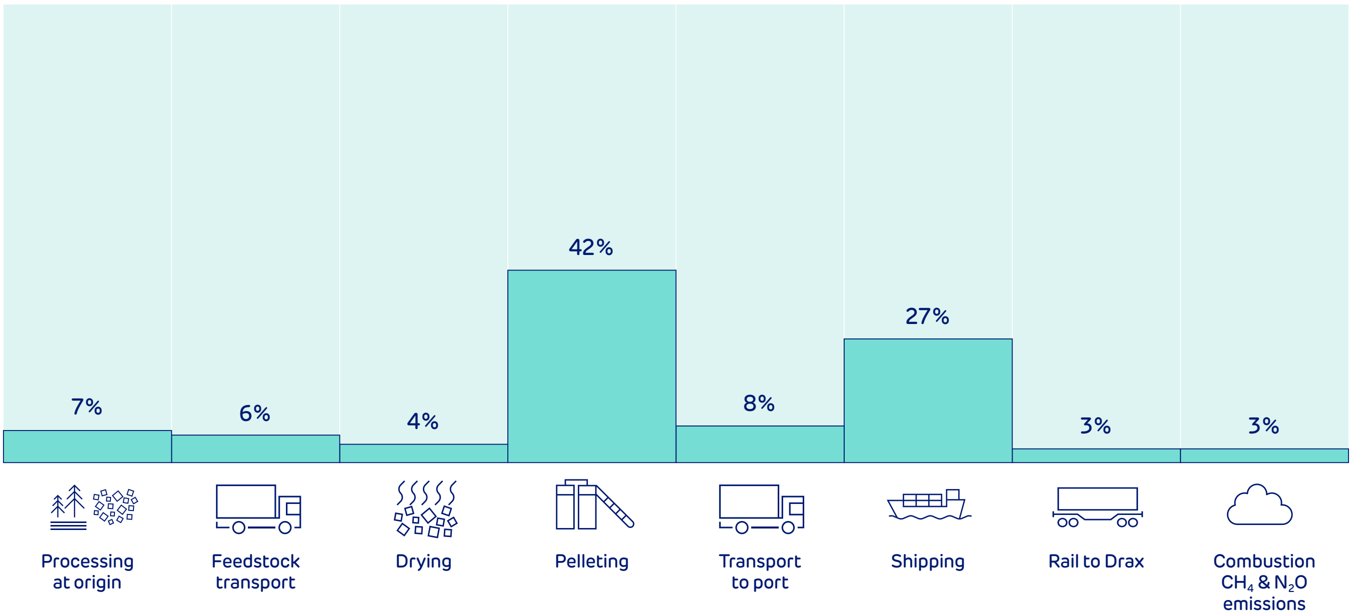
The IPCC Sixth Assessment Report states that CDR methods, including BECCS, are necessary elements in limiting global warming to 1.5°C.

We continue to develop options for BECCS, and we recognise the importance of standards that define high-integrity removals that are quantified and verified. During 2024, we agreed offtake CDR agreements with Ultrabulk, Holborn Trading, Karbon-X, ClimateTrade and NValue.

Drax Power Station average biomass supply chain GHG emissions

	Unit	2024	2023	2022
Average biomass supply chain GHG emissions	kgCO_2e/MWh	93.7*	97.2(1)	96.2(1)

Drax Power Station biomass supply chain GHG emissions in 2024 (%)



Note: Includes the biomass supply chain emissions associated with both the Group's direct operations (Pellet Production business) and third parties. This is an estimate based on the average carbon footprint of pellets received at Drax Power Station for each stage in the biomass supply chain.

* Limited external assurance by Bureau Veritas UK Limited using the assurance standard ISAE 3000. For assurance statement see drax.com/sustainability

(1) Equivalent limited external assurance was obtained over this metric in prior year and results of that assurance can be found in the ESG Performance Report 2023.

Nature positive

Supporting biodiversity across our sites and in our value chain by the end of 2030.

2 ZERO HUNGER
14 LIFE BELOW WATER
15 LIFE ON LAND
17 PARTNERSHIPS FOR THE GOALS

TNFD Indicates aspects that are aligned with the Taskforce on Nature-related Financial Disclosures (TNFD) core global metrics, as defined in the Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023.

For additional data see ESG Performance Report
www.drax.com/sustainability

Our performance

Nature and environment data summary

TNFD indicator		Unit	2024	2023	2022
TNFD indicator	**Other emissions to air**				
TNFD Total non-GHG air pollutants by type	Nitrogen oxides – Generation business unit	t	**6,853**	5,831	5,979
	Sulphur dioxide – Generation business unit	t	**887**	849	403
	Particulates – Generation business unit	t	**468**	313	376
	Sulphur hexafluoride – Generation business unit	t	**0.01**	0.1	–
	Nitrogen oxides – Pellet Production business unit	t	**783**	621	836
	VOCs – Pellet Production business unit	t	**919**	741	854
	Particulates – Pellet Production business unit	t	**766**	1,457	1,354
	Carbon monoxide – Pellet Production business unit	t	**1,485**	1,128	–
TNFD Water withdrawal and consumption from areas of water stress	**Water use**				
	Total water abstracted – Drax Power Station	m^3	**44,491,595**	45,058,529	51,899,818
	Total water returned – Drax Power Station	m^3	**37,119,036**	41,223,516	47,187,916
	Total water abstracted and returned – Hydro Generation(1)	m^3	**3,664,202,383**	3,515,581,216	3,389,452,345
	Total water abstracted from reservoir – Pumped Storage(2)	m^3	**519,698,714**	465,042,239	361,145,582
	Total water abstracted from Loch Awe – Pumped Storage(1)	m^3	**509,603,586**	451,360,634	325,844,996
	Water withdrawn/abstracted from areas of water stress(3)	m^3	**0**	0	0
	Water consumed from areas of water stress(3)	m^3	**248**	347	–
TNFD Total amount of hazardous waste generated	**Waste**				
	Total waste generated(4)	t	**51,888**	46,890	–
	Total hazardous waste generated(4)	t	**581**	877	–
TNFD Quantity of high-risk(5) natural commodities, and proportion sourced under a certification programme	**Use of natural commodities**				
	Total volume of woody biomass consumed at Drax Power Station *(excluding non-woody agricultural residues)*	Mt	**7.3**	5.8	6.4
	Total volume of woody biomass produced – Pellet Production(6)	Mt	**4.0**	3.8	3.9
	Proportion of woody biomass consumed at Drax Power Station with an SBP Compliant claim	%	**98.6***	96.9	96.6
	Proportion of woody biomass pellets produced and sold with an SBP Compliant claim – Pellet Production(7)	%	**96.5**	94.9	–

* Limited external assurance by Bureau Veritas UK Limited using the assurance standard ISAE 3000. For assurance statement see drax.com/sustainability.
(1) Hydro generation covers Galloway and Lanark Hydro scheme.
(2) Pumped storage covers Cruachan Power Station and excludes volume of water collected via the aqueduct system.
(3) Total volume of water from areas of "high" water stress, as classified by the WRI Aqueduct Water Risk Atlas (Aqueduct 4.0), baseline "water stress" indicator. The volume reported represents water use at our London office, the only location classified as baseline (current) "high" water stress.
(4) Waste data has been collected from our owned sites and the waste has been listed as hazardous/ non-hazardous according to local regulator approach. Where data is unavailable, assumptions have been made based on European Waste Codes and volumes for comparable sites. The 2023 hazardous waste total (3,281t) has been amended to reflect an update in hazardous waste classifications in our reporting criteria and to ensure consistency with 2024 reported results.
(5) "High-risk natural commodities" include "timber" as per the TNFD Recommendations, which refer to the Science Based Targets Network (SBTN) High Impact Commodity List (HICL).
(6) Reflects pellets produced at Drax Pellet Production operations in the US and Canada; excludes traded quantity (third party to third party).
(7) Reported figure reflects pellets produced and sold with an SBP Compliant claim. The remaining volume was produced and sold with an SBP Controlled claim.

Our approach to nature positive

The loss of nature and biodiversity poses significant risk to the stability of economies, the wellbeing of society, and the globe more generally. PwC research from 2023 found that up to 55% of the world's GDP is exposed to material nature risk.

From the sustainable biomass that Drax produces in the US and Canada, to the water used for cooling at Drax Power Station as well as powering our hydroelectric and pumped-storage facilities in Scotland, Drax interacts with, and depends on, nature. We are committed to understanding and addressing our dependencies and impacts on nature, our nature-related risks, and contributing to actions that promote nature positive outcomes. We are committed to identifying and seizing opportunities to reduce these impacts.

Governance for nature TNFD

The Chief Sustainability Officer is responsible for the implementation of the Group's sustainable development framework, including nature positive commitments. The Executive Committee and the Board received updates on nature in 2024, through the respective reporting mechanisms (see page 36).

Our Independent Advisory Board provides external advice on the science and evidence underpinning practices to protect nature and support nature recovery.

The Nature Expert Hub serves as the co-ordination point for nature positive actions across Drax and oversight of nature-related projects across the business. The Hub meets regularly, and the Senior Scientific Officer provides updates, as required, to the Sustainability Council.

In 2024, we progressed the development of a Group-wide set of nature commitments and targets, which will be codified into Group policy to promote the restoration and recovery of nature.

We did not finalise a Group Nature Policy in 2024, as anticipated, but further developed our understanding of the Group's nature-related risks, impacts, dependencies and opportunities. Until a new policy becomes effective, the Group Environment Policy outlines our commitment to minimise adverse impacts of our operations on the environment, and our management and monitoring commitments. We aim to finalise a Group Nature Policy in 2025.

Strategy for nature TNFD

To understand our baseline and inform the development of a Group-wide nature strategy, we continued nature assessments across our assets. Using the TNFD's Locate, Evaluate, Assess and Prepare (LEAP) guidance to further identify our nature-related risks and opportunities will help us to identify where our actions can contribute to nature positive outcomes. For further information on our progress in 2024, see page 46.

Risk and impact management TNFD

Through the conduct of nature assessments for our assets, we have identified that many of our nature-related impacts and risks are already recognised under our environmental management programme.

Over the course of 2024, we continued to review nature-related risks, and we intend to retain the connection to our environmental management systems, which for our UK Generation business are certified to ISO 14001:2015. Our integration of nature-related risks within the Group's overall risk approach is governed by the Group's Risk Management Policy and builds on the current approach to operational risk management.

SPOTLIGHT

Nature: at the heart of sustainable biomass certification

Third-party certification is a key part of our due diligence processes to demonstrate that fibre is sustainably sourced. Drax uses a number of different forest certification programmes, the three principal ones being Sustainable Forest Initiative (SFI), Forest Stewardship Council® (FSC®), and the Programme for the Endorsement of Forest Certification (PEFC). Nature and biodiversity are a central component in forestry certification, as these programmes aim to promote sustainable forest management that minimise ecological impact and contribute positively to forest ecosystems.

Sustainable development continued
Nature positive

Ambition, targets and progress TNFD

Our nature ambition is that, by 2030, we aim to have implemented the systems and metrics across our operations and value chains to demonstrate a measurable contribution to nature positive outcomes within those regions[1]. We also expect to publish our first TNFD report by the end of 2026.

Identification of our nature-related dependencies, impacts, risks, and opportunities supports the creation of nature-related metrics, several of which are reported in the Nature and Environment data summary page 44. We will continue to progress our work to report against the TNFD's core metrics.

(1) Our ambition applies to current business operations and biomass value chain. In the event of business growth or structural change, the ambition would be reviewed and adjusted.

Taskforce on Nature-related Financial Disclosures

We began disclosing information aligned with the TNFD Recommendations in our 2023 Annual Report and Accounts.

In 2024, we continued with knowledge building and progressing our disclosures. Our focus has initially been on direct activities at our production assets, undertaking dedicated assessments at each site enabling us to understand our relationship with nature in more depth.

In North America, we made progress to advance our goal of developing nature assessments for our Pellet Production assets. For example, to support the "Locate" stage of the TNFD LEAP assessment, we commissioned NatureServe, North America's recognised biodiversity experts, to conduct a detailed biodiversity baseline assessment across our US South Pellet Production catchment areas. In Canada, we used publicly available data sets to review protected areas, endangered ecosystems and species.

Our nature assessment work ultimately supports the creation of site-specific Nature Positive Action Plans. In 2024, we progressed the Drax Power Station Nature Positive Action Plan. When complete, it will provide an overview of our understanding of nature-related dependencies, risks and impacts related to the site, and actions to contribute to nature positive opportunities.

Mapping our interface with nature

In line with the first step of "Locate" in the TNFD LEAP approach, we identified eight Drax-owned sites adjacent or in proximity to biodiversity sensitive areas[2]. This information is incorporated into how we assess potential risks, impacts, and opportunities for nature protection and restoration.

(2) This includes areas with legally protected status, or recognition such as United Nations World Heritage Sites or United Nations Man and Biosphere Reserves, RAMSAR Sites, or Key Biodiversity Areas.

Progress of nature assessments for Drax operations

Stage 1
Locate and evaluate

Complete
- Cruachan
- Lanark and Galloway
- Drax Power Station

In progress
- Pellet production in US
- Pellet production in Canada

Stage 2
Assess

Complete
- Cruachan
- Lanark and Galloway
- Drax Power Station

In progress
- Pellet production in US
- Pellet production in Canada

Stage 3
Prepare, act, disclose

In progress
- Cruachan
- Lanark and Galloway
- Drax Power Station
- Pellet production in US
- Pellet production in Canada

CASE STUDY

Establishing a biodiversity baseline for Drax biomass in the US South

A significant portion of Drax Power Station's biomass supply originates from sustainably managed forests in the US South, where we operate seven pellet mills.

In December 2023, Drax partnered with NatureServe, North America's leading authority on biodiversity data, to conduct a biodiversity assessment of our fibre catchment areas in the US South to support our nature-positive initiatives and to align with our voluntary TNFD disclosure.

The project, focusing on our operations in Alabama, Arkansas, Louisiana, and Mississippi, will enable management to make more informed decisions and to take action to enhance biodiversity in these areas.

NatureServe's mission and vision:

"NatureServe leverages the power of science, data, and technology to guide biodiversity conservation and stewardship.

NatureServe envisions a world in which the best available science informs conservation and stewardship decisions so that biodiversity thrives."

Drax commissioned a team of experts from NatureServe to analyse at-risk species diversity and ecosystem extent, condition, and conservation status (see the image below) across our US South footprint. This evaluation establishes a biodiversity baseline, providing crucial information on the current state of nature, and serves as a reference point for identifying nature-related risks and opportunities. Additionally, the project evaluated potential change detection strategies and existing monitoring efforts for at-risk species, with a focus on forest ecosystems.

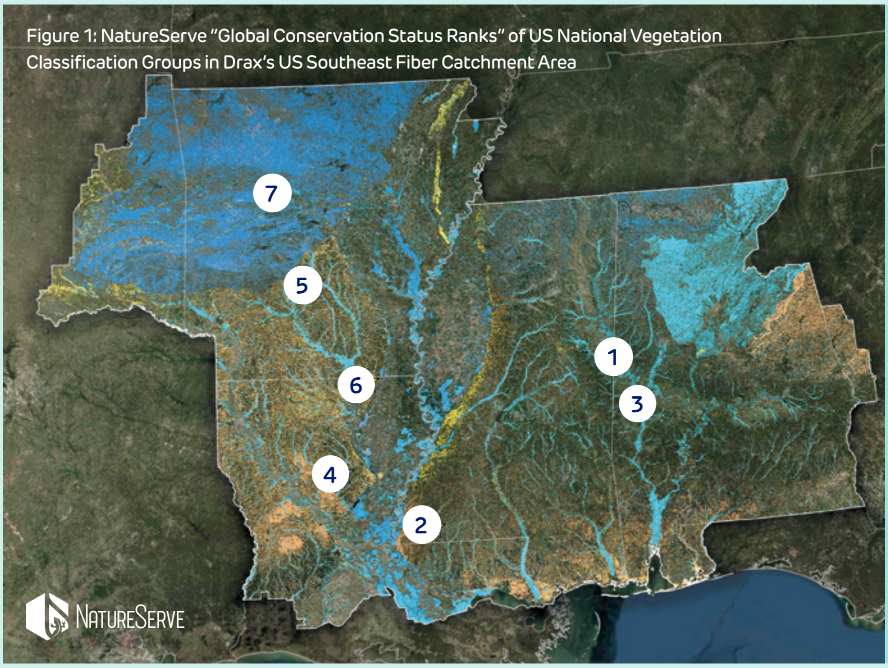
The biodiversity baseline focused on:

- Species extent and characterisation via NatureServe's species habitat models, global conservation status, and species extinction risk; and US Geological Survey's protected status
- Ecosystem characterisation using US National Vegetation Classification groups; NatureServe's Landscape Condition Model; and LANDFIRE's Vegetation Departure model
- Methods and opportunities for detecting and monitoring change of vulnerable ecosystems and at-risk species

The results of this assessment will help to identify priority areas for nature-based conservation investments and habitat enhancement efforts, assess change-detection strategies and monitoring approaches aimed at vulnerable species and habitats, and help inform local biomass sourcing strategies while supporting our commitment to sustainable forestry and renewable energy production.

> **Thanks to the work produced by NatureServe, we now have an independently verified baseline of the incredible biodiversity for this region of the US. Outcomes from this project will help to lay the foundation for Drax's nature conservation actions in the nation's wood basket.**
>
> **Kyla Cheynet,** Director of Sustainability, US, Drax Biomass Inc.

Figure 1: NatureServe "Global Conservation Status Ranks" of US National Vegetation Classification Groups in Drax's US Southeast Fiber Catchment Area



Plant locations

1. Aliceville
2. Amite
3. Demopolis
4. LaSalle
5. Leola
6. Morehouse
7. Russellville

Conservation status

- Globally imperiled (G2)
- Globally vulnerable (G3)
- Globally apparently secure (G4)
- Globally not ranked (GNR)

Sustainable development continued
Nature positive

Collaborating for nature positive

We recognise the importance of working alongside others to achieve our ambitions and targets. The section below details some of the organisations we work with, and the initiatives we are supporting with local organisations to deliver nature positive outcomes.

World Business Council for Sustainable Development (WBCSD). Drax participates in multiple working groups including the Forest Solutions Group and Nature Action Imperative to help develop the WBCSD's Nature Positive Roadmaps. In 2024, Drax contributed to the development of the Forest and Nature Metrics tool, by providing feedback on the most relevant metrics for the forest sector and testing the tool's beta version. This beta version is a prototype for the forest sector component of WBCSD's Nature Metrics Portal, planned for release in 2025.

National Council for Air and Stream Improvement (NCASI). Drax is a member of the NCASI. NCASI serves the US forest products industry by providing unbiased, scientific research and technical information necessary to achieve the industry's environmental and sustainability goals.

UKBBF. In 2024 Drax joined the UK Business & Biodiversity Forum. We welcome the UKBBF's work to raise awareness and best practice sharing to achieve nature positive outcomes.

Taskforce on Nature-related Financial Disclosures (TNFD). TNFD forms a core component of our nature positive work, and we continue to progress our external disclosures on nature. In 2024, we registered as a TNFD Early Adopter, and we intend to publish our first TNFD report by the end of 2026.

Nature initiatives

US

In 2023, Drax began assisting with the restoration of established Wetland Reserve Program (WRP) hardwood plantings for wildlife enhancements in collaboration with the Louisiana Department of Wildlife and Fisheries. As part of this effort, Drax has agreed to pilot small-diameter, low-value hardwood thinnings for pellet feedstock as part of a new conservation fibre stream intended to benefit Louisiana black bear, swamp rabbit, waterfowl, and certain fish species. This has the potential to improve 1,400 acres of WRP hardwood forests plantings and provide additional funds for regional conservation efforts.

Drax continues to financially support the Alabama Wildlife Foundation (AWF) via its Land Stewardship Assistance Partnership, which provides technical assistance to Alabama landowners for the restoration and management of longleaf pine ecosystem, other forest types, and native warm season grasslands. AWF has assisted 102 landowners with over 9,000 acres of land management.

Canada

We have built a business model on a strong commitment to sustainable sourcing from supply partners. Reforestation is legally mandated on public land. Sourcing low-grade forest residuals by Drax supports the Forest Carbon Initiative, which was established by the Province of British Columbia in partnership with Forests For Tomorrow (FFT). The FFT was established in 2005 with the aim to reforest areas that have been impacted by natural disturbance such as wildfire, pests and diseases. The programme is designed to enhance the health and resilience of British Columbia's forests while also supporting the province's forestry sector and communities that rely on it.

United Kingdom

At Drax Power Station, we undertake annual ecological surveys using independent ecologists. These areas are also managed for wildlife habitat conservation.

Scotland

At our Galloway hydro power stations, we continue to work closely with the Loch Ken Trust to raise awareness about the avoidance of invasive species across bodies of water in the area.

Washing stations have been installed at key locations around the loch to allow paddleboarders, kayakers, and other users to wash their boots and equipment before moving on to other watercourses in the area.

At Cruachan Power Station in the western highlands, we have completed biodiversity surveys to monitor the species living in the surrounding habitats. This data has allowed the team to build a picture of the variety of mammals, birds and insects present in the area, including several protected status species. This is important information to help define the baseline for our nature positive actions in the area.

Our ground maintenance team at Daldowie, near Glasgow, Scotland, developed a new system of ground maintenance. Vegetation including grassed areas are only cut 1-2m from the operational service roads around the site allowing the rest of the areas to grow longer and wilder to enhance biodiversity and create habitats for existing wildlife.

ECHO Program

Drax is proud to support the ECHO Program in British Columbia's collaborative effort to reduce the impacts of commercial shipping on at-risk whales. The voluntary inbound and outbound ship slowdown led by Vancouver Fraser Port Authority creates a quieter underwater environment in a critical habitat for southern resident killer whales in Haro Strait, Boundary Pass, and Swiftsure Bank.

Environmental management

Governance

Our Group Environment Policy, refreshed in July 2024, states our commitment to manage, monitor, and reduce the environmental impacts caused by our business.

Each month, we report internally on environmental incidents and near misses. The Board receives Health, Safety, and Environment performance updates, as part of the CEO report. We investigate environmental incidents in relation to our operations (such as waste spillage or near-miss contamination events) to establish root causes and learn the appropriate lessons.

All our operational Generation assets in the UK are certified to ISO 14001:2015 (Environmental Management Systems) within an integrated management system. For more information on our approach to integrated HSE governance, management systems, audit, and training see page 51.

Environmental compliance

Since acquiring Daldowie Fuel Plant in 2018 we have responded to feedback from the Scottish Environment Protection Agency (SEPA) to address concerns on odour emissions. Historic issues raised by SEPA in relation to odour complaints have now been formally closed.

Other emissions to air

Particulates (tonnes), Drax Power Station

Drax Power Station is required to comply with UK laws and regulations to manage emissions into the atmosphere. For biomass generation, the main emissions to air are nitrogen oxides, sulphur dioxide, and particulates (dust). In 2024, emissions of sulphur dioxide and nitrogen oxides slightly increased compared with 2023 attributed to the operational position (MW produced).

Volatile Organic Compounds (VOCs) (tonnes), Pellet Production

Pellet production operations are subject to local State laws for air emissions and pollutants and set requirements on the level and frequency of self-monitoring and reporting. The main emissions to air are particulates (dust), VOCs, carbon monoxide, and nitrogen oxides.

Responding to local concerns

In September 2024, Drax and the Mississippi Department of Environmental Quality (MDEQ) entered into an Agreed Order to settle alleged Notices of Violation (NOV) at our Amite plant in Mississippi in connection with MDEQ letters dated 14 March 2023 (amended on 21 June 2023), and 8 January 2024. The NOVs were due to an alleged permit exceedance of hazardous air pollutant limits with respect to methanol and a failure to timely conduct an emissions performance test by a certain deadline. Drax fully co-operated and took action to investigate the alleged violations and provide MDEQ accurate information promptly upon its discovery. As part of the settlement, Drax agreed to pay a civil penalty of US$225,000, with US$150,000 of that amount paid directly to MDEQ. Drax also agreed to complete a supplemental environment project, which includes the installation of a dust suppression screen, in connection with the settlement of this enforcement action taken by MDEQ. We are working with community stakeholders to help guide future engagement and action.

Water

The use of water is subject to strict criteria and local laws, with compliance overseen internally by our Operational and HSE teams and externally by the local regulatory agencies.

Drax Power Station uses water for operational and cooling processes. The primary use for water is to produce steam at high pressure, which is used to power turbines for electricity generation. A proportion of water used is emitted as water vapour through cooling towers. The remainder is recycled and discharged under permit to the river Ouse. In line with requirements, procedures are in place to manage water system efficiency and usage, ensuring discharge consent limits are met. Total water abstracted at Drax Power Station slightly decreased by 1.3% compared to 2023.

At the Lanark and Galloway hydro schemes, we diverted 3,664,202,383 m^3 of water from river systems to run through our run-of-river generation plants before being redirected back into the river. Total water abstracted and returned increased by 4.2% compared with 2023 attributed to the operational position (MW produced).

At Cruachan Power Station we generate electricity by using water that flows from Cruachan dam through four turbines before being directed into Loch Awe. This generates electricity at times of increased demand. At times when electricity demand is low, we pump water from Loch Awe into the upper reservoir at Cruachan dam. We monitor the arrangements for the cycling of this water and report to SEPA as required.

At our Pellet Production sites, discharged water primarily consists of deluge water, wash water from hoses, and stormwater from rain events.

By the end of 2026 we aim to develop a Group water strategy to identify opportunities for water efficiency improvements, water reduction and improved water stewardship.

Water stress assessment

In 2024 we completed a water stress assessment using the World Resource Institute (WRI) Aqueduct Water Risk Atlas. According to this methodology, our London office 248m^3, is the only asset identified in an area of "high" water stress. Currently, all our generation and pellet production assets were identified in areas of "low" water stress, apart from one pellet facility identified in an area of "medium" water stress. We expect our TNFD nature assessments to build on this analysis.

SPOTLIGHT

Supporting Atlantic Salmon

At Tongland Dam in the Galloway region of South Scotland, we are working with SEPA and Galloway Fisheries Trust (GFT) to identify ways of creating better conditions for migratory fish. A freshet scheme is underway at Tongland Dam to provide pulses of water designed to mimic natural conditions and assist movement upstream. We also continue to work closely with SEPA and GFT to monitor salmon movement across our network of hydro-electric stations. A fish counter is installed on the network, and we share this data with partner organisations and relevant agencies.

People positive

Making a positive contribution to the lives and livelihoods of our colleagues, communities, and workers in our supply chain by 2030.

For additional data see ESG Performance Report www.drax.com/sustainability

Our performance

People performance and data summary

In 2024, we continued to make investments in our people and our communities. We provided opportunities to develop skills, supported physical and mind safety, and took action to make sure our processes and policies were fair. Through our listening and engagement strategy for both colleagues and communities, we were able to identify where we need to do better and build greater trust for our collective success.

	Unit	**2024**	2023	2022
Our colleagues				
Total number of Group employees(1)	n	**3,243**	3,551	3,229
A fair, safe, and inclusive Drax				
Total Recordable Incident Rate (TRIR)(2)	%	**0.24**Ⓐ	0.38	0.44
Near Miss and Hazard Identification Rate (NMHIR)(3)	%	**167.56**Ⓐ	129.26	–
Wellbeing scores in MyVoice Survey	Score	**7.8**	–	–
Women in Senior Leadership(4)	%	**35.7**	36.8	–
Men in Senior Leadership(4)	%	**64.3**	63.2	–
DEI Scores in MyVoice Survey	Score	**8.0**	*81*(5)	*80*(5)
An ethical employer of choice				
Engagement Score in MyVoice Survey	Score	**7.4**	*79*(6)	*79*(6)
Employees completing annual compliance training(7)	%	**99.6**	–	–
Our communities				
Total donations (including Drax Foundation)	£m	**3.6**	2.7	–
Total initiatives	n	**52**	41	–

Ⓐ This metric was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC') as part of their assurance over metrics in the ESG Performance Report 2024. For the results of that assurance, refer to the ESG Performance Report 2024.

(1) Total number of Group employees as at 31 December 2024.
(2) TRIR is the total fatalities, lost time injuries, restricted work, and medical treatment injuries per 100,000 hours worked. Total includes both employees and contractors across our sites and offices. There were no fatalities in any of the years stated above.
(3) NMHIR is the total near misses and hazard incidents per 100,000 hours worked. Total includes both employees and contractors.
(4) Executive Committee, direct reports (excluding Personal Assistants and Executive Assistants) and Subsidiary Directors. 2023 figures does not contain Subsidiary Directors.
(5) The DEI score measures diversity, equity and inclusion at Drax. Due to a change in provider and scoring methodologies, the 2024 score is presented as a figure out of ten. The 2023 and 2022 score were previously presented as percentages and have been included here for consistency from previous Annual Reports. Due to the change in methodologies scores cannot be compared like for like.
(6) In 2023 and 2022 the colleague engagement results were presented as a percentage. Due to a change in provider and scoring methodologies, the 2024 figure represents a score out of ten.
(7) In line with the new Compliance KPI (see page 53) employees completing annual compliance training considers the average completion rate across four training modules (Security, Anti-Bribery and Corruption, Code of Conduct, and Data Protection) plus the completion of the Annual Business Ethics Declaration.

People positive – our colleagues

We want all our colleagues to feel like a valued member, on a winning team, with a worthwhile mission. To uphold this commitment to our colleagues, we are dedicated to being an employer of choice.

In 2024, we set goals within the People Positive pillar of our strategy, working to further align our internal people practices with the needs of our communities and supply chains. We are dedicated to enhancing our fair, safe, and inclusive environment to achieve this.

Our People approach

We seek to be enablers in fostering an inclusive and high-performance culture that empowers colleagues to contribute to our purpose. We focus on establishing processes that are efficient and equitable; that allow our colleagues to be heard and valued, equipping colleagues with skills for the future and nurturing talent that better represents the communities in which we operate.

A fair, safe and inclusive Drax

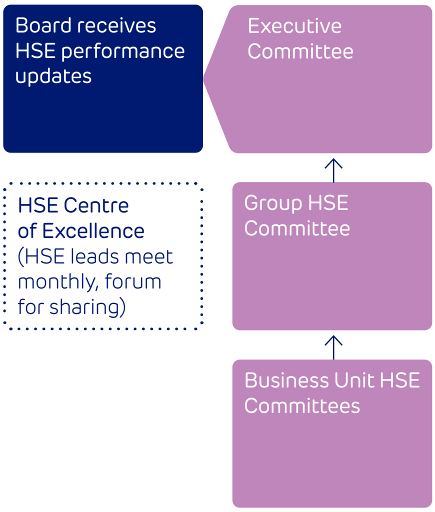
We prioritise safety

Health and safety is a key part of our licence to operate. Our Group HSE Governance Policy, supported by our OneSafeDrax vision, outlines how all employees and those working on behalf of Drax have a role to play in safety for themselves and their co-workers. Local HSE performance is reviewed by each management team with Group HSE performance appraised quarterly by the Group HSE Committee.

The CEO reports on HSE performance at each Board meeting. Drax Leadership Team meetings often begin with a "safety standout" where reflections on safety and areas for potential change are shared. This includes traditional HSE matters, as well as Mind Safety, psychological safety, and the impacts of a positive intervention culture and how to have the confidence to intervene if anything looks unsafe.

Our operational UK Generation assets have an integrated HSE management system certified to ISO 9001:2015 (Quality Management Systems), ISO 14001:2015 (Environmental Management Systems), and ISO 45001:2018 (Occupational Health and Safety Management Systems).

HSE Governance

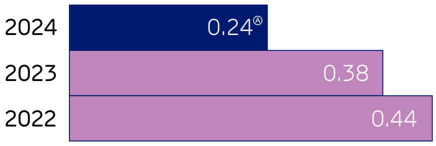


Our Commercial and Corporate sites in the UK continue to implement Safety Management Systems to raise awareness and drive continuous improvement in our health and safety culture. Our Pellet Production sites are aligned to one HSE management system across the US and Canada.

How we make it happen

We have HSE training for employees based on the requirements of their role. Focus on HSE Leadership in 2024 resulted in selected UK HSE colleagues participating in a pilot practical safety leadership experience.

Group TRIR[1]



167.56

Group NMHIR[2]

(1) TRIR is the total fatalities, lost time injuries, restricted work, and medical treatment injuries per 100,000 hours worked. Total includes both employees and contractors across our sites and offices.

(2) NMHIR is the total number of near miss and hazard identification reports logged per 100,000 hours worked. The total includes both employees and contractors.

Ⓐ This metric was subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC') as part of their assurance over metrics in the ESG Performance Report 2024. For the results of that assurance, refer to the ESG Performance Report 2024.

Cyber security

We have a cyber security team who manage our assessment of cyber threats and actions we can take to address them. All security framework policies are reviewed and re-approved annually. Risk assessments are performed in line with our policy and regulatory frameworks and security policies are communicated to colleagues, stakeholders, suppliers and third parties.

SPOTLIGHT

Mind Safety at Drax Power Station

At Drax Power Station we implemented a renewed focus on Mind Safety in 2024. We created a Steering Group and Working Groups to review recommendations from a specialist provider in mental health services.

We opened our "Muckers Hubs" as on-site safe spaces where colleagues can seek support on wellbeing. We refreshed our Mental Health First Aid provision, implemented line manager training on mental health, and are piloting wellbeing check-ins for our on-site colleagues.

We also partnered with Rugby League Cares and their "Offload" initiative. This involves engaging with current and former players to learn the techniques clubs use to manage players' mental and physical fitness.

Women's Health & Menopause

In October 2024, we organised events focusing on women's health for World Menopause Day and Breast Cancer Awareness Month. We delivered sessions on navigating menopause and supporting others, and hosted a virtual event where colleagues shared experiences with breast, cervical, and ovarian cancer. At Drax Power Station, men volunteered to trial the Menovest, a "hot flush" simulator from Over The Bloody Moon (OTBM), to enable them to better understand its effect, to raise awareness, and build empathy to ensure change where it's needed most.

Sustainable development continued
People positive

We perform phishing tests quarterly, aimed at increasing awareness of how hackers try and gain access, using emails and links that can look like genuine information.

Through this, the rate of colleagues successfully reporting the tests and identifying potential threats has improved. In the event someone fails the test, further awareness training is automatically assigned.

Business unit cyber security awareness sessions continue to be delivered, which give colleagues a deeper understanding of the wider cyber threats to our colleagues from a personal and professional perspective. The Board received a cyber briefing and update in January 2025. In 2024, management provided updates to the Executive Committee on the geopolitical landscape and emergent cyber threats.

We are externally audited annually for SEC and PCI-DSS compliance (to applicable Group entities). We also have a vulnerabilities and penetration testing schedule in place, which runs through the course of the year and is performed by accredited test resources with defined remediation windows in place.

We promote and support holistic wellbeing

We know for our colleagues to perform their best, we need to promote their holistic wellbeing across areas such as financial, social, mental, and physical considerations.

How we made it happen in 2024

We do this through our comprehensive benefits package covering retirement planning, health and wellbeing, supporting colleagues and their families. In our engagement survey, colleagues highly rated our benefits offering (with a score of 8.1, which is 0.2 above the industry benchmark) and cite it as a key reason they would recommend Drax as a workplace.

Working with our benefit providers and external specialists, we deliver a wide-ranging engagement and communication programme which covers all four wellbeing pillars to help raise awareness, connect and educate colleagues about the support available to them. We work with our financial wellbeing partners nudge, Wealth at Work, and retirement saving providers to enable colleagues to manage their finances; with Peppy for specialist advice on fertility, early parenthood, menopause, and health support; and with our health care providers, including Vitality, for guidance on health aspects including nutrition, exercise, and sleep.

Our partnership with CorPerformance has supported the holistic wellbeing of 48 senior leadership colleagues in 2024 through comprehensive health screening, mood score analysis, and individual coaching sessions. Outcomes have included improved self-awareness, health and mood, mental performance, and burnout prevention, alongside a commitment to sharing learnings and role modelling wellbeing within their teams.

The results of our focus on wellbeing have seen a steady improvement in the score in our engagement survey, 7.8 in 2024, up from 7.6 in 2023, against the industry benchmark of 7.9.

We drive Diversity, Equity and Inclusion (DEI)

In 2024, we continued to work towards building a fair, safe, and inclusive Drax, that better represents the communities in which we operate. During 2024 our DEI team worked to develop localised plans to bring our DEI work to life. These plans bring together our DEI strategy and any local challenges for a meaningful and realistic plan that engages our colleagues.

How we made it happen in 2024

We continued to mark important events in the DEI calendar with speakers, panels, and events. In 2024 we held our first Group-wide Inclusion Summit with prominent guest speakers, panels and workshops. For more information on events, see pages 92 and 97 in the Corporate Governance section. Responding to feedback on Personal Protective Equipment, we have provided a greater range of sizes and styles of fit in the UK.

Reasonable adjustments improvements

We recognise more needs to be done to provide a workplace that is inclusive. 2024 saw further work in this important area. As part of our initiative, we need to encourage colleagues to take positive steps to make reasonable adjustments and accommodations for colleagues and candidates. We provided training and guidance to managers, hiring managers, HR, and talent colleagues on managing these requests.

Additionally, we launched the Recite Me Accessibility Toolbar on our Careers page and drax.com. The Toolbar is designed to be more inclusive for people with disabilities, helping people to access websites and customise content.

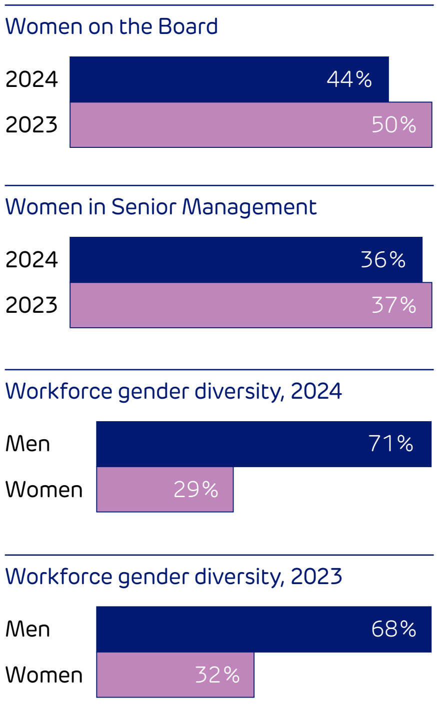
Developing our Fair Hiring Project

We strive to better represent our communities through fair and equitable processes to build trust and drive innovation in our processes. In 2024, we advanced the Fair Hiring Project to better ensure consistency, equity, and transparency in hiring, focusing on objective criteria and bias mitigation. We are developing the "Hiring the Drax Way" training and toolkit, a digital assessment based on our values, so our places of work better represent the communities in which we are located.

Introducing new Colleague Resource Groups (CRGs)

Through listening to our colleagues, we identified the need for two additional CRGs in 2024. We launched Parents&Carers@Drax and Enable@Drax, responding to the needs of parents, carers, and colleagues with disabilities.

We also invested in our CRG role-holders through the Radius Training Programme, which helped increase our CRG membership to over 400. In 2024 we were named by Working Families as one of the Top 30 UK employers for those with families.



Data based as of 31 December 2024. Senior management includes the Executive Committee, their direct reports (excluding executive assistants, personal assistants and equivalent) and subsidiary directors.

An ethical employer of choice

At Drax, we want to make a positive impact on our planet. To do this we need to ensure we have the right people, with the right skills, at the right time, doing the right thing.

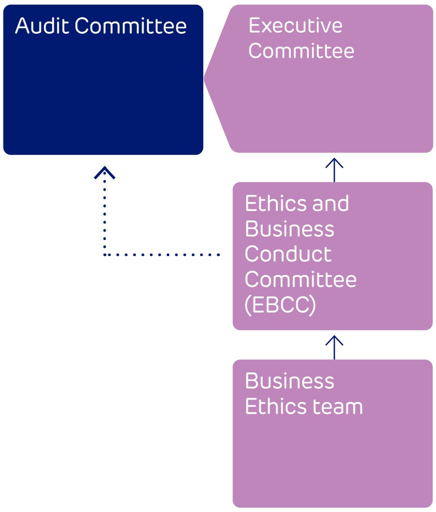
Acting ethically and with integrity

We are committed to conducting business ethically, with honesty and integrity, and in compliance with relevant laws and regulations. We do not tolerate bribery, corruption, human rights abuses, or other unethical conduct. We have a Business Ethics team who develop and manage our Business Ethics Programme and programmes, and a Data Privacy team who provide guidance and handle personal data requests. The Ethics and Business Conduct Committee (EBCC), chaired by the Group General Counsel, oversee our ethics and privacy programmes, with each meeting beginning with an "ethical moment".

How we made it happen in 2024

Our Business Ethics and Data Privacy teams monitor compliance and investigate potential breaches. We have an internal audit function that challenges the robustness of our Business Ethics and Privacy programmes. In 2024, the Fair Competition programme was subject to audit.

We review our suite of Business Ethics policies annually. In 2024, as part of this work, the team reviewed and implemented changes to our Political Engagement and Lobbying Policy.



The Supplier Code of Conduct is shared with relevant third-party suppliers, and incorporated into relevant contracts, including a termination clause for material breaches. Both our Code of Conduct and Supplier Code were reviewed in 2024, with the associated drafts presented to the EBCC for consideration in December 2024. The review was supplemented, and informed by several supplier audits conducted by a third-party specialist auditor.

A Compliance KPI was created for the Group Scorecard which set targets for colleagues completing annual training on the Code of Conduct, Data Protection and Security, Anti-bribery and Corruption, and completing the Annual Business Ethics Declaration.

Skills and development

For Drax to deliver its strategy and to develop and implement innovative solutions that provide power to homes and businesses whilst reducing carbon emissions, we continue to need our people to develop new skills.

How we made it happen in 2024

We implemented our first strategic workforce plan that identified the future critical skills required to achieve our strategy and carbon removals ambition. We are working to understand our existing skills gaps and align our talent development offerings to our required skills for growth, both internally and in partnership with the communities we operate in, such as through our Environmental Justice work (US South), and Reconciliation Plan (Canada), alongside ensuring we have the internal and external supply chain capability available at the right time to deliver our BECCS, carbon removals, and major capital projects growth plans. We welcomed 37 new apprentices, year-in-industry students, and graduates to Drax programmes taking our total up to 91 currently on programmes across Drax.

Business Ethics programmes in more detail

Anti-bribery and corruption

In 2024, we carried out an annual review of our Gifts, Hospitality, and Conflicts of Interests records. We also updated our Anti-Bribery and Corruption learning which was deployed to all colleagues in Q4, 2024.

Anti-fraud programme (new)

We intend to finalise our anti-fraud programme in 2025 now that the Home Office has published its guidance on the new Economic Crime and Corporate Transparency Act: Failure to prevent fraud offence.

Ethical due diligence programme

This underpins several of our Business Ethics programmes by helping to identify initial and ongoing risks associated with a proposed commercial relationship. In 2024, a project commenced to strengthen our supplier data and supplier on-boarding process and systems.

Speak Up

In 2024, we furthered our efforts to promote awareness of our Speak Up channels via Groupwide mandatory training and internal communication initiatives. This included the use of leader's updates, in person and virtual presentations, intranet news articles, physical posters and digital display screens.

There were 49 reports raised through our Speak Up channels during 2024. We seek to investigate all reports where sufficient information is provided.

Of these 49 reports, 45 were closed in 2024 – 11 could not be progressed due to insufficient information, 29 were investigated and found to be unsubstantiated, and 5 were investigated and found to be substantiated. Learnings and appropriate actions in respect of these 5 matters has been undertaken.

There were 4 that remained open as of 31 December 2024.

Fair competition

The programme was subject to internal audit in 2024, with a satisfactory (green) rating. Revised guidance and policy updates were published in July 2024.

Financial and Trade Sanctions

This programme of risk assessments was presented to the EBCC in Q2 2024. Regular reporting on sanctions to EBCC continued throughout the year.

Privacy

During 2024, the Data Privacy team completed the annual review of policies and notices to confirm they remain in line with legal and regulatory requirements for Drax, making updates where required.

Human rights

Our 2024 activity relating to the Supply Chain Human Rights programme (in addition to planned activity for 2025) is set out in our latest Modern Slavery Statement which can be accessed on our website.

Sustainable development continued
People positive

my voice Survey

5
Number of My Voice Forums (MVFs) across Drax in 2024

Read more in Stakeholder Engagement, page 92, and Corporate Governance Report, see page 90.

Not all our future talent is on our doorstep, so in 2024 we partnered with Springpod, an award-winning online careers platform, to extend our reach to a wider early careers community to inspire the next generation. 310 students took part in our first free learning module on Carbon Capture.

Our Management Excellence and Accelerate Programmes are designed to support managers in their roles and to elevate their performance as people managers and leaders. In 2024, 363 colleagues benefitted from these programmes.

We launched Inclusive Team Talks tailored for operational schedules, alongside digital and in-depth face-to-face workshops on topics like psychological safety, unmasking bias, activating allyship to support colleagues from minority groups through solidarity, and impacting inclusion.

We reviewed our Talent, Performance, and Succession approach, ensuring we are providing the right tools and process to drive a high-performance culture.

We focused on enhancing our talent pipeline visibility and in 2025 we will be extending our succession planning process to over 400 managers and introducing quarterly succession planning with the Executive Committee.

We listen and engage

"MyVoice" is our way of acknowledging colleagues' sentiment and feedback. It is a valuable means for understanding the views of our people and continuously improving our work environment and experience.

People positive – our new values and behaviours

The actions which we have outlined in this section will combine with our new values and behaviours, which were launched in 2024.

Together the various activities create opportunity for our people to grow and develop, whilst fostering an engaging and high-performance environment, that enables us to attract and retain top talent.

Every colleague's journey will be different and Drax is seeking to establish a culture which respects these differences and enables each person who works for us to contribute their best and be part of realising our goals for our people, our communities, our partners and stakeholders.

A new approach to listening

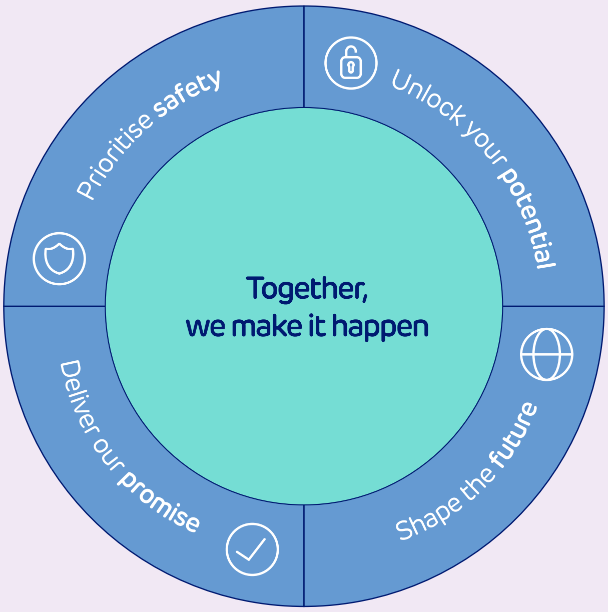
Our values and behaviours have informed our listening approach for 2024. This included beginning the transition to quarterly colleague engagement surveys and evolving the colleague MyVoice forums to work effectively as a strategic business partner to senior leaders and the Board.

Acting on our surveys

Two surveys in July and October 2024 showed steady scores in engagement, diversity and inclusion, health and wellbeing, and transformation and change. These scores reflected good ongoing engagement. Key focus areas from colleague feedback included freedom of opinions, career paths, management support, mental wellbeing, and inclusiveness, which saw steady or slight improvements. Actions included introducing values and behaviours, focusing on mental wellbeing, in addition to our DEI strategy.

Survey outcomes indicated a need for more clarity on business strategy and role alignment, which will be a key focus in 2025.

OUR DRAX VALUES



Our communities

We seek to make a positive contribution to the communities in which we operate through engagement and corporate community investment.

We deliver community investment through the Drax Foundation and Community Fund which are overseen by our Community and Charity Policy. In 2024, we published our first Drax Community Impact Report which has more detail on the Foundation and our corporate giving.

£3.6m

donated in 2024 in grant funding for non-profit organisations

In 2024 the Drax Foundation provided £3.6 million in grant funding for non-profit organisations. This has improved access to STEM education and "green skills" training for 21,087 young people. In addition, the Foundation has helped 27 schools receive energy-efficient LED lighting and solar panels estimated to save them almost £0.5m per year on energy bills and save an average of 512 tCO_2e per annum.

We have also supported organisations providing practical and financial support for people living in fuel poverty across the UK.

The Community Fund provides direct-giving to grassroots non-profits and community-led initiatives within our communities. In 2024, we established our first Community Advisory Panel (CAP) in Gloster, Mississippi in the US South to provide input into local priority issues for funding. During 2025 and 2026, we intend to roll out CAPs in all our communities.

For more information about community engagement undertaken during 2024, see the Stakeholder Engagement section of this report on 96.

Indigenous peoples

Drax recognises the profound relationship indigenous people have with some of the land we operate on and from which we source.

We are committed to listen, learn, and understand concerns related to our operations and those of our suppliers.

Our Indigenous Peoples Policy is the foundation for our interaction with First Nations and includes our commitment to building positive and sustainable relationships with indigenous peoples following Free, Prior, and Informed Consent (FPIC).

In 2024 we established a new First Nations Advisory Committee which provides recommendations on four performance areas: employment; business development; community investment and community engagement. We also provided funding for a range of First Nations initiatives during 2024.

Through the Drax Foundation, we have provided funding for Scientists in School, and to MindFuel, which provides STEM education and skills development workshops for indigenous and rural students in British Columbia.

Our funding for the Exploration Place in Prince George, has expanded educational outreach to indigenous communities with a goal to reach 4,000 rural, remote, and indigenous students during 2024.

SPOTLIGHT

A profile of our Grantees

National Audubon Society, US: £38,200

National Audubon protects birds and their natural habitat using science, advocacy, education, and on-the-ground conservation. In 2024 we provided funding for Audubon Delta, which is improving access to nature-based education for their local chapters in Louisiana, Mississippi, and Arkansas, and helping to protect five hectares of priority bird habitat in Mississippi.

University of British Columbia (UBC), Canada: c.£54,000

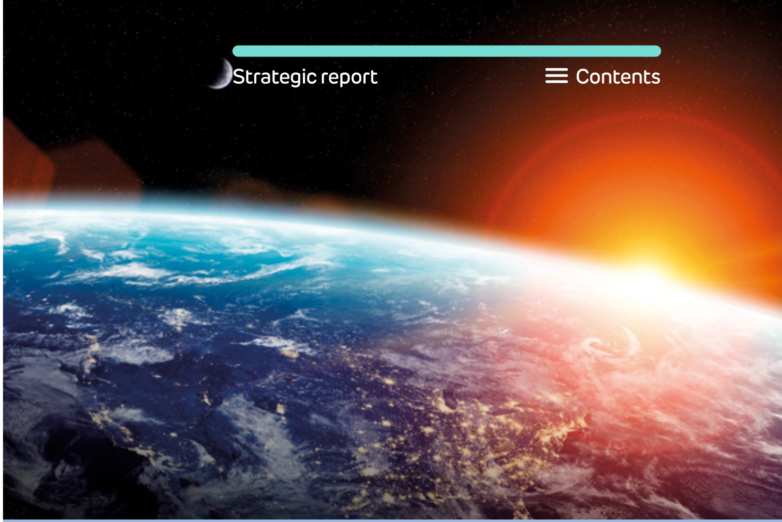
UBC's Wild and Immersive programme cultivates lifelong environmental enthusiasm in children through a range of outdoor activities and programmes. Our planned funding will help to expand and improve trails and support bursaries for children from underserved communities to remove barriers to participation. 15% of the funding was ring-fenced for indigenous communities or underprivileged groups.

Argyll Countryside Trust (ACT), Scotland: £25,300

ACT is a community-led organisation that works to restore nature, address climate change and provide outdoors nature-based learning.

In 2024 we provided funds for their Rainforest Hub, enabling them to maximise opportunities at their native tree nursery, and deliver nature-based education for local children.

Task Force on Climate-related Financial Disclosures



Climate-related financial disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) provides a common framework for the provision of clear, comprehensive, high-quality information on the impacts of climate change. Drax has been a TCFD Supporter since 2020, recognising that identification and disclosure of climate-related risks and opportunities supports Drax and our stakeholders to make long-term decisions.

Compliance statement

This disclosure has been prepared in line with the Financial Conduct Authority (FCA) Listing Rule (UKLR 6.6.6(8) consistent with the recommendations of the TCFD and the updated 2021 TCFD Annex guidance. The climate-related financial disclosures outlined comply with the requirements of the Companies Act 2006, as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

TCFD pillar	TCFD recommended disclosure		Consistency with recommended disclosure	Reference
Governance	1.	Describe the Board's oversight of climate-related risks and opportunities	●	Page 57
	2.	Describe management's role in assessing and managing climate-related risks and opportunities	●	Page 57
Strategy	3.	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	●	Page 64 to 66 Principal risks and uncertainties 70
	4.	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	●	Page 60 Viability Statement 84
	5.	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	●	Page 63
Risk management	6.	Describe the organisation's processes for identifying and assessing climate-related risks	●	Page 59 Principal risks and uncertainties 70
	7.	Describe the organisation's processes for managing climate-related risks	●	Page 59 Principal risks and uncertainties 70
	8.	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	●	Page 59 Principal risks and uncertainties 70
Metrics and targets	9.	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	●	Page 67 Climate positive 38
	10.	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	●	Page 67 Climate positive 38
	11.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	●	Climate positive 38

● Fully consistent
Partially

2024 Actions and progress

TCFD Pillar	Actions for 2024 (as per Annual Report 2023)	Progress in 2024
Governance	Embed the governance structure and evaluate effectiveness. Implement decarbonisation projects as agreed for the 2024 Group annual bonus Scorecard.	We developed our Sustainability Framework. The Framework will enable Drax to develop a coherent narrative around Climate, Nature and People positive pillars.
Strategy	Undertake an initial quantitative transition risk scenario analysis exercise.	In 2024 we completed a Double Materiality Assessment. The results enable us to identify key focus areas for action and guiding sustainability efforts with clarity and purpose (see report 37).
Risk management	Utilise quantitative scenario analysis insights, relating to potential future development of physical climate parameters across Pellet Production and FlexGen and Biomass assets.	Please refer to transition risk analysis on page 62.
Metrics and targets	Publish a Climate Transition Plan in line with the Transition Plan Taskforce (TPT) Disclosure Framework, during 2024. This will outline the plans underpinning our carbon reduction targets.	Publication of transition plan expected 2025, (see page 41). Each business unit has a list of potential decarbonisation projects, which form the business unit carbon reduction plans (see page 41).

Governance

Responding to climate change is a core component of the Group's purpose, to enable a zero carbon, lower cost energy future. This is reflected in our governance – from our Board through our Executive Committee and their leadership, to our business units and their functions (see Sustainability Governance structure, page 36). Our Group Climate Policy is available on the Drax website.

Board oversight

The Board has ultimate accountability for climate-related risks and opportunities. The CEO oversees and ensures that the Group effectively implements the business strategy, which is aligned to our decarbonisation objectives.

Every quarter, the Sustainability Leadership team, led by the Chief Sustainability Officer (CSO), provide a sustainability update to the CEO. During 2024, this included updates on the Climate positive pillar of our Sustainability Framework. The CEO provides regular updates on sustainability within the CEO Report to the Board.

Management's role

The CSO and the Senior Sustainability Leadership team are responsible for the day-to-day implementation of the Group's sustainability strategy, and report progress to the Board on a quarterly basis. The Sustainability Council (see page 36), active throughout 2024, acts as a Risk Management Committee for the climate change Principal Risk. Governance of the climate change Principal Risk is described on page 59.

In addition to the quarterly sustainability update provided to the CEO, the Group conducts Quarterly Business Reviews with the Executive Committee. For this, the Sustainability Leadership team provide key updates on progress and challenges across our Sustainability Framework, including the Climate positive pillar.

Management are responsible for communicating the priorities for their business area, that can positively influence the delivery of objectives linked to the TCFD pillars. Our colleagues play an important part in enabling that work about which more can be found under the "our response" sections, pages 64 to 66.

Strengthening climate governance

As part of our commitment to advancing sustainability efforts through a focused and forward-looking strategy, in February 2025, we launched our 2030 Sustainability Framework.

This Framework covers our Climate positive pillar and enables us to develop a coherent narrative on climate, with time-bound commitments and targets, clear governance and implementation plans.

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Drax Group plc Board

The Board meets regularly and has ultimate accountability for climate-related risks and opportunities.

In 2024, the Board:

- Received an update on 2024 decarbonisation progress at the Group's October Board Strategy meeting
- Received a briefing on decarbonisation, focusing on absolute emission reductions, including progress against our targets, current project options and future decarbonisation pathways
- Received and considered a paper that highlighted our existing and future reporting obligations and commitments, both legal and voluntary and the underlying governance system that exists to manage these evolutions
- Considered the evolution of TCFD and TNFD, and how that is being addressed by management as part of the growing importance of disclosing climate and environmental risks in line with international standards

Audit Committee

The Audit Committee has responsibility for overseeing effectiveness of risk management processes and controls, including the climate change Principal Risk.

In 2024, the Audit Committee:

- Reviewed and challenged the climate change Principal Risks disclosure at Half and Full Year
- Received a paper with a matrix detailing assurance in place over each key ARA disclosure, including those which are climate-related

Remuneration Committee

The Remuneration Committee oversees the approach to remuneration, including the safety and ESG element of the Group bonus scorecard.

In 2024, the Remuneration Committee:

- Considered and approved the 2024 Group Scorecard targets and KPIs, including three carbon reduction projects with an aggregate 5% weighting
- Received an update on the progress tracking the performance against the 2024 targets
- Considered potential carbon reduction projects for 2025

Executive Committee

The Executive Committee holds regular formal meetings. The Committee focuses on the delivery of our strategy, operational and financial performance.

In 2024, the Committee:

- Undertook an in-depth review of the climate change risk register
- Considered and approved a three-year ESG strategy, which highlighted our existing and future external reporting obligations and commitments, both legal and voluntary and the areas of highest priority for focus and investment
- Reviewed and approved the Group's new biomass sourcing policy
- The CSO reviewed and signed off our CDP Climate Change questionnaire in September and our UNGC annual commitment in July
- Received updates on TCFD reporting
- In early 2025, formally approved the Group's new Sustainability Framework, which will launch in February

Independent Advisory Board (IAB)

The IAB, which met four times in 2024, provides external advice and challenge on our responsible sourcing of biomass, and wider aspects of our sustainability strategy. See page 35 for a summary of the 2024 activity.

The IAB comprises six scientists and technical specialists (biographies available on the Drax website). In 2024, Lord John Krebs assumed the role of Chair, with Professor Sir Ian Boyd assuming the role of Vice Chair in 2024.

Sustainability Council

The council was established in 2023, and meets at least quarterly. In September 2024, its Terms of Reference were reviewed, enhancing attendance from the Executive Committee members and increasing decision-making rights.

In 2024, the council:

- Reviewed and endorsed plans to sign up to a SBTi net zero 2040 decarbonisation target
- Reviewed and endorsed climate-related targets and commitments in our draft Sustainability Framework
- Received an update on the development and plans to publish our Climate Transition Plan

Climate Expert Hub – Carbon Reduction Taskforce (CRTF)

The CRTF is made up of representatives from different business units to centrally co-ordinate the respective decarbonisation workstreams. These individual business unit forums meet regularly to evaluate projects and develop business cases that help Drax to realise decarbonisation objectives, including our carbon reduction targets.

In 2024, the CRTF:

- Co-ordinated efforts to progress delivery of the three 2024 decarbonisation Group Scorecard target projects, as well as non-Scorecard projects

Business units and functions

Sustainability: Responsible for our sustainability programme, including decarbonisation projects, co-ordination of climate change Principal Risk, ESG disclosure, data, and assurance.

HSE: Responsible for environmental compliance and performance.

Risk management

Integration of climate-related risk management into Group-wide approach

The identification assessment and management of climate-related risks is integrated into our Group-wide approach to risk management, as defined by the Group Risk Management Policy. The Policy, reviewed and approved annually by the Group Financial Risk Management Committee, is supported by the Group Risk Management Framework, which defines our approach to risk management and the responsibilities of management and our colleagues.

Climate change is a Principal Risk category governed within the Group-wide approach to risk management (see page 70, Principal Risks and Uncertainties).

Senior leadership and risk owners, who are located across various business units, are collectively responsible for the identification of risks with the potential to threaten the achievement of strategic objectives. The Audit Committee and the Board review the effectiveness of risk management processes and controls.

The Audit Committee reviews and challenges the Principal Risk disclosures twice per year, including those relating to climate change, as part of their review and approval of the Half-Year Report and Annual Report.

Process for identifying, assessing and managing climate risk

The climate change Principal Risk register is administered by the sustainability function. Each risk has an assigned business unit management owner, responsible and accountable for monitoring the risk, providing updates, and ensuring mitigations and controls are fit for purpose. Risk owners provide updates to the risk register at Half and Full Year. Since its establishment, the Sustainability Council acts as the Risk Management Committee, responsible for review and challenge of the climate change Principal Risk.

Additionally, we identify, assess, and manage our climate-related risks through scenario analysis (see approach to scenario analysis, below), climate vulnerability assessments, and our internal carbon reduction workstreams.

To assess the materiality of climate-related risks, identified risks are prioritised based on the Group risk scoring matrix, which considers likelihood and impact. The assessment of impact is separated into different categories, including financial, regulatory, strategic, reputational, technological and environmental considerations. The level of impact, from minor to critical, is defined for each category of impact. For further detail, see Principal Risks and Uncertainties, page 70.

During 2024, we completed a Double Materiality Assessment with a third-party, engaging with our workforce; and key internal and external stakeholders.

The work built on our 2023 materiality assessment to understand the sustainability topics that our stakeholders view as priorities for Drax. This analysis will feed our sustainability metrics and targets, to ensure they remain relevant to our strategy and operations. "Climate change mitigation and adaption" was one of the material topics considered. For further information on our Double Materiality Assessment, see page 37.

Our approach to scenario analysis

Scenario analysis forms part of our approach to identifying and assessing climate-related risks.

Using third-party sources, scenario analysis provides a method for climate risks identification and assessment that is guided by climate science.

In 2021 and 2022, we undertook two scenario analyses that informed updates to our climate change Principal Risk register (top-down identification).

In 2023, we evolved this approach and focused on the application of scenario analysis on the most significant physical climate-related risks that we have identified (bottom-up assessment). In 2024, we undertook an initial quantitative transition risks scenario analysis exercise.

Summarised results of our 2024 transition risk analysis, exploring the potential quantitative impact of transition risk parameters across our operations, are presented on page 62, and for specified physical climate risks on pages 63 to 65.

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Strategy

A strategy to enable a zero carbon lower cost energy future

The identified climate-related risks and opportunities that could have a material financial impact on the Group are set out on pages 64 to 66 and in the Principal Risks and Uncertainties section (page 70).

Carbon reduction pathway

An overview of our carbon reduction targets and our plans (current projects and other projects in development) can be found in the Climate positive section (page 40). In March 2025, we will launch our first Climate Transition Plan in line with the Transition Plan Taskforce Disclosure Framework.

Impacts of climate-related risks and opportunities on financial planning

The conclusions from the scenario analysis detailed on pages 62 to 63 informed the approach to the viability assessment.

The table below summarises how climate-related matters influence and are factored into the respective areas of our financial planning.

Financial planning element	Our approach
Revenues	The UK Government is legally committed to its target to achieve net zero in the UK by 2050. The Labour Government has also made a commitment to clean energy by 2030. For our UK-based Generation business, the impact of a transition to net zero is incorporated into the forecasts for future power prices, modelled over a 15-year basis. The Climate Change Committee has included BECCS in its pathway for the UK to reach net zero, and the NESO Clean Power 2030 report assumes conversion of at least one biomass unit to BECCS by 2030, and we include BECCS conversions in our long-term plans and capital expenditure, and main strategic investments. Further to our BECCS opportunity, in the US, the Inflation Reduction Act (IRA) creates government backed incentives for carbon removal technology such as BECCS which creates a diversified revenue stream alongside power and CDR sales. Our long-term business plan includes developments in the US for new-build BECCS plants, and in 2024 we launched our US-based carbon removals business, Elimini. The primary risk to revenue from climate change is the potential disruption from extreme weather events. Our assessments show this will more significantly impact our Pellet Production business but could have material adverse knock-on impacts to biomass generation if the supply chain is disrupted. Current risks are largely from extremes of weather in Canada, including cold and sub-zero freezing in winter, as well as wildfires, storms, and temperature extremes in the summer. We also expect the risk of storms and temperature extremes to affect our operations in the US. We model the impact of sensitivities to our business plans caused by this category of disruptions. The transition away from fossil fuels to renewable forms of energy has created an opportunity for the Group, with increase in demand for our products and services. Our pumped storage hydro assets provide support to the UK energy network, balancing supply and demand caused by the variability in times when intermittent renewable generators, such as wind and solar, are unable to operate or when generating more than the system requires. As reliance on intermittent generation increases, the system is likely to require more balancing services, increasing the value available for assets such as pumped storage. Consumer demand for renewable electricity is growing, and the value of Renewable Energy Guarantee of Origin (REGO) certificates have risen since 2021. Our biomass and hydro run-of-river generation assets are eligible to claim REGOs on the electricity they produce, and our Customers business provides REGOs to its customers. We expect global demand for biomass to increase, including into new markets such as Sustainable Aviation Fuel (SAF), and our business plans include an increase in third-party sales into Asia and North America through our operations in Canada and the US. Drax also sees opportunity in the carbon removal market and believes Elimini will be well positioned to benefit from developments in this market.
Costs (direct and indirect)	The demand for renewable electricity and the transition away from fossil fuels also creates risk for our costs, as the cost of biomass and fibre (the primary raw material for pellet production) will likely increase with demand. We seek to mitigate this risk through contracting significant volumes of fibre under long-term (five years plus) offtake agreements. Operating costs include carbon taxes which are paid in the jurisdictions in which we operate. This includes fuel duties in the UK and the British Columbia Carbon Tax. Since ceasing coal generation, the impact of carbon taxes has been significantly reduced on the Group. However, there remains carbon tax to pay on oil used in biomass generation and gas used at the Daldowie Fuel Plant in the UK, and fuels used in Pellet Production in Canada. Introduction of an EU Carbon Border Adjustment Mechanism (CBAM) may impose taxes on all trade of electricity between the UK and the EU via relevant interconnectors in the future. We do not currently expect the introduction of an EU CBAM to be material. Meeting the requirements of operating a sustainable business brings additional operating costs. For example we have a dedicated sustainability function which comes with its own cost base and has increased in size. Such costs are likely to increase in response to the growth in our business and as we continue to follow important laws, regulations, and standards.

Financial planning element	Our approach
Capital expenditures and capital allocation	Our Capital Allocation Policy outlines our focus on: (1) maintaining the Group's credit rating, (2) investing the core business, (3) paying a sustainable and growing dividend, and (4) returning surplus capital beyond investment requirements. We have introduced a shadow carbon price within the capital expenditure decision-making process. This internal shadow carbon price is used principally to modify the Net Present Value and Internal Rate of Return models used to assess new business and investment cases. This provides a value for decarbonisation and a corresponding penalty for investments which increase our carbon footprint (see page 67 associated metric). From a tax perspective, Drax currently makes use of the UK Patent Box tax relief regime and will ensure that further opportunities arising from UK BECCS patented activities are explored. Biomass is currently excluded from the UK Emissions Trading Scheme, which has provided us with a working capital inflow, through substituting coal (which had incurred taxes) to biomass (which does not). We expect that UK BECCS revenue expenditure may qualify for R&D relief under the UK Research and Development Expenditure Credit (RDEC) regime. For tax effect of RDEC credit to date, see page 67. R&D investment: In the shorter term, we continue to investigate next generation carbon capture technologies with the aim of identifying future options with lower energy requirements than the current technologies. We have used some R&D spend to expand and improve our carbon capture incubation area, to accommodate more and larger pilots to advance our understanding of future alternative methods of carbon capture to the current amine-based systems. The innovation team supports the CRTF and are dedicating more R&D budget to investigate technology options to displace or reduce the use of fossil fuels in the Group's operations. Over the longer term, management also considers the impact of potential changes to the UK grid on the need for dispatchable renewable power and energy storage solutions. Globally, we recognise the increasing role biomass will have to play in decarbonising other industries. We are conducting research into areas that may fit our future strategy, including biofuels and Sustainable Aviation Fuel (SAF).
Acquisitions and divestments	Our strategic aims are closely aligned with climate solutions, enabling net zero and energy security. Acquisitions and divestments are therefore guided by, and intended to enable, the achievement of our strategic and decarbonisation aims. For example, the acquisitions of Pinnacle Renewable Energy Inc in 2021 and Princeton Pellets in 2022 support our aim to be a global leader in sustainable biomass pellets.
Access to capital	Banks and investors are concerned not only with their own ESG performance, but also the ESG risks and opportunities they are subject to as a lender. Drax maintains a strong investor base and portfolio of working capital facilities through financial and banking institutions. We have sought to embed aspects of our climate targets and commitments into our debt and credit facilities. In 2024 Drax agreed a £450m sustainability-linked revolving credit facility (RCF), which matures in 2027, with options to extend by two years. The facility has adjustments linked to certain Scope 1, 2, and 3 carbon emissions based on the Group's 2030 SBTi targets. This is consistent with our continued strategic focus on reducing our carbon emissions. Government support will be required for Drax to fully realise its ambitions and will be critical in attracting cost-effective investment and capital to the business.

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Quantitative transition risk scenario analysis: Summary of results

In 2024, we developed our Scenario Analysis modelling to include a transition risk assessment, as committed in our 2023 TCFD report. We utilised the S&P Global Climanomics tool to undertake quantitative analysis of the potential financial implications of transition risks to our business. We explored how different transition risks could evolve under two climate warming scenarios across our existing Generation and Pellet Production activities. We applied our analysis across four time horizons: the 2020s, 2030s, 2040s and 2050s. The tool enables analysis of five transition risk types and provides the quantification of exposure based on asset value.

Scenarios modelled

- Alignment with the International Energy Agency's Net Zero Emissions by 2050 scenario which is designed to be consistent with limiting the global temperature risk to 1.5°C
- 3°C: Current pathway aligned to current warming potential as reported by the IPCC, to ensure we cover the range of possible evolutions

RCP scenario	Potential financial impact of transition risk (low-high)	Example of how risk may materialise (Drax view)	Our mitigation strategy
Carbon pricing			
3°C	High	Development of Carbon Border Adjustment Mechanism (CBAM) policy could prove concerning for biomass if determined as a product requiring tax; development of carbon tax mechanism in sourcing geography or along the supply chain. We expect any mechanism unlikely to materially impact our operations.	Maintain close liaison with UK Government and EU institutions on future polices (including future of Carbon Pricing, CBAM); development of carbon removals capacity at Drax Power Station, and Globally (see pages 14 to 15).
1.5°C	High		
Litigation			
3°C	Low	GHG thresholds for supply chain emissions could result in biomass failing to meet sustainability criteria; NGO pressure to deem biomass as non-renewable.	Engagement with policy makers and stakeholders on carbon accounting of biomass and explaining steps Drax is taking to decarbonise the supply chain and reiterating importance of IPCC principles on carbon accounting.
1.5°C	Low		
Reputation			
3°C	Low	Loss of customer, investor, and stakeholder trust; negative press; lack of understanding by general public of the benefits from biomass.	Forest carbon research programme evidences climate positive impacts on climate of biomass; global biomass campaign to counter eNGO claims and continue engagement to explain the positives with interest groups.
1.5°C	Low		
Technology			
3°C	Low	Failure to adopt new technologies or investment into unverified or failed technologies.	Our Innovation team tracks future technology options; close liaison with governments on future policies.
1.5°C	Low		
Market			
3°C	Low	Absence of market for negative emissions; pressure on governments to deem biomass not low carbon; limited government support for BECCS.	Liaison with governments on future polices; engagement on bridging mechanism and BECCS at Drax Power Station.
1.5°C	Low		

High >10% Medium: 5–10% Low: 0–5%

Magnitude of potential financial impact (absolute risk) as a proportion of asset value (%)

Assessment of resilience to transition risks

The analysis above details the potential financial impact that could arise from five transition risks, under two different warming scenarios. The 1.5°C scenario assumes a faster rate of mitigation; therefore, it is expected organisations will be at greater risk as they will be expected to decarbonise more quickly. The opposite is true for a 3°C scenario.

The scenario assumes greater warming, but slower mitigation and decarbonisation, which would result in fewer transition risks. Our analysis also describes how the materialisation of these risks could affect our business, regardless of likelihood. Like many businesses, the introduction of a carbon pricing mechanism would represent the greatest potential financial risks. The modelling assumes a higher average price per tonne of CO_2e in a 1.5°C scenario than in a 3°C scenario. We are satisfied that the risk of a mechanism that affects our operations would be low, and we are liaising with the appropriate government and regulatory bodies. As we develop our carbon removals business, any carbon pricing mechanism would be seen as an opportunity for the Group. The remaining risks considered above present low material risk and are well mitigated. For example our current biomass supply chain emissions of 93.7kgCO_2e/MWh are below the regulatory threshold of 180kgCO_2e/MWh expected to be introduced in 2025, due to the steps we have taken to decarbonise the supply chain.

Quantitative physical risk scenario analysis: Summary of results

We utilise the S&P Global Climanomics tool to undertake quantitative analysis of the potential financial impacts resulting from physical risks of climate change. We explored how eight different physical climate change hazards could evolve under three scenarios, for our FlexGen, Biomass generation and Pellet Production asset portfolio.

We applied our analysis across four time horizons: the 2020s, 2030s, 2040s, and 2050s. The tool enables an analysis of eight physical climate change hazard types, and provides an estimate of the climate-related change in the level of hazard exposure of an asset over time (relative to a historical baseline).

The following three scenarios were modelled for the analysis:

Scenario	Description	Rationale for selection
High (RCP 8.5/ SSP5-8.5)	Low mitigation scenario in which global average temperatures rise by 3.3 to 5.7°C by 2100.	Exploration of a high warming scenario to “stress test” a high level of physical risks.
Medium (RCP 4.5/ SSP2-4.5)	Strong mitigation scenario in which total GHG emissions stabilise at current levels until 2050 and then decline to 2100, resulting in global average temperatures rising by 2.1 to 3.5°C by 2100.	Exploration of an ambitious yet plausible mid-range scenario.
Low (RCP 2.6/ SSP1-2.6)	Aggressive mitigation scenario in which total GHG emissions reduce to net zero by 2050, resulting in global average temperatures rising by 1.3 to 2.4°C by 2100, consistent with the Paris Agreement.	Exploration of an ambitious 2°C or lower scenario consistent with the Paris Agreement.

Time frames over which Drax considers climate-related risks	Corresponding time horizons explored for scenario analysis (1)
– Short-term (1 year) – aligns to our time periods for assessing going concern – Medium (2-5 years) – aligns to the period assessed for viability reporting	– 2025 – 2030
– Long-term (5+ years) – aligns to our BECCS ambitions and beyond	– 2040 – 2050

(1) Representing sum of potential financial impact (absolute risk, £m) as a proportion of asset value.

Medium (4.5) scenario Physical hazard type	Examples of how the risk potentially manifests	Impact across time horizon (% of asset value exposed to risk) (£m) 2025	2030	2040	2050	Our mitigations
Temperature extremes	Cooling and ventilation costs and increased servicing costs; employee productivity; revenue impact					Weather monitoring; plants built to high standards to cope with weather issues per location; business continuity plans in place; winterisation planning
Drought	Business interruption; water expenses; foundation damage					Hydrological modelling; plants distributed in different fibre baskets; management of larger inventories
Flooding*	Clean-up costs; repair costs; business interruption					Fibre plants distributed in different fibre baskets; hydrological modelling; multiple ports to reduce reliance on given supply chain route
Wildfire	Employee health; business interruption; physical damage					Smaller fibre plants distributed in different fibre baskets; fire guard measures
Water stress	Business interruption; revenue impact					Water stress assessment completed for all production assets
Landslide	n/a	n/a	n/a	n/a	n/a	n/a

* Flooding is a combination of coastal, fluvial, and pluvial flooding, and tropical cyclone.

● High >15% ● Medium: 10 to 15% ● Low3: 6 to <10% ● Low2: 3 to 6% ● Low1: 0 to 3%

Magnitude of potential financial impact (absolute risk) as a proportion of asset value (%)

Preliminary findings

- The top drivers of physical climate-related risks for the Drax assets considered are temperature extreme, wildfire and flooding.
- There is a relatively greater potential impact on our Canadian and US Pellet Production Operations due to the physical risks of climate change, based respectfully in Canada and the US South. FlexGen and Biomass generation operations are the least affected by the impacts of climate change.
- None of the risks arising from the physical climate change hazard types over the time horizons considered are modelled to have a material potential financial impact.

Assessment of resilience

While impacts on our business units and financial performance of the Group could materialise under particular climate scenarios in the long term (such as during modelling of a High warming scenario), the geographical diversity of our operational locations provides some mitigation against isolated risks, and further mitigations are described above. Management believe we have a range of strategic options and we expect to have the necessary capital to manage impacts, take opportunities and remain resilient under the wide range of scenarios considered.

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Climate-related risks

1. Time frame:

- Short term (1 year) – aligns to our time periods for assessing going concern
- Medium (2-5 years) – aligns to the period assessed for viability reporting
- Long term (5+ years) – aligns to our BECCS ambitions and beyond

2. Significant impact:

Significant impact assessment considers gross potential impact only, and not likelihood. Risks assessed as net low risk are not presented. Impacts of climate change are considered in the Viability Statement on page 84 and note 3.8 (Climate Change) to the consolidated financial statements.

3. Link to our strategic aims:

- To be a UK leader in dispatchable, renewable generation
- To be a global leader in sustainable biomass pellets
- To be a global leader in carbon removals

Description	Time frame[1]	Significant impact[2]	Our response (strategic mitigation)	Related metrics	Link to our strategic aim[3]
1: Physical risks to our Pellet Production operations and supply chain in the US and Canada					
Acute and chronic climate hazards impacting: – Fibre availability for Canadian pellet production – Site operations in US pellet production – Site operations at Canadian pellet production	ST, MT and LT	No (direct impact on revenue and cost of sales)	– Proactive weather monitoring with appropriate mitigations taken to minimise the potential impact of extreme weather events – Pellet Production business has developed stockpiles to alleviate incidences of extreme weather-related production interruption – Diversification into new jurisdictions that reduce seasonal impact on the business – New-build pellet mills positioned to minimise risk associated with potential future weather patterns – Continue monitoring systemic risks when moving to new geographies – Colleague training to respond to adverse climate effects	Metric: Annual total volume of pellets produced (see page 44) Metric: FlexGen, Biomass, and Pellet Production: potential financial impact (absolute risk, £m) as a % of asset value (see page 67)	
2: Physical risks to our Drax Power Station operations and supply chain					
Physical risks to ports and shipping to UK, including: – Extreme weather events and flooding at multiple UK port locations – Sea level rise impacting available port facilities, preventing the receipt of material into our UK ports	ST, MT and LT	Yes (direct impact on revenue and cost of sales)	– Business continuity plans in place for owned and leased ports, including response to weather events – Conduct detailed climate scenario analysis to model potential physical risks of climate change at Drax Power Station and our supply chain – Engaged with the local authority climate risk plan to cover storm surges	Metric: FlexGen, Biomass, and Pellet Production assets: potential financial impact of physical risk (absolute risk £m) as a % of asset value (see page 67) Metric: water consumed from areas of water stress (see page 67)	
River water temperature at DPS rises to a level which could cause permit breach	ST, MT and LT	No (direct impact on revenue and cost of sales)	– Permit variation already in place for the summer months		
3: Policy risks related to the transition to a low-carbon economy					
Future regulatory framework(s) no longer consider biomass to be renewable and/or require biomass generators to pay a carbon price on stack emissions or on supply chain emissions	ST, MT and LT	Yes (direct impact on revenue, cost of sales and operating expenses)	– Due to the potential high impact of these unmitigated risks, we have a strong mitigation plan in place which is functioning well, lowering the risk to an acceptable level – BECCS ambitions are an important part of our strategy – Group decarbonisation plans in place to reduce biomass supply chain emissions – Engaging with regulators and industry bodies and wider stakeholders to understand their priorities, influence the strategic direction, and undertake scenario planning in preparedness for ensuring compliance – Targeted scenario planning and direct engagement with the REDIII negotiation process and via Trade Associations suggesting alternative policy and regulatory solutions, to ensure workable outcomes	Metric: total non-renewable generation capacity (see page 67) Metric: Generation business revenue page (see 67) Metric: Generation business Adjusted EBITDA (see page 67) Metric: Generation and Pellet Production assets: potential financial impact of transition risk (absolute risk £m) as a % of asset value (see page 67)	

Description	Time frame[1]	Significant impact[2]	Our response (strategic mitigation)	Related metrics	Link to our strategic aim[3]
Updates to sustainability criteria on biomass cannot be met	ST	No (direct impact on revenue, cost of sales and operating expenses)	– Continued engagement with key stakeholders around our biomass sourcing and the benefits of using sustainable biomass from working forests – Alternative Fuels programme looking at options for alternative feedstocks	Metric: total non-renewable generation capacity (see page 67)	
Changes in UK Carbon Budget, UK Government strategy significantly limits or does not allow for unabated gas generation – risk to OCGTs projects	ST and MT	No (direct impact on revenue, cost of sales and operating expenses)	– Close liaison with UK Government on future polices. Group Market Analysis team modelling future generation scenarios and predicting future generation mix – Broad range of future options being developed – Drax's existing assets will either need to decarbonise or close – Any new gas assets will need to plan to decarbonise	Metric: total non-renewable generation capacity (see page 67) Metric: capital expenditure (see page 67)	
Repeal or significant amendments to Inflation Reduction Act in US which affects growth opportunities for Elimini	MT, and LT	Yes (direct impact on revenue)	– Liaison with senior US officials on the development of carbon capture and removals sector. Engagement with the Administration and the Department of Energy – We have a diverse revenue stream, including power sales, CDR sales, as well as tax relief provided by 45Q – Bipartisan support for 45Q element of IRA. In August 2024, Republican members of the House sent a letter to the House Speaker encouraging the consideration of market opportunities created by IRA tax credits	Metric: Development expenditure/ Capital expenditure (see page 67	
4. Reputation and market risks related to the transition to a low-carbon economy					
UK BECCS is delayed or unable to progress at scale due to limited support mechanisms or absence of sufficient market for removals	MT and LT	Yes (direct impact on revenue)	– Close liaison with UK Government on future policies. Drax engages with a variety of MPs and political parties. The majority of these recognise the positive role of technologies Drax is pursuing	Metric: capital expenditure (see page 67)	
Market factors or reputation leads to a reduction in profitability of the Customers business	MT and LT	No (direct impact on revenue)	– Introduction of value-adding energy services. Offer non-generation system support and energy management services, such as the provision of decarbonisation services, including vehicle fleet electrification – Strategic Communications work ongoing to provide better data and transparency on BECCS and biomass	Metric: Customers business Adjusted EBITDA (see page 67)	
Conflicting requirements on reporting of carbon emissions require us to report multiple, varying estimates	ST, MT and LT	No (direct impact on costs)	– Establishment of a carbon alignment expert group to document all causes of variance for publication – Evidence Hub to contain a detailed, public explanation of the different accounting schemes that we are required to report against		

Climate-related opportunities

Each of our climate-related opportunities would impact on revenue, cost of sales and operating expenses

Description	Time frame[1]	Significant impact[2]	Our response (strategy to realise opportunity)	Related metrics	Link to our strategic aims[3]
Opportunity 1: Development of BECCS at Drax Power Station in the UK					
At Drax Power Station, we continue to evaluate an option for BECCS, with plans to add post-combustion carbon capture to two of the existing biomass units that use sustainable biomass and technology from our partner, Mitsubishi Heavy Industries (MHI). Achieving this could offer a model for further BECCS retrofit for adoption by other power generation plants	LT	Yes	– Development consent was awarded in January 2024 by the Secretary of State for Energy Security and Net Zero, for two BECCS units See CEO's Review, page 12, for further information	Metric: Generation business revenue (see page 67) Metric: Capital expenditure (see page 67)	

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Description	Time frame[1]	Significant impact[2]	Our response (strategy to realise opportunity)	Related metrics	Link to our strategic aims[3]
Opportunity 2: Planned upgrade and expansion of Cruachan Pumped Storage Power Station					
Pumped storage hydro assets provide support to the system, balancing supply and demand caused by the variability of intermittent generators like wind and solar. As reliance on intermittent generators increases, the system is likely to require more balancing services such as pumped storage Meeting the full extent of expected demand will require the addition to and expansion of current power sources. Additional sources ensure dispatchable power and energy security and stability for consumers	MT	No	– A planning application was submitted in May 2022 to expand our Cruachan facility. This, combined with the current facility, will increase generation capacity to over 1GW. The location, flexibility, and range of services it can provide makes Cruachan strategically important to the UK power system – In October 2024, the UK Government confirmed its intention to introduce a cap and floor scheme to underpin investment in long duration storage schemes like Cruachan – An £80m investment to refurbish and upgrade two units at Cruachan Power Station is progressing, which will add 40MW of additional capacity by 2027, and improve unit operations See CEO's Review, page 12, for further information	Metric: Development expenditure/ Capital expenditure (see page 67)	
Opportunity 3: Development of global BECCS in North America					
The US represents an attractive investment environment for large-scale carbon removals, in addition to a supportive investment horizon provided by the Inflation Reduction Act and associated schemes The Group is developing a pipeline of projects that could contribute towards its aim of being a global leader in carbon removals. We continue engaging with policymakers and are screening regions and locations for BECCS in North America	LT	Yes	– Progressing with site selection, US Government engagement and technology development ongoing, the Group is developing a pipeline of projects that could contribute towards its aim of being a global leader in carbon removals – In 2024, we launched our carbon removals business, Elimini, headquartered in Houston, Texas – During 2024, we have agreed offtake CDR agreements with Ultrabulk, Holborn Trading, Karbon-X, ClimateTrade, and NValue – Through 2025, Elimini will continue to develop a pipeline of project options, including new-build BECCS, the modification of existing sites and other industrial applications outside the UK, in North America and beyond – New-build BECCS enables a wide choice of biomass materials, including non-pelletised materials such as woodchips. Exploring plants in regions closer to the sources of sustainable biomass is expected to reduce the cost of transporting and processing fibre, as well as reducing emissions associated with the supply chain See CEO's Review, page 12, for further information	Metric: Capital expenditure (see page 67)	
Opportunity 4: Development of new sustainable biomass pellet capacity and self-supply in North America					
One of Drax's strategic aims is to become a global leader in sustainable biomass pellets. These biomass pellets will be used for third-party sales plus our own generation As a vertically integrated producer, user, buyer, and seller of biomass, we operate a differentiated biomass model from our peers. We see the current market as representing a balance of short-term risks and long-term opportunities for the Group	ST, MT and LT	Yes	– We have progressed development opportunities with the of 130kt expansion at Aliceville, and a new-build pellet plant at Longview (Washington state), which includes the development of a new co-located port facility – These developments, taken with existing operations, gives Drax a network of 18 pellet plants capable of 5.4Mt of capacity – Drax is developing a pipeline of biomass sales opportunities in North America, Asia and Europe. In December we reached heads of terms on a multi-year deal that could see Drax supply over 1Mt of sustainable biomass pellets to Pathway's proposed sustainable aviation fuel (SAF) plant on the US Gulf Coast, in addition to other similar contracts See CEO's Review, page 12, for further information	Metric: Annual total volume of pellets produced (see page 67) Metric: Pellet Production business revenue (see page 67) Metric: capital expenditure (see page 67)	

Metrics and targets

Climate-related metrics

We have developed our approach to report across the TCFD seven cross-industry climate-related metric categories (see table below). For carbon emissions and energy use data, see page 38. For water use and waste data, see page 44.

TCFD Metric Category	Metric	Unit	2024	2023	Link to climate-related risks and opportunities
GHG emissions	See Carbon and energy performance table, page 38				**Risks 1-4** and **Opportunities 1-4.**
Transition risks Amount and extent of assets or business activities vulnerable to transition risks	Total non-renewable generation capacity[1]	GW	0.1	0.1	**Risk 3:** Metric reflects the generation capacity potentially vulnerable to policy, legal, and/or market-related risks in the context of a transition to a low-carbon economy. The non-renewable generation capacity reported for 2023 and 2024 represents gas-fired start-up capacity at Drax Power Station.
	Customers business Adjusted EBITDA	£m	51	72	**Risk 4:** Market factors or reputation leads to a reduction of profitability of the Customers business.
Physical risks Amount and extent of assets	FlexGen, Biomass Generation, and Pellet Production assets, exposure to physical climate hazards risks: potential financial impact (absolute risk) as a % of asset value[2]	%	1.1	0.9	**Risks 1-2:** Proportion of Generation and Pellet Production asset value potentially vulnerable to physical climate-related risks. An interruption to biomass generation is the most likely way that physical risk could manifest.
	Water consumed from areas of water stress[3]	m^3	248	347	**Risk 1-2:** This metric considers water use across Drax's direct operations. The volume reported represents water use at our London office, the only location classified as baseline (current) "high water stress".
Climate-related opportunities	Generation business revenue (external) – Biomass Generation	£m	1,881	2,011	**Risk 3** and **Opportunity 1: Development of BECCS at Drax Power Station in the UK.**
	Generation business revenue (external) – Flexible Generation	£m	74	83	**Risk 3** and **Opportunity 2: Planned expansion of Cruachan Pumped Storage Power Station**
	Pellet Production business revenue (external)	£m	340	398	**Opportunity 4: Development of new sustainable biomass pellet capacity and self-supply in North America.**
	Generation business Adjusted EBITDA – Biomass Generation	£m	814	703	**Risk 3:** An interruption to biomass generation is considered to be the most likely way that physical risk could manifest. **Opportunity 1: Development of BECCS at Drax Power Station in the UK.**
	Generation business Adjusted EBITDA – Flexible Generation	£m	138	230	**Risk 3** and **Opportunity 2: Planned expansion of Cruachan Pumped Storage Power Station**
	Pellet Production business Adjusted EBITDA	£m	143	89	**Opportunity 4: Development of new sustainable biomass pellet capacity and self-supply in North America.** In 2024, the Pellet Production business contributed £143m Adjusted EBITDA.
	Development of new sustainable biomass pellet capacity: annual total volume of pellets produced	Mt	4	3.8	**Risk 1:** and **Opportunity 4: Development of new sustainable biomass pellet capacity and self-supply in North America.**
	R&D relief: tax effect of RDEC credit	The Group has utilised the relief available under the RDEC regime. See pages 203 to 204			
Capital deployment	Capital expenditure	£m	332	524	**Risk 3**: £90m expenditure on the OCGTS. **Risk 4** and **Opportunity 1: Development of BECCS at Drax Power Station, and Opportunity 3: Development of Global BECCS in North America.** £4.4m of capital expenditure related to UK BECCS was recognised in 2024 (2023: £18m), with a total capitalised spend on the project to date of £47m, as of 2024. **Opportunity 4: Development of new sustainable biomass pellet capacity and self-supply in North America.** £105m capital expenditure on pellet production was recognised in 2024, including £64m on pellet plant expansion projects (2023: Pellet Production capital expenditure £166m). **Opportunity 2: Planned upgrade and expansion of Cruachan Pumped Storage Power Station.** £34m of capital expenditure related to the Cruachan upgrade was recognised in 2024.
Internal carbon prices	Generation Capex process, shadow carbon price: price used on each tonne of GHG emissions	GBP/ tonne Coe	c.95 CO_2e	90	**Opportunities 1-4**: A major shadow carbon price annex is embedded within the capital expenditure decision-making process. It is principally used to modify NPV/IRR models used to assess new investment cases.
Remuneration	Proportion of remuneration linked to sustainability performance[4]	%	15	20	The Safety and ESG element of the 2024 Group Scorecard (15% weighting) included KPIs on safety, decarbonisation, and a colleague inclusion index measure. See page 133.
	Proportion of remuneration linked to climate performance[5]	%	5	6.7	The Safety and ESG element of the 2024 Group Scorecard included KPIs (5% weighting) relating to three decarbonisation projects (with corresponding targets). See page 40.

(1) Total operational non-renewable generation capacity as at 31 December in the reporting year.
(2) Data source: S&P Global Climanomics. See page 63 for eight climate hazard types considered. Potential financial impact, as % of FlexGen, Biomass Generation, and Pellet Production asset value, is the presented value for 2023, which represents the annual average over the period 2020-2029.
(3) Total volume of water from areas of water stress, as classified by the WRI Aqueduct Water Risk Atlas (Aqueduct 4.0), baseline "water stress" indicator.
(4) Total percentage weighting for Safety and ESG element of the Group Scorecard.
(5) Total percentage of sub-weightings for climate-related KPIs within the Safety and ESG element of the Group Scorecard.

Sustainable development continued
Task Force on Climate-related Financial Disclosures

Climate-related targets

See Climate positive pillar on page 41 for our carbon reduction targets and progress in 2024.

Looking ahead

Drax continues to monitor the development of the IFRS ISSB standards and the implantation in the UK under the UK SDS. In addition to this, we continue to monitor the development of CSRD scope and requirements and any expectation that Drax could have to report on in the future.

Advocacy on climate

Drax prides itself on its efforts to tackle climate change through innovation and decarbonisation of its operations and wider supply chain.

Drax has been amongst companies taking voluntary climate-related disclosures as well as engaging on climate issues with NGOs and the wider corporate climate networks, to support climate action.

We prioritise external commitments that support our three strategic aims and climate-related targets, including:

- Engagement with stakeholders in understanding and supporting delivery of elements of the Paris Agreement, including Governments.
- Joining the World Economic Forum's First Movers Coalition (FMC), which includes a commitment to purchase up to 50,000 tonnes of durable and scalable carbon removals. The FMC is a coalition of companies using their purchasing power to create early markets for innovative clean technologies across seven hard to abate sectors (responsible for 30% of global emissions, a proportion expected to rise to over 50% by mid-century without urgent progress on clean technology innovation).
- Playing an active role in the Alliance of CEO Climate Leaders, a CEO-led community committed to raising bold climate ambition and accelerating the net zero transition by setting science-based targets, disclosing emissions and catalysing decarbonisation and partnerships across global value chains. Drax signed the open letter for world leaders at COP28.
- Joining the Carbon Business Council.
- Playing a role in the C2ES Carbon Removal working group – an NGO whose mission is to secure a safe and stable climate by accelerating the global transition to net zero, as well as a thriving, just and resilient economy.
- Joining the Sustainable Markets Initiative and supporting their taskforce work – aiming to drive collective action towards a sustainable future within and across industries in line with the Terra Carta.

Non-financial and sustainability information statement

We have summarised our policies and disclosures in relation to non-financial matters, in line with the Non-Financial Reporting (NFR) requirements of the Companies Act 2006.

Non-Financial Reporting requirement	Policies, due diligence processes and outcomes	Page
Environmental matters Our purpose is to enable a zero carbon, lower cost energy future. Our Environmental Policy sets out how we will manage, monitor, and reduce the environmental impacts cause by our business through improvements of our operations wherever practical.	Group Environment policy	
	Group Climate policy	
	Sustainability policy	
	Biomass sourcing policy	
	Climate positive	38
	Nature positive	44
	Climate-related Financial Disclosures including TCFD and CFD	56
Employees We operate a number of policies and guidance documents that encompass aspects of a colleague's experience at Drax, including the systems we use, our policies, our values, and our culture. We are committed to creating a work environment that promotes the importance of colleagues' health, safety, and wellbeing.	Code of Conduct	
	Supplier Code of Conduct	
	Group Safety, Health and Wellbeing policy	
	Human Rights policy	
	Gender Pay Reporting	
	Our people strategy	51
	Health and safety	51
Social matters We aim to create a positive social impact within the communities we operate. Our internal Community and Charity policy outlines opportunities for colleague engagement.	Community and Charity policy (internal policy)	
	Community investment	55
Respect for human rights Our Human Rights Policy sets out our commitment to respect human rights throughout our operations, and our expectation for suppliers and business partners to do the same.	Supplier Code of Conduct	
	Human Rights policy	
	Modern Slavery Act statement	
	Ethics and integrity	53
Anti-corruption and anti-bribery matters We do not condone any behaviour that could lead to actual or perceived bribery or corruption. Our Anti-Bribery and Corruption Policy sets out our approach to bribery and corruption.	Code of Conduct	
	Anti-Bribery and Corruption policy (internal)	
	Ethics and integrity	53
A description of the Company's business model	Business model	8
A description of the Principal Risks	Climate-related Financial Disclosures, including TCFD and CFD	56
	Principal Risks and Uncertainties	70
A description of the non-financial key performance indicators	Remuneration Committee report	126
	ESG Performance Report 2024	

Limited assurance, PwC

We have engaged PricewaterhouseCoopers LLP ('PwC') to perform an external independent limited assurance engagement over the ESG metrics denoted with the Ⓐ. For the results of that assurance, refer to the ESG Performance Report 2024.

Limited assurance, Bureau Veritas

Bureau Veritas UK Ltd has provided independent assurance to Drax Group Plc over the following for the period 1 January – 31 December 2024: Total volume of fibre (material consumed at Drax Power Station) (t); Proportion of woody biomass consumed at Drax power Station with a SBP Compliance claim (%); Average biomass supply chain GHG emissions (kgCO_2e/MWh). The assurance process was conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board. Bureau Veritas' full assurance statement includes certain limitations, exclusions, and a detailed assurance methodology and scope of work. The full assurance statement with Bureau Veritas' independent opinion can be found at drax.com/sustainability.

London, 25 February 2025

Viability Statement

Introduction

As part of the annual process to update the long-range plan for approval by the Board, an assessment of viability is undertaken. This process, led by the CFO and CEO:

- Took the Board approved long-range plan, which includes significant strategic capital expenditure and associated earnings,
- Created a Viability base case that removes future strategic capital expenditure and associated revenues and costs and excludes any income from Drax Power Station after March 2027. The assumption of post-March 2027 earnings at Drax Power Station is for viability modelling only and is not the assumption used in the Board approved long term forecast,
- Sensitised the resulting forecast for a reduction in power prices and a reduction in Pellets margin to produce a severe but plausible downside scenario, including considering the mitigating actions that could be employed to limit the impact and how these mitigating actions may be achieved.

The updated long-term forecast was approved by the Board in the annual strategy review in October 2024. The Board's review of the long-term forecast covered both the viability period (five years) and the longer-term period beyond this. The review considered the principal risks facing the Group, as outlined in the Principal Risks and Uncertainties disclosure on page 70 and distinguished between those risks which are particularly relevant over the viability period, and those risks which could have an impact over a longer-term time horizon. Further information was presented to the Audit Committee as part of their assessment of the viability statement.

The key assumptions made in this analysis were around:

- Power prices, including associated impact on collateral balances;
- Potential biomass pellet sales margins;
- Subsidies available to Drax Power Station after the end of the current arrangements in 2027; and
- No changes to markets and regulatory regimes other than those the Group was aware of at the time.

Whilst a transitional support mechanism was proposed in the heads of terms agreed with the UK Government on 10 February 2025, that provided a Contract for Difference arrangement for all four biomass units from April 2027 to March 2031, as explained on page 17, there remains a legal and parliamentary process to undertake. As such risk remains that a final agreement may not be concluded and as such the viability assessment is prepared on this basis.

In addition to the analysis presented to the Board, forecasts were also subjected to certain additional events (stress tests) and longer-term changes in assumptions (sensitivities), to consider the resilience of the business. This information was presented to the Audit Committee as part of their review of viability.

Finally, a reverse stress test was performed by incrementally increasing the severity of the sensitivities forming the severe but plausible scenario presented to the Board, to determine whether any scenario that presented a threat to viability was considered plausible.

The conclusion of the above was that the Group remained viable under each of the individual stress tests and sensitivities. Whilst the impact of the severe but plausible scenario was significant the Group continued to be viable. The increases required under the reverse stress test to reach a scenario where the Group was not viable were not considered plausible.

Viability review

Period of assessment

Consistent with 2023, the Board has formally assessed the prospects of the Group over the next five years to the period ending 31 December 2029. Factors contributing to this decision were:

- The Group's business plan includes a range of financial forecasts and associated sensitivities and is used for strategic decision making. This process covers one year in detail and then extends to 15 years for each business within the Group. Five years was determined to be an appropriate mid-point in this range and is the period in which a greater degree of confidence over the forecasting assumptions modelled can be established.
- The Group benefits from stable and material earnings streams in the Biomass Generation segment, available from current subsidies until 31 March 2027, covering two of the five years of the viability period. In addition, the Pellet Production and Flexible Generation & Energy Solutions businesses are each targeting £250 million of Adjusted EBITDA post 2027.
- Within the forecast period, liquid commodity market curves and established contract positions, including those for pellet sales, are used. Liquid curves typically cover a one to two-year window and contracted fuel commitments with third parties extend to the end of current subsidy regimes. The Group's foreign exchange exposure is actively hedged over a rolling five-year period, taking account of expected generation levels. Selecting a five-year period balances short-term market liquidity whilst including medium-term contractual positions.
- The Group has a plan for strategic capital expenditure to bring assets operational between 2030 to 2032.
- Following the refinancing during the year a significant proportion of the Group's debt facilities mature in the 2027 to 2029 period.
- There is uncertainty around the Group's markets and regulatory regimes. However, the Board has assumed no material changes to the medium-term regulatory environment and associated support regimes beyond those already announced at the date of this report.

On balance, five years was determined to be an appropriate time horizon given the level of visibility and certainty over future expected cash flows over that period. As set out in note 2.4 to the Consolidated financial statements, and in line with the requirements of accounting standards, the business considers longer-term forecasts for areas such as value in use analysis and estimates of useful economic lives.

Modelling performed

The key assumptions used in the modelling are set out in the 'Introduction' section of this report, and the table overleaf explains the further analysis performed over areas of risk. The scenarios presented were considered to be the most likely ways in which the principal risks would crystallise. Political and regulatory and Biomass acceptability principal risks do not appear in the table. However, these are captured through the Viability base case scenario already, as a no biomass generation at Drax Power Station after March 2027 scenario is likely to be a result of a crystallisation of these risks. A summary of the modelling performed can be found overleaf.

Further information on risks and opportunities related to climate change can be found in the TCFD section, on page 56. Quantitative climate change risk analysis on our operational Generation and Pellet Production assets suggested that asset exposure to impacts arising from physical climate-related risks remains low. This includes consideration over both the viability period time horizon and longer-term potential impacts, extending to 2050. Therefore, these have not been explicitly incorporated into the viability modelling but the potential impact of a climate event within the viability assessment period can be inferred from the plant availability scenario in the table overleaf.

Principal risk	Scenario modelled	Stress test or sensitivity?	Mitigations (assumed or potential)	Impact over viability period > 20% of opening cash and committed facilities?
Trading and commodity	Reduction in market power prices of £15MWh, based on gas prices returning to levels seen before the Ukraine/Russia conflict.	Sensitivity	Re-optimise generation profile	Yes
Plant operations/ climate change	Decreased pellet sales margin/tonne in all years, based on $7 per tonne cost increase and lower sales prices resulting in a 13% lower margin over the viability period.	Sensitivity	Potential to increase sales prices Long term fibre price contracts	Yes
	15% biomass generation forced outage rate (FOR), based on this being above the highest level of annual FOR experienced in the past 7 years.	Sensitivity	None assumed	No
	90-day outage on one biomass unit in 2025, which is longer than any previous unplanned outage experienced at Drax Power Station.	Stress test	Re-optimise generation (to other units) or sell biomass Insurance proceeds	No
	Failure of a large supplier to deliver from 2025 to 2027, equating to 11% of total delivered volume over this period. This scenario assumes that the volume is replaced with a more expensive source of pellets.	Stress test	Replace lost volume with merchant Re-optimise generation	No
	Pellet production volume decrease of 7% into perpetuity, approximating one pellet plant being unavailable at any given time.	Sensitivity	Re-optimise generation	Yes
Combination	**Severe but plausible** – reduction in power prices and decreased pellet sales margin, as described above.	Sensitivities	Defer or cancel capital expenditure Reduction in dividends Reduction in operating expenditure	Yes
	Reverse stress test – incrementally reduce power prices, decrease pellet sales margin and increase FOR at Drax Power Station.	Stress test	Defer or cancel capital expenditure Reduction in dividends Reduction in operating expenditure	Yes

Whilst the various scenarios modelled place the Group under significant financial pressure, liabilities will continue to be met as they fall due. Each scenario modelled incorporates limited mitigating actions and therefore management does have further options to mitigate any downturn in results, even when building in a reasonable delay in these actions having an impact.

Liquidity and solvency

The annual business planning process considers the Group's financial position, performance, cash flows, credit metrics and other key financial ratios. In particular, the Plan considered the solvency and liquidity of the Group, as defined in the Glossary. No issues were noted with solvency or liquidity. Only in the reverse stress test would the banking covenants be breached, however this occurs before the Group exceeded its available facilities. The reverse stress test scenario was not considered plausible. In particular, in the severe but plausible case, modelling suggests that the Group would still have the ability to settle outstanding debt facilities as they fall due.

The Group's financial performance in 2024 was strong, delivering improved profitability and a decrease in Net debt to Adjusted EBITDA to 0.9 times (2023: 1.2 times) based on the updated definition of Net debt to include lease liabilities (see page 166), against a long-term target of around 2 times. The viability base case assumes repayment of the Group's borrowings as they fall due in the period to January 2026. Following this, borrowings are assumed to be refinanced at appropriate rates, reflecting the Group's historical practices.

Longer term risks

All of the risks considered as part of the review described above remain relevant over a longer-term time horizon. In addition, risks around strategy become more relevant over this period. Namely, that if returns from strategic capital expenditure are below forecast then this could present solvency and liquidity challenges because of the significant capital expenditure required to build these projects. However, management notes that these options will only be progressed after a Board approved final investment decision, which will include sensitivities in relation to potential returns. More detail on the emerging risk around capital construction is contained within the Principal Risks report on page 70.

Other risks

The remaining principal risks were considered and were not deemed to present a significant threat to viability over the assessment period. The impact of increased expenditure or a loss of margin as a result of one of these risks (e.g. a cyber-attack resulting in disruption to planned generation) can be inferred from the scenarios already modelled.

Expectations

Based on its review, the Board is satisfied that viability would be preserved in a range of scenarios, with various mitigating actions available to manage the risks, should they be required. Taking all of the above into account, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

The strategic report is set out on pages 1 to 85 and was approved by the Board of Directors on 26 February 2025.

Will Gardiner
CEO

Principal Risks and uncertainties

The effective management of risk supports the delivery of our strategy

Our approach to risk management

Identifying, assessing, and managing risks across the Group is an integral part of enabling an informed assessment of the current and potential challenges in the delivery of our strategic objectives:

- To be a global leader in carbon removals
- To be a global leader in sustainable biomass pellets
- To be a UK leader in dispatchable, renewable generation

Our Risk Management Framework underpins the Group's approach to the assessment, management and governance of risks. Key components include a Board-led holistic approach to determining risk appetite, and risk management policies and procedures to ensure a consistent methodology across the Group. This approach is summarised below.

Risk appetite

Risk appetite is the level of risk that the Group is prepared to tolerate in seeking to realise its business objectives. The Board determines the Group's risk appetite with the intention of increasing the likelihood of achieving its objectives, whilst minimising the threat of adverse impact to the financial and operational performance and prospects of the Group from existing and emerging risks. Where a risk facing the business has increased, the risk management governance process, discussed further on page 72, will assess what additional mitigating actions may be required to ensure the risk remains within the Group's risk appetite.

Risk appetite therefore informs the expected behaviours of our Board, senior executives, colleagues, contractors, and partners. Risk appetite varies depending on the nature of the risk, the potential impact it may have, the extent to which the risk is foreseeable, and the potential benefits to the Group and its stakeholders from accepting a certain level of risk.

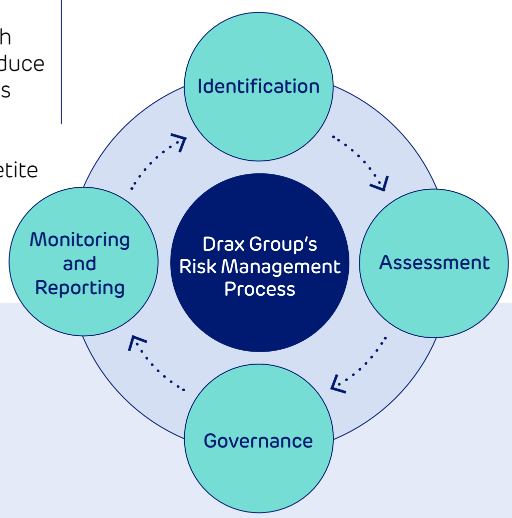
For example, the Group has developed a commercial strategy that is designed to manage the Group's exposure to volatility in commodity prices whilst also reflecting the opportunity for commercial gain in this area. We deploy forward hedging strategies which seek to limit the Group's exposure to future adverse movements, whilst also acknowledging that this same market volatility provides an opportunity for financial returns.

Our risk appetite on health and safety differs significantly. For these risks the approach focuses on protecting our people, contractors and visitors, providing appropriate safety equipment, awareness (including training) combined with adequate and clear processes. Through these measures the Group seeks to reduce the risk of harm and regularly discusses across all levels of the business the effectiveness of steps being taken. We therefore have a very low risk appetite for health and safety that is expected to be reflected in working procedures. We explore the issues and challenges associated with this risk further on page 76.

Risk identification and assessment

Risk reviews are undertaken bottom-up, through the maintenance of risk registers governed by risk management committees, as well as top-down, by the Board and Executive Committee, through identification and consideration of any external risks facing the Group, such as those caused by macro-economic factors or geopolitical unrest.

Risks are assessed consistently across all areas of the Group, using a 5x5 matrix that considers both probability and impact. Individual risks are scored on both a gross and a net basis, which takes account of the mitigations and controls that are currently in place. A target risk rating is also maintained for each risk, reflecting the Group's risk appetite. Where the net risk exceeds the target risk, actions are taken to align these two measures, such as the introduction of additional mitigating controls.



Group approach to risk management

The Group has a Risk Management Policy, which defines its approach to risk management. Its implementation through a Risk Management Framework is overseen by the Board.

The key elements of the policy and framework are detailed in the diagram:

Identification
Senior leadership and risk owners are collectively responsible for the identification of risks with the potential to threaten the achievement of strategic objectives.

Assessment
Risk owners assess likelihood and possible impact of risks occurring using the Group's risk scoring methodology.

They also seek to ensure appropriate mitigating controls are in place to manage identified risks to an acceptable level aligned to risk appetite as reflected in the target risk.

Governance
Risk management committees undertake regular risk reviews and receive reports from business units and risk owners which reflect their specialist areas and technical knowledge.

Monitoring and Reporting
The Executive Committee undertakes deep-dive reviews of each Principal Risk on an annual cycle and receives reports from the risk management committees and Principal Risk owners.

The Audit Committee and the Board review the suitability and effectiveness of risk management processes and controls. They also review and challenge the proposed disclosures prepared by management on risks to consider whether they are fair, balanced and understandable, provide adequate links to the Group's strategy (including the ability to realise objectives over the near and longer term) and reflect adequately wider macro and emerging threats.

The risk management approach intends to manage, rather than eliminate, the risk of failure to achieve business objectives, and provides reasonable, but not absolute, assurance in accordance with the Group's risk appetite and the inherent nature of the risk.

Emerging risks

Undertaking a holistic review to identify emerging risks involves judgement and is undertaken by gathering the views of key internal stakeholders, including the Executive Committee and Board, who bring to bear differing perspectives and also levels of technical knowledge, industry experience and economic awareness. Where appropriate, management may also seek the views of external experts or stakeholders, or the Board may receive presentations on topics that will help inform their shared knowledge. For example in 2024, the Board received an in-depth presentation from the Trading & Optimisation team and in January 2025 met with external technical experts on cyber risks.

The execution of material capital projects to deliver the Group's strategic objectives, such as the currently paused construction of Longview, was identified as an emerging risk for the first time in 2022. The Board continues to assess options for BECCS development both in the UK and overseas, and the Cruachan expansion project. If final investment decisions are taken this would lead to significant levels of capital expenditure being committed to build or develop these projects. This would expose the Group to increased risks associated with the planning and execution of significant and complex programmes of innovative work, dependency on new supply chains, availability of skills and experience within the business and the labour market, and other operational and safety risks associated with large-scale construction. As these project evaluations progress through 2025 and beyond, and decisions to commit investment are required, the Board will consider whether this represents a new Principal Risk to the Group, as well as continuing to monitor for any new emerging risks facing the Group.

Internal control

The Group has a well-defined system of internal control which has been in place for the year under review and up to the date of approval of the Annual Report.

The internal control framework is supported by policies and procedures and documented levels of delegated authority which underpin decision-making by management. These internal controls operate as important mitigations of the risks identified via the Group's risk management processes. Therefore, the effective design and operation of these internal controls is important to the achievement of the Group's strategic aims.

Annually, the Audit Committee review and challenge an assurance map prepared by management detailing the assurance for each of the Group's Principal Risks across different lines of defence, including both internal and independent external assurance. This review considers whether to increase the level of assurance obtained. For example, in the context of the ongoing heightened cyber risk facing the Group, the Audit Committee discussed the need for additional assurance to support security risks, leading to the engagement of a third party to undertake enhanced penetration testing during the year.

The Audit Committee approves and oversees a programme of internal audits covering all aspects of the Group's activities after an assessment of the key risks facing the business. Refer to page 124 for further information on this programme of work. During 2024 the majority of internal audits were performed by KPMG, who provide a fully outsourced internal audit function to the Group, reporting to the Audit Committee.

The findings and recommendations from each internal audit are distributed to members of the Executive Committee and the Audit Committee. Where weaknesses are identified, these are investigated and the impact on the business is assessed, with remediation actions established. Refer to the Audit Committee report on page 112 for further detail. None of the findings reported during 2024 were individually or collectively material to the financial performance, results, operations, or controls of the Group.

Drax Group plc Board		Audit Committee
Group Executive Committee		
First line of defence	**Second line of defence**	**Third line of defence**
Management of Risk Controls	Development of Risk Management Framework	Internal Audit
Internal Controls	Provide Oversight of Risk	Limited or Reasonable Assurance Engagements
Management Controls	Management of Risk Controls	Independent Assurance of Risk Management Framework

External Audit

Principal Risks and uncertainties continued

Risk management governance

The Group's risk management governance structure includes the Executive Committee and various other risk management committees covering each of the Group's Principal Risks. The committees have responsibility for:

- Assessing and understanding the risks that may impact our business to ensure any new, current or emerging risks are managed within the defined risk appetite and limits of the business
- Reviewing changes in the internal business and external macro environment and responding appropriately
- Driving completion of the actions required to improve the mitigation of risks and where possible reduce risk exposures to target levels
- Enabling an appropriate risk management culture that promotes and creates balanced risk-taking behaviour and clear accountability

Risk management committees at the business unit and Group function level undertake risk reviews on a rotational basis, receiving reports from subject matter specialists and risk owners to inform these reviews where appropriate.

The Executive Committee (from which owners are identified as accountable for each Principal Risk) undertakes deep-dive reviews of each Principal Risk through an annual cycle and receives ad-hoc reports from the risk management committees and Principal Risk owners as required. Please refer to the Audit Committee report on page 112 to understand how the Audit Committee oversees the Group's Principal Risks.

Review of effectiveness

The Board is responsible for determining risk appetite and ensuring the effectiveness of risk management and internal controls across the Group.

A quarterly update is provided at each meeting of the Audit Committee. More information about the Audit Committee's process of review and resulting findings can be found on pages 112 to 125. During 2024, enhancements to risk management included the strengthening of the Sustainability Council; providing independent governance and oversight from stakeholders across the business; ongoing alignment of second line IT testing with best practice auditing standards; and the continuing roll-out of an enhanced Group-wide compliance framework to ensure that consistent, risk-based controls and governance are embedded across all areas of the business responsible for external compliance obligations. This work forms part of an ongoing Compliance Action Plan. To date work has been completed to collate a register of the Group's compliance obligations, undertake respective risk assessments and establish a self-assessment of the current levels of control and governance that support them.

Rob Shuter
Audit Committee Chair

The Committee regularly reviews and considers the effectiveness of the Group's internal controls, assessing risks and mitigation activities, and monitoring their potential impact on the Group's strategy and viability. This includes assessment of emerging risks, particularly as the Group expands operationally and geographically.

You can read more about the Audit Committee's activities on **pages 112 to 125**

The review of the effectiveness of the Company's risk management and internal control systems is undertaken by the Audit Committee and reviewed against FRC guidance and any significant gaps are highlighted to the Board. There were no instances in 2024 where management identified gaps in risk management or internal control that would have had a material impact on the Group's operational performance, financial performance or results. As such, the Committee was satisfied that risk management and control systems continue to operate effectively in all material respects.

The Committee's review is supported by the quarterly Risk and Control update provided by management to the Committee. These updates detail any material changes in the Group's Principal Risks and the associated controls employed to manage them. It also summarises the outcome of management's process of self-attestations and second line sample testing of key internal controls, as well as other instances where significant weaknesses in internal control have been identified. Finally, updates are provided on the findings from the internal audit plan, which is approved by the Audit Committee for each forthcoming year in December, and progress on implementing any resulting actions is reported to the Committee at each subsequent meeting. Taken together, the Audit Committee forms a view on the overall effectiveness of the systems of risk management and internal control.

The Audit Committee and Board consider and challenge on the culture and behaviours to risk management which are important factors in establishing and operating effective response to risks facing the Group. This is supported by the combination of business-led reviews of risk, the contribution of risk committees and the use of an external internal audit function that evaluates managements approach.

Overall risk profile

Consistent with the prior year, the Group continues to recognise nine Principal Risk categories which represent inherent risk areas with the potential to undermine the delivery of our strategy.

The year-end risk review, as described on page 70, took account of changing external factors such as the geopolitical conflicts in the Middle East and Ukraine, political uncertainty and changes in both Europe and North America, and ongoing regulatory scrutiny in the energy market. These factors, and their potential to materially alter the Group's risk exposure, have been considered further below.

In the 2023 Annual Report, it was concluded that both the political and cyber security risks facing the business were heightened above their historic norms due to the uncertainty posed by the 2024 UK and US elections, and the fact that geopolitical unrest, mentioned above, has been known to increase the likelihood of disruption to operational activities through cyber attacks.

Following discussion of various external risk factors, in preparing this report, the Board has concluded that the Principal Risks have not materially changed from the previous year. Political and cyber security risks were deemed to remain heightened given the potential for political uncertainty with newly elected UK and US Governments and continued geopolitical unrest.

Political risk

Commitment of significant capital to execute the Group's strategy, including BECCS at Drax Power Station, will require regulatory and government support among other things.

Political uncertainty in the UK has the potential to slow down processes to secure this support.

As discussed in the CEO report on page 17, in February 2025, the Group agreed a non-binding head of terms for a support mechanism. Notwithstanding the heads of terms, the finalisation of the required long form agreement remains subject to the Parliamentary approval process and as such uncertainty remains. We continue to engage with the UK Labour Government on both the transitional support mechanism and cluster sequencing process. Discussions remain positive to date.

Focus may also be diverted from the climate change agenda as a result of political instability in other countries such as the US, parts of Europe and Asia, and ongoing geopolitical conflict as discussed further below, and the trend towards right wing political views which place less importance on the decarbonisation agenda.

This lack of clarity may ultimately impact the Group's capital investment and project-related decision-making. Furthermore, the general increase in political polarisation could make it harder to affect our strategy due to the partisan nature of legislation supporting renewable energy investment.

The changes of government in both the UK and US also have the potential to result in amendments or delays to key energy policies, and any such changes at a regional or national level in the countries in which we operate may increase the cost to operate our businesses, reduce operational efficiency, and affect our ability to realise our strategy. Equally, the potential introduction of tariffs by the US and any resulting retaliatory tariffs could impact global trade and lead to increased costs.

The Group's 2023 Annual Report and Accounts explained that political risk had materially increased owing to both the UK and US elections being scheduled during 2024. Whilst nothing implemented to date by either administration has caused this risk to increase further, the Board has concluded that the ongoing uncertainty indicates that it remains heightened.

Geopolitical conflict

The Board is cognisant of the ongoing conflict in Ukraine, as well as ongoing tensions in the Middle East, noting the recent ceasefire entered into between Israel and Hamas.

The possible impacts on the Group, based on the status of the conflicts in these regions at the time of signing this report, have been considered, including market volatility, supply chain disruption and pricing pressures. Because of the mitigations and contingencies in place, including high biomass hedge levels and robust and diverse supply chains, the Board does not currently expect these impacts to be material. However, the Board notes that escalation of these conflicts could potentially change this assessment, for example by creating volatility in energy markets similar to that experienced in 2022, or impacting the availability of the skills and materials required to execute strategic projects. It is also possible that enduring conflicts could remove focus from the global decarbonisation agenda, therefore impacting the appetite for technologies such as BECCS.

Increased geopolitical risk has been known to heighten the risk of cyber-attacks. This has been reflected in a heightened risk assessment for cyber security, initially disclosed in the Group's 2022 Annual Report and Accounts, due to the Russia-Ukraine conflict. We continue to respond to the UK Government's request for Critical Infrastructure to bolster their cyber defences to meet this growing challenge.

Consistent with the conclusions discussed in the Group's 2023 Annual Report and Accounts, the Board believes that cyber security risks remain heightened. This is a result of ongoing geopolitical unrest.

Market price exposure and volatility

Short-term elevated power prices exceeding hedged rates may result in losses should an unplanned outage occur on one or more of the Group's generating units, as the Group could be required to buy back at spot rates (or the current market price) which could be higher than the original sale price. The Group's exposure to this risk has continued to reduce during 2024 as system prices have fallen significantly from their peak at the end of 2022, and are now lower than the business' forward hedged rates.

However, prices are still above historic levels and the energy market remains subject to potential significant volatility, especially in the context of ongoing geopolitical conflict in regions such as the Middle East and Ukraine. For example, Ukraine's closure of the Russian gas supply into EU states on 31 December 2024 has caused a reactionary rise in energy prices, despite this being anticipated, and therefore this risk remains under continuous scrutiny. The risk of energy market volatility is partially mitigated by the flexible nature of the Group's power generation. For example, our pumped storage infrastructure is able to react quickly to movements in market price, generating when prices are higher.

The Group's nine Principal Risks:

- Strategy
- Health, Safety and Environment
- Political and Regulatory
- Biomass Acceptability
- Trading and Commodity
- People
- Climate Change
- Plant Operations
- Information Systems and Security

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Strategy =

Risk Statement

The risk that the Group's strategic aims are materially undermined, thereby preventing the Group from delivering its stated outcomes and fulfilling its purpose.

Risk Environment

The Group's purpose is to enable a zero carbon, lower cost energy future, with an ambition to achieve our Science Based Targets (SBTis) while delivering our corporate strategic aims, contributing to energy security within the UK, and carbon removals capacity globally. The Group has three strategic pillars that underpin its purpose and ambition as detailed in the Group's business model on page 8.

The Strategy Execution team monitors the delivery of strategic initiatives and mitigates risks. The Executive Committee undertakes a quarterly review to gauge its confidence in delivery and determine the actions to be taken, should course correction or additional risk mitigation be required.

Global leader in carbon removals

This strategic aim is being addressed through continued work to establish BECCS at Drax Power Station as well as the launch of our global carbon removals business "Elimini". The realisation of both will require the development of economically attractive business models within target jurisdictions.

Risk and impact

– Current or future governments may not provide the fiscal and legislative framework required to support the scale of the Group's BECCS plans and the taking of future investment decisions.
– Drax may not be able to successfully progress development projects into execution due to challenges in engineering design, procurement of capital items or establishing an economically attractive commercial model.
– Either of these risks could result in the potential impairment of circa £47.2 million of capitalised UK BECCS development costs if the project does not progress as detailed further in the critical accounting judgements on page 163.
– The process and time frame for UK BECCS remains dependent on government timelines. In the US, development and permitting complexities for new BECCS developments, challenges around transport and storage, or change in investment priorities away from tackling climate change could slow down our ability to execute the strategy relative to competitors. Additionally, delayed development and scaling up of carbon markets to volumes and price levels that can support BECCS could impact delivery of the Group's business strategy, particularly where there is competition from lower cost sources of less permanent removals, such as biochar and nature-based solutions.

Key mitigations

– The establishment of the Elimini leadership team, advisory board and brand acts as a key mitigation. This provides increased focus on project delivery and supports the development of attractive commercial models.
– In the UK, we have developed options for the BECCS project at Drax Power Station, and are in ongoing engagement with UK Government and other stakeholders to secure the right commercial model. As discussed in the CEO report on page 17, in February 2025 the Group agreed a non-binding heads of terms for a support mechanism, however it remains subject to Parliamentary approval process. Refer also to Political and Regulatory risk on page 77.
– We have developed several options for BECCS projects in other jurisdictions, providing a degree of resilience against various country-specific risks such as political and regulatory uncertainty.
– We have ongoing engagement with US and UK regulatory and planning bodies.
– We continue the proactive development and marketing of carbon removal products. We have produced a CDR standard and we are seeking alignment in the market.
– Our fibre strategy, ensures we will be able to produce and deliver pellets to our customers and to supply Drax Power Station.

Strategic enabler: Capital

Delivering any one of the strategic aims requires the ability to access and effectively allocate the capital required, whilst maintaining a corporate credit rating in the BB range, to support power trading and B2B energy sales to customers.

Risk and impact

– The ongoing process to finalise post-2027 support for generation at Drax Power Station and the associated uncertainty exposes the Group to increasing costs of financing.
– Despite a successful refinancing in 2024, the risk remains that the Group is unable to raise sufficient finance to fund the execution of our strategy, or associated collateral requirements due to poor performance, illiquid capital markets, changes in investment priorities by institutions or poor credit rating, leading to lack of investor appetite for the Group's credit and/or equity.
– Wider economic or geopolitical challenges may impact the availability of financing due to changes in market liquidity and costs of capital.

Key mitigations

– The Group's financial position including working capital and cash resources is carefully managed.
– We continue to run an investor relations programme, covering equity and debt markets.
– We are proactively managing the business and investment plans to accommodate a range of possible outcomes for Government support at Drax Power Station post 2027.
– The Group's capital allocation process provides rigour and consistency in assessing the technical, financial, and strategic justification of new projects across the Group, in particular where investment is related to new and emerging technologies.

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Strategy continued

Global leader in sustainable biomass pellets

Achieving a leading position requires the economic production of biomass pellets while ensuring sustainability requirements continue to be met.

The primary objective is to secure a profitable and compliant Pellet Production business, and optimise the production capacity relative to demand from third-party sales and self-supply to our own assets. We make efforts to improve the biomass pellet supply chain to maintain pellet costs at a sustainable economic level.

Risk and impact

- Increased fibre costs have passed through to the cost of pellet production in recent years. In addition, there is a continuing risk that inflationary pressures could increase, especially if geopolitical conflicts escalate, creating the potential for disruption to, and increasing costs of shipping. We have also seen increases in capital costs, particularly with respect to assets required to meet compliance standards for new development projects. For more information on how existing assets meet compliance standards, refer to page 77.
- New, higher value markets may emerge with a willingness to pay more for white wood pellets, for example Sustainable Aviation Fuel (SAF). This would increase demand for fibre and place further inflationary pressure on pellet production costs.
- There is a risk that biomass does not have stakeholder support in our target markets (for example, governments, investors and energy asset owners) leading to a lower rate of adoption than our strategic plan assumes. This risk extends to communities who live in the proximity of biomass pellet plants, who allege harm caused by the emission of particles to the atmosphere, for example, volatile organic compounds and have threatened litigation in this respect. Refer also to Biomass Acceptability risk on page 78.
- There is a risk that government support for biomass power generation reduces through changes to subsidy regimes or levels of carbon tax, resulting in lower demand for pellet volumes leading to lower sales volumes or weaker achieved prices.
- In the event of increased global demand for biomass, there is a risk that should additional capacity be required there is a limited availability of feasible expansion opportunities, and successful identification and delivery of initiatives to reduce the current cost of biomass.

Key mitigations

- Our vertically integrated business model provides a degree of protection from inflationary pressures on production costs. As a producer, user, buyer and seller of biomass, the Group can balance short-term risks and long-term opportunities.
- Continued execution of the integrated plan to improve output of biomass pellets at existing production facilities. These plans include improved operational effectiveness, together with the development and execution of pellet production cost reductions to ensure the cost of sustainable biomass pellets remains at an economically sustainable level.
- Engagement with stakeholders including government and other stakeholders in understanding the cost and benefits of sustainable biomass as part of the power system and achieving decarbonisation. Engagement with our local communities to understand their concerns, requirements and expectations around sustainability and environmental compliance.
- The progression of opportunities which may lead to future increased demand of biomass both in the UK, such as BECCs or data centres, or internationally such as SAF or global BECCS. Consideration is being given to both existing and new markets.

UK leader in dispatchable, renewable generation

To maintain the position as the leading provider of UK dispatchable, renewable generation requires the right portfolio of assets and associated business models. These must operate within a system that values the dispatchable characteristics of those assets at the right economic levels.

Risk and impact

- There is a risk that our asset portfolio is not appropriately valued by the market, is excluded from effective participation in power markets, or might be outperformed by a future technology.
- Drax Power Station does not receive the right economic support beyond 31 March 2027 required to operate and invest in assets which provide dispatchable renewable generation.
- The current market mechanism and incentives do not support investment in new assets.
- Unexpected changes to electricity supply and demand could reduce both demand and volatility, and therefore limit the market for dispatchable renewable assets.
- For our Customers segment, there is a risk that we do not develop the correct products or service offerings to meet the evolving demands of our customers.
- Some of the Group's assets are significantly aged and, as plants age, despite an established maintenance programme, their reliability and integrity are expected to reduce which may result in unplanned outages. Refer to Plant Operations risk on page 82.
- Developing our FlexGen portfolio is reliant on developing new assets and successfully connecting them to the National Grid. Across the industry we have observed delays in grid connection, including for our own assets. Continued delays in this area means that business cases for new-build generation assets could be adversely impacted.

Key mitigations

- We continue to actively engage with relevant UK Government departments and regulators in relation to ongoing support for dispatchable renewable power generation at Drax Power Station. See page 15 of the CEO's report.
- We also engage actively with the UK Government on a range of measures that would facilitate the development of long duration energy storage, this has been supported by the launch of the "Long Duration Electricity Storage investment support scheme" in October 2024 and the "Clean Power 2030" report published by NESO which indicates a clear role for the Group's assets in any future power system.
- Through focusing on the I&C segment of the Customers market, we are able to target our products and service offerings to meet demand, such as Electric Vehicles and flexible power supply services.
- We regularly evaluate current and projected performance of our own portfolio of assets, and value gained from changing the composition of the asset portfolio in line with the Group's view of the outlook for the market and emerging technologies.
- A comprehensive plant investment and reliability programme has been implemented. Refer to page 82 for further detail.

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Health, Safety and Environment

Risk Statement

The risk of detrimental impact to the health and safety of our employees and contractors, or negative impact on the environment as a result of our operations.

Risk Environment

The health and safety of our employees and contractors, and effective management of our environmental impact are priorities for the Group. Our operations involve a range of potential hazards which could affect colleagues, contractors, others attending our sites, as well as the wider environment. These hazards are inherent to the materials and equipment we use and the processes we perform. We therefore seek to respond proactively to emerging legislation and regulatory changes as well as industry best practice for both safety and environmental matters. Refer to page 51 for more information.

We also assess how changes in our own understanding of these risks could improve standards and potentially further reduce adverse impacts.

Risk and impact

- The biomass we use to generate electricity, and the particulates that can occur if the biomass pellets degrade, are highly combustible, contributing to Health, Safety and Environment (HSE) risks.
- Our operations in North America may be disrupted by severe weather events such as wildfires or hurricanes. Refer to Climate Change risk on page 81.
- In the generation of electricity, supplied to the National Grid at up to 400kV, we operate various plants at high temperatures and pressures, as well as managing significant volumes of water, for example, used by our nine hydro plants in Scotland. These are inherent attributes of our operations which contribute to HSE risk.
- The day-to-day operation of our assets includes maintenance work on plant and machinery that is large and comprised of numerous parts. Additionally, capital projects require large-scale construction activities. Work of this nature carries risks to our colleagues and also the large number of contractors and temporary workers we have on our sites.
- For more information on emissions risks, refer to the Political and Regulatory Risk disclosure on page 77.

Key mitigations

- Continued investment in safety equipment, environmental mitigation, and plant equipment and its regular maintenance.
- Maintaining robust management systems which are subject to periodic review, and are refreshed as appropriate.
- An effective governance framework including an executive-level Group HSE Committee, chaired by the CEO, to review and challenge the management of HSE across the Group.
- We report our safety performance including our total recordable incident rate (TRIR) and our Near Miss & Hazard Incidents Rate (NMHIR) monthly and share this with the Board regularly. These measures form part of the safety metrics in the Group Scorecard to assess how all colleagues are responding to the effective operation of safe ways of working.
- A HSE IT reporting system is used for tracking and reporting events and near misses, prompt investigations, and implementation of corrective actions by directing attention and encouraging continuous improvement.
- Development of plans to align all business units on key focus areas to drive improvement in our HSE performance, learn through shared experiences of events and near misses, and a programme of training to provide colleagues with an appropriate level of competence and awareness in addition to system implementations to support understanding and management of operational compliance obligations.

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Political and Regulatory =

Risk Statement

Due to the nature of the Group's operations and the markets we participate in, we are exposed to external policy and regulatory changes with the potential to impact our current operations and the ability to achieve our strategic aims.

Risk Environment

Generation of electricity using sustainable biomass has continued to play a crucial role in UK energy security, and the case for the future role of BECCS in supporting UK energy independence and its net zero ambitions has continued to strengthen. In November 2024, the National Energy System Operator (NESO) published its advice to Government on different pathways that the UK can take to achieve the Government's ambition of Clean Power by 2030. The advice included the continued operation of biomass generation in both pathways and at least one biomass unit being converted to BECCS by 2030. NESO's advice is clear that carbon removals from BECCS have a key role to play in supporting carbon targets. NESO also highlighted the importance of investment in new Long Duration Electricity Storage capacity, and particularly Pumped Storage Hydro. Following consideration of the NESO's advice, Government published its 2030 Clean Power Action Plan in 2024. The Government's plan was largely aligned with the advice received from NESO, although Biomass and BECCS were included within the broader capacity category of "Low Carbon Dispatchable Power".

However, the Group remains conscious of the ongoing discussion associated with biomass sustainability (refer to Biomass Acceptability Principal Risk on page 78) and the need for further commitment and financial support from the UK Government, and other critical partners, in order to deliver the decarbonisation of UK power generation and enable the Group to realise its negative emissions strategy.

In 2024, the Government continued work on its Review of Electricity Market Arrangements (REMA) and consulting on further reforms to the Capacity Market, seeking to strengthen the security of supply and provide greater clarity around the transition to net zero. While the options under consideration in the REMA programme have narrowed, there remains considerable uncertainty as to the final package of measures that may be introduced, including but not limited to the possible move to a more locationally derived wholesale price.

Risk and impact

- Ongoing cost of living challenges and geopolitical issues, continue to have an impact on socio-economic policy as well as UK Government funding. These factors, along with political uncertainty, have resulted in delays to the introduction of new legislation to deliver investment frameworks that support reducing carbon emissions and bringing forward investment in Long Duration Electricity Storage.
- Following the outcome of the 2024 UK and US elections we are assessing the impact of any resultant changes or delays to government policy at a regional or national level which could increase the cost to operate our businesses, reduce operational efficiency, and affect our ability to realise our strategy.
- The UK Government, in their Biomass Strategy, confirmed that they intend to facilitate the transition from biomass to BECCS. In 2024 the Government announced funding allocation for Track 1 projects under the CCUS cluster sequencing programme. Announcements on the Track-1 Expansion and Track 2 projects are expected in 2025. As discussed in the CEO report on page 12, in February 2025 the Group agreed non-binding heads of terms for a support mechanism. However, both this mechanism and the cluster sequencing process remain subject to ongoing processes with the UK Government before finalisation and therefore the risk remains that Drax is not successful or a change may occur in the government's approach or policy.
- Given the industry in which the business operates, the Group is subject to a large number of regulations which are broad ranging in nature. As a matter of course, there are many areas where regulators may see fit to request information on compliance frameworks, reporting processes, internal/external assurance and/or market interactions in relation to our regulatory obligations. In an environment of increasing regulatory standards and scrutiny there is an increased risk that regulators consider the Group is not meeting expected standards.
- Adverse changes to energy regulation, market design and/or energy market policy, can impact our ability to deliver forecast earnings if we are unable to easily meet the requirements or harness the resulting market opportunities. The Government's REMA programme is one such area where the review's findings are expected to result in changes to the prevailing market arrangements. While there has been no decision yet on the possible move to a more locationally derived ("zonal") wholesale price versus a reformed national pricing model, either outcome from the REMA programme will require changes to internal systems, processes and ways of working.
- As the global regulatory environment continues to mature and evolve, it's possible the Group will incur additional costs and complexity in ensuring compliance. Our increasing global presence, including the launch of the Elimini business during 2024 and our interaction with evolving international supply chains and pellet markets in locations such as Asia, introduces additional compliance responsibilities and associated costs as well as the complexity of compliance with misaligned standards and legal frameworks between markets.

Key mitigations

- Engaging with politicians and government officials, to both listen to and inform understanding and perception of our business. This includes our commitments on sustainability and the creation of socio-economic value (including jobs, training, and investment in communities), plus the critical role that our strategy will play in supporting the UK Government's Clean Power by 2030 ambition and the UK's committed target to achieve net zero by 2050 while continuing to ensure security of supply.
- Working with regulators and industry bodies to understand their priorities, provide constructive feedback that may contribute to their strategic direction, and undertake scenario planning and commercial impact analysis in response to potential reforms, and in preparedness for ensuring compliance.
- Exploring opportunities for the delivery of investment in BECCS globally, such as in the US. Working with leaders and key stakeholders in those regions, to identify areas of common purpose and share ideas for creating jobs, investment and new growth opportunities. Refer also to Strategy risk on page 74.
- Implementation of an enhanced Group-wide compliance framework to ensure our compliance governance, process and controls remain robust and continue to focus on best practice as regulation evolves and the business expands its global operations.
- The Group's UK asset base is reasonably diversified both in terms of technology type and geographic location, the assets' operational characteristics are aligned with the needs of the system and Government's Clean Power ambitions, and most assets have some degree of support or guaranteed income stream (e.g. through Capacity Market agreements), which taken together could provide some mitigation against significant aggregate impact across the Group from wholesale market price changes.

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Biomass Acceptability

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Risk Statement

The Group's exposure to unfavourable changes to biomass-specific Government policy or regulation which could be caused by high-profile campaigning by groups opposed to the use of biomass, or non-compliance by parts of the Group's activities with existing or new regulations or standards which could cause reputational damage to the Group.

Risk Environment

The use of sustainable biomass is a significant part of our business model and is important in the delivery of longer-term strategic objectives, enabling the Group to meet its carbon removal target and the UK to realise its net zero goal.

There continues to be clear and reiterated acceptance and recognition by the UK Government and other key organisations of the importance of biomass in enabling security of supply and in tackling climate change, seen predominantly within the supportive UK Biomass Strategy. The UK Government has demonstrated support for biomass in the Biomass Strategy published in 2023, in particular, how biomass sustainability can be assured when the CfD regime closes to biomass from 2027 onwards. The Clean Power 2030 Action Plan published in December 2024 signals the potential to deploy large-scale power BECCS which can generate low-carbon electricity whilst delivering negative emissions.

Risk and impact

- Reputation and market risks related to the transition to a low-carbon economy include increased activity by eNGOs who oppose the use of sustainable biomass; the potential for reduced investor and customer confidence; reduced sales in the Customers business; delays to our strategy (for example, more stringent qualifying regimes or approval processes linked to developing existing or new facilities, risk from legal challenge by eNGOs to our development or operational activities, or to government action which is supportive of BECCS and sustainable biomass through the use of judicial review); and challenges with employee recruitment and retention. Refer to People risk on page 80.
- If the UK Government's support for biomass as a renewable technology changes, this may negatively impact the Group's UK operations and revenues due to BECCS being unviable and also lead to a reduction in demand for our North American pellet production.
- Regulatory frameworks associated with the sourcing of biomass materials are under development and subject to material changes, including in regions where we currently conduct business and others where we may seek to develop our business in the future. This could result in reduced support for certain types of biomass as a renewable energy source, increased costs of doing business, or the introduction of barriers to entry which may adversely impact our growth plans and financial returns versus expectations. For example, the EU's "Fit for 55" legislative package, including updates to the Renewable Energy Directive (REDIII) and a new EU Deforestation Regulation (EUDR). Likewise, governments in Japan and South Korea, are expected to update and strengthen requirements for the use of biomass over time and replicate regulation such as REDIII and EUDR which could impact our ability to supply these markets in the future or increase the costs of doing business.

Key mitigations

- Engagement with stakeholders in all regions in which we operate, to understand their concerns, requirements and expectations around sustainability and environmental compliance in addition to proactive education of stakeholders on the science of sustainability practices and benefits of sustainable biomass.
- Develop and maintain appropriate relationships with policymakers in the UK, EU, North America and Asia via targeted engagement across institutions. Refer also to Political and Regulatory risk on page 77.
- We closely monitor the implementation of REDIII and EUDR through our membership of member of trade associations and engaging with different governments including the US, Canada and the EU. For more information see page 25.
- Periodic independent audits of pellet mills are conducted through the Sustainable Biomass Program (SBP) certification scheme.
- Engagement with eNGOs to discuss issues of contention and potential areas of common ground, in support of more constructive engagement on delivering change that is responsible and sustainable. Equally, where we believe the views of eNGOs are inaccurate or misleading, providing appropriate challenge and explaining our approach.
- The Group's Independent Advisory Board (IAB) includes experts in the field of forestry and associated disciplines, provides Drax with advice on sustainable biomass and its role in our transition to net zero emissions. The IAB provides feedback on our approach to sourcing, including feedstock options, procurement practices, forest science and how Drax can optimise carbon benefits.
- Scenario and contingency planning and direct engagement with voluntary certification schemes, notably the SBP, at Board and technical levels to provide feedback in the preparation of revised standards and suggest alternative options where necessary.
- Continued assessment of new markets from which to source sustainable biomass.

Risk level change from previous year Up/increasing Down/reducing No change

Trading and Commodity

Risk Statement

The risk of negative impact on the Group's financial performance due to the business' exposure to volatility in commodity and foreign exchange markets.

Risk Environment

The Group is exposed to volatility across a range of commodity prices, impacting both revenues and expenditures. Effectively managing these fluctuations, their interconnections, and the resulting balance of opportunity and risk is fundamental to the successful financial performance of the business. Despite remaining above historical levels, system prices are significantly reduced since their peak at the end of 2022 and, therefore, the level of exposure to the business of an unplanned outage has reduced. However, this remains under scrutiny given the recent volatility in commodity markets.

In February 2025, Drax agreed a non-binding heads of terms with the UK Government for a low-carbon dispatchable CfD agreement for Drax Power Station, beyond the conclusion of the current CfD and RO support subsidy regime in 2027. Refer to page 17. The heads of terms sets out the key commercial terms for the deal, which provide a viable future for Drax Power station to March 2031, and a planning basis for fuel procurement and plant maintenance and operations. A long form agreement remains to be agreed with the UK Government. The agreement will only be entered into if the detailed terms are acceptable. The risk remains that there is a delay to the agreement of a long-form contract, or failure to reach agreement with the UK Government, in which case we would need to explore other commercial opportunities for Drax Power Station beyond 2027.

Risk and impact

- Despite power prices materially reducing since their peak at the end of 2022, they remain subject to potentially significant volatility, especially in the context of ongoing geopolitical conflicts in regions such as the Middle East and Ukraine.
- Short-term elevated power prices in excess of hedged rates may result in losses should an unplanned outage occur on one or more of the Group's generating units.
- Reduced volatility, below market norms, in the power market will negatively impact our ability to capture forecast value through our generation assets. This fall in volatility will impact our ability to optimise our assets' generation profile from the forward market through to generation which would reduce earnings.
- Delivery of commercial value from the flexibility of our portfolio, and the optimisation of a complex supply chain against an uncertain running regime, requires effective execution of our trading strategy and opportunities to trade being available through sufficient liquidity. Errors in execution, delays in carrying out planned trading or interruptions to our trading platform could all materially adversely affect the Group's performance and earnings.
- Continued cost pressures that have adversely impacted biomass suppliers in the previous 12 months may continue to have an impact on biomass production across 2025. As a result, Drax could face shortages of the biomass required to meet the forecast generation profile of Drax Power Station and/or significant additional costs which could materially impact its operational and financial performance in addition to impacting the Group's ability to fulfil contracts, resulting in higher costs due to needing to source biomass from a third party.
- The Generation business may fail to secure future system support services contracts or the value in providing those services may reduce due to increased competition.
- The fibre market is impacted by both our suppliers and competitors. For example, there is continued pressure in the Canadian fibre market due to a decline in the lumber industry. There has also been a reduced harvest due to a reduction in the Annual Allowable Cut. All of these factors may increase the cost of fibre.
- Across the international markets in which we trade, we are exposed to foreign currency exchange risk, primarily in relation to the GBP cost of pellets to the Generation business, which is typically contracted in USD or EUR.

Key mitigations

- Our hedge levels for 2025 to 2027 are currently above historic levels and we continue to build on these high levels of forward sales. The CfD on one of our biomass generation units also helps to reduce our exposure to volatility.
- Our UK portfolio of Industrial and Commercial (I&C) electricity customers provides an effective route to market for forward power and renewable certificate sales from the Generation business. Any power price exposure within the supply contracts is hedged.
- The majority of our larger I&C contracts operate under flexible purchasing agreements, which provide a framework under which the customer locks in the power price according to their own risk management strategy and risk tolerances rather than at the point the contract is signed. We are able to regularly reforecast the usage under these contracts and the customer absorbs the costs or benefits of reforecasting.
- Regular meetings by our internal Risk Management Committees covering Commodity and Financial risks, providing oversight and challenge to the teams responsible for trading in commodities.
- Under our hedging strategy, our exposure to buying back power at higher prices in the short term is mitigated by holding back a percentage of generation. This provides some back-up should there be an unplanned outage.
- Real-time monitoring of the Group's credit exposure, both cash and non-cash, and identification of strategies that could be utilised should the Group's market exposure move outside of our defined levels.
- Ensuring the demand for sustainable biomass at Drax Power Station can be satisfied by self supply of the Group's Pellet Production operations helps to avoid exposure to third parties and changes in their charges and contract pricing.
- Operating three biomass units under a single ROC cap for Drax Power Station provides increased opportunities for flexibility of generation and can create additional value.
- We actively engage with third-party pellet suppliers to ensure delivery schedules are met and any changes to agreed schedules are understood, to limit the impact on power generation.
- We deploy forward hedging strategies which seek to limit the Group's forecast exposure to future adverse movements in foreign exchange over a five-year horizon.

Principal Risks and uncertainties continued

Risk level change from previous year Up/increasing Down/reducing No change

People

Risk Statement

The risk that the Group is not able to secure a workforce with the right skills and experience to run our current business in addition to executing our growth plans and achieving the Group's strategic aims.

Risk Environment

Many of the roles at the Group across our Pellet Production, Generation, Customer Services and core service require people with specific skills, knowledge and experience. As the business changes and grows, these needs also evolve and as people's careers develop it is possible they may seek alternative employment outside of the Group. Attracting and retaining people with the skills knowledge and experience to meet the needs of the business may not be possible.

2024 continued to present a competitive employment market, specifically for skills related to the renewable power/green skills agenda, both through direct hiring and in the supply chain. Work to understand the long-term skills and capabilities required has been undertaken and attention is being given to fulfilling those needs using a combination of recruitment of new employees, skills development through training and development; or where required out sourced contracting. Whilst addressing these market pressures and growth plans, keeping our colleagues and contractors safe remains paramount in our planning and decision-making. Refer to page 76.

Our international growth plans and attraction to a potential workforce in new areas has progressed well, and we have developed a familiarity in recruiting in new markets and regions. This will continue to require extensive forward planning and flexibility of existing processes to ensure we remain compliant with regulatory and legal requirements.

Risk and impact

- Our ongoing performance and the delivery of our strategy is dependent upon having a robust talent pipeline at all levels of the organisation, which importantly also reflects the diversity in the wider societies in which we operate. There is a risk that we will not be able to source sufficient people with the skills and capabilities required to address new and emerging aspects of sustainable power generation, carbon removals and associated markets.
- International growth brings with it increased complexity, which requires an understanding and appreciation of cultural, legal and diversity matters in those territories. A failure to properly accommodate those considerations could impact our pace of execution or our ability to recruit and retain people.
- Pay negotiations with unions carries a risk of impacting both our direct workforce, and our supply chain, and could impact project delivery, as well as day-to-day operations, with an associated cost of establishing appropriate contingencies to mitigate against any threat of potential strike action.
- The execution of the Group's strategy and continued efforts to improve operational effectiveness brings a high level of expected change for our colleagues. This could impact employee engagement, wellbeing, stress and retention, with subsequent impacts on colleague turnover and productivity.
- Reputation and market risks related to the transition to a low-carbon economy may result in challenges with employee recruitment and retention. Refer to Biomass Acceptability risk on page 78.

Key mitigations

- Consideration is being given to scenarios where we may want to undertake external recruitment, develop existing colleague skills or subcontract to obtain the required capabilities. This includes developing a Green Skills approach across the industry and through the supply chain, as well as supporting the more immediate needs through reskilling programmes. Our early careers offering focuses on the business' medium- to long-term needs.
- We are delivering on our employee value proposition and strategic workforce planning activity to facilitate our growth plans and ensure we remain an attractive proposition for potential colleagues. Refer to page 54 for further information.
- We have developed a good relationship with all the unions we work with, and proactively approach our pay negotiations with them. We also have contingency plans in place to assure the operations of our assets in the event of strike action.
- Continuing to enhance our diversity and inclusion strategy to ensure it is responsive to stakeholder views, provides equality of opportunity and aligns to our organisational vision and goals. You can read more about our work in this area on pages 52 and 53.
- We carry out regular reviews of our succession and key talent cover, mapped to our future workforce and capability needs, with development opportunities mapped to the organisational needs accordingly.
- There is a regular review of wellbeing offering and safety provision in the workplace to ensure that everyone, regardless of location or role, goes home at the end of every day safe and well. We are focused on promoting and supporting a culture of holistic wellbeing which empowers all colleagues to make positive change.

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Climate Change

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Risk Statement

The potential for either physical or transitional climate-related risks, such as sea-level rises or new regulation, to negatively impact on the current operations or the long-term value creation of the Group.

Risk Environment

Given the potential impact of climate change, the resilience of the Group's strategy and operations to climate risks is important to the functioning and long-term value creation of the Group. We identify climate risks in two main categories – physical and transitional.

Physical impacts of climate change include event-driven, acute impacts such as flooding, and chronic impacts such as sea-level and temperature rises which may pose challenges to our operations. Overall, we observe a continued rise in frequency of severe weather events with increased likelihood going forward that such events could cause greater disruption to North American Pellet Production operations as well as Scottish Hydro operations.

Transitional impacts of climate change include policy, regulatory, technology and market-related changes associated with the transition to a low-carbon economy that could affect the Group's business model, but also serve as opportunities for growth. We provide further detail on climate-related risks and opportunities in our TCFD disclosure starting on page 56.

Future changes to carbon accounting frameworks across both corporate emissions standards (such as the GHG protocol corporate emissions reporting standards) and land use/forestry accounting standards (such as the upcoming GHG Protocol Land Use Sector and Removals Guidance or FLAG from SBTi), may compromise our emissions reduction plans to hit our 2030 SBTi targets or impact markets for pellets and unabated bioenergy.

Risk and impact

- Physical risks to our Pellet Production operations and supply chain in the US and Canada include increased frequency, variability and severity of weather events, such as hurricanes, extreme low temperatures and wildfires. These have the potential to cause damage to assets, impact on the supply and production of raw material and finished goods, and create challenges in executing work on site effectively and safely.
- Physical risks to our Generation operations and supply chain include sustained rising water temperatures, and increased frequency and severity of extreme weather events, such as heavy rainfall, flooding and high winds, with potential to cause damage to assets, breach of permits, interruption to operations, and impact on transport infrastructure that could restrict or reduce access to sites.
- Policy and regulatory risks related to the transition to a low-carbon economy include changes in government and cross-border climate or emissions policies that may negatively impact our Generation and Pellet Production businesses. Refer to Political and Regulatory, and Biomass Acceptability risks on pages 77 and 78 respectively.
- Changes in technology can mitigate risks in relation to the transition to a low-carbon economy. If new technologies do not develop in the expected timelines, this could impact the delivery of the Group's business strategy.

Key mitigations

- In recognition of the increased likelihood and frequency of severe weather events, the Pellet Production business continues to put contingencies in place to prevent outage periods where possible. Mitigations include development of stockpiles to alleviate the risk of harvesting or delivery disruption and the increase in geographic diversity of pellet plant asset locations across the US and Canada.
- Physical and transitional scenario analysis and modelling of reservoir spillway capacities at Cruachan Dam, have been undertaken to understand our resilience to extreme weather events.
- The Group's three strategic pillars, near-term SBTi targets, and Climate Policy, underpin a business strategy consistent with UK and international climate change policies. Refer to pages 3 and 40. Discussions with governments and policymakers continue with recognition of the role the Group's strategy can play in combatting the adverse effects from climate change.
- Sourcing from a wide geographical range of third-party biomass suppliers and continued evaluation of alternative fuels, using different feedstock types and considering wider sourcing geographies.
- Seeking engagement with eNGOs on carbon accounting and reporting, and liaising with the UK Government on future policies. Refer to Political and Regulatory and Biomass Acceptability risks on pages 77 and 78. We have in place an internal Science and Evidence function to collate and examine the science underpinning our activities related to BECCS and biomass.
- An internal Innovation team track technology advances and the development of new technologies, and compare this against the Group's current and future portfolio of decarbonisation projects.

Principal Risks and uncertainties continued

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Plant Operations

=

Risk Statement

The risk we are unable to ensure the reliability or safe operation of our facilities which could result in us being unable to fulfil our contracted obligations or achieve our strategic aims.

Risk Environment

The reliability and safe operation of our facilities is critical to our ability to create value for the Group as well as fulfilling our contracted obligations in the generation of power for the UK power system. The Plant Operations risk profile is influenced by a number of key activities, including the safe management of ageing assets, building inherent reliability and safety by design for new installations, management of change, and operating equipment within intended design limits and parameters. The operational risk profile is varied and subject to change due to growth in the business, the construction of new assets and decommissioning of older assets.

Risk and impact

- Severe weather events (such as hurricanes, extreme cold weather, fires and floods) across North America and in the UK could result in interruption to operations and hinder the supply of required materials to operate our assets. Refer also to Climate Change risk on page 81.
- Drax Power Station was built over 50 years ago and some of our hydro assets, located in Scotland, nearly 100 years ago. As plants age, their operational reliability and integrity can reduce. Furthermore, there is an inherent linkage between physical infrastructure and the systems that play an integral role in supporting them. These systems also require upgrade and investment to ensure operational reliability. Refer to Information Systems and Security risk on page 83.
- The safe and effective operation of our assets also require people with the right skills and experience. There is a risk we do not attract or retain such people and face difficulties in acquiring new skills and capabilities in order to respond to changing work practices. See People risk on page 80.
- Any increase in the cost of fibre resulting from supply chain pressure could cause challenges in maintaining optimum biomass pellet production levels at a viable cost. In addition changes in the quality of sustainable biomass could impact the operational effectiveness of our plant, cause outages or even damage to our plant. Refer to Strategic risk on page 74.
- An inherent risk of handling biomass is the potential for fire and explosion during its storage, production, transportation and on-site delivery. Such events have the potential to cause significant disruption to operations. Refer to Health, Safety and Environment risk on page 76.
- There are also risks associated with our biomass supply chain due to the reliance on the complex co-ordination of transportation at various stages of the process. Therefore, Drax Power Station could be exposed to unplanned interruption in supply.
- Decommissioning and demolition activities on a site that remains operational brings additional challenges which may introduce new safety and operational risks to people, plant and the environment. Such work is ongoing at our sites, including Drax Power Station, following cessation of coal operations.
- Cyber security threats to networks and systems continue to be heightened as a result of geopolitical conflicts, with the potential to compromise key plant and equipment. Refer to Information Systems and Security risk on page 83.

Key mitigations

- Business continuity plans are in place for all plants, ports and other logistics which cover weather impacts and other factors. This enables Drax to be better placed to respond to abnormal and one-off weather events.
- A comprehensive plant investment and reliability programme has been implemented, including the recent successful major outage of generating Unit 3 at Drax Power Station.
- The potential cost of an outage is considered when determining the running regime of our generation plant. For example, when prices are higher, lower risk running options will be utilised, whereas when prices are lower, we may look to take the opportunity to perform short maintenance outages.
- Proactive reliability management including planned, rather than breakdown, maintenance and embedding several condition monitoring tools (e.g. infrared, vibration, spark detection) works to minimise unplanned outages.
- Maintaining safety procedures for sourcing, acceptance and handling of biomass, as well as the control of dust management from both a respiratory, health, and fire and explosion perspective.
- Maintaining plant standards and investment in plant to As Low As Reasonably Practicable (ALARP) levels has been established, such as for the chemical suppression systems at Drax Power Station.
- Insurance is in place to cover potential material losses from significant plant failure, where possible.
- Providing the required training and development for our colleagues in conjunction with recruiting people with the right skills and experience to safely and effectively operate the Group's plant.

Risk level change from previous year ▲ Up/increasing ▼ Down/reducing = No change

Information Systems and Security

=

Risk Statement

The risk of interruption to business operations whether caused by an internal error or external attack, or the inability to facilitate the delivery of our growth strategy with the necessary Information Technology (IT) and Operational Technology (OT) systems.

Risk Environment

Our IT and OT systems and the data we use are essential to supporting the day-to- day business operations of the Group, in addition to contributing to the delivery of our growth strategy. As part of the UK's critical national infrastructure and as an operator of essential services, we are required to maintain the confidentiality, integrity and availability of our systems and data, and to ensure we have the capability to adapt and respond to evolving external cyber threats.

Managing risks in an environment where threats and challenges are continually evolving requires careful assessment and understanding. The ongoing conflicts in Russia-Ukraine and the Middle East have increased the Group's risk exposure to attacks from groups including cyber-criminals and state-sanctioned threat actors targeting our systems and those of suppliers on whom we rely.

Changes in technology such as AI/machine learning and quantum computing may provide benefits and efficiencies to the business. However, they could also increase the capabilities of threat actors.

Risk and impact

- Any compromise of our systems from a cyber-attack may affect the confidentiality, integrity and availability of our data (including personal data). Attack methodologies seek to deny access, which may cause operational and financial impacts, regulatory non-compliance and impact safety.
- Evolving regulatory requirements present ongoing challenges and costs to the Group. Operators of essential services such as Drax are required to broaden the scope of systems that are deemed "at risk" and focus continues to be placed on enhancing resilience, including the capability to respond and recover quickly from disruptions, and ensuring the continuation of safe and secure operations.
- Our partnerships with third parties support our information and operational systems. If those businesses were themselves to suffer systems failure, cyber-attack or financial difficulties, this could in turn impact our business, operations and performance.
- Legacy systems are more difficult to maintain and are more susceptible to cyber-attacks. Subsequent operational issues, such as reduced performance, may impact the availability of systems, data and facilities, adversely affecting our operations.
- The effective functioning of our IT and cyber-based resilience and oversight of our IT & OT systems requires that the Group employs people with the requisite skills, knowledge and experience. Such capabilities are in high demand and there is a risk that the Group may not be able to recruit nor retain the skills needed.
- Identifying and responding to emerging threats requires access to people, industry experts and collaboration with organisations able and willing to work with the Group. Whilst such collaboration has been strong across multiple jurisdictions and agencies in the past, willingness to share information, whether on a timely basis or at all, may impact how quickly and effectively the Group is able to respond to events.
- Industry regulations in this area, particularly for operators of essential services, are increasing in scope and complexity. Without long-term compliance plans, specialist skills, and associated budgets to meet these regulations, the risk of non-compliance increases.
- Our day to day operations require effective OT environments that capture, evaluate and report on the breadth of activities undertaken by the Group. Failure in those systems or the failure to develop them in a timely basis to reflect the evolution of the business could adversely affect our ability to operate. For example, our trading team rely on the continuous operation of complex systems in order to perform their roles and which are critical to Drax meeting its obligations in generating electricity and meeting regulatory requirements.

Key mitigations

- As an Operator of Essential Services, Drax has controls in place which are intended to meet the requirements of the security of Network and Information Systems (NIS) Regulations and which are subject to regulatory inspection.
- Maintenance of a close working relationship with regulatory bodies and other Government agencies, responding quickly to changing threat levels and their advice and requirements.
- Maintenance of effective and up-to-date cyber security measures, including a prevent, protect, detect, respond and recover strategy, which evolves to address known and emerging threats.
- We consult with external experts and develop our internal capabilities so that we can respond to changing regulations and standards. We continue to develop technology, security controls, and resilience measures to maintain compliance.
- Regular campaigns and training events are undertaken to improve cyber security awareness.
- Maintenance of a robust supplier onboarding methodology.
- Periodic internal and independent external assessment of the integrity, adequacy and compliance status of our IT and cyber security controls.
- Exercising and refreshing of business continuity, disaster recovery and crisis management plans.
- Periodic technical refresh programmes to address legacy infrastructure and systems, and adoption of secure-by-design principles and design patterns.
- Working with regulatory bodies, Government agencies, and qualified industry experts to develop and implement a compliance plan which receives close scrutiny from Drax IT Board.

Governance

Contents

88 Governance at Drax
90 Corporate governance report
93 Board of Directors
96 Stakeholder engagement
107 Nomination Committee report
112 Audit Committee report
126 Remuneration Committee report
145 Directors' report

"Good governance is an essential foundation to the long-term success of our business.

Andrea Bertone
Chair


drax
drax

Governance at Drax

Compliance with the UK Corporate Governance Code 2018 (Code)

The Board's view is that the Company has applied the Principles and complied with the Provisions of the Code throughout 2024.

At two meetings during 2024, the Board formally considered reports on how Drax, the Board and its Committees applied the Principles and complied with the Provisions of the Code. The meetings included discussions about the steps being taken and how they might evolve, as well as the effectiveness of stakeholder and colleague engagement. The Board also discussed how it assesses, monitors and constructively influences culture.

The Board determines the Group's purpose, strategy, and business model for long-term, sustainable value creation.

Board leadership and Company purpose

Principles

A. The Board promotes the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society

B. The Board sets the purpose and values, and promotes the desired culture

C. The Board ensures sufficient resources and effective controls

D. The Board engages effectively with stakeholders

E. The Board ensures effective workforce engagement and whistleblowing

See page 90

Division of responsibilities

Principles

F. The Chair provides effective leadership

G. There is clear division of responsibilities and an appropriate balance of independent Directors

H. Non-Executive Directors provide constructive challenge and guidance and have sufficient time to meet their responsibilities

I. The Board has the information, time and resources to function effectively and efficiently

See page 103

Drax Group plc Board

The Board is responsible for leading the Group and ensuring long-term value creation for shareholders and wider stakeholders.

It establishes and reviews the Group's purpose and values, assesses and monitors culture, and takes responsibility for setting and overseeing the Group's strategy and risk appetite. It also monitors performance, making sure the necessary controls and resources are in place to deliver the Group's plans and that the Group meets its responsibilities to its stakeholders.

Composition, succession and evaluation

Principles

J. Appointments to the Board are on merit and promote diversity, with effective succession planning

K. There is an appropriate mix of skills, experience, and knowledge of the Board and Committees

L. Board evaluation is performed annually

Nomination Committee

Andrea Bertone
Committee Chair

The Committee makes recommendations on the size, diversity and composition of the Board, and succession planning for the Directors and senior management.

See page 107

Audit, risk and internal control

Principles

M. The Board ensures the integrity of the financial statements and the effectiveness of the internal and external audit functions

N. Reporting is fair, balanced, and understandable

O. Processes are in place to manage risk and oversee internal control

Audit Committee

Rob Shuter
Committee Chair

The Committee oversees financial reporting, key accounting judgements, internal controls and risk management systems, plus internal and external audit effectiveness.

See page 112

Remuneration

Principles

P. Remuneration policies and practices promote long-term success and are aligned to long-term strategy

Q. There is a formal and transparent procedure for developing policy on Executive remuneration

R. Directors exercise independent judgement and discretion when determining remuneration outcomes

Remuneration Committee

Nicola Hodson
Committee Chair

The Committee oversees the Group's approach to remuneration, ensures remuneration policies support the purpose and strategy, and sets pay for the Executive Directors and members of the Executive Committee in alignment with the shareholder approved Remuneration Policy. It also considers the alignment of reward across the wider business.

See page 126

Corporate Governance Report

Letter from the Chair

Our purpose, strategic objectives and values

Our purpose

Our purpose is to enable a zero carbon, lower cost energy future.

Our strategic objectives

Safety, sustainability and compliance underpin our three strategic objectives:

To be a leader in UK dispatchable, renewable generation

Flexible renewable power – biomass, hydro, pumped storage.

To be a global leader in sustainable biomass pellets

Pellet sales, self-supply, margin enhancement, fibre sourcing and technology.

To be a global leader in carbon removals

Development of projects in the UK and internationally.

Our values

Prioritise safety

We all deliver our One Safe Drax vision by caring for ourselves, our assets, our environment and our communities.

Unlock potential

We see challenge as opportunity and push ourselves to grow, cultivating an environment where continuous development and holistic wellbeing sit side by side. We value everyone's differences and unique contributions.

Deliver our promise

We each play an important role in the delivery of our strategy and are driven to give our best every day. We focus on meeting our commitments, listen to feedback, share ideas and celebrate our collective successes.

Shape the future

We seek out everyday improvements to take steps towards positive outcomes for the climate, nature and people.

I am pleased to present our Corporate Governance Report.

Good governance is an essential foundation for the long-term success of our business and realisation of our goals. The Board recognises the importance of having policies and procedures that support sound decision-making throughout the Group. Acting responsibly and sustainably also underpins our licence to operate across the breadth of our activities. For more information, see the CEO review on page 12.

The information presented in this report reflects the Board's assessment of the application of the UK Corporate Governance Code. It also reflects how the business has applied and evolved its values and governance practices during 2024.

Strategy and performance

In 2024, we generated a record level of renewable electricity across our portfolio of flexible and renewable generation assets. In doing so we continued to play an important role in the UK energy system and supporting energy security.

Our principle supply chain, primarily based in North America, supports UK power generation; and downstream our Energy Solutions business continued to support our customers on their decarbonisation journeys. This resulted in a strong financial performance, dividend growth and capital returns to shareholders.

At the same time, we made good progress with our medium and long-term objectives for growth in our core business. We also progressed our plans for carbon removals, which are aligned with our purpose.

Board leadership and company purpose

Principles of the UK Corporate Governance Code

A

Promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society

B

Purpose, values and culture

C

Resources and effective controls

D

Engagement with stakeholders

E

Policies and practices including whistleblowing

The Board has clearly articulated the Group's purpose (to enable a zero carbon, lower cost energy future) and business model focusing on its core Flexible Generation, Pellet Production and Biomass Generation operations. The Company is also exploring further areas for growth such as carbon removals. The Board believes this will support the UK Government's aim to deliver a clean energy system. For more information see the Strategic report from page 2.

The Board promotes a culture of openness and collaboration, as well as acting with honesty and integrity, setting a clear and positive tone to promote the Group's values. To align our culture with these values, the Board regularly considers critical areas including health, safety, wellbeing, ethics, compliance, and employee engagement at Board meetings. This provides oversight and identifies areas for improvement and practices that enable positive engagement, underpinning the culture of respect.

The Board regularly reviews the Group's performance against its strategic and financial objectives, and its KPIs. At each Board meeting the Directors review the status across a portfolio of projects and discuss progress. The Board also assesses the opportunities associated with expected execution, as well as the risks which might impact delivery. The Board has conducted a robust assessment of principal and emerging risks, and has established a framework of prudent and effective controls to manage risk. For more information on this please see Principal Risks and Uncertainties on page 70 and the Audit Committee Report on page 112.

The Board values the views of stakeholders and undertakes extensive engagement with shareholders, the workforce, Government, regulators, customers and other stakeholders. For more information on engagement and its impact on Board decision-making, please see pages 96 to 102.

The Board recognises that having the right policies and practices in place contribute to a culture aligned to the Group's purpose and values. For example, policies relating to health and safety protect employee wellbeing and environmental policies help ensure the Group promotes positive outcomes for nature, the climate and people. Colleagues who have any concerns can raise them using the Group's confidential whistleblowing telephone hotline. The Board oversees Speak Up and whistleblowing and receives regular updates; it also discusses findings from investigations.

Through these opportunities, we believe we can deliver sustainable long-term value to our stakeholders as we realise our purpose of enabling a zero carbon, lower cost energy future.

The Board regularly reviews the Group's performance against its strategic and financial objectives, and its KPIs. At each Board meeting, the Directors review the status across a portfolio of projects and discuss progress with Executive Directors and senior management. The Board assesses the opportunities associated with expected execution as well as the risks which might impact delivery.

At its meeting in October 2024, the Board considered in detail the strategic objectives for the Group. The Board continues to consider that developing the Group's Flexible Generation, Pellet Production and Biomass Generation portfolio is appropriate. These priorities sit alongside the continued development of opportunities for growth which include our plans for carbon removals. The Board also considered the appropriate governance, internal controls, and infrastructure required to support delivery of the strategy. The Board continues to hold management to account on the importance of such frameworks, which the Board considers represent a critical part of supporting the proper execution of the Group's strategy. There is more information in the report of the Audit Committee on page 112.

Wider macro-economic conditions and political uncertainty can have a material impact on the realisation of the Group's objectives. The Board regularly considers those matters along with the principal and emerging risks and believes that robust mitigation processes for material risks are in place. During 2024, this included an assessment of the Group's UK BECCS programme taking into account engagement with the UK Labour Government, who were elected in July 2024. For more information, please see the Principal Risks report on page 70.

The Board is responsible for determining the Group's capital allocation policy. The policy targets a strong balance sheet, investment in the core business and a sustainable and growing dividend. To the extent that these conditions are met, the Board considers the return of residual capital to shareholders. During 2024, the Group put in place over £1 billion of new longer dated debt and facilities, significantly extending the Group's maturity profile post 2027. The Board also announced a share buyback programme for the purchase of up to £300 million of Drax shares over a two-year period to return value to shareholders. As at 26 February 2025, over 23 million shares had been purchased into treasury for c.£150 million.

An important part of our strategy includes investment in the technology and business activities enabling the removal of carbon dioxide as an integral part of power generation. To progress our global BECCS and carbon capture ambitions, we launched Elimini, our carbon removals business, at New York Climate Week in September 2024. During the launch we were pleased to have the opportunity to meet with NGOs to understand their views.

Culture and values

The Board recognises the importance of having the right culture to align with the Group's purpose, values and strategy. Culture is determined through what we do, and how we act – the culture of the organisation sets the tone for good governance, high ethics, inclusion and compliance.

With this in mind we continued to focus on culture, values and compliance. An important part of that is the continued two-way engagement with the workforce and our value proposition to colleagues (see page 54).

The Board believes that maintaining the health, safety and wellbeing of all Drax colleagues is a key aspect of setting the

Chair's statement continued

right culture critical to the Group's success. As part of his regular reporting to the Board, the CEO's report includes a health and safety update. A summary of our safety performance can be found from page 50.

Visits to Drax sites across the Group and engagement with external organisations are a key part of learning and continual improvement. In October 2024, the Board and executive management visited Sellafield, which is the most complex nuclear site in Europe. Its operations involve cleaning up the UK's highest nuclear risks and hazards, safeguarding nuclear fuel and the UK's stockpile of special nuclear materials, managing all forms of nuclear waste, major construction projects, and supporting the continued operation of the UK nuclear reactor fleet by safely receiving and storing their spent nuclear fuel. This requires stringent health and safety measures to protect workers, the public and the environment. The Board and management welcomed the opportunity to share knowledge and ideas, exploring areas of shared interest such as safety, high hazard operations, and cyber security. I would like to thank Chris Train, Chair of the Sellafield Board, and his colleagues for their time during our two-day visit.

Acting with honesty and integrity and in compliance with all laws and regulations is also a necessary foundation for how we operate. To emphasise the importance of compliance as everyone's responsibility at Drax, the Board included a compliance metric as part of the 2024 Group Scorecard. You can read more about this on pages 53 and 133 to 134. Feedback from the colleague MyVoice Forums was positive; colleagues appreciated that this measure affirmed the importance of compliance.

Drax places particular emphasis on the wellbeing and mental health of our people. Important to this is creating an environment where colleagues are empowered and resourced to understand the importance of wellbeing. The Group has also invested in health screening, physical and mental wellbeing education for all colleagues, support through our benefits programme, and the provision of mental health first aiders. The Group has also acted to support the wellbeing of leaders, including initiatives intended to address the challenges which come from working in a business undergoing change.

> Acting responsibly and sustainably underpins our licence to operate across the breadth of our activities.

In addition, colleague engagement activities took place during 2024 to promote open conversations around various aspects of wellbeing. These included pension awareness sessions, to help colleagues navigate saving for their future; and, in Mental Health Awareness week, webinars to promote physical wellbeing (which plays an important role in mental wellbeing). In October 2024, the Group focused on women's health with a series of events to mark World Menopause Day and Breast Cancer Awareness month. This included a panel event and workshops hosted by a menopause specialist to allow men and women to learn more about the menopause and how to provide support.

In November 2024, our focus turned to male wellbeing as we marked 'Movember' and International Men's Day. All colleagues were invited to a webinar that discussed key risk factors to men's health, including mental health, suicide prevention, and testicular and prostate cancer. It is important we create a supportive culture where all employees feel able to have meaningful discussions around physical and mental health and that such conversations are not seen as a weakness. We continue to develop our Colleague Resource Groups (CRGs), having introduced our 'Parents & Carers' and 'Enable' CRGs during 2024. These sit alongside our existing CRGs (Race & Ethnicity, Neurodiversity, Pride, and Women). These offer members of the respective communities opportunities to share ideas and experiences in a safe space. We are also evolving our recruitment strategies to attract candidates from under-represented groups. For more information, see from page 52.

Stakeholders

Meaningful feedback from stakeholders is very important to the Board and we aim to maintain open, collaborative engagement with stakeholders.

I would like to thank all the stakeholders who have engaged with us. For more information on how stakeholder feedback has informed Board decision-making during 2024, please see pages 96 to 102.

Andrea Bertone
Chair
26 February 2025

Corporate Governance Report: Board of Directors

The Board shapes our purpose, strategy, culture and values to generate long-term sustainable value and provide strong stewardship of the Group.

Andrea Bertone N R
Chair

Contribution and experience
Andrea is an experienced leader of large, listed businesses, having held both Executive and Non-Executive roles at international energy companies. She has a deep understanding of global markets, including the US, and their underpinning regulation.

Andrea is the former President of Duke Energy's international division ('DEI'). She spent 15 years at Duke Energy, including seven years as President of DEI with executive responsibility for hydro and thermal assets across countries in Latin America. Prior to her role as President, Andrea held senior executive legal positions at DEI, including as associate General Counsel between 2003 and 2009. Andrea also served as Latin America counsel with Baker McKenzie. Andrea has Non-Executive Director appointments at Waste Connections, Inc., Amcor plc and Peabody Energy Corporation. Andrea was also previously a Non-Executive Director at DMC Global Inc. and Yamana Gold Inc.

Andrea has dedicated her career to successfully leading international teams with diverse cultures and backgrounds. Andrea earned a Bachelor of Law from the University of São Paulo Law School in Brazil and a Master of Law in International and Comparative Law from Chicago-Kent College of Law at the Illinois Institute of Technology. She is a member of the Brazilian Bar Association.

Appointment to the Board:
August 2023

Will Gardiner
CEO

Contribution and experience
Will has driven the vision and operations of the Company since becoming CEO in January 2018, inspiring our transformation from a leading UK renewable energy company to a diversified global energy company with strong businesses in sustainable wood pellets in North America, flexible and biomass power generation in the UK, and more recently, the carbon removals business, Elimini, based in Houston.

Will is deeply committed to creating a company where everyone feels valued. Working with our stakeholders, Will is creating a purpose-led company at Drax to ensure outcomes that are positive for people, nature and the climate, as well as shareholders.

Will is also a Commissioner of the Energy Transitions Commission, a member of the World Economic Forum's (WEF) Alliance of CEO Climate Leaders and a member of Conservation International's European Council. Will joined Drax in 2015 as CFO and was appointed as CEO in January 2018. In September 2024, Will became Executive Chair of Elimini. He has a wealth of experience in finance and technology, having held CFO and divisional Finance Director roles at a number of major companies, including CSR plc (acquired by Qualcomm, Inc in 2015) and Sky. He has dual US-UK citizenship and has lived and worked in the UK since 1998.

Appointment to the Board:
November 2015

Andy Skelton
CFO

Contribution and experience
Using his strong financial and commercial skills built over 25 years, Andy provides the financial oversight and controls that have supported the growth of Drax from a renewable energy company to an international company with a differentiated portfolio.

Highly values driven, with a personal commitment to our climate, nature and people positive ambitions, during 2024, Andy represented Drax as a member of the Northern Powerhouse Partnership, helping create more opportunities and a better economy for the people of the North of England, where he also lives.

Previously Andy was CFO at Fidessa Group plc and has held a number of senior finance positions at CSR plc, Ericsson and Marconi, including two years as CFO of Ericsson Nikola Tesla. Andy has a BA in accounting and finance and qualified as a chartered accountant in 1994.

On 4 December 2024, Andy informed the Company of his intention to retire from the Board and from his role as CFO. Andy will remain as a Director of the Company and as CFO until a successor is in place.

Appointment to the Board:
January 2019

Corporate Governance Report: Board of Directors continued

David Nussbaum A N
Senior Independent Non-Executive Director

Contribution and experience

David holds a portfolio of Board appointments, including as Chair of International Alert and of the Joffe Trust. He also serves as a member of the Board ('Council') of Chatham House, and of the International Budget Partnership; is President of the Advisory Council of Transparency International UK; and is a member of the Ethical Investment Advisory Group of the Church of England.

David's executive career included being the Chief Executive of The Elders, of WWF-UK, and of Transparency International. He was previously Finance Director and Deputy CEO of Oxfam, and CFO of Field Group plc. In a Non-Executive capacity, David has been Chair of Anthesis Group, Deputy Chair of the International Integrated Reporting Council, Deputy Chair of Shared Interest Society, a Non-Executive Director of Low Carbon Accelerator Limited, and Chair of Traidcraft plc.

David is a chartered accountant, and has a Masters in Theology from both Cambridge and Edinburgh universities, and a Masters in Finance from London Business School.

David's extensive experience in international development and environmental matters, in addition to his prior experience as CFO of a UK-listed industrial company, is of significant value to Drax and contributes to the Board's discussions and understanding of the perspectives of and engagement undertaken with stakeholders.

Appointment to the Board:

August 2017

Rob Shuter A R
Independent Non-Executive Director

Contribution and experience

Rob brings a wealth of complex financial, regulatory and strategic experience gained from over 30 years in the telecommunications and financial services sectors.

Rob served on the BT Group plc executive committee as the divisional CEO of BT Enterprise between 2021 and January 2023, prior to which he served for three years as Group President and CEO of MTN Group Ltd, a telecommunications company listed on the Johannesburg Stock Exchange. Rob has also held a number of senior executive positions within the Vodafone Group between 2009 and 2016 including most recently as CEO, European Cluster in addition to serving between 2009 and 2011 as CFO of Vodacom Group Ltd, listed on the Johannesburg Stock Exchange.

Rob worked in the financial services sector between 1992 and 2009 which included executive positions in retail and investment banking. More recently Rob served as Non-Executive Director and Chair of the Audit and Risk Committee for The GSM Association, the global trade association for mobile network operators worldwide. Rob is currently a Non-Executive Director and member of the Supervisory Board of Royal KPN N.V. He holds a Bachelor of Commerce degree from the University of Cape Town, a Post-graduate Diploma in Accountancy from the University of Natal and is a Chartered Accountant (South Africa).

Appointment to the Board:

June 2024

Nicola Hodson A R
Independent Non-Executive Director

Contribution and experience

As Chair of the Remuneration Committee Nicola brings to the role a wide range of experience of international business, Government organisations, and dealing with a variety of stakeholders.

Nicola is currently Chair (formerly Chief Executive) of IBM UK and Ireland and Deputy President of TechUK. Previously she was Vice-President, Global Sales and Marketing, Field Transformation at Microsoft, Chief Operating Officer of Microsoft UK, and she previously held P&L and sales roles at Siemens, CSC (now DXC) and EY. Nicola is a Non-Executive Director of Beazley plc.

Nicola brings expert level technology knowledge, with her current working experience at the forefront of global organisations. She is also skilled in business and digital transformation, and sales. Nicola is committed to inclusivity and enabling people to realise their full potential, irrespective of their background.

Appointment to the Board:

January 2018

Key to Committees

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

John Baxter CBE A N
Independent Non-Executive Director

Contribution and experience

John has over 45 years experience of working across the nuclear, electricity, oil and gas sectors. John was previously at BP plc, most recently as Group Head of Engineering & Process Safety, prior to which he worked at the UK utility Powergen plc as Group Engineering Director, as well as roles as a UKAEA Board member and also as a nuclear submarine engineer officer. John was also previously a Non-Executive Director of Sellafield Ltd.

He is a Chartered Engineer and a Fellow of both the Royal Academy of Engineering and the Royal Society of Edinburgh. John has served as President of both the Institution of Mechanical Engineers and The Welding Institute.

John has broad and expert level experience in engineering, health and safety, and energy generation. He is passionate about people development, particularly advancing the opportunities for young people in STEM careers, including via apprenticeships. His dedication to charity work and fundraising to support young people provides a depth of understanding during Board discussions on stakeholder engagement and culture matters. Also, having been born and brought up in Scotland he brings important insights to Drax on the local environment and culture relevant to our business in the west of Scotland.

Appointment to the Board:

April 2019

Kim Keating N R
Independent Non-Executive Director

Contribution and experience

Kim is a Professional Engineer with over 25 years of broad international experience in the oil and gas, nuclear, hydropower, and mining sectors. Most recently, Kim was the Chief Operating Officer of the Cahill Group, one of Canada's largest multi-disciplinary construction companies. Prior to joining the Cahill Group in 2013, Kim held a variety of progressive leadership roles from engineering design through to construction, commissioning, production operations and offshore field development with Petro-Canada (now Suncor Energy Inc.).

Kim is currently Board chair of Major Drilling International Inc. and a Non-Executive Director of Pan American Silver Corp. Kim is also a founding member of Makwa-Cahill Limited Partnership, a nuclear qualified indigenous fabrication company. Kim is a Fellow of the Canadian Academy of Engineering and holds a Bachelor of Civil Engineering degree and an MBA. She also holds the Canadian Registered Safety Professional (CRSP) designation and Diligent Climate Leadership certification. She is a graduate of the Rotman-Institute of Corporate Directors Education Program and was awarded her ICD.D designation.

Throughout her career, Kim has made significant engineering and project management contributions to complex major energy projects. She has a deep appreciation and insight into the value of inclusive community partnerships particularly with indigenous groups.

Appointment to the Board:

October 2021

Erika Peterman A R
Independent Non-Executive Director

Contribution and experience

Erika's extensive experience, gained from over 25 years working in global organisations, enables the delivery of change and growth in complex, world-leading businesses. Her broad knowledge has been built serving various parts of the chemicals industry, across a range of sectors including plastics, petrochemicals, agriculture and pharma.

Erika is currently serving as Senior Vice President Chemical Intermediates and Oxyfuels at multi-national chemical company LyondellBasell. Erika was previously Senior Vice President at BASF Corporation, where she led the North American Chemical Intermediates business. Erika held other senior executive roles with BASF, covering manufacturing and production, engineering, strategy, and commercial business management. Passionate about STEM and DEI, she actively supports community workforce development programmes, as well as a range of diversity and inclusion initiatives.

Erika sits on a variety of College of Engineering Advisory Boards, including those for the University of Houston and the Georgia Institute of Technology. She serves as a Board Trustee for The Chatfield Edge, a scholarship foundation based in Cincinnati, Ohio. She is also a member of the Executive Leadership Council, a non-profit organisation whose mission is to accelerate the development of black executives to C-Suite positions. Erika holds a BSc in chemical engineering from the Georgia Institute of Technology and an MBA from the University of Houston.

Appointment to the Board:

October 2021

Stakeholder engagement

Understanding and assessing how to address the needs of our stakeholders are essential to our long-term success. The Board recognises the duty it owes to a range of stakeholders to safeguard the operational integrity and prospects of the core business and strategy. We aim to maintain open, collaborative engagement with our various stakeholders.

Effective engagement helps us meet evolving expectations as we advance our business, fulfil our purpose, deliver our strategy, and create lasting value and positive outcomes for stakeholders.

Many of our strategic and investment decisions have multi-year time horizons. We recognise that these decisions can have an impact far beyond our immediate business and well into the future. This is why we seek to understand the needs and perspectives of our stakeholders and consider these views to improve the quality of our decision-making. The following pages explain how the Board considered those matters during 2024.

During 2024 the Board received a scheduled deep-dive presentation from the External Affairs team and discussed, assessed, and challenged the quality of the team's engagement in satisfying Section 172 of the Companies Act. Will Gardiner's CEO report, which is a standing item in Board packs, contains regular updates on engagement with various stakeholders. We conducted a comprehensive Double Materiality Assessment, which assesses the impact of Drax on environmental and social factors (an "inside-out" perspective) and the risks these pose to the Company (an "outside-in" perspective). The assessment provides a holistic view of the impact of our business activities, not only on our financial performance but also on the broader social, environmental, and governance (ESG) context in which we operate. This balanced approach to materiality reflects our belief that the perspectives of a wide array of stakeholders provide essential insights into financial and non-financial risks and opportunities. You can read more about our Double Materiality Assessment on page 37.

Section 172 statement

Under Section 172(1) of the Companies Act, the Directors have a duty to promote the success of the Company, having regard to a range of matters and stakeholders. The Board is responsible for ensuring effective engagement with stakeholders: it recognises that decisions taken today can have an impact on stakeholders, as well as shape longer-term business performance. Appropriate consideration enables Drax in realising positive outcomes for the climate, nature and people, and delivering sustainable value creation. During 2024, the Board's discussions and decision-making considered the matters contained within Section 172 and acted in good faith to promote the sustainable long-term success of the Company.

Section 172 matter	How the Board considered those matters
A. The likely consequences of any decision in the long term	– Business model (page 8) – Carbon removals (page 16) – Principal Risks (page 70) – BECCS project developments in the UK and globally (page 15)
B. The interests of the Company's employees	– Workforce engagement (pages 97 and 98) – Diversity and inclusion (pages 52 and 109) – Safety, health and wellbeing (pages 51 and 91)
C. The need to foster the Company's business relationships with suppliers, customers and others	– Engagement with customers (page 101) – Engagement with suppliers (page 101) – Supplier Code (page 53)
D. The impact of the Company's operations on the community and the environment	– Responsible sourcing (page 22) – Climate Positive (page 38) – Nature Positive (page 44) – People Positive (page 50) – Taskforce on Climate-related Financial Disclosures (TCFD) (page 56) – Climate change risk (page 81) – Engagement with communities (page 102) – Drax Foundation (page 55)
E. The desirability of the Company maintaining a reputation for high standards of business conduct	– Ethics and integrity (page 53) – Culture and values (pages 54 and 91) – Speak Up (Whistleblowing) (page 53) – Corporate Governance Code (page 88)
F. The need to act fairly as between members of the Company	– Shareholder engagement (page 99) – Rights and obligations attaching to shares (page 146)

Workforce

Key issues

- Health, safety and wellbeing
- Cost-of-living crisis
- Diversity and inclusion
- Culture and values
- Engagement, recognition

Principal risks

- Safety, health and wellbeing, and environment
- People

Engagement activities

We maintain regular dialogue through various workforce engagement activities. The Board believes our workforce forums (My Voice Forums (Forums)) are the most appropriate means to facilitate colleague engagement and to foster direct engagement between the Board and the workforce. The Forums are a key part of our listening strategy, providing further insight to colleague feedback. A member of the senior leadership team and an HR representative attends each meeting to support the Forums. The Forum chairs then meet with Andrea Bertone, Chair of the Board, and Will Gardiner, CEO, in a safe environment where colleagues are able to speak openly and candidly, share sentiments, and ask direct questions of the Chair and CEO. You can read more about Board engagement with the Forums in the case study below.

The Board receives regular updates on safety, our people strategy, diversity, equity, and inclusion (DEI), and colleague engagement, including the outcomes from the workforce engagement surveys. The CEO sends a weekly Group-wide update, that both shares important information on Drax and responds to colleagues' anonymous questions through a weekly "Talk to Will" Q&A. The questions raised by colleagues cover a range of topics including strategy, changes within the business, climate change, and wellbeing. During 2024 colleagues asked over 1,700 questions of the CEO. Employees can also speak informally with the CEO at "Coffee with Will" events.

In 2024, our My Voice Surveys became quarterly, providing more regular engagement insights for managers and leaders. Support is given to managers to enable discussion of results and actions with their teams. For the first time, colleagues were given access to their personal survey results, allowing them to track their own engagement journeys.

First introduced in 2023, our Colleague Resource Groups (CRGs) now cover six distinct groups, as we launched two new CRGs in 2024. Supported by the DEI team, these colleague-led groups come together through meetings, events, and advocacy to support our commitment to build an inclusive and fair working environment. Each quarter one of the CRGs attends the Drax DEI Advisory Group to share their views so their perspectives are considered. Over 400 colleagues (over 12% of the workforce) are members of a CRG. CRG co-Chairs attend DEI Advisory Group meetings to share their views and challenges. The DEI Advisory Group is made up of senior leaders across Drax and is chaired by a member of the Executive Committee.

CASE STUDY

Employee engagement

Will Gardiner and I meet regularly with the Chairs of the MyVoice Forums. In 2024, topics included the launch of Elimini, colleague recognition, and our values.

The Forums provide the opportunity to respond and take action. For example, on discussing communication of the carbon removals deal with Karbon X, the Forum chairs advised that colleagues wanted to better understand how the BECCS programmes in the UK and US were expected to develop over time. As a result, an explanation was built into future colleague communications. The Forums provided feedback on the ways we might improve communications to those colleagues in operational roles at our power stations and pellet mills, who have less ready access to computers and digital channels compared to other colleagues. This has been accounted for in our communications. For example, we engaged with plant managers in North America to better support colleague access to information and engagement.

I enjoy and look forward to these mutually beneficial conversations. The views and insights that Will and I gain are then shared with, and discussed at, Board meetings to enable all Directors to offer informed guidance and reflections on our responses. My thanks to the My Voice Forums and their contribution during 2024.

Andrea Bertone
Chair

Stakeholder engagement continued

CASE STUDY

Board visit to Drax operations

The Board of Directors undertake site visits which provide a valuable opportunity for us to meet with colleagues across different functions and geographies and gain insight into the progress of key projects.

The Board recognises that the culture and values of Drax are integral to everything we do, so visits such as these are a good opportunity for Directors to see first-hand how the culture is informing day-to-day activities.

In 2024, we visited Drax Power Station and heard from colleagues working on UK BECCS and managing improvements to the power station. We also saw a new wellbeing space for colleagues called the 'Muckers' wellbeing hub, introduced in response to colleague feedback. The wellbeing rooms contain health monitoring stations, information resources, and a relaxing space where colleagues can speak to a mental health first aider.

In November 2024, Will Gardiner, Rob Shuter, David Nussbaum, John Baxter and I spent several days visiting three pellet plants in the US – Lasalle, Morehouse, and Amite. At each site we met the local team, had a town hall session, and toured the plant. We heard about the importance of continuing to build our strong safety culture and of the significant efforts in recent years to improve safety performance. Also in October 2024, together with our Chief Operations Officer Lee Dawes, I visited our Canada operations at Burns Lake, Houston, Meadowbank, and the Prince George office.

On each of these visits the Board and I enjoyed meeting with local management and colleagues, and learning more about their experience of working at Drax.

I continue to be impressed by the high standards and commitment colleagues demonstrate, and these visits were no exception. The Board and I value seeing in person the work involved, listening to colleague feedback, ideas, challenges, and opportunities, as we look to deliver our purpose. We also witnessed the commitment of teams and see this as an integral part of making Drax successful. My thanks to all who have made these visits possible and for the welcome and feedback we received.

Andrea Bertone
Chair

CASE STUDY

Board decision-making and stakeholder considerations

In June 2024, we announced the asset sale for the majority of the Opus Small and Medium-sized Enterprise (SME) customer meter points to EDF Energy.

The decision to sell followed the completion of a strategic review of the Group's non-core SME energy supply business. The Board believed that the sale further supported its decarbonisation strategy and the development of its Energy Solutions business (which is focused on I&C customers, renewable power, and energy services) and was in the best interests of the business and stakeholders.

As part of its discussion, the Board considered in detail the expected impact on colleagues within the SME business. The Board spent considerable time discussing with management the likely impact and the need to ensure a robust programme of arrangements be put in place to best support affected colleagues. This included communications, consultation, the provision of resources to colleagues where redundancies were expected (including re-training and engagement of external bodies to support through the period of change). The programme also included a thorough assessment of the terms being provided, and the other arrangements to help support them during the transition. The Board reviewed management's proposals for how colleagues would be supported through each phase of the process.

During a meeting with the My Voice Forum chairs, we were pleased to hear that colleagues welcomed the level of support and sensitivity provided to directly impacted colleagues. Colleagues also recommended further actions to help support those who remain with the business. These were highlighted to local leadership teams, which subsequently took further action.

Shareholders and investors

Key issues

- Strategy
- BECCS delivery
- Financial and operational performance
- Capital allocation
- Biomass sustainability
- Environmental, Social and Governance (ESG)

Principal risks

- Strategic
- Biomass acceptability
- Political and regulatory

Engagement activities

The Group has an active Investor Relations (IR) programme through which we engage with existing and potential investors to inform on progress with the Group's strategy, investment case, and performance.

Through our engagement with shareholders, the Board received feedback on the importance that investors attach to the Group's financing facilities.

In 2024, we concluded a programme of work to extend the Group's debt facilities. Ahead of the €350 million bond issuance in April 2024, the CFO members of the finance senior management team met with potential investors to explain the nature and purpose of the bond and answer questions. The €350 million bond issuance was oversubscribed and had the tightest credit spreads of any recent Drax bond issuance.

Engagement in the UK included attendance at industry conferences, where we hosted one-to-one and group investor meetings. The IR team attended these events, sometimes accompanied by management.

Engagement internationally included the CFO and Director of Investor Relations undertaking an investor roadshow in the US, meeting around 20 investors. The IR team also visited Milan and Geneva during 2024. Key topics covered in these meetings were consistent with the key issues identified opposite.

The IR team, working with the Chief Sustainability Officer, met with investors to discuss issues around biomass sustainability and carbon accounting. This was part of an ongoing series of engagement activities.

Through engagement with investors, we continue to develop our sustainability reporting, with a desire to present clear, consistent, meaningful metrics in a transparent manner.

Discussions were held with a number of our investors at the AGM in 2024. We remain open to such dialogue and the Board remains attentive to such matters.

CASE STUDY

Meeting our shareholders

During 2024, as part of her introduction to the role as Chair, Andrea Bertone met with major shareholders, along with Senior Independent Director David Nussbaum.

These meetings were independent of management. Andrea and David discussed the Board's approach to strategy, governance, financial and operational performance, and sustainability. This was useful in helping Andrea to understand current investor sentiment and for her to express her early views on the Group. Andrea also chaired the 2024 AGM and answered shareholder questions.

In February and July 2024, management met with investors as part of full- and half-year results roadshows. Through these sessions, led by the CEO, CFO, and Director of Investor Relations, we continued to outline our strategy and the long-term options this could provide. The sessions also included continued consideration of capital allocation, explained current financial and operational performance, and provided the opportunity for Q&A sessions with the CEO and CFO.

At the full-year results announcement and roadshow, and reflecting investor feedback, we provided medium-term targets for our Flexible Generation, Energy Solutions, and Pellet Production businesses. We also further developed the way we report on the business units.

Stakeholder engagement continued

Government, political bodies, and regulators

Key issues

- Energy security
- Energy costs
- Tackling climate change
- System stability and flexible generation
- BECCS delivery

Principal risks

- Climate change
- Biomass acceptability
- Political and regulatory
- Strategic
- Information systems and security

Engagement activities

As part of the UK Critical National Infrastructure, it is vital that we seek to understand the views of politicians, political parties, policymakers, and other stakeholders. It is also important we contribute our experience and expertise to the relevant areas of policy development that shapes the regulatory environment in which we operate. Such collaboration can support informed decision-making. We engage with government bodies in the UK, EU, North America, and Asia on topics including energy security; decarbonisation; BECCS; and the need for system stability and flexible generation. Drax makes no political donations, but it is important that we engage with politicians, political parties, policymakers, and other stakeholders to understand their views and explain our plans and strategy.

In the UK, we engage with MPs, Ministers, Shadow Ministers, Peers, and advisors, from across the political spectrum. We do this within Parliament and with MPs directly. We share briefings, attend events, and respond to calls for evidence. We also engage with these groups outside of Parliament, including at events local to our sites, in addition to the annual Party Political Conferences. We engage with relevant teams at the UK regulator, Ofgem, and the Department for Energy Security and Net Zero to promote an appropriate regulatory framework. Key topics of engagement in 2024 included the Government's Review of Electricity Market Arrangements (REMA) and the proposed introduction of an investment (Cap and Floor) mechanism for Long Duration Storage.

In the EU, we continue strategic engagement to build support for biomass and BECCS. This includes advocating for BECCS in the context of the EU Carbon Removals and Carbon Farming Certification (CRCF) Regulation and related methodologies for the certification of permanent carbon removals. In 2024 we met the Cabinet of the Commissioner for Climate, Net Zero and Clean Growth to discuss the financing of carbon removals. Following publication of two pieces of legislation – the Renewable Energy Directive (REDIII) and the EU Deforestation Regulation (EUDR) – we remain engaged on these as the EU works on implementation, to ensure the rules are practical and implementable and that trade into and from the EU can continue. We are members of, and engage with, various trade associations and others in the forest sector concerning the responsible sourcing of sustainable biomass.

In Japan, we met with the Ministry of Agriculture, Forest and Fisheries to share our experience in enabling coal-to-biomass conversion that could help decarbonise the region while supporting energy security. In Japan, we focused our engagement on the sustainability criteria for woody biomass that is currently under review. We work with government officials from the UK, Canada, and US to discuss logistics, trade, sustainable sourcing policies, and supply chains.

In the US and Canada, we engage with policymakers at the federal, state, provincial, and local levels to ensure our sustainability and supply chains are well understood. We discuss how power from biomass and BECCS can contribute to grid stability, economic development, and the realisation of emissions targets to combat the effects of climate change.

It is important for Drax to participate in conversations on topics such as carbon capture, clean technologies, energy permitting, pipeline regulatory reform, sustainable biomass and BECCS as a pathway to enable policy goals and net zero targets. At the state level, we engage with state and local policymakers on the opportunities we can provide for job creation and economic development, particularly in rural communities, which reflect the locations of many of our sites.

CASE STUDY

Engaging with experts

A valued part of our engagement with scientists and forestry experts is our Independent Advisory Board (IAB).

The IAB advises Drax on the science and evidence surrounding our three sustainability outcomes of Climate, People, and Nature Positive, and in particular the responsible sourcing of biomass that underpins them. The IAB provides independent scrutiny, challenge, and advice. It makes recommendations on how we can improve various initiatives within our sustainability strategy, including best practice on ensuring that biomass is sourced sustainably.

In 2024, the IAB played an important role in helping Drax develop the Evidence Hub and our final response to the BECCS Done Well report. The IAB also reviewed and provided feedback on the Drax Sustainability Framework during the drafting process. In November 2024 the IAB met the Drax Executive Committee to discuss the work programme and key topics on which the IAB had advised.

Feedback from 2024 activities was given on the development of research questions to learn more about biodiversity in the areas from which we source. Feedback was also provided on community engagement plans, activity around our sites, our forest carbon strategy, and ways to engage with the research community. More details are available in our half-yearly updates published on our website.

You can read more about the IAB on page 35.

Customers and Suppliers

Key issues

- Energy costs
- Ethical business conduct
- Reducing environmental impact
- Long-term partnerships

Principal risks

- Climate change
- Safety, health and wellbeing, and environment
- Biomass acceptability
- Plant Operations

Engagement activities

Recognising the speed at which the energy markets are evolving, Drax Energy Solutions has invested in its market insight activities. It offers a range of material to help inform customers about relevant market developments, with the primary platform being our LinkedIn newsletter, with over 2,400 customers subscribed.

To improve our customer experience, we have enhanced our communication channels, investing further in our digital portal which now enables customers to access granular information about their energy usage and receive notifications when they need to act. To support our high-quality service provision, we have also upgraded our telephony platform.

Our relationships with relevant suppliers are governed by contracts that include compliance with relevant regulatory and legal requirements, anti-bribery and corruption, modern slavery and supplier code of conduct, to which suppliers are expected to adhere. These are regularly reviewed by our Procurement, Legal, and Business Ethics functions. Drax is committed to the fair payment and treatment of its suppliers and is a signatory to the Prompt Payment Code.

Engagement through our biomass supply chain is a key focus for the Group. We engage with suppliers to understand where they source from, and our standard biomass purchase agreements require suppliers to mitigate for specified risks identified in their sourcing areas.

You can read more about our biomass sourcing on page 22.

In 2024 Drax signed an agreement with Kier, a major UK construction and infrastructure provider, to install and manage its Electric Vehicle charging requirements. Part of this agreement included access to the Drax My Electric Vehicles portal, an online platform that allows Kier to manage charge points and generate usage reports. Responding to a request from Kier, we developed and implemented Single Sign-On (SSO) for the portal, streamlining access and enhancing security. SSO was delivered on time and is now fully operational for Kier, as well as for other customers.

CASE STUDY

Cruachan expansion

We are developing an option for a 600MW expansion of Cruachan Power Station.

During 2024, Drax engaged with the UK Government, the local community, and a range of other stakeholders, as we saw some important milestones being reached.

The UK Government has recognised that new long-duration, large-scale electricity storage (LDES) projects can play a pivotal role in delivering a flexible energy system to meet future needs and represent value for consumers. A key focus of engagement in 2024 was to progress the new investment mechanism to help enable investment in and promote new LDES projects such as the expansion of Cruachan Power Station, and in October 2024 the UK Government announced an intention to develop a "cap and floor" mechanism to help give operators the confidence to progress with project developments, after having consulted on the mechanism earlier in the year.

We also engaged with the local community and schools to discuss the socio-economic benefits of the expansion.

During 2024, we welcomed around 35,000 visitors to our visitor centre, where visitors can take guided tours inside the subterranean world into the heart of the power station to learn about the history of the site and the critical role it plays today in helping to keep the lights on.

Stakeholder engagement continued

Communities

Key issues

- That Drax is a responsible business and good neighbour
- Tackling climate change
- Environmental justice

Principal risks

- Climate change
- Biomass acceptability
- Strategic

Engagement activities

Our community strategy combines Community Action and Engagement Plans for our operating countries, with strategic giving through the Drax Foundation and a designated Community Fund. This strategy is managed by a global community team, with local community managers and overseen by the Executive Committee. Through the Drax Foundation, we provide grant funding for non-profit organisations that improve equitable access to science, technology, engineering, and mathematics (STEM) education, community green spaces, and renewable energy.

In 2024 we made progress embedding the community strategy and expanding our outreach to a range of stakeholders in our operating communities. We also built new relationships with non-profit organisations through the Drax Foundation and Community Fund.

In the US, a priority has been to address environmental justice issues in Mississippi (see case study). We are also expanding engagement across our US communities, with initial meetings held in Louisiana and Alabama during 2024. As we grow our carbon removals operations in the US, our focus has been on community engagement at potential sites for new BECCS facilities. Our community stakeholder engagement plan will be scaled to the project risks, impacts, and development stage, and will be tailored to the characteristics and interests of the affected communities. During 2024, across all US operating sites around $535,000 was disbursed through our Community Fund to grassroots organizations and community projects.

In Canada, engagement with First Nations continued. A new First Nations Advisory Committee was established, which provides recommendations on four performance areas: employment, business development, community investment, and community engagement. We also maintained engagement with other local residents and community leaders across our operational footprint in Canada. Our partnership with Science World has delivered STEM sessions reaching over 11,000 children across 58 schools. We also disbursed around CAD$200,000 to a number of non-profit organisations through our Community Fund.

In the UK, our Community and Education team undertook STEM educational outreach in local schools around Drax Power Station and our hydro assets in Scotland. During 2024, we reached over 14,000 young learners through educational programmes. We strengthened our partnership with Glasgow Science Centre to underpin our commitment to advancing STEM education, particularly within underserved communities. Through the Community Fund, we supported 158 organisations across the UK with around £170,000 donated during 2024.

During 2024, the Drax Foundation continued to develop partnerships with non-profit organisations in the UK, US, and Canada. We work across STEM education, skills development, nature, community green spaces, energy efficiency, and fuel poverty. In 2024 we disbursed £2.9 million in grant funding. For more information about the Drax Foundation, Community Fund, and our community investment, please see page 55.

CASE STUDY

Board engagement in Mississippi

We seek to play an important role in the communities where we operate, and engaging with and supporting them on key issues is a key part of what we do.

During 2024, Non-Executive Director Erika Peterman, and Chief Sustainability Officer Miguel Veiga-Pestana, visited the Drax pellet plant in Gloster, Mississippi. During the visit, Erika and Miguel met the Mayor and Alderman, and spent time with our local Community Liaison Officer and plant workers. Our objective is to build relationships and trust over time, and a key part of the visit was listening to residents, including those who live on the perimeter of the Amite plant. They shared their views on priority areas for social investment in the town and other practical measures that Drax could take to help support the community, improve two-way communications, and build trust.

Erika's and Miguel's visit was part of a broader Community Engagement Plan that we are implementing in Gloster. In February 2024, we held a series of focus group meetings with community leaders and stakeholders to improve our understanding of how the community feels about Drax, and what measures can be taken to deliver on our promise to be a good neighbour. We incorporated the feedback from these sessions into the Community Engagement Plan. This included more transparent communications and regular engagement, plans to improve access to jobs, education and training, and ensuring that social investment in Gloster is well-targeted and benefits the community. A Community Advisory Panel (CAP) was established in 2024, with members including representatives of the Gloster community who provide insight on priority areas for social investment. The CAP also improves the two-way flow of information. We established a Community Fund for Gloster, which has supported a range of local non-profit organizations and community initiatives. The CAP is feeding into the decision-making process on how the funds will be disbursed. During 2024, the Gloster Community Fund supported local initiatives including the local school, childcare centre, and field health system. In addition, during 2024 we held meetings and calls with those within the community who live on the perimeter of the Amite plant, to ensure we are listening and responding to their concerns.

In November 2024, CEO Will Gardiner, Chief Operations Officer Lee Dawes, and Executive Vice President of Pellet Production Matt White also attended a meeting of the CAP to learn more about their work and how Drax can help.

Division of responsibilities

Principles of the UK Corporate Governance Code

F
The role of the Chair

G
Board composition

H
Non-Executive Directors

I
The Company Secretary and Board resources

The Board comprises the Chair of the Board, two Executive Directors and six independent Non-Executive Directors, including one who is appointed as the Board's Senior Independent Director. The Chair and the Non-Executive Directors were all considered independent on appointment and the Board is satisfied that appropriate independence and objectivity has continued to apply.

The Chair leads the Board and is responsible for its overall effectiveness in directing the Company, promoting a culture of openness and debate. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group's business.

Non-Executive Directors routinely scrutinise performance against business objectives (including financial and strategic in addition to other measures in the Group Scorecard). They hold management to account while providing challenge and guidance in an open and constructive environment.

Before regular Board meetings, the Chair and Non-Executive Directors meet without the Executive Directors being present, giving them the opportunity to consider and discuss matters in a separate forum. The Audit Committee, which the Board Chair attends by invitation, also provides agenda time to discuss matters in the absence of management. The Audit Committee members also routinely meet with the external and internal auditors, in the absence of management.

The Board considers additional external appointments involving any Director, taking into account the additional demands on their time. No Executive Director has a non-executive position in a FTSE company.

All Directors have full access to the services of the Company Secretary, who works closely with the Chair. This ensures the Board has the policies, processes, information, time and resources it needs to function effectively and efficiently. The whole Board approves the appointment or removal of the Company Secretary.

Role of the Board

The Board sets the Group's purpose, strategy and business model for long-term value creation, and the Group's appetite for risk and risk management policies. In assessing and implementing our strategy, the Board recognises the importance of stakeholder views. The Board not only undertakes its own engagement but also periodically receives reports and assesses the adequacy of engagement that management undertakes. This includes with shareholders, the workforce, Government, NGOs and the communities where the Group's businesses operate. For more information see the stakeholder engagement section on page 96.

The Board assesses and approves the annual plan and its budget, challenging management on the sufficiency of resources to support delivery of the strategy. The Board is responsible for considering investment in large-scale projects, such as renewable energy and carbon removals projects, and the Group's capital structure and capital allocation policy. The Board evaluates proposals for acquisitions, disposals, and other transactions outside ordinary delegated limits. For more information, see the Financial Review that starts on page 18.

Linked to the delivery of plans, the Board sets the key performance indicators (KPIs) to measure performance and evaluate progress. As part of this, it challenges management on the means by which the Group's priorities and initiatives, including those related to sustainability and environmental practices, are being realised. There is more information about this on page 28.

The Board reviews the effectiveness of the Group's governance structure, commenting on how it should be revised to reflect the evolution of the business. Reviews may cover business conduct; regulatory compliance matters; ethics and whistleblowing; the prosecution, defence or settlement of material litigation; and Directors' Remuneration Policy. They may also include the terms of reference of Board Committees, and the Board structure, composition and succession planning.

How the Board functions

Before the formal meetings of the Board, the Chair and the Non-Executive Directors meet in private. This allows for the exchange of views, share any concerns and discuss matters of priority. As part of the formal process, the CEO reports on key business and operational matters, starting with safety, and the CFO reports on financial aspects pertaining to the Group. In addition, the Board receives reports from senior management across the Group, which include stakeholder considerations. The Chair is responsible for ensuring adequate time is allocated to each agenda item, to support effective discussion and challenge by Directors. The Board also holds dinners before some of the meetings to allow more informal consideration of topics. From time to time other members of the executive and management, advisers or external speakers may contribute to these sessions.

The Board receives updates on macro-economic factors influencing the markets in which the Group operates (such as availability of capital and cost of debt) and how these might impact the realisation of the Group's objectives. The Board also assesses the best use of the Group's resources including its cash. During 2024, the Board concluded that sufficient cash was available for the Company to continue to meet its financial obligations while also undertaking a buyback of the Company's issued shares.

The Board receives industry, regulatory and topical updates from internal specialists as well as external experts and advisers. In 2024, the Board received reports on the evolution of sustainability and ESG-related reporting requirements, global political tensions, and cyber related risks, and their potential impact on the Group.

Corporate Governance Report continued

The core activities of the Board and its Committees are planned on a forward agenda that the Chairs of each Committee consider and regularly review. The Group Company Secretary maintains a list of matters arising from each meeting and reports on how these are being addressed at subsequent meetings. The Group Company Secretary also advises the Board on governance matters, ensuring good information flows within the Board, its Committees, the Executive Committee and senior management. The Group Company Secretary assesses and advises the Board on compliance with the Listing, Prospectus, Disclosure Guidance and Transparency Rules, the Corporate Governance Code and the Companies Act. An important part of this is effective collaboration with other parties across all Group functions.

Good training, regular discussions on key issues, and support in evaluating the potential for change from those in areas of critical operational risk are also important. In 2024 the Trading and Optimisation team delivered training to Directors that included information on trading and risk management strategies.

In January 2025, the Board considered how management evaluates and responds to cyber related risks. Supported by internal and external experts, the Board considered the evolving threats, including profiles of cyber activists and the modus operandi of bad actors and the proactive and reactive measures available for implementation and how management deployed them.

All Board Committees are authorised to obtain legal or other professional advice as necessary to perform their duties. This includes securing the attendance of external advisers at meetings and seeking required information from any member of the Group's workforce.

The Company's Articles of Association (the Articles) give the Directors power to authorise conflicts of interest when presented with such matters for their review. The Board has an effective procedure to identify potential conflicts of interest, consider them for authorisation, and record them. In 2024, no conflicts of interest were identified. The Articles also allow the Board to exercise voting rights in Group companies without restriction (for example, to appoint a director to a Group company). The Articles are available on the Group's website at drax.com.

The Board also receives periodic updates from the Ethics and Business Conduct Committee (EBCC). The EBCC helps the Board and Executive Committee to monitor and assess ethical behaviour and business conduct across the Group, including providing updates from the Group's Speak Up (whistleblowing) programme. For more information, please see page 53.

Time commitment

Directors' commitments outside of Drax are kept under review to make sure they have sufficient time to dedicate to the business and effectively perform their role. Under the terms of the Chair's letter of appointment, the Chair is expected to commit up to 100 full days a year to this role. Under the Non-Executive Directors' letters of appointment, each is expected to commit approximately 15 full days a year. That includes attendance at Board meetings, the AGM, one annual Board strategy event, and at least one site visit each year.

In addition, Non-Executive Directors are expected to devote appropriate preparation time ahead of each meeting. The time commitment expected as a member of the Audit, Nomination and Remuneration Committees is an additional three to four full days a year in each case. However, in practice, considerably more time is devoted, particularly by the Chairs of the Committees.

Executive Directors may, with the prior approval of the Chair, take on one additional role in an external listed company. Neither one of the Executive Directors has taken on such a role. Non-Executive Directors may, with prior approval from the Board, take on additional roles provided the individual can continue to devote sufficient time to meet the expectations of their role.

Position	Role
Chair	Responsible for leading and managing the Board, its effectiveness, and governance. Makes sure Board members are aware of, and understand, the views and objectives of major shareholders and other key stakeholders. Helps to set the tone from the top in terms of the purpose, goal, vision and values for the whole organisation.
CEO	Responsible for the day-to-day management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy.
CFO	Supports the CEO in developing and implementing strategy. Responsible for the financial management and performance of the Group.
Senior Independent Non-Executive Director	Acts as a sounding board for the Chair and a trusted intermediary for other Directors. Available to discuss any concerns with shareholders that cannot be resolved through the normal channels of communication with the Chair or the Executive Directors.
Independent Non-Executive Directors	Responsible for bringing sound judgement and objectivity to the Board's deliberations and decision-making process. Constructively challenge and support the Executive Directors. Monitor the delivery of the strategy within the risk and control framework set by the Board.

Non-Executive Directors are encouraged to undertake visits to Drax operations and spend time with management and the workforce. This is designed to build and then maintain their knowledge of the developing business, and help them to understand the operational challenges. You can read more about this on page 98.

Directors' development and induction

To assist the Board in undertaking its responsibilities, a programme of training and development is available to all Directors. Training needs are assessed as part of the Board evaluation procedure.

Training includes presentations from management, and informal meetings, that help to develop an in depth understanding of the business and sectors in which we operate. Such training is intended to equip the Non-Executive Directors with insight into how the Drax approach compares with the practices of its peers.

All new Directors receive a comprehensive and tailored induction programme. It includes meetings with key managers, international site visits, briefings on key operational matters and training with external and internal providers on Board procedures and governance matters. Following his appointment in June 2024, Rob Shuter undertook an induction programme. There are more details in the Nomination Committee report on page 109.

Throughout 2024, the Directors also had access to the advice and services of the Group Company Secretary. Directors may take independent advice at the Company's expense, when they judge it necessary to discharge their responsibilities effectively. No such independent advice was sought in 2024.

Non-Executive Director independence

The Board has reviewed the independence of each Non-Executive Director. None of the Non-Executive Directors who served during 2024 had any material business or other relationship with the Group. In addition, there were no other matters likely to affect their independence of character and judgement. The Board recognises that, in view of the characteristics of independence set out in the Code, length of service is an important factor when considering the independence of Non-Executive Directors. Furthermore, Directors who have served more than nine years may not be considered independent. The Board considers all the Non-Executive Directors to be independent.

Diversity

The Board appreciates the value of diversity including gender, social and ethnic diversity, as well as cognitive ability and personal strengths. The Board approves the Board Diversity Policy which takes into account the above factors as well as FCA targets on gender and ethnic diversity. For more information, see the Nomination Committee report on page 109.

Terms of reference

The Board has a schedule of Matters Reserved for its decisions, and formal terms of reference for its Committees (which it reviews periodically). The terms of reference of the Committees of the Board are available to view on the Group's website at drax.com.

Matters not specifically reserved to the Board, and its Committees under their terms of reference, or to shareholders in General Meeting, are delegated. Delegation is to the Executive Committee, or otherwise in accordance with a schedule of delegated authorities. The most recent review of the Matters Reserved for the Board occurred in 2024 with approval of a new schedule at its meeting in December 2024.

Board attendance 2024

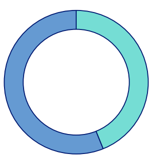
The table below shows the number of meetings held and the Directors' attendance during 2024.

Director	Date appointed as a Director and member of the Board	No. of scheduled meetings[1]	No. of meetings attended	% of meetings attended
John Baxter	17 April 2019	8	8	100%
Andrea Bertone	24 August 2023	8	8	100%
Will Gardiner	16 November 2015	8	8	100%
Nicola Hodson	12 January 2018	8	8	100%
Kim Keating	21 October 2021	8	8	100%
David Nussbaum	1 August 2017	8	8	100%
Erika Peterman	21 October 2021	8	8	100%
Rob Shuter[2]	11 June 2024	5	5	100%
Vanessa Simms[3]	19 June 2018	3	3	100%
Andy Skelton	2 January 2019	8	8	100%

Notes:
(1) The number of scheduled meetings that each individual was invited to attend.
(2) Rob Shuter joined the Board on 11 June 2024.
(3) Vanessa Simms stepped down from the Board on 18 June 2024.

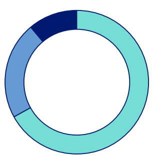
Board statistics (As at 31 December 2024)

Gender diversity (%)



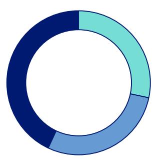
Female	44
Male	56

Composition (%)



Non-executive	67
Executive	22
Chair	11

NED tenure in years (%)



0-2	28.5
3-4	28.5
5+	43

Corporate Governance Report continued

Executive Committee

The focus of this committee is the Group's strategy, financial structure, planning, operational and financial performance, and governance framework. It also closely considers culture and diversity, succession planning and organisational development below Board level.

Group HSE Committee

Reviews and challenges the management of process and people safety, health, environment and wellbeing risks.

Sustainability Council

Provides Group-wide oversight and co-ordination of sustainability activities, governance, and reporting.

IT Board

Provides oversight and co-ordination of IT activities and strategy, information systems and security risk.

Operating Review Committees (Pellet Production, Generation, Core Services and Customers)

These committees review the operational and financial performance of the business units.

Ethics and Business Conduct Committee

Monitors ethical behaviour and practices across the business.

Financial Risk Management Committee

Provides oversight and challenges the effective management of all financial risks, including trading, commodity, treasury and currency.

Role of the Executive Committee

The Executive Committee focuses on the delivery of the Group's strategy, assessing the adequacy of the Group's financial structure, operational and financial performance, innovation, organisational development, and management of change. These activities are informed by engagement with the workforce and external stakeholders, including Governments, regulatory agencies, and NGOs. There are more details about such engagement on page 96.

The Executive Committee develops and considers policies and procedures that provide an effective framework for operating in line with required standards, laws and regulations. These policies and procedures include our Code of Conduct, Supplier Code of Conduct and Diversity and Inclusion Policy.

The Executive Committee considers business performance against the annual plan, and reviews progress in realising longer-term objectives. It receives reports on each of the business units, covering financial and non-financial metrics. The latter include matters affecting the safety and wellbeing of our workforce, which is the opening agenda item for each meeting.

In 2024, the Executive Committee completed an in-depth review of all nine Principal Risks; each of which is the responsibility of a member of the Executive Committee. You can read more about our principal risk processes on page 70.

The Executive Committee meets informally most weeks, in addition to holding eight monthly meetings. Where relevant to agenda items, Committee members receive briefing papers in advance of meetings. To support specific discussions, senior managers from within the business units also attend.

The Committee meets with management teams three times each year for deep dives into operational and financial performance matters. Typically, such meetings are held over the course of two days and allow for a more detailed review of key programmes and initiatives, to assess delivery against the Group's strategy.

Biographies of the Executive Committee members are available on the website drax.com.

Nomination Committee report

> Our people are our biggest asset and our focus remains on retaining and recruiting the best people to execute our strategy.

Andrea Bertone
Chair

Committee members

- Andrea Bertone (Chair)
- John Baxter
- Kim Keating
- David Nussbaum

Attending by invitation

CEO

Number of meetings held in 2024: Three

The Group Company Secretary is Secretary to the Committee.

Attendance in 2024[1]

Committee member	Date appointed a member	No. of scheduled meetings	No. of meetings attended	% of meetings attended
John Baxter	17 April 2019	3	3	100%
Andrea Bertone	24 August 2023	3	3	100%
Nicola Hodson[2]	12 January 2018	2	2	100%
Kim Keating	21 October 2021	3	3	100%
David Nussbaum	1 August 2017	3	3	100%
Erika Peterman[2]	21 October 2021	2	2	100%
Vanessa Simms[3]	19 June 2018	2	2	100%

(1) The table shows the scheduled meetings of the Committee within the ordinary annual cycle of the Committee's activities.
(2) Nicola Hodson and Erika Peterman served on the Committee until 1 July 2024.
(3) Vanessa Simms stepped down from the Board and the Committee on 18 June 2024.

Terms of reference
The Committee's terms of reference are reviewed annually, most recently in February 2025. The terms of reference are available on the Group's website at **www.drax.com/governance**

Role of the Committee

The Nomination Committee has responsibility for:

- Reviewing the Board's structure, size and composition (including requisite skills, diversity, knowledge and experience) so that it is effective in delivering the Group's strategic priorities and promoting long-term success of the Group
- Ensuring that a succession planning process is in place for the Board and executive management, including the identification of candidates based on merit and objective criteria, and taking into account the need for diversity with regards to gender, social and ethnic backgrounds, cognitive and personal strengths
- Undertaking a search and selection process for new Directors, taking advice from independent search consultants as appropriate
- Monitoring and challenging initiatives and progress in addressing diversity and inclusion

Nomination Committee activities since the last report

- Search for a new Non-Executive Director and Audit Committee Chair
- Recommendation for the renewal of appointments for Kim Keating and Erika Peterman
- Considered a report on succession planning at executive and senior management levels
- Provided input to the hiring of the new Chief Operating Officer position
- Developed the skills matrix and reviewed over-boarding

Nomination Committee report continued

Composition, succession and evaluation

Principles of the UK Corporate Governance Code	
J Appointments to the Board and succession planning **K** The skills, experience and knowledge of the Board and Committees **L** Board evaluation	The Nomination Committee comprises the Chair of the Board (who also chairs the Committee) and three independent Non-Executive Directors. All appointments to the Board are subject to a formal, rigorous and transparent process, and all new Directors undergo a thorough induction programme. Each year the Nomination Committee reviews the Group's succession plan, identifying colleagues who have the potential to progress to more senior roles in one to five years. Based on merit and objective criteria, the review focuses on various aspects such as technical skills, experience, behaviours, attitudes and diversity. This ensures the business has the right leaders in place to deliver our purpose and strategy. The most recent review, conducted in December 2024, also assessed the capabilities required to support progress in delivering the breadth of projects across key functions of the Group. All directors seek re-election at (or following their initial appointment to the board, election at) the Annual General Meeting. An internal performance evaluation of the Board and its Committees was conducted in 2024. The most recent external review was in 2022.

Introduction

I am pleased to present the Nomination Committee Report for the year ended 31 December 2024.

I joined the Board in 2023 and assumed the role of Chair of the Board and of the Nomination Committee on 1 January 2024.

Through the people I meet at Drax, I continue to see the passion and pride that employees have in doing what is right in supporting each other and the communities in which we work to deliver positive outcomes for nature, people and the climate. As explained by Will on pages 12 to 17, Drax's business combines ambitious plans for growth with a need for continued focus on realising our existing obligations and business objectives. The combination of operational excellence and transformation requires people with talent, personal commitment and experience working with us. We are proud of the contribution which all our people in Drax make and, as we grow, we must both retain our colleagues and also attract new talent – people who will also make their contribution to the future of Drax. The work of the Nomination Committee forms an important part of assessing how these requirements are met.

A key activity for Nomination Committee members in 2024 related to the retirement of Vanessa Simms, Non-Executive Director and Audit Committee Chair, after six successful years at Drax. On behalf of the Board, I wish to thank Vanessa for her commitment in both positions which she undertook with professionalism and distinction. Following a comprehensive selection process, we were pleased to welcome Rob Shuter who joined us in June 2024. More information about the search process for Rob and his induction can be found below.

During 2024 we reviewed the development of talent within our senior leadership team and were kept informed on the recruitment processes for Executive Committee roles. In February 2024, Laurie Fitzmaurice joined as President of Global BECCS – a newly created position to further our strategic aim to become a global leader in carbon removals. In September 2024, we announced the creation of Elimini, our new carbon removals business, of which Laurie is now President.

In August 2024, Lee Dawes joined as the Chief Operations Officer (COO). Lee replaced Penny Small who stepped down as interim COO in August 2024. The brief to the search firm was for a diverse long- and short-list. I was kept up to date with the progress of the search due to its strategic importance in the business and John Baxter, Kim Keating, and I each met with Lee during the search process. Since joining, Lee has visited many of the Drax sites, meeting with colleagues from across the Group. Feedback from the workforce through the My Voice Forums has been positive, and they are excited to learn of his plans on how the Group will execute its strategies for generation and capital projects.

In December 2024 two of our valued senior leaders announced their plans to leave the Company. Andy Skelton, our CFO, informed the Company of his intention to retire from the Board and leave the Company following six successful years with us. Andy will remain as CFO until a successor is in place on the understanding a recruitment process to identify Andy's successor has commenced. In December our Chief HR Officer, Karen McKeever also announced her decision to leave the Company in 2025 after nearly five years with the Company and she will remain with us until a new appointee is identified. We will provide more information on the search process for both roles in the 2025 Committee Report.

During 2024 I undertook a review of the membership of the Audit, Nomination, and Remuneration Committees. A proposal was discussed at the Board meeting in June 2024, and the changes to the memberships of these Committees took effect from 1 July 2024. You can find details of the changes in the respective Committee reports.

Skills and availability

The main focus of the Committee is examining the skills, knowledge and experience of Board Directors and ensuring that the Company has the appropriate leadership in place to deliver its long-term strategy. During the year the Committee commenced a skills matrix review which captures the skills across our Board. The Committee is satisfied that Directors have the right balance of skills, experience and diversity across key areas such as knowledge of the energy market, government policy, diversity, sustainability, digital, clean energy, M&A, large capital projects, culture and safety. These skills provide for an environment that encourages thoughtful deliberations, constructive, challenging and insightful Board and Committee discussions.

Time Commitments

During 2024 the Committee also assessed Directors' external commitments. Whilst active external experience is recognised as having value for market context and current best practice, the Committee recognises that Directors should not

The search for a new Audit Chair

Prior to conclusion of her second three-year term, Vanessa Simms indicated she was considering standing down and we initiated a search for a replacement. The search process was led by me with the assistance of search firm Lygon. Lygon have successfully assisted us with previous leadership level searches and were chosen for their global network and stated advocacy for diversity, in all its forms, and are accredited by the FTSE Women Leaders Review for promoting diversity in the makeup of boards. The role criteria was drafted with consideration of the Board's current mix of skills and experience. The criteria also highlighted our values and strategy and set out the time commitment expected from Directors.

Possible candidates were identified and met with executive management. Following a series of discussions, a final determination was reached. Rob Shuter was subsequently offered the role and appointed to the Board on 11 June 2024. Rob brings a wealth of complex financial, regulatory, and strategic experience gained from over 30 years' in the telecommunications and financial services sectors. He has operated as both a Group CEO and Group CFO in listed company environments and his experience in capital allocation, risk, finance, and M&A is invaluable in his role as Chair of the Audit Committee.

Rob's induction was tailored to his specific needs by the Group Company Secretary, working with me. A detailed information pack was provided to Rob containing relevant company information. As part of his induction, Rob spent time with both Will Gardiner, CEO, and Andy Skelton, CFO. Rob also met with external advisors Slaughter & May and the Group General Counsel to discuss the legal environment in which Drax operates and recent legal matters; outgoing auditors (Deloitte) and incoming auditors (PwC), to discuss the audit, the auditor's views on the Group's financial reporting and related controls and processes; the Company's brokers, RBC and JP Morgan, to discuss performance, stakeholders, and strategy; and with senior managers from compliance, finance, tax, and investor relations.

Andrea Bertone
Chair

assume commitments which risk impacting their ability to effectively fulfil their role as a director at Drax. The Committee is attentive to such matters and is comfortable that Directors are operating within the guidelines set by the UK Corporate Governance Code, general industry standards for company appointments as well as our own expectations of the demands of their role in supporting Drax.

Succession planning

The Nomination Committee has a regular programme to ensure that orderly succession planning is being considered both for the Board and Committees and also at senior leadership levels. This includes the identification of candidates based on merit and objective criteria, and which takes into account the need for diversity with regards to gender, social and ethnic backgrounds, cognitive and personal strengths.

The annual reviews include identifying colleagues with the potential to progress into more senior roles, across a timeframe of one to five years and incorporates factors such as technical skills, experience, behaviours and attitudes.

In 2023, the business recognised the need for a COO and Penny Small, who had served first as Group Transformation Officer and then Group Generation Director, agreed to accept the role of interim COO whilst a permanent COO was recruited. Following a recruitment process, Lee Dawes was appointed as COO in August 2024. With the ongoing capital investment programme and the importance of managing the performance of our assets, Lee's role will be pivotal to deliver our strategy and enable greater collaboration, co-ordination and efficiency.

In 2024, our first Strategic Workforce Plan was drafted which identified the future critical skills required to achieve our strategy and provided a roadmap of activity to 2027 to close the skills gap, which is now underway.

Our management team identified the broader organisational capability requirements (the processes and systems required alongside people and skills) and presented these to the Board in October 2024 with next steps agreed to build out combined, detailed plans.

Diversity and Inclusion

We recognise the importance of diversity at Board and Committee level and throughout the Drax Group. Diversity of background, skills, thought and perspective, as well as gender and ethnic diversity, are important to providing an appropriate breadth of insights, debate and challenge, ultimately contributing to more effective decision-making and good governance.

The Board and its Committees have a Board Diversity Policy which is reviewed and updated annually. The policy informs the Directors in enabling a rounded Board and Committee structure, comprised of talented and dedicated directors with a diverse mix of expertise, experience, skills and backgrounds, that reflect the business environments in which the Group operates. The policy reflects the FCA Board diversity targets as well as the recommendations by the FTSE Women Leaders Review and the Parker Review. More information on the skills and backgrounds of the Company's Directors that contribute to the formulation of the Group's strategy can be found on pages 93 to 95.

How the Board meets the FCA's Board diversity targets is set out below. In collecting the data to measure progress against the three targets, Board Directors were asked to self-report against ethnicity categories as defined by the Office for National Statistics.

1. **At least 40% of the Board should be women.**

   Met: As at 31 December 2024, 44% of the Board were women.

2. **At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID) should be a woman.**

   Met with effect from 1 January 2024 when Andrea Bertone became Chair.

3. **At least one member of the Board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).**

   Met: The Board has one Director from an ethnic minority background.

Nomination Committee report continued

Sex/gender representation on the Board and Executive Management

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	56%	3	6	67%
Women	4	44%	1	3	33%
Other categories	0	0%	0	0	0%
Not specified/prefer not to say	0	0%	0	0	0%

Ethnicity representation on the Board and Executive Management

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority white groups)	7	78%	3	9	100%
Mixed/Multiple Ethnic Groups	0	0%	0	0	0%
Asian/Asian British	0	0%	0	0	0%
Black/African/Caribbean/Black British	1	11%	0	0	0%
Other ethnic group	0	0%	0	0	0%
Not specified/prefer not to say	1	11%	1	0	0%

Diversity

We explain our work promoting diversity on page 52. The table below shows the gender and ethnicity representation on the Board, and in the wider workforce, as at 31 December 2024.

Gender diversity of the Board and wider workforce

	Male		Female		Total	
Gender	No.	%	No.	%	No.	%
Board members	5	56	4	44	9	100
Senior managers[(1)]	45	64	25	36	70	100
All employees[(2)]	2,273	72	900	28	3,173	100
Total	**2,321**[(3)]	**71**	**929**	**29**	**3,250**	**100**

(1) Direct reports of the Board (i.e. Executive Committee), their reports (not including PA's and equivalent) and subsidiary entity directors.
(2) Excluding Board members and senior managers.
(3) Two Executive Directors are also members of the Executive Committee ("Senior Management"). They are included in both sets of figures to ensure the correct diversity is reflected, but have been removed from the total to ensure the correct headcount is reflected.

In accordance with Parker Review guidance, during 2024 we set a target of 5% of senior management positions globally to be occupied by ethnic minority executives by 2027.

Board and Committee evaluation

The Board conducts an annual performance evaluation, ensures there are ongoing Board development activities, and provides a comprehensive induction for new Board members.

The most recent externally facilitated evaluation of the Board and its Committees was conducted by Board Alchemy in 2022 and those for each of 2023 and 2024 were internal evaluations. The next externally facilitated evaluation will take place in 2025. The most recent review was supported by a questionnaire with sections including culture and values, enabling Board decisions, sustainability, governance, advisors, Board skills and engagement with stakeholders.

Feedback on the performance of the Chair was requested and each of the Committees were included for comment by Committee members and the wider Directors.

The Board concluded that it continues to operate effectively, with strong leadership from the Chair and the respective Committee chairs, open and transparent discussions, and an effective relationship between the Board and management.

Examples of areas with recommendations for improvement included enhancing the succession planning process, the development of a pipeline of leaders from under-represented groups globally, and further focus and training on cyber security.

Following the Board meeting the Chair discussed feedback with Directors and their performance. The Senior Independent Director also met with directors individually to discuss the performance of the Chair.

A summary of the key recommendations from the 2023 Board and Committee evaluations, and how we acted upon them during 2024, is provided below:

	2023 internal recommendation	Action taken during 2024
1.	Additional information and/or training on Task Force on Climate-related Financial Disclosures was requested, including clarification on how the reporting impacts Drax.	A detailed update on TCFD was provided to the Board in July 2024. A review of wider ESG matters was also provided to the Board in June 2024.
2.	Board training on matters relating to BECCS was requested.	In March 2024, the Board visited Drax Power Station and received an update on the BECCS project, and at the September Board meeting, the Board received a detailed update on the Bridging Mechanism and Trading and Optimisation.
3.	Following the highlighted requests for improvements and a better understanding of stakeholder views on sustainability matters, increased systematic reporting on stakeholder interactions/feedback was requested.	The business has increased the number of formal Board presentations on the subject from once a year to twice a year. The CEO report at each Board meeting also includes updates on relevant stakeholder matters.
4.	Review the services of the Remuneration Committee adviser.	In 2024 the Remuneration Committee conducted a review of the Committee's adviser, resulting in the appointment of Deloitte LLP as new advisers.

Non-Executive Director re-appointment

Under the Board's policy, Non-Executive Directors are appointed for an initial term of three years, which can be renewed by mutual agreement. The Board must be satisfied with the Director's performance and commitment, in order to recommend that each Director be put forward for re-election at each annual general meeting. The Board will not normally extend the aggregate period of service of any independent Non-Executive Director beyond nine years. Also, the Board will review any proposal to extend a Non-Executive Director's aggregate period of office beyond six years.

In 2024, the Board considered the re-appointment of Kim Keating and Erika Peterman, each for a second term of three years. The Board considered their skills and contribution, together with the feedback from the evaluations of the Board and Committees. On the recommendation of the Committee, the Board approved the re-appointment of Kim Keating and Erika Peterman. The biographies and areas of experience of Kim and Erika can be found on page 95. Both Kim and Erika will stand for re-election at the next Annual General Meeting.

Renewal and re-election

Any newly appointed Director may hold office until the first AGM following their appointment. At that meeting, they must submit themselves for election by shareholders.

In accordance with the Company's Articles of Association, and in line with the recommendations of the Code, each of the Directors will retire annually and offer themselves for re-election by shareholders at the AGM. The evaluation and review of the Board and its Committees, described above, concluded that each Director continues to demonstrate commitment, management and business expertise in their particular role. They continue to perform effectively.

Accordingly, Andrea Bertone, John Baxter, Will Gardiner, Nicola Hodson, Kim Keating, David Nussbaum, Erika Peterman, and Andy Skelton will all retire at the forthcoming AGM. Being eligible, they will offer themselves for re-election. Rob Shuter, having joined the Board since the last AGM, will be seeking election by shareholders at the forthcoming AGM.

The Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection (by prior arrangement) during normal business hours at the Company's registered office. They will also be available for inspection at the venue of the AGM, before that meeting takes place. Details are contained in the Notice of Meeting.

During the year, I met regularly with the Non-Executive Directors in the absence of the Executive Directors. Separately, the Senior Independent Director held a meeting with the Non-Executive Directors without me being present, as required by Provision 12 of the UK Corporate Governance Code.

This report was reviewed and approved by the Nomination Committee.

Andrea Bertone
Chair of the Nomination Committee
26 February 2025

Audit Committee report

"The Committee continues to provide critical oversight and challenge over the efficacy of governance and how that supports the delivery of the strategy.

Rob Shuter
Chair

Committee members

- Rob Shuter (Chair)
- John Baxter
- Nicola Hodson
- David Nussbaum
- Erika Peterman

The Board is satisfied that the Committee's membership has the appropriate level of independence, skills, and recent and relevant financial experience. Rob Shuter is a chartered accountant (South Africa) and has been a CFO in listed company environments. His experience in capital allocation, risk, finance, and M&A is highly complementary to the activities of the Group and in the performance of his role as Chair of the Audit Committee. David Nussbaum is a chartered accountant who has served in several senior financial roles. Details of the skills and experience of the Committee members can be found on pages 93 to 95.

Attending by invitation

Chair of the Board, CEO, CFO, Group Financial Controller, internal auditor (KPMG), external auditor (PwC), Group General Counsel, and others as required. The Group Company Secretary is Secretary to the Committee.

Number of meetings held in 2024: Four

In addition to the meetings mentioned in the table below, Vanessa and Rob each attended several planning meetings with management in advance to discuss key agenda items, plan for papers and ensure that expectations were satisfactorily reflected in the matters discussed and explained. During the year Rob met with the external and internal auditors to discuss planning for future work, responses to recommended actions from previous reports, and other specific items as required.

Attendance in 2024

Committee member	Date appointed a member	No. of scheduled meetings	No. of meetings attended	% of meetings attended
John Baxter(1)	1 July 2024	2	2	100%
Nicola Hodson	12 January 2018	4	3	75%
David Nussbaum	1 August 2017	4	4	100%
Erika Peterman	21 October 2021	4	4	100%
Rob Shuter(2)	11 June 2024	2	2	100%
Vanessa Simms(3)	19 June 2018	2	2	100%

Role of the Committee

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities in respect of financial reporting, internal control, and risk. This includes undertaking the following:

- Monitoring the integrity of the Consolidated financial statements and other information provided to shareholders
- Reviewing significant financial reporting matters and judgements contained in the Consolidated financial statements, including application of accounting policies, and inviting challenge from the external auditor on the approach taken
- Advising the Board on whether the Committee believes the Annual report and accounts and other periodic financial reporting are fair, balanced and understandable
- Reviewing the systems of risk management and internal control, including consideration of emerging risks
- Supporting the Board in establishing a culture of honesty and ethical behaviour, including oversight of whistleblowing and Speak Up procedures, fraud, risk, and controls
- Assessing the requirement for, and reviewing the outputs from, independent external assurance and verification
- Maintaining an appropriate relationship with the Group's external auditor and reviewing the effectiveness and objectivity of the external audit process
- Maintaining and monitoring the non-audit services policy to ensure the external auditor's ongoing independence and objectivity
- Making recommendations to the Board (to put to shareholders for approval) regarding the appointment of the external auditor
- Monitoring and reviewing the effectiveness of the internal audit function

(1) John Baxter joined the Committee on 1 July 2024.
(2) Rob Shuter was appointed to the Board and Committee on 11 June 2024.
(3) Vanessa Simms stepped down from the Board on 18 June 2024.

Audit, risk and internal control

Principles of the UK Corporate Governance Code

M
The effectiveness of internal and external audit functions

N
Fair, balanced and understandable assessment

O
Risk management and internal control

The Audit Committee comprises five independent Non-Executive Directors. The Committee Chair was considered independent on appointment in that role, and has recent and relevant financial experience.

The Audit Committee provides oversight and challenge of the Group's financial statements to ensure they provide a fair, balanced and understandable assessment of the Group's financial position and performance.

The Board sets the appetite for the nature and extent of the Principal Risks the Group is willing to take to achieve its long-term strategic objectives, and the Audit Committee oversees the risk management and internal control framework and processes to ensure they are effective. Details of the approach to risk management, the process controls and principal risks, together with mitigation strategies, appear on pages 70 to 83.

Introduction

Dear shareholders,

On behalf of the Audit Committee, I am pleased to present our report for the 2024 financial year, and my first report as Chair of the Committee, following my appointment in June 2024, coinciding with Vanessa Simms standing down on the conclusion of her second term of three years. I want to start by thanking Vanessa for her work over the past five years as Chair of the Committee, which saw significant change at Drax and increasing complexity in its operations. Vanessa provided strong leadership, bringing to bear not only her knowledge and experience but challenge and guidance that contributed to strong controls, governance and reporting.

This report reflects on the work of the Committee during 2024 to continue to provide critical oversight and challenge over the efficacy of governance and how that supports the delivery of the strategy. It outlines the primary areas of focus, consistent with fulfilling the Committee's obligations, and should be read in conjunction with the section on our compliance with the UK Corporate Governance Code on pages 88 to 106, Principal Risks and Uncertainties on pages 70 to 83, and our Viability Statement on pages 84 to 85, in addition to the Financial Statements.

The Committee regularly reviews and considers the effectiveness of the Group's internal controls, which includes cyber risk assessment and mitigation activities.

Throughout 2024, the Committee monitored risks and their potential impact on the Group's strategy and viability, such as political uncertainty, biomass acceptability, challenges in the global pellet supply market, and support for BECCS. This included the assessment of emerging risks, particularly as the Group expands operationally and geographically, including our plans for growth in the US, supported by both our established sustainable pellets business and Elimini, our new US-based business with its ambition to be a leader in carbon removals.

The Committee continued to evaluate the appropriateness of controls and mitigation activities in responding to these challenges. You can read more about this throughout this report and in the sections on Principal Risks and Uncertainties and the Viability Statement.

There was a continued focus on compliance in 2024. The Committee assessed the robustness of the Group's compliance control environment, and reviewed progress on the programme of work to design and implement an updated Group-wide compliance framework. During 2024, the Committee reviewed progress on management's actions, including: the processes being followed; the audit trail being maintained; data collection and reporting; risk assessments; the internal scrutiny being applied to external reporting before it is issued; and the action plan for next steps to be taken in 2025.

The Group continues to strengthen its overall risk management and internal controls around regulation and compliance. The Committee received regular updates on the assurance processes and controls associated with a sustainable business model incorporating financial, operational, and regulatory considerations. The Committee noted the closure of Ofgem's investigation into the Group's profiling data – see the CEO Report on page 17 for more information. Drax was supported by KPMG in responding to Ofgem's investigation, and Ofgem were provided copies of KPMG's reports. Ofgem's investigation did not find any evidence to suggest that Drax has been issued with ROCs incorrectly. Ofgem identified process gaps in relation to two aspects of its profiling data for Canada for the period April 2021 to March 2022. The Committee is monitoring progress against Drax's commitment to continued development and improvement of its activities and overall reporting.

Audit Committee report continued

The Committee also considered updates on the sustainability audit programme, an ongoing, multi-year project to enhance sustainability-related data governance and reporting.

As part of the continued focus on the importance of compliance within our business, compliance-related KPIs were adopted into the Group Scorecard in 2024.

In common with many other businesses, Drax faces evolving cyber security threats. During discussions with management, the Committee and Board provided challenge on the risk assessment, adequacy of prevailing systems, investment, and internal controls, as well as making clear their support for implementing enhancements where deemed necessary.

Following the disclosure in 2024 that as at 31 December 2023 Drax Power Station had not fully achieved the required minimum standards as defined in the Network and Information Systems (NIS) Regulations (Basic Profile), in April 2024 Drax achieved the required minimum standards. During 2024, management developed a further programme in order to meet the NIS Enhanced Profile by 2027. The design of this programme had been subject to an Operational Technology internal audit as discussed further below. The Committee provides oversight of progress and challenge on this important project.

The Committee also considered the refinancing of the Group's debt, which was undertaken in 2024, and the associated accounting and disclosure impacts. More information can be found on page 217.

In preparation for changes under the Corporate Governance Code, for financial years starting 1 January 2026, and the requirement for Boards to make a declaration as to the effectiveness of material internal controls, the Committee received regular updates from both management and the internal auditor on the latest developments in this area and discussed management's progress in responding to the changes. We continue to expect the Group will be able to report according to the new requirements, which will be applicable for the first time for the 2026 financial year.

The Committee seeks to ensure transparent, robust, and accurate external reporting that covers financial and operational performance, future prospects, and the wider business controls required for the day-to-day conduct of the business. The Committee assesses whether stakeholders can gain a fair and balanced understanding of how the Group is performing, its underlying resilience, and the effectiveness of the governance and controls applied. Through these assessments, as well as receiving reports from external experts, the Committee also considers how the Group's reporting meets expected standards.

We were pleased to advise the Board that the Committee believed the 2024 Annual report and accounts were fair, balanced, and understandable, and that the Directors have provided the necessary information for our shareholders to assess the Company's and the Group's position, prospects, business model, and strategy. The review process is described in further detail on page 122.

During 2024, the Committee considered the sale of the small and medium-sized enterprise (SME) customer meter points from Opus Energy to EDF Energy. The Committee assessed the appropriate accounting treatment, including management's assessment of the impairment on disposal, and the explanation of the transaction. You can find more information in note 2.7 to the Consolidated financial statements.

At the 2024 AGM, shareholders approved the appointment of PricewaterhouseCoopers LLP (PwC) as the Group's external auditor for the financial year ended 31 December 2024. During 2024, the Committee and management oversaw the transition from Deloitte LLP (our former auditor) to PwC. During the year, Vanessa Simms, Andy Skelton and I met with lead partners from both firms to ensure that there was a smooth handover. We would like to thank Deloitte for the service given to the Group over many years. We are satisfied with the way the change has been managed as well as the level of engagement by PwC through the handover, and into the commencement of their work.

As Chair of the Committee, I report to the Board on the Committee's activities and considerations following each meeting. I hold regular meetings with the CFO, external auditor, and internal auditor, separate from the formal meetings of the Committee. I also attend planning meetings with those preparing for forthcoming Committee meetings, to discuss relevant papers and key matters.

Committee members have access to the services of the CFO and the Group Company Secretary, and the resources of their teams, as well as access to external professional advice as necessary.

I am pleased to confirm that the Committee has reviewed the FRC's Audit Committees and the External Audit: Minimum Standard during the financial year, and believes that there are no areas of non-compliance in respect of 2024.

The Committee allows time at each meeting for members to discuss salient matters in the absence of management or advisers. In addition, the Committee meets both the external auditor and the internal auditor without management present.

The Committee's understanding with both the external and internal auditor is that, if they should at any time become aware of any matter giving them material concern, they are able to promptly draw it to the Committee's attention via the Chair of the Committee. No such issues were raised during 2024.

I would like to thank the members of the Committee, the management team, PwC, and KPMG for their continued support and commitment throughout the year. I value the open discussions that take place at our meetings and the contribution they all provide in support of the Committee's work.

This report was reviewed and approved by the Audit Committee.

Rob Shuter
Chair of the Audit Committee
26 February 2025

Review of Committee effectiveness

In line with the FRC's Guidance on Committees, the effectiveness of the Audit Committee is considered annually. For 2024, this took the form of an internal review (see page 110 for further details). The review concluded that the Audit Committee continued to function effectively.

Meetings are well chaired; there is good engagement between Committee members; and there are positive relationships with management and both the external auditor and the internal auditor. High-quality papers are produced to support the meetings and Committee members have fed back positively on the information they receive. An externally-led review is scheduled for 2025.

Committee activities in 2024

The Committee follows a programme of work designed to ensure that sound risk management processes, a robust system of internal control, and fair and balanced external reporting are all in place. In addition, where relevant to activities in the Group or to reflect changes in applicable regulations or external conditions, agenda items are incorporated to ensure members of the Committee have the opportunity to consider and contribute to an analysis of material issues. The main areas of work undertaken by the Committee during 2024 at its routinely scheduled meetings are set out in the table below.

As part of his induction, Rob Shuter reviewed the schedule of activities and certain changes were made to the schedule to reflect his feedback. The schedule is included within the regular Committee meeting papers to assess the timing of topics being considered.

February	April	July	December
Item under review			
– The 2023 year-end review of key financial and reporting matters – An update on going concern and viability – Final report from Deloitte on its 2023 audit findings – The 2023 Annual report and accounts and preliminary results announcement – The verification process undertaken to support the 2023 Annual report and accounts – An update on the effectiveness of risk management and internal controls – An update on the compliance assurance plan – Year-end principal risk review, including ongoing risks and mitigations – An update on whistleblowing – Summary of internal audit reviews for the period and outstanding actions, and the final internal audit plan for 2024	– Management update on key financial and reporting matters – Deloitte's management letter for the 2023 audit, and management responses – An update on the effectiveness of risk management and internal controls – An update on the HSE internal audit – An update on the Group assurance map – An update on the compliance action plan – An update on risk management and internal controls around health, safety and environment – An update on whistleblowing – Summary of internal audit reviews for the period and outstanding actions – A review of the effectiveness of the 2023 external audit process – Senior Accounting Officer reporting to HMRC – An update on the Group tax strategy	– The 2024 interim review of key financial and reporting matters – PwC presented the 2024 audit plan – PwC's report on its half-year review – The 2024 Half-Year Report announcement – An update on the effectiveness of risk management and internal controls – An update from the Ethics and Business Conduct Committee – An update on the risk management and internal controls around regulation and compliance, including sustainability – An update on cyber security, including scenario testing – An update on internal controls around sustainability data, plus external review – An update on whistleblowing – Summary of internal audit reviews for the period and outstanding actions	– Management update on key financial and reporting matters affecting 2024 – Plan and timetable for the 2024 Annual report and accounts – Year-end planning report from PwC – Summary of internal audit reviews for the period, outstanding actions, and the proposed plan for 2025 – An update on the effectiveness of risk management and internal controls during the period – An update on the compliance action plan – An update on the HSE assurance programme – An update on the Group assurance map – A review of the Group's Principal Risks – An update on sustainability reporting and assurance for the 2024 Annual report and accounts – A deep-dive review of regulatory reporting and controls, including sustainability – An update on whistleblowing – The effectiveness of the internal audit process – The Audit Committee's terms of reference and Auditor Independence Policy – Audit Committee and external audit minimum standard assessment was also presented

Audit Committee report continued

Reviewing the effectiveness of the system of risk management and internal controls

The Committee received updates on the Group's risk management and internal control environment and reviewed the findings of internal audit reports at each of its four meetings during 2024. There was continued focus on compliance, Health, Safety and Environment (HSE), and on both political and geopolitical risks, reflecting a combination of elections – notably in the UK and US – in addition to continued instability in certain regions, including the Middle East and Ukraine.

Given the industry in which the business operates, the Group is subject to a large number of regulations, which are complex, broad ranging in nature, and the subject of intensifying scrutiny. Management has responded to these matters.

At all four meetings during 2024, the Committee considered the robustness of the Group's compliance control environment and reviewed progress on the programme of work to design and implement an updated Group-wide Compliance Framework.

This has included a detailed mapping exercise of the Group's compliance obligations. Work will continue into 2025 to fully embed the framework and systemise this as far as possible. The Committee agreed that this will help to bring consistency to the processes and controls we employ, whilst also enabling these to be adapted to reflect changes in compliance and control requirements.

In both July and December 2024, the Committee considered the political risks facing the Group – having noted in the 2023 Annual report and accounts that this was heightened due to UK and US elections in 2024. The Committee discussed how these may have a bearing on differing aspects of the Group's business and challenged management on their plans to address the resulting risks such as potential political uncertainty and the evolving focus on the climate change agenda. It was agreed that appropriate controls are in place to monitor and report on these risks.

At its December 2024 meeting, the Committee recognised that wider geopolitical uncertainty remained a matter of concern, with the conflicts in Ukraine and the Middle East impacting people, international relations and trade. Potential impacts for the Group included market volatility, supply chain disruption, and pricing pressures. At the date of concluding this report, the Committee was satisfied that management had suitably considered the respective risks to the Group, and that appropriate controls are in place to monitor and report on these risks internally. It was also assessed that the risks were being appropriately reported on within the Annual report and accounts. For more information Principal Risks and Uncertainties on page 70.

At the July 2024 Committee meeting, consideration was given to the potential impact of the sale of a significant proportion of the Group's small and medium-sized enterprise customer meter points to EDF Energy, noting that the transaction was expected to give rise to a significant reduction in headcount following a redundancy consultation process. Management undertook a review of impacted controls to ensure they continued to be operated effectively, and also considered whether an inherent increase in fraud risk required further strengthening of controls, for example around system access and data filtration.

The Committee also dedicated time in 2024 to reviewing the trading and commodity risks facing the business, and analysed the key commodity movements that could have an impact on the Group's operational cash flows. The implications of fluctuations in these commodities were considered both before and after the impact of the Group's current forward hedges, to assess the likely efficacy of the mitigations in place. The Committee was satisfied that the Group's approach to managing its exposures, as outlined in the associated policies and procedures and based on the modelling and analysis provided by management was an appropriate response to the identified risks, in line with the Group's Board-defined risk appetite. This analysis also formed part of the broader viability assessment, discussed in more detail on page 84.

The Committee also works with the Group's internal auditor to assess the overall system of risk management and internal control.

The annual internal audit plan is designed taking account of challenge and feedback from the Committee and wider management, and focuses on key areas of risk for the Group. The appointment of an outsourced internal auditor provides the Committee with an additional external perspective on whether the key controls designed to mitigate these risks remain effective. Where appropriate, the internal auditor provides recommendations to improve the systems of risk management and internal control. Further detail on the role of the internal auditor is provided on page 124.

In February 2024, the Committee approved a proposal for the Group's internal auditor to perform a one-off implementation review of the Group HSE management system issued in 2023. This recognised the importance of not only maintaining a robust set of central Group policies, but also ensuring that they are effectively embedded within each business unit's operating procedures. The findings arising from this review were evaluated by the Committee in December 2024, noting that central Group HSE documentation was found to be up to date and comprehensive, but that better accountability, training and monitoring of wider implementation were required. Gaps were identified in the extent to which Group HSE requirements were documented within business unit procedures.

Management presented a programme of work to address these findings as a matter of priority to the Committee in December 2024. An update was provided by management to the Committee in February 2025 confirming that remediation activity had been undertaken for medium and high priority findings. The Committee noted the progress made to manage the underlying risk, and the timely manner in which it had been undertaken, and requested further updates associated with embedding the changes.

The Committee requested the Group's internal auditor undertake an Operational Technology review as part of its 2024 internal audit plan. This review considered the business's approach to meeting the Network and Information Systems Enhanced Profile by 2027 which is mandatory for operators of essential services such as Drax.

Alongside the expert support provided by the Group's internal auditor, management is required to perform a regular self-assessment and review of risk management and internal control activities covering the Group's Principal Risks.

Control owners provide an assessment on the operation of key controls at least twice annually, and report on any gaps or control failures identified. These responses are then reviewed by the second line Group Risk team, and the assessments of control operation and effectiveness are periodically challenged and validated to supporting evidence. The outputs from the assessment are reported to the Committee at each meeting. At the meeting held in December 2024, this included communication of the fact that incomplete or inaccurate supplier data was in some instances delaying due diligence procedures. It was agreed that resource should be dedicated to remediate this control ineffectiveness as a priority.

The second line review is undertaken in the context of broader changes in both the underlying risks and the environment in which the Group is operating, and considers whether prevailing controls remain appropriate and sufficient. To support this, the Committee annually reviews a detailed assurance map for the Group, covering each of the Principal Risks. The assurance map summarises the controls and assurance in place across the different lines of defence, as outlined on page 71. It also provides management's assessment of whether the level of control and assurance is appropriate, and highlights ongoing work to address any opportunities for enhancement.

Having reviewed the latest assurance map at its meeting in December 2024, the Committee was satisfied that there were no significant gaps in the levels of assurance. Progress made during 2024 included the introduction of a Political Engagement Register and respective training for those authorised to undertake political engagement, enhancing prevailing practices and the establishment of a framework of key human resources-related controls for self-assessment and verification to supporting evidence.

The Committee considered and approved a series of management actions to be implemented during 2025, including the establishment of Elimini-specific governance where it is felt the respective Group policies and processes are not relevant, and to formalise the Group's compliance governance structure, including a dedicated second line function. Additional detail on the Group's Principal Risks and key mitigations can be found on page 70.

Changes to the Corporate Governance Code were announced in 2024, which will require Boards to make a declaration in relation to the effectiveness of material internal controls. This will apply to the Group from the financial year beginning 1 January 2026 onwards. In December 2024, management presented an updated roadmap to the Committee setting out the key actions required in advance of the first internal control declaration to be made in relation to the 2026 year end, and a proposed definition of 'material' to be applied in identifying which controls fall into the scope of the declaration.

The 'business as usual' operating model for maintaining and governing the Group's framework of material controls beyond 31 December 2026 was also presented to the Committee along with a proposed plan of internal and external assurance to be obtained over the design and operation of the Group's material controls.

Progress against this roadmap during 2024 was discussed with the Committee, including the formalisation of a library of Entity Level Controls and an initial mapping exercise of those controls considered to be material to the Group's operations, compliance, and reporting. The key milestones to be achieved during 2025 were also considered by the Committee, including an initial dry run of assurance intended to support the internal control declaration, the development of a controls policy, and further training of control owners.

Following its review, the Committee approved the proposed materiality definition and agreed with management's plans and the proposed levels of assurance. It was confirmed that quarterly updates would continue to be provided to the Committee on the progress made and any divergence from the roadmap.

The Committee routinely considers information arising from internal 'Speak Up' and whistleblowing reports. It discusses with management the scope of investigations, providing feedback and, where relevant, challenge on the appropriateness of the steps being taken in response. The Committee seeks to understand how matters identified in incidents inform training for colleagues to address findings that effect positive change, and how actions by management can improve culture within the Group's operations. An explanation of the Group's whistleblowing programme can be found on page 53. The Board was also separately updated on responses to such reports.

The Committee reviews and discusses findings and action points arising from each of the internal and external reviews that are performed, to assess whether improvement plans are suitably robust and have appropriate delivery targets. None of the findings discussed during 2024 were considered individually or collectively to have materially impacted the financial performance, results or operations of the business. Taking this into account, The Committee was satisfied that the overall systems of risk management and internal control have continued to operate effectively.

Reviewing key judgements and financial reporting matters

Explanations of all the Group's material accounting policies, critical accounting judgements, areas of significant estimation uncertainty and other material financial reporting matters are set out in the notes to the Consolidated financial statements. The Committee reviewed these aspects of the Consolidated financial statements, with a particular focus on the areas it deemed the most complex or subjective, as highlighted in the table below.

In addition, the Committee considered how these matters are disclosed within the Annual report and accounts, to ensure that appropriate context and explanation are provided.

At each of its meetings, the Committee receives a Financial Reporting and Accounting Update from management, covering any key changes in the period, as well as emerging issues.

These papers also incorporate any relevant updated guidance or clarifications issued by bodies such as the Financial Reporting Council (FRC) or Financial Conduct Authority (FCA), and management's assessment of the impact on the Group and the timing of any planned actions in response. These updates are discussed with the external auditor in advance of the Committee meetings, ensuring that they have the opportunity to consider and provide their own views on the matters raised. This includes highlighting alternative approaches or accounting treatments to assist the Committee in its consideration of management's conclusions and proposals.

Changes from the prior year include the removal of the Electricity Generator Levy (EGL) as an area of significant focus for the Audit Committee, with the levy now being incorporated into the standard running of the Biomass Generation and Flexible Generation businesses.

The Committee, as a matter of routine, seeks the views of the external auditor on the approach being taken by management and their responsiveness to required standards – whether formal or through accepted practice. Such discussions also consider the adequacy of explanations being provided within the Group's periodic financial reporting. Key areas of such assessment can be found on page 118 to 122.

Audit Committee report continued

Accounting for derivative financial instruments

Description

Accounting for derivative financial instruments

As described on page 239, the Group makes use of derivative financial instruments to help manage the key financial risks to which it is exposed.

The Group's balance sheet includes significant assets and liabilities arising from these contractual arrangements that are measured at fair value by virtue of being within the scope of IFRS 9 'Financial Instruments'. Judgement is required around which contracts meet specific criteria and which do not (and therefore remain outside the scope of IFRS 9) and may also be required in the valuation methodology applied, where different approaches or sources of input information may be possible.

A judgement is made that biomass contracts continue to fall outside the scope of IFRS 9, primarily due to the illiquid nature of the market and the contractual terms in place between counterparties. The market remains immature and there is not a readily accessible source of supply and demand at present, whereby the nature of the biomass purchase and sale contracts means they cannot be readily settled in cash or other financial instruments.

Where a fair value calculation is required, this typically involves a mark-to-market calculation, comparing the contractual price to prevailing market rates. Whilst volatility in several of the markets most relevant to the Group, including power and foreign currency, continued to reduce during 2024, returning to the levels seen pre-2022, the balances relating to these contracts remain significant, as described on page 239. The size and scope of the Group's derivative portfolio means that small errors in the valuation or disclosure process could have a material impact on the amounts included in the Consolidated financial statements.

Whilst the inputs to these calculations are largely taken from observable market prices or data points, in certain cases more than one potential source of information is available. Whilst differences in these forward-looking assumptions are typically relatively small, the impact can become material when applied to a large portfolio of contracts.

The accounting and disclosure requirements in relation to derivative financial instruments are inherently complex and, as a result, the controls in this area remain a key area of focus for the Committee.

Audit Committee review and conclusion

At each of its meetings, the Committee receives an update on any new classes of derivative financial instrument that the Group has entered into, and the proposed accounting treatment. During 2024, the only new class of instrument that required review was in relation to financial freight hedges entered into in Q3 2024 which are not significantly different to other instruments held by the Group.

Ahead of each reporting date, the Committee reviewed management's assessment that biomass contracts continue to fall outside the scope of IFRS 9. This involved comparing the requirements of the accounting standard with the current situation in terms of observable practice and market conditions, taking into account developments during the period in question.

Having completed this review, the Committee was satisfied with management's assessment. However, it was noted that this remains a critical judgement given the potential impact on the Consolidated financial statements should biomass contracts be deemed to be within the scope of IFRS 9.

At each of its meetings the Committee was updated on the operation of the financial control framework with respect to the valuation process, any enhancements made during the period, and the output from a rolling self-certification process. Improvements noted during 2024 included the continued refinement of certain valuation models, and in particular the ineffectiveness calculation for inflation contracts.

Disclosures in relation to derivative financial statements in the Annual report and accounts are extensive and particular consideration was given to these. The Committee discussed the views from PwC and invited comments arising from audit work performed in their first year as external auditor.

Based on these reviews, and taking on board the comments and recommendations of PwC, the Committee was satisfied that the reporting and controls in place around derivative financial instruments were robust.

Impairment of goodwill and fixed assets

Description

The Group reviews its goodwill and fixed assets (or, where appropriate, groups of assets in cash-generating units (CGUs)) for potential impairment. Impairment reviews are triggered by either the existence of potential indicators of impairment at a given point in time or, in the case of goodwill and other intangible assets with indefinite useful lives, are conducted at least annually.

As part of its annual review, management considers the classification of CGUs. For 2024, the OCGT CGU was assessed and updated to separate this into three individual CGUs to reflect how the Group will trade and operate the assets. No goodwill was allocated to the OCGT CGU(s) prior to, or after, this separation. Further detail on these changes is provided on page 182.

When an impairment review is deemed to be required, the recoverable amount of the asset or CGU is assessed. This assessment is made with reference to the present value of the future cash flows expected to be derived from its value in use, or its expected fair value on sale.

Assessments of value in use for each CGU are based on the most recent Board-approved forecasts. The forecasts include all the necessary costs expected to be incurred to generate the cash inflows from the relevant assets in their current state and condition.

Various assumptions are required in determining these forecasts, and the reviews performed therefore also include sensitivity and scenario analysis to help the Board understand how changes in key assumptions impact the assessment. Where these reviews suggest a potential risk of impairment, further detailed work is undertaken.

The discount rates applied to the underlying forecasts (to take account of future risk and the time value of money) represent an important assumption, and are impacted by market volatility, interest rates and inflation. These rates are reviewed annually with input from external experts.

Impairment arises where management determines, and the Audit Committee concludes, that the carrying amount of an asset (or group of assets) exceeds its recoverable amount. Further detail on this process and the assumptions made is provided in note 2.4 to the Consolidated financial statements.

Audit Committee review and conclusion

At its meeting in December 2024, the Committee considered management's review process and initial conclusions in respect of CGUs and impairment for the 2024 financial year.

Having considered and challenged management's reports, process and key assumptions, the Committee concluded that the overall approach to impairment reviews was appropriate, as were the proposed changes to the Group's classification of CGUs.

The Drax Power Station CGU does not have any goodwill or indefinite life assets and is therefore not required to perform an annual impairment assessment, however, its financial performance is linked to its generation and sale of Renewables Obligation Certificates (ROCs) under the Renewables Obligation scheme. This scheme is due to end in March 2027 and whilst there has been consultation on a transitional support mechanism between this date and BECCS operations this has not been concluded at the year-end date. As such, the Committee has assessed whether this is an indicator of impairment, including challenging management's assumptions and conclusions.

At the December meeting the Committee agreed with management's conclusion that the uncertainty associated with the transitional support mechanism was a sufficient indicator to undertake a formal impairment assessment and challenged management's assumptions in respect of the cash flows beyond 2027 to the current expected useful life of the power station in 2039. Based on current facts and circumstances, the Committee concluded that this was an appropriate judgement to make. The Committee enquired of PwC for their views.

The Committee was satisfied that as a result of the impairment assessment, along with the current facts and circumstances, there was not an impairment loss to be recognised for this CGU. However, acknowledging that reasonably possible changes to assumptions would result in an impairment the Committee agreed additional disclosures were appropriate. These have been reviewed by the Committee and are felt to be sufficiently transparent and reflect the risks associated with this CGU. The Committee was satisfied that no other CGUs were impaired or had indicators of impairment that required further disclosure.

At its meeting in February 2025, the Committee reviewed a roll forward of the analysis from December 2024 and considered any significant internal or external changes. This incorporated further analysis of the Drax Power Station CGU, taking into account the announcement on 10 February 2025 of the proposed head of terms agreed with the UK government, that provided a Contract for Difference arrangement for all four biomass units from April 2027 to March 2031. This review did not indicate any changes in the conclusions from the December 2024 meeting, and the Committee was satisfied with management's assessment and that no impairment charge is necessary for any CGU.

Further scenarios and analysis were also considered to support the review of going concern and viability conducted by the Committee, discussed in more detail on page 84. This analysis did not suggest any further indicators of impairment, and supported the conclusions reached.

The Committee reviewed the impairment disclosures in the Annual report and accounts and concluded that the key assumptions and sensitivities had been appropriately disclosed, and that all statements made were supportable.

Audit Committee report continued

Impairment of goodwill and fixed assets continued

The Committee was satisfied that this area should be highlighted as a key source of estimation uncertainty, specifically associated with the Drax Power Station CGU, within the Annual report and accounts, given the sensitivity of the conclusions reached to certain assumptions, as described in more detail on page 185.

In light of external announcements related to Carbon Capture and Storage (CCS) projects and the change in UK Government during 2024, the Committee continues to consider management's review of capitalised costs associated with the UK BECCS project, given that these are material to the Consolidated financial statements.

Based on this review, the Committee was satisfied that no indicators of impairment were identified during the year, and accordingly no impairment of these capitalised costs was required. The Committee also noted that this continued to warrant inclusion as a significant judgement in the Consolidated financial statements, as described in more detail on page 163.

Calculation and presentation of alternative performance measures

Description

As described on page 191, the Group presents Adjusted results excluding the impact of exceptional items and certain remeasurements. Adjusted results are consistent with the way executive management and the Board review and assess the performance of the Group. The effects of exceptional items and certain remeasurements are presented separately in a column on the face of the Group's Consolidated income statement.

The Group has a clear policy that sets out the transactions considered as exceptional, and the determination of certain remeasurements.

However, the classification of transactions as exceptional and the separate presentation of certain remeasurements still requires judgement, as does the definition of appropriate alternative performance measures such as Net debt.

A full glossary of alternative performance measures referenced throughout the Annual report and accounts, including the closest equivalent IFRS measure and an explanation of why the measure is considered important, is provided on page 277. Supporting reconciliations of certain alternative performance measures from relevant IFRS measures are provided in note 2.7 to the Consolidated financial statements.

Audit Committee review and conclusion

At each Committee meeting, management presents a paper that sets out the transactions proposed to be classified as exceptional in the period. The Committee reviews this paper, and challenges each of the individual items. Formal approval of the classification is provided at reporting dates.

In addition, the Committee reviews and approves the definition of alternative performance measures. In the prior year the Group presented its Adjusted results inclusive and exclusive of the EGL, given that this was new to the 2023 Consolidated financial statements. At its meeting in July 2024, the Committee considered the presentation of the EGL within the Half-Year Report and the Committee was satisfied EGL was sufficiently embedded in the understanding of the results of the Group and therefore confirmed that Adjusted results would include the impact of the EGL and no separate presentation was necessary; it similarly confirmed this is how it would be reflected in the Annual report and accounts.

At its meeting in December 2024, the Committee considered the Group's definition of Net debt, noting that the refinancing activity in the year had updated the covenants associated with the new facilities to include the impact of lease liabilities under IFRS 16 'Leases' (previously lease liabilities were excluded from the covenant reporting requirements). In previous reviews by the Committee a significant factor in the definition of Net debt was to align it with the covenant reporting requirements. As such, the Committee was satisfied with the change in the definition of Net debt to remain consistent with the Group's covenant reporting requirements.

At its meeting in February 2025, the Committee reviewed the final classification of transactions as exceptional or certain remeasurements in the 2024 Annual report and accounts. It also reviewed the final calculation and presentation of alternative performance measures. Having considered analysis from management, and the opinion of the external auditor, the Committee was satisfied that the approach taken is appropriate and that the policy in respect of exceptional items and certain remeasurements had been applied accurately. The Committee also considered these areas when reaching its overall conclusion on whether the 2024 Annual report and accounts are fair, balanced and understandable, as discussed further on page 123.

Review of other significant judgements and estimates

Description

The other areas of significant judgement and key sources of estimation uncertainty in the Consolidated financial statements are set out on pages 162 to 164. Management regularly reviews these other areas to ensure they are kept up to date, and also considers whether other items should be included.

As part of the preparation for the 2024 Annual report and accounts, management considered the sale of certain meter points and associated customer contracts in the Opus business in June 2024, including the impact of the transaction on the Half-Year Report upon signing the Asset Purchase Agreement (APA), where there was judgement as to when the sale should be recognised at 30 June, and the impact on related aspects such as restructuring, impairment and onerous contracts for the remaining business, as well the presentation of the related balances in the Half-Year Report.

Subsequent to the Half-Year Report the Committee assessed the accounting impact of the transaction, including those items that should be included within the exceptional item charge and the associated judgement related to this matter.

The Group is currently in the process of developing several large capital projects, as part of its overall strategy. These projects include the development of BECCS at Drax Power Station, the expansion to Cruachan (pumped storage) Power Station in Scotland, and several BECCS projects in North America. Judgement is required to determine if the expenditure associated with these projects meets the criteria to be capitalised under IAS 16 or IAS 38, or whether it should be expensed as incurred.

Audit Committee review and conclusion

At each of its meetings, the Committee reviews a paper prepared by management that includes a summary of significant accounting judgements and key sources of estimation uncertainty, and an update on any changes in the period. In particular, any material emerging issues are discussed in detail.

In the July meeting, the Committee reviewed the approach taken to assess the impact of signing the APA for the sale of Opus meter points and related customer contracts in June 2024. It noted the timing of the signing of the APA and that the transaction completion was conditional on future events, which if not met could prevent the transaction completing. In addition, the Committee considered management's assessment of the APA and the relevant accounting standards, IFRS 5 'Disposal of subsidiaries, businesses and non-current assets', IAS 36 'Impairment of assets', and IAS 37 'Provisions, contingent liabilities and contingent assets', taking into account the Half Year Review report from the external auditor. Having completed this review the Committee was satisfied that the recognition and presentation of the sale was appropriately reflected in the Half-Year Report.

In the December meeting, the Committee reviewed management's update on the accounting for the transaction, which confirmed the two conditions precedent had been met in the required timeframe and included the assessment and calculation of the impact of the restructuring on the remaining business following the successful migration of the meter points and related customers to EDF. Having completed this review, the Committee was satisfied that appropriate consideration of all factors relating to the transaction had been made, including the calculation of related provisions, treatment of costs as exceptional and disclosure of the transaction and related cash flows in the Consolidated financial statements. The Committee also concluded that the risk of a material change in the estimated carrying value of the related assets and provisions within the next financial year, including the recoverability of those receivables retained by the Group, does not represent a key source of estimation uncertainty under IAS 1.

The Committee reviewed management's assessment that capitalisation of certain costs associated with the UK BECCS project remained appropriate. As well as internal progress on the technical development, the Committee considered external developments during the year, including potential changes to Government policy following the election of a Labour Government in July. Having completed this review, the Committee was satisfied that ongoing capitalisation was appropriate.

The Committee also noted that judgements were being made to not yet capitalise costs associated with other potentially significant future projects, such as the expansion of the Cruachan (pumped storage) Power Station and BECCS projects in North America. The Committee was satisfied that the proposed disclosure incorporated sufficient detail to cover these areas and that the ongoing treatment within the Consolidated financial statements was appropriate.

Given the current pause to construction of the Longview pellet plant in the US in order to obtain the appropriate air discharge permit, management assessed the carrying value of the asset. No impairment was identified, however, this was included in the disclosure of critical judgements in respect of capitalised costs alongside UK BECCS. The Committee agreed with this conclusion.

Audit Committee report continued

Review of other significant judgements and estimates continued

Having considered the other matters raised in management's papers, the Committee was satisfied that the items disclosed as critical accounting judgements and key sources of estimation uncertainty on pages 162 to 164 are appropriate and complete. In addition, the Committee was satisfied that the descriptions clearly and accurately reflect the matters disclosed and the positions taken.

Reviewing the 2024 Annual report and accounts

The Annual report and accounts incorporates the information needed to assess the Group's position and performance, business model and strategy. The finance team worked alongside the external auditor to make sure that the level of disclosure was adequate and the presentation of certain remeasurements, exceptional items and alternative performance measures were appropriate and consistent with IFRS.

At its meeting in December 2024, the Committee received reports from management on its planning for the various elements of the 2024 Annual report and accounts. This included a timetable for preparing drafts and for the contributions, including peer review and commentary, being made by members of the wider management and Executive teams. The Committee also discussed how such review would support the task of ensuring the Annual report and accounts, taken as a whole, was fair, balanced and understandable.

Between the year-end date and the date of the approval of the Annual report and accounts, the Committee Chair was updated on progress with the year-end audit process and key financial reporting matters. Updates were also provided by the external auditor and the internal auditor. At its meeting in February 2025, the Committee reviewed both the external auditor's findings and the draft 2024 Annual report and accounts.

At its meeting in December 2024, the Committee also reviewed and approved management's proposed plan for internal and external assurance over the different parts of the Annual report and accounts, considering the complexity of the information and the key focus areas for stakeholders. This included TCFD reporting, for which the Committee considered both the requirements of the disclosure, and the data points that would be included. As in 2023, PwC provided limited assurance on certain aspects of the TCFD reporting, which is separate from the audit opinion over the Consolidated financial statements presented on pages 152 to 160. The results of this assurance were presented by management and evaluated by the Board at their meeting in February 2025.

The Committee also reviewed the verification process undertaken by management around key information included in the Annual report and accounts. Having completed this assessment, the Committee was satisfied that the verification process was robust and that appropriate assurance had been obtained over key information and statements included within the Annual report and accounts.

As part of its review, the Committee also considered the internal controls, forecasts and relevant assumptions underpinning the Viability Statement and the ongoing adoption of the going concern basis in preparing the Consolidated financial statements. This included assessing a scenario analysis prepared by management, reviewed by the external auditor, which considered the potential future impact of the Group's Principal Risks on its financial projections. Particular focus was given to the scenarios relating to plant operations and commodity price risks, given the potential medium to long-term impacts they could have. This is discussed in further detail on page 84. Both plant operations and commodity price risks are Principal Risks. More details can be found on pages 79 and 82.

The Committee reviewed the financing activity undertaken by the Group during 2024 and ensured that this was appropriately considered in management's assessment, including any impact on covenant compliance and the period of assessment for viability. Whilst management and the Board consider longer-term forecasts for other purposes, including strategic planning and capital allocation, the Committee concluded that it was appropriate for the viability assessment period to remain at five years.

The Committee was satisfied that the proposed Viability Statement was robust, fair and balanced, including consideration of the disclosure around longer-term risks extending beyond the viability assessment period. This included reviewing the assumptions and disclosure around long-term biomass generation at Drax Power Station, and the impact of this on the viability modelling. In addition, the Committee was satisfied that the level of assurance, challenge and verification was appropriate, taking into account the work undertaken by the external auditor. Consequently, it was also concluded that the ongoing use of the going concern basis of preparation for the Consolidated financial statements was appropriate.

As noted above, the Committee considered and reviewed management's disclosure on certain remeasurements and exceptional items (see page 165) and the presentation of these items in the Consolidated income statement. This included a review of the calculation and presentation of alternative performance measures. The Committee was satisfied that the use of alternative performance measures and the way in which they are presented remains appropriate, and that they provide helpful information to the users of the Annual report and accounts.

Fair, balanced and understandable

As a result of the Committee's review, it advised the Board of its conclusion that the 2024 Annual report and accounts, taken as a whole, are fair, balanced and understandable. This view is underpinned by the Committee's discussions with operating and finance management regarding the Strategic report, and with the finance team regarding the Consolidated financial statements. In addition, the Committee believes that the Annual report and accounts provide the information necessary for shareholders to assess the Company's and the Group's position and performance, business model and strategy, and that statements made are supported by appropriate verification and assurance, including those made around the systems of risk management and internal control.

External audit

External auditor transition

During 2024, the Committee oversaw a transition from the former external auditor, Deloitte, which included PwC shadowing Deloitte through the full-year audit process for 2023 and attending all Committee meetings from July 2023 onwards, prior to their formal appointment. PwC also provided updates to the Committee on their transition planning and the progress being made. Throughout this process, Andy Skelton, Vanessa Simms and I met with the lead partners from the firms to ensure that there was a smooth handover. The Committee would like to thank Deloitte for the service given to the Group over many years.

Bringing in a new auditor has brought fresh energy to the role, new questions have been asked and areas have been reassessed. The Committee is pleased with the way the change has been managed as well as the output.

As part of the audit transition process, PwC reviewed Deloitte's audit files, and the lead audit partner visited the Group's operations in the US and Canada, in order to develop an understanding of the Group, the operating environment and the financial reporting process.

External audit plan

In developing the external audit plan for 2024, PwC performed a risk assessment to identify the risks of material misstatement to the Consolidated financial statements. This considered the nature, magnitude and likelihood of each risk identified and the relevant controls in place, in order to identify the audit risks. The key audit matters are referred to in the independent auditor's report on pages 152 to 160 and formed the basis of the plan.

In determining the scope of coverage, consideration was given to management reporting, the Group's legal entity structure, the financial results for the year ended 31 December 2023, and the forecast for 2024. The audit plan was presented to the Committee in July 2024, with updates communicated in December 2024 and February 2025. The details of the coverage and agreed scope are set out in the independent auditor's report on page 153.

The procedures to be performed at a Group level and the planned components were also reviewed. Materiality was agreed at approximately 2.5% of Adjusted EBITDA (based on a three-year average).

Following discussion and challenge, the Committee concluded that the proposed plan was sufficiently comprehensive for the purpose of the audit of the Consolidated financial statements and approved the proposed fee.

Effectiveness of external audit

The Committee is dedicated to ensuring a high-quality audit is performed and, as part of the tender process carried out in 2021 recommended that PwC be appointed due to the strength of its team, providing the skills, experience and independence to ensure rigour and challenge in the audit. The Committee reviewed the effectiveness and quality of the external auditor during the year and does so annually. In so doing, the Committee considers the quality of the external audit reports presented to the Committee, the performance both in and outside of Committee meetings and how they interact with and challenge management.

In addition to this, the Committee feels it is important to understand management's opinion of audit quality and effectiveness and a feedback questionnaire on the external auditor is completed annually by management and presented to the Committee in the April meeting. This was undertaken during 2024 in respect of Deloitte for their final year audit and will be conducted in 2025 for PwC.

The Committee's review of external auditor performance in relation to the 2023 audit (which was completed during 2024) primarily considered the independence and objectivity of Deloitte, its professional competence and past performance. The Committee also considered the robustness of the audit process including, in particular, the level of rigour and challenge given to critical management judgements and significant estimates, and the professional scepticism being applied. This took account of the reports provided to the Committee, the related discussions with the external auditor around areas of highest audit risk, and the basis for the auditor's conclusions on those areas.

The Committee ensured that PwC were aware of the findings from this review and that this was reflected in their planning for the 2024 audit process, along with the review's consideration and communication of independence and objectivity.

The Committee has been satisfied with the level of challenge applied by PwC, and its consideration and presentation of possible alternative approaches. This included a particular focus on the annual impairment review process, the presentation and valuation of derivatives and the accounting for the sale of Opus Energy meters and related customer contracts, along with their respective presentation and disclosure.

The annual review of effectiveness in April 2024 also incorporated feedback from members of the finance and wider management teams. The Committee sought their views on matters including the quality of audit work and engagement whilst planning and executing the audit, both at a Group and business unit level. The feedback process undertaken with Deloitte highlighted areas where work could be undertaken earlier in the process and certain specialists could be incorporated into the audit process more efficiently and effectively.

The Committee considered that an important aspect of supporting a high quality audit for the 2024 financial year was a planned and well executed transition of PwC into role.

The transition phase during 2024 allowed PwC to bring in their specialist teams at an early stage in order to effectively plan and scope their involvement. Following the transition phase there has continued to be regular meetings between specialists and relevant members of management, and greater focus on completing audit procedures ahead of the year-end date. The Committee acknowledged the benefit of conducting audit procedures earlier and the interaction of specialist teams brought to the overall quality of the audit.

In addition to completing an annual review, the Committee considers the effectiveness of the external auditor over the course of the year and discusses this at each meeting, including sessions where the auditor is not present. This ongoing review incorporates any relevant external information, such as the FRC's annual Audit Quality Inspection and Supervision Report, which was published in July 2024 and included an assessment of PwC and other large audit firms.

Audit Committee report continued

Schedule of fees paid to PricewaterhouseCoopers LLP (2023: Deloitte LLP)	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Audit fees:		
Statutory audit of Drax Group	**2,153.0**	1,500.0
Statutory audit of the Company's subsidiaries	**225.0**	40.0
Total audit fees:	**2,378.0**	1,540.0
Interim review	**167.0**	140.0
Assurance services provided to non-material affiliates	**70.0**	18.3
Other services	**10.0**	47.0
ESG assurance services	**205.0**	–
Corporate refinancing fees	**–**	130.0
Total non-audit fees:	**452.0**	335.3
Total auditor's remuneration	**2,830.0**	1,875.3

Based on its review, the Committee is satisfied that the external auditor and its audit is effective. The Committee agreed that the external auditor's work demonstrated an ongoing commitment to audit quality, that the audit process was robust, and that PwC had shown strong levels of technical knowledge and appropriate professional scepticism in its work, and that the transition in audit firms has not adversely impacted audit quality.

Independence of external audit

The Group has an Auditor Independence Policy (AIP) that defines procedures and guidance under which the Company's relationship with its external auditor is governed. The AIP also facilitates the Committee being able to satisfy itself that there are no factors that may, or may be seen to, impinge upon the independence, objectivity and effectiveness of the external audit process. The Committee reviews the AIP annually and last did so in December 2024. As part of this annual review, the Committee considers areas of development in best practice and guidance. The main features of the current AIP (which is available at drax.com) are:

- A requirement to review the quality, cost effectiveness, independence and objectivity of the external auditor
- A requirement to rotate the lead Audit Partner every five years, and processes governing the employment of former external auditor employees
- A policy governing the engagement of the auditor to conduct non-audit activities, which is expected to occur only in certain circumstances and is kept under review at each meeting of the Committee

The external auditor also reports to the Committee on its own processes and procedures to ensure independence, objectivity and compliance with the relevant standards.

The audit for the financial year ended 31 December 2024 is the first year in which Matthew Hall has been the lead Audit Partner.

The amounts paid to the external auditor during each of the financial years ended 31 December 2024 and 2023 for audit and non-audit services are set out above, and in note 2.3 to the Consolidated financial statements (page 180).

As noted opposite, the external auditor should not provide non-audit services where it might impair its independence or objectivity. Therefore, any engagement for the provision of non-audit services requires prior approval from the Audit Committee or Committee Chair. Agreement to allow the external auditor to perform additional non-audit services is taken only after considering two key factors. Namely, that the non-audit services policy has been fully applied, and that any engagements are in the best interests of the Group and its key stakeholders.

The other services provided in the year by PwC, amounting to £10,000, relate to a subscription to Viewpoint, PwC's generic accounting guidance portal.

As a result of the transition from Deloitte to PwC during 2024, the fees set out in the table above for the year ended 31 December reflect the fees paid to PwC in 2024 and the fees paid to Deloitte in 2023 for each firm's audit and non-audit services. Included in the total audit fees for 2024 is £445,000 relating to the transition phase of the audit, of which £260,000 was undertaken and invoiced in 2023. In addition to the amounts in the table above, in 2023 PwC provided ESG assurance services amounting to £395,000.

In all cases, the Committee was satisfied that the work was best handled by the external auditor because of its knowledge of the Group, and that the services provided did not give rise to threats to independence, given the nature of the work and level of fees payable. The Committee was also satisfied that the overall levels of audit and non-audit fees were not of a material level relative to the income of PwC or Deloitte as a whole, and that the level of non-audit fees was below the 70% cap, based on the average audit fee for the preceding three years.

Auditor appointment

The Group has fully complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Committee Responsibilities) Order 2014. The Committee discussed the performance and independence of the external auditor at its meeting in February 2025 and recommended to the Board that a resolution to re-appoint PwC as the Group's external auditor should be put to shareholders at the AGM in May 2025.

Internal audit

The Group has adopted a fully outsourced model for internal audit. KPMG has acted as the Group's main internal auditor since 2020, supported by a team within the Group which acts as an interface with the wider business. The internal auditor presents an annual plan to the Committee for approval, typically at the December meeting. This proposed programme of work is based on the assessment of the internal auditor, considering input from interviews with key internal stakeholders across finance, risk and the wider leadership team.

The Committee considers and where acceptable approves a plan. In so doing the Committee may request amendments. Such changes may also be sought at subsequent meetings, ensuring that priority is given to the areas of highest risk for the Group taking into consideration any new or emerging risks, whilst maintaining appropriate coverage of all other key risks, including those we foresee as emerging risks of the future. Fees are agreed on an audit-by-audit basis depending on the scope and any requirement for specialist input, whilst being managed within an overall annual budget.

During 2024, the Committee agreed that the internal audit plan should be expanded to incorporate risks associated with Health, Safety and Environment (HSE) which previously had been managed via a separate programme of internal audit work undertaken by an alternative third-party.

The Committee agreed that the consolidation of this work under KPMG's plan allows for consistency in assessing the Group's systems of risk management and internal control, and better comparability of any resulting findings. Where relevant, additional external parties with specialist HSE knowledge in local geographical jurisdictions will be engaged to provide HSE assurance.

The Committee receives reports at each meeting regarding the internal audit reviews completed since its last meeting, and progress against the overall annual plan. Key topics reviewed by the internal auditor during 2024 included Supply Chain Resilience, Accounts Payable, Commodity Trading, HSE and Compliance. These reviews each provided an assessment of the robustness and efficacy of prevailing practices, and recommendations to the Committee and management on how to further improve the systems of risk management and internal control.

Findings included suggested enhancements to the stress testing of adverse market, credit and liquidity scenarios to consider the possible correlation or causation of such risks and their potential cumulative effect. The recommendations, and suggested timelines, were agreed between management and the internal auditor before being presented to Committee.

As part of its review, the Committee considered the significance of findings and discussed whether the proposed actions and the timeline for addressing them was appropriate.

All proposed actions and target dates were subsequently approved by the Committee. Where appropriate, the Committee requests supporting analysis from management assessing the root cause of any weaknesses.

In conjunction with reports from the internal auditor on reviews completed during the period, the Committee also receives reports from management detailing progress on implementing recommendations from previous reviews, tracking this against the original agreed implementation dates. This allows the Committee to effectively monitor management's responses to recommended actions.

Having reviewed these reports, and received assurance from the internal auditor around the effectiveness of the overall tracking process, the Committee was satisfied that actions were being implemented on a timely basis.

The Chair of the Committee, independent of management, maintains direct contact with the internal auditor, allowing open dialogue and feedback. The Chair normally meets with the internal auditor in advance of each meeting to review their work and discuss material matters.

Effectiveness of internal audit

The Committee reviewed the overall effectiveness of the approach to internal audit, and in particular the effectiveness of the internal auditor, at its meeting in December 2024. This review considered the improvements made in response to the previous effectiveness review completed in November 2023.

Changes implemented during 2024 include undertaking the field work phase of internal audits on-site with the respective Drax teams where appropriate, and ensuring key stakeholders receive clear and regular communication as to the status and progress of internal audit reviews. The internal auditor also provided its feedback on interactions and engagement with management, having updated the Committee on this at each meeting during the year.

Based on its review, the Committee is satisfied that the approach to internal audit remains effective, and that the Group's primary internal auditor continues to provide the requisite quality, experience, and expertise in both its work and reporting to the Committee.

Remuneration Committee report

> The Group delivered strong financial performance in 2024 and made important progress on delivering its key strategic objectives. The remuneration outcomes for the Executive Directors and senior management appropriately reflect this.

Nicola Hodson
Chair

Committee members

- Nicola Hodson (Chair)
- Andrea Bertone
- Kim Keating
- Erika Peterman
- Rob Shuter

Attending by invitation

CEO, Chief People Officer, Group Reward Director, David Nussbaum (Senior Independent Director) and external remuneration advisers. The Group Company Secretary is the Secretary to the Committee.

Number of meetings held in 2024: Three

The table below shows the scheduled meetings of the Committee within the ordinary annual cycle of the Committee's activities. In addition, Nicola regularly attended planning meetings to consider key agenda items.

Attendance in 2024

Committee member	Date appointed a member	No. of scheduled meetings	No. of meetings attended	% of meetings attended
John Baxter(1)	17 April 2019	2	2	100%
Andrea Bertone	24 August 2023	3	3	100%
Nicola Hodson	12 January 2018	3	3	100%
Kim Keating	21 October 2021	3	3	100%
Erika Peterman(2)	1 July 2024	1	1	100%
Rob Shuter(3)	11 June 2024	2	2	100%
Vanessa Simms(4)	19 June 2018	1	1	100%

(1) John Baxter stepped down as a member of the Committee on 1 July 2024.
(2) Erika Peterman joined the Committee on 1 July 2024.
(3) Rob Shuter was appointed to the Board and Committee on 11 June 2024.
(4) Vanessa Simms stepped down from the Board on 18 June 2024.

This Report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended (the Regulations), and the provisions of the UK Corporate Governance Code (the Code). It also meets the requirements of the UK Listing Authority's Listing Rules. Relevant sections of the Report have been audited as required by the Regulations and the full Report will be subject to an advisory vote by shareholders at the AGM to be held on 1 May 2025.

Role of the Remuneration Committee

The principal responsibilities of the Remuneration Committee (the Committee) are to:

- Develop the Directors' Remuneration Policy (the Policy)
- Keep under review the implementation of the Policy to ensure that it operates as intended
- Determine the remuneration strategy and framework for the Executive Directors and Executive Committee members, ensuring that executive remuneration is aligned to the Group's purpose, values and strategy
- Determine, within that framework, the individual remuneration packages for the Executive Directors and Executive Committee members
- Approve the design of annual and long-term incentive arrangements for Executive Directors and senior management, including agreeing targets and assessing the performance delivered against those targets, and payments under such arrangements
- Determine and agree the general terms and conditions of service and the specific terms for any individual within the remit of the Committee, either upon recruitment or termination
- Oversee any major changes in colleague remuneration throughout the Group, ensuring there is consistency with the culture and values of Drax

Terms of reference
The Committee regularly reviews its Terms of Reference, as does the Board. The most recent review was in December 2024. The Terms of Reference are available on the Company website at **drax.com/governance**

Remuneration principles

Principles of the UK Corporate Governance Code	
P Remuneration policies and practices and alignment to long-term strategy **Q** Executive remuneration **R** Independent judgement and discretion and remuneration outcomes	The Remuneration Committee comprises five independent Non-Executive Directors. The Committee Chair was considered independent on appointment as Chair and has relevant experience of serving as a member of a remuneration committee. Shareholders approved the current Policy at the 2023 AGM. No Directors are involved in making decisions regarding their own remuneration.

Key Remuneration Committee activities in 2024

In 2024, the Committee considered and made decisions about the following key matters:

Our workforce	Executives and senior management	Committee governance
– Received updates on broader remuneration matters relating to the wider workforce – Reviewed the application of the increases from the annual pay review effective 1 January 2024 – Approved the outcome of the 2023 Group Scorecard and in turn the outturn of the 2023 Group Bonus Plan paid in March 2024 – Adopted the 2024 Group Scorecard for the purpose of determining the 2024 Group Bonus Plan – Adopted the 2025 Group Scorecard and the 2025 Elimini Scorecard for the purpose of determining the 2025 annual bonus plans – Approved the operation of the 2025 Sharesave Share Plan for UK colleagues and continuation of the ESPP for North American colleagues	– Considered and approved the remuneration of Executive Directors and Executive Committee members – Approved Executive Director and Executive Committee member annual bonus awards for 2023 – Approved the grant of the 2024 Deferred Share Plan (DSP) awards for Executive Directors – Approved the grant of the 2024 Long-Term Incentive Plan (LTIP) awards – Assessed and approved the vesting of the 2021 LTIP awards – Considered and approved the arrangements concerned with the retirement of the CFO prior to announcement that he would be retiring as CFO and a director	– Considered and approved the Committee's Annual Report on Remuneration for 2023 – Reflected on feedback received from shareholders on remuneration resolutions presented to the 2024 AGM – Reviewed the fees paid to Korn Ferry and Deloitte, as the Committee's remuneration advisers in 2024, together with fees paid by the Group to Korn Ferry and Deloitte for other HR matters – Approved the Committee's Terms of Reference

Remuneration Committee report continued

Annual Statement to Shareholders

Dear shareholders,

On behalf of the Committee, I am pleased to present the Directors' Remuneration Report for the 2024 financial year. At the 2024 AGM, shareholders approved the Annual Report on Remuneration for 2023 with over 97% of those votes cast in favour. Back in April 2023, our shareholders had approved the Directors' Remuneration Policy 2023-2025 with 97% in favour. The Committee and I are grateful to our shareholders for their engagement on remuneration matters and their ongoing support.

As noted elsewhere in this Annual Report, the Group continued to deliver strong financial performance. In addition, the Group made important progress on the Group's key strategic objectives.
The Committee firmly believes that the remuneration outcomes must be fair, and appropriate in the context of business performance. The remuneration outcomes for 2024 have been assessed in line with these principles and the Committee is comfortable that the Policy operated as intended in 2024.

Review of decisions made for 2024

Annual assessment of performance

The Committee determines the remuneration of the Executive Directors, members of the Executive Committee, and wider workforce against the objectives and priorities of the Group.

For the 2024 Group Scorecard we assessed performance against a combination of financial, strategic, safety, and ESG metrics linked to the Drax corporate strategy.

The Generation and Commercial businesses performed in line with expectations in 2024. In a more challenging operating environment for Pellet Production, our integrated global biomass supply chain has also delivered robust performance. There is a detailed review of the achievement against all performance metrics in the 2024 Group Scorecard on pages 133 to 135.

The final 2024 Group Scorecard score was 1.39 and this score results in 69.5% of the maximum annual bonus being paid to the Executive Directors.

The Committee determined that the overall performance outcome of the 2024 Group Scorecard represented a fair reflection of the business performance during 2024. The Committee also assessed whether the level of pay-out is commensurate with the experience of both shareholders and colleagues over this period and concluded that this is the case.

The Committee also considered the payment of £25 million made to Ofgem's voluntary redress fund in 2024, following completion of an investigation by Ofgem in August 2024. In so doing, the Committee gave consideration to the conclusions from Ofgem's investigation that it did not find any evidence that the Group's biomass is not sustainable or that Drax has been issued with ROCs incorrectly. The Committee took into account that the payment to the voluntary redress fund had been included in the outcome of the financial metrics in the 2024 Group Scorecard, including EBITDA. The Committee Chair also engaged with our brokers to help understand the views of wider stakeholders in assessing the matter.

On the basis of the above, the Committee determined that no adjustments to the formulaic outcome were required.

In accordance with the Directors' Remuneration Policy, 40% of the overall bonus award for Executive Directors will be deferred into shares and 60% will be paid in cash in March 2025.

Long-term assessment of performance

Vesting of awards granted in 2022 under the Long-Term Incentive Plan (LTIP) was determined based on performance against two measures over the three-year period from 1 January 2022 to 31 December 2024. The measures were Total Shareholder Return (TSR), relative to the constituents of the FTSE 350, and Cumulative Adjusted Earnings Per Share (EPS). Each accounted for 50% of the award respectively. TSR over the three-year period was above the upper quartile (a rank of 52 out of the FTSE 350). The EPS outcome was 333.1p, which was 13.8% ahead of the maximum target of 292.7p. The TSR and EPS performance resulted in 100% vesting of the award.

The Committee determined that the vesting outcome was appropriate in the context of performance by the Group over the three-year performance period. As part of assessing the extent to which the performance targets were met, the Committee considered the impact of the share buyback programmes undertaken during 2023 and 2024. The Committee concluded that, even if the impact of the share buyback programme was removed, EPS performance would still have exceeded the maximum EPS target.
The Committee determined not to apply discretion to adjust the overall vesting.

Given the averaging periods over which TSR has been calculated, this equates to a return of 42.2% based on the six-month averaging period prior to the start and end of the performance period. The Committee believe these returns, and the associated performance vesting of the 2022 LTIP achieved, is reflective of the very strong shareholder returns over the period.

Committee changes

On 18 June 2024, Vanessa Simms stood down from the Board. Rob Shuter was appointed as an independent Non-Executive Director on 11 June 2024 and from that date became a member of the Committee. Erika Peterman joined the Committee on 1 July 2024 replacing John Baxter who stepped down after serving five years. I would like to thank both John and Vanessa for their valuable contribution to the Committee.

Retirement of Andy Skelton

On 4 December 2024, we announced that Andy Skelton intends to retire as Chief Financial Officer. He will remain in role until a successor is appointed. The intention is that he will remain employed for a period after that appointment to support a smooth transition. He may receive a payment in lieu of notice in respect of any remaining portion of his notice period.

Andy will remain eligible for an annual bonus award for the year his employment is terminated. This will be based on performance against the Group Scorecard and will be pro-rated for the portion of the performance year in active employment. Furthermore 40% of any award will continue to be deferred. He will be treated as a 'good leaver' for the purposes of the Deferred Share Plan (DSP) and LTIP awards. All unvested DSP awards will vest in line with normal timescales. Unvested LTIP awards will be pro-rated based on the proportion of the relevant vesting period employed and remain subject to the original performance conditions and time horizons including the post-vesting holding period. He will receive a 2025 LTIP award. Following his departure, Andy will continue to comply with the post-cession shareholding requirement of 200% of base salary for two years. Full details will be reported in the 2025 Annual Report.

Application of Remuneration Policy

Base pay review

Base pay increases as part of the 2024 annual pay review process took effect from 1 January 2024. Will Gardiner and Andy Skelton received an increase of 4% which was below the average increase for the UK wider workforce (5%).

For the 2025 pay review (increases effective 1 January 2025), 3.5% was the average increase for the wider workforce. This was applicable for all countries where Drax has colleagues.

Will Gardiner received an increase of 5% which was marginally above the average increase of the wider workforce but still consistent with the pay review methodology that applies across the Group. Whilst the pay review budget was 3.5%, under this methodology individual increases could be higher or lower depending on market level and the individual's competence, experience and performance in role. Will Gardiner has been CEO for seven years and under his leadership, Drax has made strong progress on its strategic aims. Furthermore, during that time the complexity of the business and international presence has increased significantly. The Committee undertook a review of benchmarking for the Executive Directors and considered it appropriate to give him an increase that would move him closer to the median of companies of a similar size to Drax in the FTSE 250.

Andy Skelton received an increase of 3.5%.

Pension

For 2024, the pension contribution rates of Will Gardiner and Andy Skelton were 10% of base salary, which was aligned with the rate for new joiners to the UK wider workforce. No Executive Director was a member of a defined benefit pension scheme. There are no changes intended to be made to pension for 2025.

Annual bonus

The 2025 Group Scorecard will apply to all colleagues, except those in our new Elimini business, including the Executive Directors. Most of the Group Scorecard will be subject to the delivery of challenging financial targets (55%). This includes 40% based on Group Adjusted EBITDA and 15% on Net Cash flow. The remaining 45% is subject to the delivery of a range of strategic, safety and ESG targets. There is more information on the targets for performance metrics on page 142.

Long-Term Incentive Plan

It is intended that the 2025 LTIP grant is made in accordance with the normal timetable, in March 2025. There are no changes proposed to the existing LTIP structure. For the TSR element, performance will continue to be assessed against the constituents of the FTSE 350, with threshold vesting (25% of maximum) for performance in line with the median and maximum vesting for performance in line with the upper quartile. The targets for the EPS element are on page 143.

Workforce engagement

We believe engagement with our colleagues is extremely important in informing the decisions of the Committee, and in communicating how the Committee reaches decisions. There are several ways we engage with our colleagues.

During 2024, there were two MyVoice Forum meetings between the respective Forum Chairs and Will Gardiner and Andrea Bertone. At these meetings, a variety of matters were discussed including recognition.

As noted in last year's report, a key theme from My Voice Forum meetings was the need to improve recognition of the contribution of colleagues, beyond our existing reward programmes, and to help everyone feel they are a valued member on a winning team, with a worthwhile mission.

In response, we launched a new global recognition platform – My Recognition. The My Voice Forum Chairs played an important role in helping the HR team with the scope and the functional testing of the platform. My Recognition empowers colleagues to recognise and appreciate their peers and enables Drax to recognise and award continued service and commitment to the business.

In April 2024, Drax won a GEO (Global Equity Organisation) industry award for Best In Financial Education for our Sharesave programme. Our My Voice Forum members played an important role in this success, providing feedback on the financial education programme and helping to share and communicate it.

Following the introduction of a new engagement survey platform in 2023, in July 2024 we replaced the annual engagement survey with shorter, more regular, engagement surveys to better understand how colleagues experience life at Drax. The survey platform enables colleagues to provide their comments on topics which matter to them, providing deep insight into the sentiment and experience of colleagues across the organisation.

In July and October 2024, the business conducted two surveys to help provide key metrics. These include our DEI score, which measures colleague perception and experience on how well Drax is performing in creating an environment where everyone feels included. This is also our People metric for the Group Scorecard.

Our people are a key asset of the business, and we are focused on creating a diverse and inclusive working environment, where people can be themselves and where their contribution matters.

Throughout 2024, as in previous years, colleagues continued to have the opportunity to put questions to Will Gardiner on any topic, with his responses made available to all colleagues each week.

Shareholder engagement

As Chair of the Remuneration Committee, I find engagement with shareholders to be hugely valuable. This includes formal engagement as part of a Policy review and through answering questions on remuneration at the AGM, or informal engagement throughout the year.

In 2025, the Committee will complete a full review of the current Policy. This will involve meeting a number of stakeholders to get their valuable feedback on the current Policy together with areas for change covering the years ahead. As part of the engagement we expect to see feedback from institutional shareholders and proxy advisory firms. A new policy will be put to shareholders at the AGM held in 2026.

Summary

The Committee recognises the strong financial and operational performance of the Group in 2024. Our colleagues across the business have contributed to that performance. We believe the 2024 remuneration outcomes for the Executive Directors and Executive Committee members fairly reflect performance, provide a fair and consistent approach to remuneration across the Group, and are appropriate to the shareholder experience. I hope that having read this report you will vote in support of the Directors' Remuneration Report for 2024 at the AGM on 1 May 2025. More details on all resolutions to be put to shareholders at the AGM can be found on the Drax website at drax.com.

Remuneration Committee report continued

Implementation of the Policy for 2024

Below is a summary of the Directors' Remuneration Policy (Policy) which was approved by shareholders at the AGM on 26 April 2023 and became effective from that date. Also outlined below is a summary of the implementation of the Policy in 2024. The Directors' Remuneration Policy is available on the Drax corporate website at drax.com/about-us/corporate-governance/compliance-and-policies.

Element	Key features of the Policy	Implementation of the Policy in 2024	Will Gardiner (CEO) 000s	Andy Skelton (CFO) 000s
Base salary	– The Committee targets market level, as determined by reference to appropriate comparator companies with consideration for factors such as sector, size and international presence – An Executive Director in post at the start of the Policy period, and who remains in the same role throughout it, would normally receive an increase in line with the average annual percentage increase applied to the workforce in their location of employment	– The base pay increases in January 2024 were made as part of the annual pay review process which resulted in Executive Directors receiving an increase in base pay of 4.0%. This was lower than the average increase of 5.0% for the wider workforce.	£690	£439
Pension and other benefits	– An Executive Director is entitled to a contribution to the Group's defined contribution pension plan, a cash payment in lieu of pension, or a combination of pension contribution and cash in lieu of pension – Pension contribution rates for Executive Directors are aligned to the rates for new joiners to the UK wider workforce – Other benefits provided as appropriate	– The employer pension contribution rate for Will Gardiner and Andy Skelton in 2024 was 10% of base salary, which is aligned with the rate for new joiners to the UK wider workforce – Other benefits received include a car benefit, life assurance, income protection, the opportunity to participate in all-employee share plans, and private medical cover	£92	£60
Annual bonus	– The maximum opportunity is 175% of base salary for Will Gardiner and 150% for Andy Skelton – Majority weighting of the bonus award is measured on financial metrics and the remaining on strategic metrics – 40% of the total bonus outcome will be deferred into shares which are subject to a three-year vesting period – Clawback and malus provisions apply	– The 2024 annual bonus outcome as a percentage of maximum opportunity was 69.5% – In line with the Policy, for the Executive Directors, 40% of the overall bonus award will be deferred into shares for three years	£839	£457
Long-term incentive plan (LTIP)	– For awards made under the LTIP, the maximum award level is 200% of base salary for Will Gardiner and 175% for Andy Skelton – Vesting is subject to long-term performance conditions, measured over a three-year performance period Shares must be retained for a further two years from the date of vesting and clawback and malus provisions apply	– The 2024 LTIP award is measured over a three-year performance period to 31 December 2026, against TSR relative to constitutes of the FTSE 350, and Cumulative Adjusted EPS – The 2022 LTIP is scheduled to vest on 18 March 2025 at 100% of the award	£1,243	£692
Shareholding requirements	– The requirement is 250% of base salary for Will Gardiner and 200% for other Executive Directors – A post-cessation shareholding requirement, equal to the employment shareholding requirement, applies for a two-year period after cessation. Only shares for awards granted after the 2020 AGM are included	– Will Gardiner and Andy Skelton have both met their shareholding requirements, with a shareholding at 31 December 2024, equivalent to 1,285% and 930% of base salary respectively. This includes shares which Will Gardiner and Andy Skelton have bought in the open market	>250% of base pay requirement	>200% of base pay requirement

Alignment of Remuneration of Executive Directors and wider workforce

Many aspects of the remuneration for Executive Directors are also applicable to the wider workforce, such as the basis of the annual bonus award through the Group Scorecard, pension, and benefits entitlements. Below is a summary of the remuneration arrangements broken down by the colleague grouping. In this table as indicated in the key below, specific areas of remuneration which are not highlighted represent remuneration which is fully aligned across all colleagues, whilst those highlighted in blue are not aligned.

Remuneration element		Executive Directors[1]	Executive Leadership and Senior Management[2]	Wider workforce[3]
Base salary	**Approach**	To target the appropriate market rate, as determined by comparisons with appropriate companies.		
	Increases	Keep pay for colleagues consistent with market rate and reviewed in line with inflation; base salary increases for Executive Directors will generally be in line with those for the UK workforce.		
Pension	**New hires**	All UK colleagues have the option to participate in the Company's defined contribution pension plan, with Company contribution rate for new hires of up to 10% of base salary. Some colleagues choose to take a cash payment in lieu of their pension, or a combination of pension contribution and cash in lieu of a contribution. All colleagues outside of the UK have the option to participate in a retirement savings plan with a contribution from the Company.		
Benefits	**Health and wellbeing**	All colleagues, with the exception of those in Japan, receive medical cover, and access to an annual private health assessment or a local equivalent arrangement.		
	Risk and protection	All colleagues have Company-funded life assurance and income protection, or a local equivalent arrangement, unless they are covered under alternative collective bargaining arrangements.		
	Car benefit	£12,000	Not applicable. Some colleagues have a car as job requirement.	Not applicable. Some colleagues have a car as job requirement.
Bonus	**Eligibility**	Drax colleagues are eligible to take part in the annual bonus programme, unless precluded by alternative arrangements with their respective trade union group or acquisition agreement. The bonus plan is designed to reward the delivery of targets and objectives directly linked to the financial and strategic performance of the Group set each year and detailed in a Scorecard.		
	Metrics	Bonus awards are conditional on achieving thresholds set in the Scorecard, which combines financial and strategic metrics. These metrics are the same for all Drax colleagues, except for those in our new Elimini business.		
	Deferral	40% of the total bonus outcome will be deferred into shares in the form of nil cost options or conditional awards under a Deferred Share Plan. The period over which shares are deferred is normally three years. Vesting is subject to continued service or "good leaver" termination provisions.	Not applicable, no deferral.	Not applicable, no deferral.
Long-term incentive plan (LTIP)	**Eligibility**	Discretionary annual grant of shares, under the LTIP.	Discretionary annual grant of shares, under the LTIP.	One Drax Awards are a discretionary grant of share awards made to certain employees in recognition of their performance and to aid retention of key talent below senior management.
	Metrics	For awards made under the LTIP, vesting is subject to long-term performance conditions, and typically measured over a three-year performance period.	For awards made under the LTIP, vesting is subject to long-term performance conditions, and typically measured over a three-year performance period.	The vesting is not subject to meeting performance conditions.
	Shareholding requirement	Requirements of 250% and 200% of salary for the CEO and CFO respectively. A post-cessation shareholding requirement, equal to the employment shareholding requirement, applies for a two-year period after cessation.	Not applicable.	Not applicable.
All-colleague plans		All UK colleagues have the option to buy shares in Drax at a discounted price (after a three-year or five-year saving period elapses) under the Sharesave plan. Eligible colleagues across US and Canada are able to participate in the Employee Stock Purchase Plan (ESPP).		

Notes:
(1) The Executive Directors are the CEO and CFO.
(2) Executive Leadership and Senior Management includes all colleagues in the three most senior job grades, excluding the CEO and CFO.
(3) Wider workforce includes all colleagues in job grades below the three most senior job grades.

Key

Aligned across workforce Unique to a specific colleague group

Remuneration Committee report continued

Corporate Governance Code

In developing the existing Policy, the Committee considered a number of factors, including the provisions of the existing UK Corporate Governance Code:

Our remuneration policy is aligned with the provisions of the 2018 Corporate Governance Code

Clarity

- Alignment between the delivery of strategic goals and remuneration outcomes
- Remuneration which rewards growth in shareholder value over the medium to longer term
- Performance related elements, relevant for the Group as a whole, creating alignment across the wider workforce in delivering financial, operational and strategic imperatives, including ESG

Simplicity

- Annual bonus: a simple Scorecard structure focusing on a limited number of financial and strategic metrics, including safety and ESG metrics, which provides clarity, focus and ease of understanding
- The vesting of prevailing LTIP awards are conditional, in part, on cumulative adjusted EPS, which reflects the capability to deliver stable earnings, and TSR, which ensures strong alignment with the shareholder experience

Risk

- A significant proportion of remuneration is linked to the longer-term performance of the Group
- A significant shareholding requirement for Executive Directors during and post-employment
- Malus and clawback provisions mitigate behavioural risks by enabling payments to be reduced or reclaimed in specific circumstances. This applies to the Executive Directors, members of the Executive Committee and other senior management for the purpose of LTIP awards

Predictability

- Transparent performance measures and targets make clear the possible range of remuneration outcomes and these potential outcomes are illustrated in the Policy

Proportionality

- Performance measures are linked to Drax's strategy and aligned with long-term creation of value for shareholders
- Stretching targets ensure that payments are only made for strong corporate performance
- The Committee has discretion to override formulaic outcomes to ensure that remuneration appropriately reflects overall performance, the interests of stakeholders and shareholder experience

Alignment to culture

- In 2024, the annual bonus metrics for all employees, including Executive Directors, were the same so that all participating colleagues are focused collectively on, and rewarded for, the delivery of financial and strategic goals and Drax's purpose. In 2025 most employees will still participate in the Group Scorecard and there is a separate scorecard for the Elimini business
- The annual bonus contains metrics related to safety, the environment and people which underpin Drax's values and business strategy

Annual Report on Remuneration

The relevant sections of this Report have been audited as required by the Regulations.

Single total figure of remuneration – Executive Directors (audited information)

The table below sets out the single figure of remuneration and the breakdown for each Executive Director for the financial year to 31 December 2024, together with comparative earnings for the financial year to 31 December 2023.

Director	Year	Salary (£000)	Benefits[1] (£000)	Bonus[2] (£000)	Long-Term Incentives[3] (£000)	Pension (£000)	Other[4] (£000)	Total Remuneration (£000)	Total Fixed Pay (£000)	Total Variable Pay (£000)
Will Gardiner	2024	690	23	839	1,243	69	0	2,864	782	2,082
	2023	663	19	812	1,442	66	0	3,002	749	2,254
Andy Skelton	2024	439	16	457	692	44	0	1,648	499	1,149
	2023	422	16	443	822	42	0	1,745	480	1,265

Notes:
(1) Benefits include car allowance, private medical insurance, life assurance and permanent health insurance. From September 2024, Will Gardiner received health insurance for coverage outside of the UK which acknowledges the proportion of time worked outside of the UK.
(2) Bonus is the value of the award from the 2023 and 2024 annual bonus plans. It includes the value of bonus deferred and paid in shares after three years subject only to continuous service. 40% of the overall bonus for 2023 and 2024 was deferred.
(3) The 2024 numbers represent the indicative value of the 2022 LTIP award which should vest on 18 March 2025, together with the dividend equivalent shares in relation to those vested shares. The value of the award is calculated based on the average share price over the last quarter of 2024, which was £6.445. The 2023 numbers (for the 2021 LTIP award which vested in April 2024) are restated to reflect the actual share price on vesting of £4.891 on 1 April 2024. This had been calculated in the 2023 Annual Report on Remuneration based on the average share price over the last quarter of 2023 which was £4.144. As a result the Total Remuneration and Total Variable Pay for 2023 have been updated.
(4) Other includes the value of Sharesave awards granted. Note no Sharesave awards were made in 2023 or 2024 as both Will Gardiner and Andy Skelton had maximum contributions under an existing contract.

Annual bonus outcome

A summary of the Committee's assessment in respect of the 2024 Group Scorecard is set out in the following table:

			Plan Targets			Scoring	
Key Performance Indicator	Measure	Weighting	Threshold (low target) (0% of max earned)	Target (50% of max earned)	Stretch (high target) (100% of max earned)	Outturn	Score (out of 2)
Financial	Group Adjusted EBITDA (£m)	40%	877.5	975.0	1,072.5	1,064.2	1.91
	Net Cashflow (£m)	15%	175	275	375	310.8	1.36
Strategic	UK BECCS	5%	Partially Achieved	Achieved	Strongly Achieved	Between Partially Achieved & Achieved	0.50
	Global BECCS	5%	Partially Achieved	Achieved	Strongly Achieved	Achieved	1.00
	Cruachan Expansion	5%	Partially Achieved	Achieved	Strongly Achieved	Achieved	1.00
	Pellet Production (mt)	5%	3.878	4.192	4.506	4.000mt	0.39
	Pellet Sales to Third Parties	5%	Low	Target	High	On Target	1.00
HSE & ESG	HSE: Total Recordable Incident Rate (TRIR)	5%	0.35	0.25	0.15	0.24	1.10
	HSE: Near Miss & Hazard Incidents Rate (NMHIR)		130	155	180	167.56	1.50
	Carbon Reduction	5%	Partially Achieved	Achieved	Strongly Achieved	Between Achieved & Strongly Achieved	1.31
	Social (DEI Score)	5%	7.9	8.1	8.3	8.0	0.50
	Compliance	5%	Partially Achieved	Achieved	Strongly Achieved	Between Achieved & Strongly Achieved	1.40
		100%					2024 Bonus Outturn:
					Overall bonus outcome:		1.39 (69.5% of maximum)

Remuneration Committee report continued

The targets for the 2024 Group Scorecard metrics aligned with the Group's strategy and the 2024 business plan. They were reviewed regularly by the Board as part of their ongoing oversight of business and executive performance. No adjustment to the performance targets were made during 2024. Below is a summary of the Scorecard targets and commentary on how the Group performed on each.

The Committee completed an in-depth review of the score for each of the metrics to ensure that the result was appropriate individually and in aggregate. The Committee believes that the outcome reflected the strong financial, strategic, HSE and ESG performance of the Group, as well as wider employee and shareholder experiences. No discretion was exercised by the Committee in determining the final 2024 Scorecard outcome.

Financial

- **Group Adjusted EBITDA** – This was the principal financial metric, combining the performance of each business to give a Group outcome. The outturn for this metric for 2024 was £1,064.2 million, close to the High Target (score of 1.91).
- **Net Cashflow** – This was the secondary financial metric, combining the performance of each business to give a Group outcome (this replaced Leverage which in scorecards of prior years was the secondary financial metric) and is adjusted for the cash flows relating to acquisitions and disposals, refinancing activities and share buybacks. The outturn for this metric for 2024 was £310.8 million, which was above the Target (score of 1.36). The Target for this metric was set on a very stretching basis (£100 million more than the 2024 business plan). It was exceeded due to strong EBITDA performance (net of tax), reduced debt service costs and lower CAPEX spend.

Progress on Strategic Objectives

- Progress on key projects is of critical importance for Drax in delivering the Group's strategy. There were three projects included for 2024. The choice of projects in 2024, and assessment of performance on them, was subject to the Committee's scrutiny and approval.
  - **UK BECCS** – The first project focused on advancing our UK BECCS strategy. In 2024, material progress was made across all critical path activities of our UK BECCS strategy. It is also noted that in February 2025, Drax agreed a non-binding heads of terms with the UK Government for a low-carbon dispatchable CfD agreement for Drax Power Station, which would operate between April 2027 and March 2031 – please refer to page 17 for more information on that (score of 0.50)
  - **Global BECCS** – The second project focused on advancing our ambitions for the deployment of new build BECCS across sites in North America. In September 2024, we launched Elimini, our new US-based carbon removals company, further supporting our strategic aim of being a global leader in carbon removals. Another key focus for our Global BECCS strategy in 2024 was progressing our site selection activity in the US (score of 1.00).
- **Cruachan Expansion** – The final project focused on advancing the expansion of the Cruachan (pumped storage) power station. Much of the key activity in 2024 focused on the necessary preparations for FEED and underground investigation work. Furthermore in December, Drax completed the acquisition of land around Loch Awe (score of 1.00).
- **Pellet Production** – The production of sustainable pellets is essential for the generation of power at Drax Power Station and also to serve our customers with pellets globally, primarily in Asia. In 2024, 4.000Mt of pellets were produced, relative to a target of 4.192Mt. This was an increase in production volume from the previous year but was marginally below target. This was largely due to higher unplanned downtime in some of our Southern Plants (score of 0.39).
- **Pellet Sales to Third Parties** – Drax aims to double sales of biomass to third parties to 4Mt per year by 2030 through developing market presence in Asia and Europe. In 2024, new commercial agreements were entered into with new and existing third parties (score of 1.00).

HSE

- **Safety** – The assessment of our safety performance focused on one leading and one lagging indicator. The first was TRIR, measured at a Group level, and with the target built up from business area targets. It measured the performance of both employees and contractors, including both operating assets, business and construction sites. At the end of 2024, Drax had a TRIR of 0.24, relative to a target of 0.25 (score of 1.10). The second focus was near miss and hazard identification reporting rate (NMHIR) provided by colleagues measured across all operations and locations, and included environmental, safety and process safety observations. The report of near misses and hazard identification are an integral part of an effective managed health and safety system and a positive culture of reporting can reduce the likelihood of actual incidents taking place. At the end of 2024, Drax had a NMHIR of 167.56, relative to a target of 155 (score of 1.50).

ESG

The Board and the Committee believe a material element of the Scorecard must incorporate the realisation of goals addressing environmental, safety, people and compliance targets. These should reflect not only strategic goals but also inform the right behaviours as well as aligning with our TCFD commitments.

- **Carbon Reduction** – The assessment of our carbon reduction aims was focused on three elements. The first was to replace diesel fuel used in Drax trains running from Immingham to Drax Power Station. The target was to have 50% of train journeys to Drax Power Station running on hydro-treated vegetable oil (HVO) by the end of 2024. All rail journeys from April were running on HVO which was 69% of all the rail journeys made in 2024. The second was to exploit opportunities to reduce the energy intensity of pellet manufacturing, through a range of energy optimising initiatives such as flattening the peak and average energy demands to reduce both energy consumption as well as overall energy costs and consequently Drax's scope 2 emissions from pellet manufacturing. The target was to achieve a 4% reduction in consumption across all pellet plants in North America by the end of 2024 and 4.8% was achieved. The third target was a retained target from the 2023 Group Scorecard, representing the second half of the original project to run down the Opus gas sales book and offboard a proportion of the remaining gas customers. In September 2024, most of the Opus business was sold to EDF, with contracts for the remaining gas customers retained until the end of the existing contracts. As at that date, 325 GWh of customer volume against a target of 186 GWh had been offboarded and therefore even if the sale had not happened the target would have been exceeded. A final score of 1.31, which reflects all three elements, was achieved for the carbon reduction metric.
- **Social (DEI Score)** – The assessment of our people aims was measured against an independent rating intended to provide an understanding of the extent to which colleagues considered Drax to provide a culture of inclusivity. The rating is derived through a subset of the quarterly all-employee survey. Drax's average score of these subset of questions for every survey run in 2024 was 8.0, relative to a target score of 8.1 (a score of 0.50). The target score was based on the industry benchmark which the Committee knew was a significant stretch in one year. We are pleased with the progress Drax is making on building a culture of inclusivity across the Group but we recognise there is a lot more we need to do.
- **Compliance** – The assessment of our compliance focused on four pillars of which management believe progress has been made across all of them including developing the Group's Compliance Action Plan and incorporating key sustainability metrics for reporting to stakeholders (score of 1.40).

Bonus earned for 2024 (audited information)

The table below sets out the bonuses earned for the 2024 financial year and the split between cash and deferred elements.

Director	Max bonus opportunity (as % base salary)	Total bonus outcome (as % of maximum)	Total bonus outcome (as % base salary)	Total bonus outcome (£000)	Amount paid in cash (£000)	Amount deferred in shares (£000)
Will Gardiner	175%	69.50%	121.63%	839	503	336
Andy Skelton	150%	69.50%	104.25%	457	274	183

40% of the total bonus award for 2024 will be deferred into shares for a period of three years and the remaining 60% will be paid in cash in March 2025. The deferral element will in ordinary circumstances vest in March 2028, subject to the Executive Director being employed by Drax at that time. If the Executive Director leaves, other than as a "good leaver", the deferred element will be forfeited.

LTIP incentive outcomes (audited information)

The vesting outcome for awards granted in 2022 under the LTIP, which were subject to performance conditions over the three-year period from 1 January 2022 to 31 December 2024, and scheduled to vest on 18 March 2025, is provided in the tables below.

Performance Condition	Weighting	Performance for threshold vesting (25% vesting)	Performance for maximum vesting (100% vesting)	Actual performance
Relative TSR vs FTSE 350 constituents	50%	Median	Upper Quartile	42.2% (above Upper Quartile)
Cumulative Adjusted EPS	50%	239.5p	292.7p	333.1p

The Committee considered the Group's overall performance for 2024 and felt no discretion to adjust the 2022 LTIP outcome was required. The share buyback programmes which operated in 2023 and 2024 were not envisaged when the targets for the 2022 LTIP grant were set and it did have a modest benefit to the EPS outturn by decreasing the number of shares in issue. The Committee took this into consideration as part of the performance assessment and decided discretion to adjust the EPS target or outturn position was not required. It is noted that Drax's EPS performance over the three year period would have exceeded the maximum EPS target even if the share buyback programmes had not taken place. The table below provides the awards due to vest based on this vesting result.

Director	Awards granted (as % of base salary)	Number of awards granted	Number of awards vesting	Number of dividend shares earned	Number of shares due to vest	Total value (£000)(1)
Will Gardiner	200%	174,119	174,119	18,774	192,893	1,243
Andy Skelton	175%	96,907	96,907	10,448	107,355	692

Note:
(1) Represents the value of the 2022 LTIP award which should vest on 18 March 2025, together with the dividend shares in relation to those vested shares. The value of the award is calculated based on the average share price over the last quarter of 2024, which was £6.445. As the share price has fallen over the vesting period, there is no value attributable to share price appreciation. (Share price on grant was £7.007). The value of dividend shares earned on the awards vesting for Will Gardiner is £121k and for Andy Skelton is £67k based on the average share price over the final quarter of 2024.

Remuneration Committee report continued

LTIP awards granted in 2024 (audited information)

The table below shows the conditional awards granted under the LTIP to Executive Directors on 15 March 2024.

Director	Award granted (as % of salary)	Number of shares granted	Face value of awards granted (£000) [1]
Will Gardiner	200%	292,225	1,380
Andy Skelton	175%	162,649	768

Note:
(1) The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £4.721. In accordance with the LTIP rules, dividend shares are awarded at the time and in the event that awards actually vest. No dividend shares are awarded where the initial awards lapse.

The performance conditions that apply to the LTIP awards granted in 2024 are set out below.

Performance Condition	Weighting	Performance for threshold vesting (25% vesting)	Performance for maximum vesting (100% vesting)
Relative TSR vs FTSE 350 constituents	50%	Median	Upper Quartile
Cumulative Adjusted EPS	50%	286.7p	350.4p

Straight-line vesting occurs between performance levels for both conditions. Performance for both conditions is measured over three financial years from 1 January 2024 to 31 December 2026.

DSP awards granted in 2024 (audited information)

The table below shows the deferred conditional share awards granted under the Deferred Share Plan (DSP) to Executive Directors on 15 March 2024 in respect of bonus earned for performance in the financial year ending 31 December 2023. These shares will vest on 15 March 2027.

Director	Value of deferred bonus (£000)	Number of shares granted[1]
Will Gardiner	325	68,818
Andy Skelton	177	37,523

Note:
(1) The number of shares awarded was based on the average share price in the three-day period prior to grant, which was £4.721. In accordance with the DSP rules, dividends in respect of the deferred shares are reinvested in additional shares, which vest when the deferred shares vest.

Sharesave options granted in 2024 (audited information)

No grants of Sharesave options were made to Will Gardiner or Andy Skelton in 2024. Both have ongoing Sharesave contracts to the maximum permitted monthly savings.

Pension entitlements for defined contribution schemes (audited information)

Executive Directors are entitled to receive a contribution to the Group's defined contribution pension plan, cash in lieu of pension contributions or a mixture of these. The employer contributions for Will Gardiner and Andy Skelton in 2024 were 10% of base salary, which is aligned with the rate of contributions provided to new joiners to the UK wider workforce. Will Gardiner's employer contributions were delivered as cash in lieu of pension. Part of Andy Skelton's pension benefit was delivered as contributions to the Group defined contribution pension plan (£10,000) and the remaining part as cash in lieu (£33,875). Neither Executive Director was a member of a defined benefit pension scheme.

Payments to former Directors (audited information)

There were no payments to former Directors.

Payments for loss of office (audited information)

There were no payments to Directors with respect to loss of office.

Recovery provisions

As outlined in the Policy, the Committee is able to operate 'malus' and/or 'clawback' provisions in exceptional circumstances. The Committee is comfortable that malus and clawback provisions are effective and appropriate taking into account the nature of the business and its business cycle. The Committee can confirm that malus and/or clawback have not been operated during the year.

Statement of Directors' shareholding and share interests (audited information)

The shareholding guidelines under the current Directors' Remuneration Policy require Executive Directors who receive shares by virtue of share plan awards, or who receive deferred bonus share awards under the DSP, to retain 50% of the shares received net (i.e., after income tax and National Insurance contributions) until the value of shares held is equal to at least 250% of salary for the CEO and 200% of salary for other Executive Directors. Only shares that are not subject to performance conditions count towards the shareholding requirement (shares owned by the Director and unvested awards subject to service only – DSP awards – on a net of tax basis). As noted on page 130, both Executive Directors satisfy this requirement.

Directors' interests in shares (audited information)

The table below shows the shareholdings of the Directors, and their connected persons, as at 31 December 2024. The value is based on the mid-market quotation on 31 December 2024 of £6.478. There was no movement in share interests between 31 December 2024 and the last practicable date for recording changes prior to the date of publication.

Director	Number of beneficially owned[1]	Number of LTIP awards[2][3]	Number of DSP awards[3][4]	Number of SAYE options[5]	Shareholding requirement as a % of salary	Shareholding as a % of salary at 31 December 2024[6]	Shareholding requirement met at 31 December 2024
Executive Directors							
Will Gardiner	1,368,581	692,164	180,410	23,603	250%	1,285%	Yes
Andy Skelton	630,077	385,254	98,987	23,603	200%	930%	Yes
Non-Executive Directors							
Andrea Bertone	–	–	–	–	–	–	–
John Baxter	17,500	–	–	–	–	–	–
Nicola Hodson	–	–	–	–	–	–	–
Kim Keating	–	–	–	–	–	–	–
David Nussbaum	–	–	–	–	–	–	–
Erika Peterman	–	–	–	–	–	–	–
Vanessa Simms[7]	–	–	–	–	–	–	–
Rob Shuter[8]	80,000	–	–	–	–	–	–

Notes:
(1) The figures include 518,732 shares subject to a post-vesting holding period for Will Gardiner and 295,371 shares subject to a post-vesting holding period for Andy Skelton.
(2) LTIP awards are conditional share awards subject to ongoing performance conditions.
(3) Shares representing dividend equivalents are added on vesting.
(4) A proportion of annual bonus is deferred into shares which are not subject to further performance conditions.
(5) The 2020 five-year SAYE option is due to mature on 1 June 2025 with an option price of £1.271.
(6) The calculation for Will Gardiner includes 1,272,964 shares owned, plus 95,617 unvested DSP shares on a net of tax basis. The calculation for Andy Skelton includes 577,614 shares owned, plus 52,463 unvested DSP shares on a net of tax basis.
(7) Vanessa Simms stepped down as a Director on 18 June 2024.
(8) Rob Shuter was appointed as a Director on 11 June 2024.

Service agreements or contracts for services

The following table shows, for each Director of the Company as at the date this Annual Report and Accounts is published, or those who served as a Director of the Company at any time during the year ended 31 December 2024, the start date and term of the service agreement or contract for services, and details of the notice periods. New service agreements were agreed during 2024 for Nicola Hodson in January and for Kim Keating and Erika Peterman in October for extension of their term in office. In addition, Rob Shuter, who was appointed to the Board in June 2024 was issued with a new service agreement at that time.

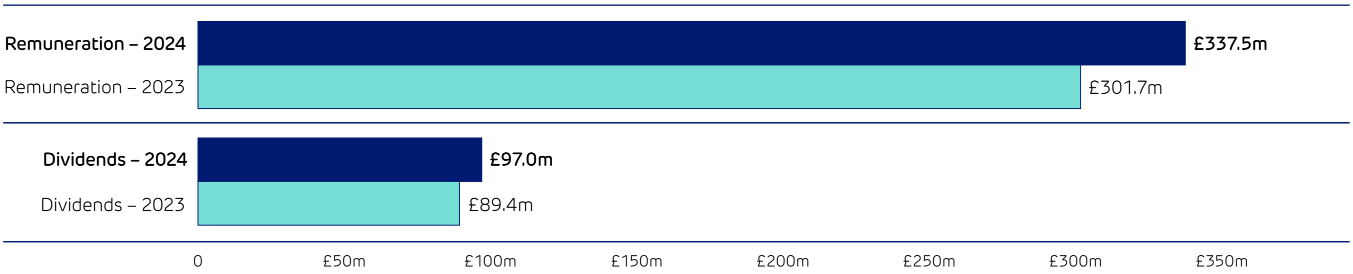
Director	Date appointed as a Director and member of the Board	Contract start date/ renewal date	Permitted contract term (years)	Notice period by the Company (months)	Notice period by the Director (months)
Will Gardiner	16 November 2015	16 November 2015	Indefinite term	12	12
Andy Skelton	2 January 2019	2 January 2019	Indefinite term	12	12
Andrea Bertone	24 August 2023	24 August 2023	3 years	6	6
John Baxter	17 April 2019	17 April 2022	3 years	1	1
Nicola Hodson	12 January 2018	12 January 2024	3 years	1	1
Kim Keating	21 October 2021	21 October 2024	3 years	1	1
David Nussbaum	1 August 2017	1 August 2023	3 years	1	1
Erika Peterman	21 October 2021	21 October 2024	3 years	1	1
Vanessa Simms[1]	19 June 2018	19 June 2021	3 years	1	1
Rob Shuter[2]	11 June 2024	11 June 2024	3 years	6	6

Notes:
(1) Vanessa Simms stepped down as a Director on 18 June 2024.
(2) Rob Shuter joined the Board on 11 June 2024.

Remuneration Committee report continued

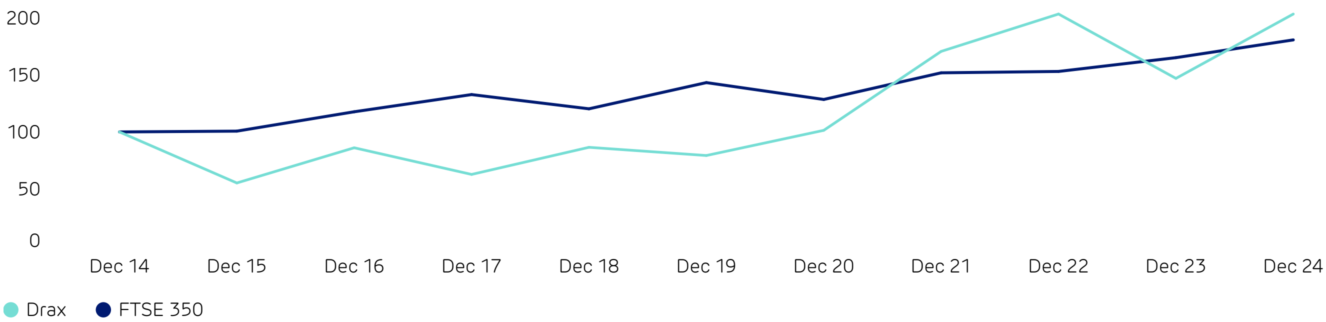
Relative importance of spend on pay

The table below illustrates the relative importance of spend on pay compared to distributions to shareholders. At the AGM on 1 May 2025, the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2024. The cost with respect to dividends for 2024 in the table below relates to the interim dividend, which was paid in October 2024, and the final dividend to be paid in May 2025, subject to approval by shareholders at the AGM.



Drax 10-year Total Shareholder Return performance to 31 December 2024

The graph below shows how the value of £100 invested in both Drax and the FTSE 350 Index (Index) on 31 December 2014 has changed. This Index has been chosen as a suitable broad comparator against which Drax's shareholders may judge their relative returns given that Drax is a member of the Index. The graph reflects the TSR for Drax and the Index referred to on a cumulative basis over the period from 31 December 2014 to 31 December 2024.



CEO's pay – last 10 financial years

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]	**2024**
Group CEOs total single figure (£000)[1]	1,248	1,581	1,236	1,885	1,121	2,013	3,226	5,540	3,002	2,864
Bonus % of maximum awarded	46.00%	88.00%	53.00%	53.00%	45.00%	45.00%	80.50%	87.50%	70.00%	69.50%
LTIP award % of maximum vesting	21.66%	15.43%	0.00%	57.63%	18.00%	57.20%	77.28%	100.00%	100.00%	100.00%

Notes:
(1) Dorothy Thompson stood down as CEO on 31 December 2017 and was replaced by Will Gardiner. The information reported from 2015 to 2017 relates to the remuneration Dorothy Thompson earned over this period; the information reported from 2018 to 2024 relates to the remuneration Will Gardiner earned over this period.
(2) The 2023 Group CEO total single figure, which includes LTIP, has been restated to reflect the actual share price on vesting of £4.891 on 1 April 2024.

Percentage change in Directors' remuneration compared with the wider employee population

The tables below shows how the percentage change in the Directors' salary/fees, benefits and bonus between 2020 and 2024, compared to the percentage change in the average of each of those components of pay for a group of employees. There are several employer entities but no employees who are specifically employed by Drax Group plc. As a result, the Committee has selected all Group employees below Executive Director level based in the UK, as the majority of employees are based in the UK and this provides the most appropriate comparison.

	Salary/fees (percentage increase)				
	2020	2021	2022	2023	**2024**
Will Gardiner	3.0%	2.0%	10.7%	4.0%	**4.0%**
Andy Skelton	3.0%	2.0%	8.1%	4.0%	**4.0%**
Andrea Bertone(1)	–	–	–	–	**–**
John Baxter	0.0%	2.0%	4.5%	4.1%	**4.0%**
Nicola Hodson(2)	0.0%	2.0%	4.5%	6.5%	**3.3%**
Kim Keating	–	–	4.5%	4.1%	**4.0%**
David Nussbaum(2)	0.0%	2.0%	4.5%	6.5%	**3.3%**
Erika Peterman	–	–	4.5%	4.1%	**4.0%**
Vanessa Simms(2)	0.0%	2.0%	4.5%	6.5%	**3.3%**
Rob Shuter(3)	–	–	–	–	**–**
Average for UK employees	3.0%	2.0%	4.5%	8.0%	**5.0%**

	Taxable benefits (percentage increase)				
	2020	2021	2022	2023	**2024**
Will Gardiner(4)	0.0%	0.0%	0.0%	0.0%	**19.5%**
Andy Skelton	0.0%	0.0%	0.0%	0.0%	**0.0%**
Andrea Bertone	–	–	–	–	**–**
John Baxter	–	–	–	–	**–**
Nicola Hodson	–	–	–	–	**–**
Kim Keating	–	–	–	N/A (5)	**–**
David Nussbaum	–	–	–	–	**–**
Erika Peterman	–	–	–	N/A (5)	**–**
Vanessa Simms	–	–	–	–	**–**
Rob Shuter	–	–	–	–	**–**
Average for UK employees	0.0%	0.0%	0.0%	0.0%	**0.0%**

	Bonus (percentage increase)(2)				
	2020	2021	2022	2023	**2024(6)**
Will Gardiner	19.2%	82.9%	20.3%	-15.9%	**3.3%**
Andy Skelton	9.4%	82.9%	17.5%	-15.9%	**3.3%**
Andrea Bertone	–	–	–	–	**–**
John Baxter	–	–	–	–	**–**
Nicola Hodson	–	–	–	–	**–**
Kim Keating	–	–	–	–	**–**
David Nussbaum	–	–	–	–	**–**
Erika Peterman	–	–	–	–	**–**
Vanessa Simms	–	–	–	–	**–**
Rob Shuter	–	–	–	–	**–**
Average for UK employees	0.0%	78.9%	8.7%	-13.6%	**4.2%**

Notes:
(1) In January 2024, Andrea Bertone assumed the role of Chair having joined the Board as a NED in August 2023. Prior to her appointment as Chair her annual base fee was £61,000, and on appointment to the role of Chair, her salary was increased to the annual base fee rate of £288,340.
(2) There were no changes to the Committee Chair or Senior Independent Director additional fees in 2024 therefore the increase for Nicola Hodson, David Nussbaum and Vanessa Simms was lower overall than the other NEDs.
(3) Rob Shuter joined the Board on 11 June 2024 and therefore the percentage change in fees has not been provided for previous years.
(4) Effective 1 September 2024, Will Gardiner received health insurance for coverage outside of the UK.
(5) N/A refers to a nil value in the previous year, meaning that the year-on-year change cannot be calculated. Both Kim Keating and Erika Peterman received a travel allowance from April 2023 following approval of the new Directors' Remuneration Policy by shareholders at the 2023 AGM.
(6) The bonus Scorecard outcome for 2024 (1.39) is slightly lower than it was for 2023 (1.40). For the 2024 pay review, Will Gardiner and Andy Skelton received a smaller increase than the wider UK wider workforce which has resulted in a difference in the overall bonus % change.

Remuneration Committee report continued

CEO pay ratio

The table below sets out the CEO pay ratio for 2024, along with the comparative ratios since 2019. The pay ratios have been calculated using actual earnings for the CEO and UK employees. The CEO total single figure remuneration is given on page 133 of this report.

Financial Year	Methodology	25th Percentile Pay Ratio (P25)	50th Percentile Pay Ratio (P50)	75th Percentile Pay Ratio (P75)
2024	Option A	62:1	38:1	29:1
2023	Option A	76:1	46:1	30:1
2022	Option A	114:1	79:1	57:1
2021	Option A	84:1	52:1	34:1
2020	Option A	65:1	38:1	25:1
2019	Option A	42:1	25:1	16:1

The methodology used for calculating all pay ratios was the same. For 2024, the total remuneration of all UK employees of the Group on 31 December 2024 has been calculated on a full-time (and full-year) equivalent basis using the single figure methodology and reflects their actual earnings for 2024. The only exception is for employees with Defined Benefit (DB) pensions, where the employer contribution to the respective schemes has been used in the calculation (rather than the single figure methodology) to reduce the administrative complexity. This is likely to undervalue the DB pension value. No adjustments, other than to achieve full-time and full-year equivalent rates, were made and no components of remuneration have been omitted. Of the three options permitted to calculate the percentiles, the Committee has chosen option A (the calculation of the total pay and benefits for 2024 for all UK employees on an FTE basis), as we believe it is the most robust and most statistically accurate method of the options permitted. Set out in the table below is the base salary and the total pay and benefits for each of the identified employees in respect of 2024.

Element	25th Percentile (P25)	50th Percentile (P50)	75th Percentile (P75)
Base Salary	£36,400	£51,207	£69,283
Total Pay and Benefits	£46,292	£75,409	£99,772

Base salaries of all employees, including Executive Directors, are set with reference to a range of factors including market practice, experience and performance in role. The CEO has a larger portion of his pay based on the performance of the business than the individuals at P25, P50 and P75. The Committee believes that our senior executives should have a significant portion of their pay directly linked to the performance of the business but recognise that this does mean the pay ratios will fluctuate each year depending on business performance and associated outcomes of incentive plans.

The pay ratio reports a narrower gap between actual earnings of the CEO and UK employees (than compared to 2023 CEO pay ratios). This is primarily due to the impact of the LTIP award vesting. Whilst both awards vested in full, the outcome of the 2021 LTIP (which is included in the 2023 CEO Pay Ratio) benefitted from share price appreciation. The 2022 LTIP which is due to vest in March has not, and this has resulted in a lower reported figure for the total CEO remuneration for 2024.

The Group is comprised of different business units and teams with different levels of pay, including call centre staff, support staff and engineers. The Committee reviews information about employee pay, reward and progression policies of the Group and (given the relative differences in responsibilities of the roles, the pay relativities between grades within the organisation, and the positioning of pay versus the wider market) is comfortable that the median pay ratio is consistent with these policies.

Single total figure of remuneration – Non-Executive Directors (audited information)

The fees for the Chair and Non-Executive Directors were reviewed at the start of 2024 and were subsequently increased. A 4% increase to the base fee was applied for both the Chair and Non-Executive Directors, effective from 1 January 2024. The additional fees for chairing a Committee were not increased. The increases applied were less than those for the UK wider workforce of 5%. For completeness, the table below sets out the single figure of remuneration and breakdown for each Non-Executive Director for 2024 together with comparative figures for 2023. The figures are rounded up to the nearest £1,000.

Director	Year	Base fee (£000)	Travel allowance (£000)	Additional fee for Senior Independent Director (£000)	Additional fee for chairing a Committee (£000)	Total (£000)
Andrea Bertone[(1)]	2024	289	24	–	–	312
	2023	22	8	–	–	30
John Baxter	2024	64	–	–	–	64
	2023	61	–	–	–	61
Nicola Hodson	2024	64	–	–	13	77
	2023	61	–	–	13	74
Kim Keating[(2)]	2024	64	12	–	–	75
	2023	61	8	–	–	69
David Nussbaum	2024	64	–	13	–	77
	2023	61	–	13	–	74
Erika Peterman[(3)]	2024	64	12	–	–	76
	2023	61	7	–	–	69
Vanessa Simms[(4)]	2024	30	–	–	6	36
	2023	61	–	–	13	74
Rob Shuter[(5)]	2024	36	–	–	8	43
	2023	–	–	–	–	–

Notes:

(1) Andrea Bertone joined the Board as a Non-Executive Director on 24 August 2023 and from this date received the Non-Executive Director base fee. Her fees for 2023 are pro-rated. Upon appointment to Chair on 1 January 2024, her base fee increased to that of the Chair's base fee. As Andrea is based in the US, her fee was paid in US dollars. Her base fee was in line with the fee structure in the Policy and was converted into US dollars based on the exchange rate £1=$1.37. From her start date, Andrea received an annual travel allowance of USD 30,000 which was pro-rata for 2023.

(2) Kim Keating is based in Canada and her fee was paid in Canadian dollars. Her base fee was in line with the fee structure in the Policy and was converted into Canadian dollars based on the exchange rate £1=C$1.72. Effective April 2023, Kim received an annual travel allowance of CAD 20,000.

(3) Erika Peterman is based in the US and her fee was paid in US dollars. Her base fee was in line with the fee structure in the Policy and was converted into US dollars based on the exchange rate £1=$1.37. Effective April 2023, Erika received an annual travel allowance of USD 15,000.

(4) Vanessa Simms stood down as a Director in June 2024 and received a pro-rated base fee and additional fee for chairing the Audit Committee up until her date of departure.

(5) Rob Shuter joined the Board as a Non-Executive Director in June 2024 and received a pro-rated base fee and additional fee for chairing the Audit Committee.

Remuneration Committee report continued

Statement of Implementation of the Remuneration Policy in 2025

This section sets out the proposed implementation of the Directors' Remuneration Policy in 2025. No deviations from the procedure for the implementation of the Policy are proposed.

Base salary

Below are the base salaries of the Executive Directors which took effect from 1 January 2025. There are no further planned increases for 2025. The explanation for their base salary increase are provided on page 129.

	Base salary as at 1 January 2024 (000)	Base salary as at 1 January 2025 (000)	Percentage increase
Will Gardiner	£690	£724	5.0%
Andy Skelton	£439	£454	3.5%

Benefits and pension

There are no changes intended to the benefits provided to the Executive Directors. The employer contributions for Will Gardiner and Andy Skelton will remain at 10% of base salary which is aligned with the rate of new joiners to the UK wider workforce.

Annual bonus

The targets for the 2025 bonus scorecards were approved by the Committee in December 2024. The bonus awards for most colleagues across the Group in 2025, including the two Executive Directors, will be subject to the performance against the 2025 Group Scorecard. The delivery of financial performance again makes up the majority weighting of the 2025 Group Scorecard (55%). Consistent with 2024, the delivery of our Group EBITDA budget is the primary financial KPI and Net cash flow is retained as the secondary financial KPI as cash generation is an important priority in 2025.

The delivery of critical strategic milestones is essential to Drax making progress on each of our core strategic objectives and they have a 25% weighting. For 2025, the key strategic milestones reflect progress on our FlexGen business model, progress on our Pellets business model, progress on securing the future of Drax Power Station and growth of the Elimini business.

Safety and ESG performance have been a key part of the annual bonus plan since 2022 and will have a 20% weighting in the 2025 Group Scorecard. Safety performance will continue to be assessed against one leading indicator and one lagging indicator. The leading indicator is the Near Miss and Hazard Identification Rate (NMHIR) which is measured based on the number of environmental, safety and process safety observations across all operations and locations. The lagging indicator is Total Recordable Incident Rate (TRIR), measured at a Group level with the overall target built up based on local business area targets.

ESG will be represented by three performance measures. The first is a carbon reduction measure comprising three distinct projects covering our operational business areas. The delivery of these projects by the end of 2025 will support a reduction in our carbon footprint across Scopes 1, 2 and 3. This performance measure is the Environmental dimension of ESG. The second focuses on improving diversity, equity and inclusion (DEI) and this will take the form of a DEI target, derived from an all-employee opinion survey administered by Workday Peakon. The DEI target is the Social dimension of ESG and also aligns with our People Positive element of the Group's strategy. Compliance is the Governance dimension of ESG, which is integral to the success of our business and that the Board regards as a core part of our licence to operate.

Finally, underpinning the bonus plan is a modifier which can be applied to reduce the overall formulaic bonus outcome, if the Committee considers it appropriate. The Committee has discretion to apply the modifier if any of the following events were to occur: a major breach in safety; a major environmental, community or biomass sourcing event; or a major compliance breach or failure.

The performance metrics, targets and outturns of the 2025 Group Scorecard will be disclosed in the 2025 Annual Report on Remuneration.

LTIP

The Committee will grant LTIP awards to Executive Directors of 200% of salary for the CEO and 175% of salary for the CFO.

For the TSR element, performance will be assessed versus the constituents of the FTSE 350 with threshold vesting (25% of maximum) for performance in line with the median and maximum vesting for performance in line with upper quartile. TSR performance will be measured over the period 1 January 2025 to 31 December 2027.

For the EPS element, targets for the 2025 grant have been agreed by the Committee at the meeting in February. The targets were considered similarly challenging to those set in prior years having had regard to current commercial circumstances. The EPS target was set after considering the Company's internal forecasts, market expectations and sector peers. The EPS target is "Adjusted EPS", derived from Adjusted Results as reported in the Company's audited financial statements. Instances where such adjustments might apply include acquisition and restructuring costs, asset obsolescence charges and certain remeasurements on derivative contracts. EPS performance will be measured over the period 1 January 2025 to 31 December 2027 and vesting will be in accordance with the following schedule. Note, vesting between the threshold and maximum will be on a straight-line basis.

Performance	Target	% of Award Vesting (of EPS performance condition)
Below threshold	<252.5p	0%
Threshold	252.5p	25%
Maximum	308.7p	100%

With regards to targets set in 2024 for each of the performance related incentives, the Committee retains discretion to restate or make adjustment to those targets in appropriate circumstances (such as material acquisitions, divestments, changes in capital structure or capital returns to shareholders). This would take account of the importance of such performance targets fulfilling their original intent ensuring that they are not more or less challenging than intended when set, and considering the impact of relevant events in the performance period. Any amendments would be disclosed in the Remuneration Report at the relevant time.

Non-Executive Directors' fees

In recent years Drax has changed significantly with enhanced international presence, including the appointment of a number of North America-based Board members, and increased complexity through diversification of the business. NEDs are also be expected to commit more time to the role so that they can contribute to the success of the Group both at Board meetings and throughout the year. To meet these challenges the business requires a high-quality, globally diverse Board. Consequently the fees of the NEDs need to be set at a level that can attract talent with relevant skills and experience to lead the business.

During 2024, an independent review was undertaken by Deloitte where existing fees were benchmarked against other UK-listed companies with significant global operations. The benchmarking showed that Drax's existing fees were at the lower quartile of this peer group. Over the last five years, as Drax has seen a significant increase in the complexity and international presence of the business whilst the NED base fee has increased on average by 2.9% per annum. The Chair and Executive Directors therefore agreed that Drax's fees for NEDs (excluding the Chair) should be increased to make them competitive and to recognise the increased time commitment of the role.

The fees that apply from 1 January 2025 are detailed in the table below. This includes a one-off adjustment to the base fee to a more competitive level. The additional fees for chairing Committees and for the Senior Independent Director have been increased, and a supplemental fee for Committee membership has been added from 2025, recognising the additional time commitment of these responsibilities. To recognise the additional time incurred by NEDs based overseas in attending Board meetings in the UK, the travel allowance introduced in 2023 has been increased. Erika Peterman, based in the US, will receive US$25,000 per annum. Kim Keating, based in Canada, will receive C$36,000 per annum. The quantum of the travel allowance for Andrea Bertone will increase to US$35,000 per annum. In addition, for 2025 a travel allowance will be introduced for UK based NEDs for Board meetings that take place outside of the UK (£4,000 per meeting).

The base fee for the Chair increased by 3.5%, effective 1 January 2025, in line with the average increase of the wider workforce as part of the 2025 annual pay review process.

Director	Fees at 1 January 2024 (£)	Fees at 1 January 2025 (£)
Chair(1)	288,340	298,500
Non-Executive Director base fee(1)	63,440	90,000
Supplemental fee for Committee membership	–	10,000
Senior Independent Director	12,750	25,000
Audit Committee Chair	12,750	25,000
Remuneration Committee Chair	12,750	25,000
Nomination Committee Chair(2)	12,750	25,000

Notes:
(1) The 2025 fees for the Chair and the two Non-Executive Directors based outside of the UK will continue to be paid in their respective local currency.
(2) No fee was paid for chairing this sub-committee as the Chair is also the Nomination Committee Chair.

Remuneration Committee report continued

Shareholder voting

The table below shows the voting outcome at the 2024 AGM on the 2023 Annual Report on Remuneration. The votes cast represent 74.81% of the issued share capital. In addition, shareholders holding 656,575 shares withheld their votes.

Voting on the 2023 Annual Report on Remuneration	For	Against
Number of votes	281,741,119	7,558,586
Proportion of votes	97.39%	2.61%

The table below shows the voting outcome for the Directors' Remuneration Policy at the 2023 AGM. In addition, shareholders holding 563,770 shares withheld their votes.

Voting on the 2023–2025 Directors' Remuneration Policy	For	Against
Number of votes	287,599,357	7,978,420
Proportion of votes	97.30%	2.70%

Adviser to the Committee

In October 2024, Deloitte were appointed by the Committee as the independent remuneration adviser and continued in this capacity for the remainder of 2024, replacing Korn Ferry who were the adviser to the Committee from May 2022 to September 2024. Both Korn Ferry and Deloitte were paid in fees in 2024 in relation to advising the Committee and on broader HR matters. Korn Ferry were paid £73,417.50 excluding VAT and Deloitte were paid £11,000 excluding VAT, during 2024 for the period of time they were adviser in respect of advice given to the Committee determined on a time and material basis.

Both Deloitte and Korn Ferry are members of the Remuneration Consultants Group and are signatory to its Code of Conduct. The Committee is satisfied that the advice it received from both Deloitte and Korn Ferry was, and remains, objective and independent. Deloitte has no other connection with the Company other than stated here, or individual Directors, and Deloitte have confirmed that there are no conflicts of interest, as have Korn Ferry for the period of 2024 where they were adviser to the Committee.

This report was reviewed and approved by the Remuneration Committee.

Nicola Hodson
Chair of the Remuneration Committee
26 February 2025

Directors' report

This report contains information which the Company is obliged to disclose and which cannot be found in the strategic, financial, sustainability or corporate governance reports of this document.

The Directors present their Annual Report on the affairs of the Group, together with the audited Consolidated financial statements and Auditor's report for the year ended 31 December 2024. The Directors' report required under the Companies Act 2006 is comprised of this report, the Corporate Governance Report and the Audit, Nomination and Remuneration Committee reports.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 7.1 to the consolidated financial statements on page 239.

Directors

The following Directors held office during the year:

Andrea Bertone
Will Gardiner
Andy Skelton
John Baxter
Nicola Hodson
Kim Keating
David Nussbaum
Erika Peterman
Rob Shuter (appointed 11 June 2024)
Vanessa Simms (until 18 June 2024)

The appointment and replacement of Directors is governed by the Company's Articles of Association (Articles), the UK Corporate Governance Code, the Companies Act 2006 and related legislation. See Articles 77 to 86 of the Company's Articles, available on the Company's website at www.drax.com/about-us/corporate-governance/compliance-and-policies/.

Annual General Meeting (AGM)

The AGM will be held at 10am on Thursday 1 May 2025 at 200 Aldersgate, St. Paul's, London EC1A 4HD. A separate document contains the notice convening the AGM and includes an explanation of the business to be conducted at the meeting.

Dividends

An interim dividend of 10.4 pence per share was paid on 25 October 2024 (2023: 9.2 pence), to shareholders on the register on 20 September 2024.

The Directors propose a final dividend of 15.6 pence per share (2023: 13.9 pence), which will, subject to approval by shareholders at the AGM, be paid on 16 May 2025, to shareholders on the register on 25 April 2025.

Details of past dividends can be found on the Company's website at www.drax.com/investors/shareholder-information/dividends/.

Share capital

Drax Group plc has a Premium Listing on the London Stock Exchange and currently trades as part of the FTSE 250 Index, under the symbol DRX and with the ISIN number GB00B1VNSX38.

The Company has only one class of equity shares, being ordinary shares of 11 $\frac{16}{29}$ pence each, with each ordinary share having one vote. Shares held in treasury do not carry voting rights.

Details of movements in the Company's issued share capital can be found in note 4.4 to the consolidated financial statements on page 222.

Shares in issue

At 1 January 2024	424,923,406
Issued in period	2,847,360
At 31 December 2024	427,770,766
Treasury shares at 31 December 2024	57,844,972
Total voting rights at 31 December 2024	369,925,794
Issued between 1 January and 26 February 2025	39,572
At 26 February 2025	427,810,338
Treasury shares at 26 February 2025	63,333,162
Total voting rights at 26 February 2025	364,477,176

Directors' report continued

Authority to purchase own shares

At the AGM held on 25 April 2024, shareholders authorised the Company to make market purchases of up to 10% of the issued ordinary share capital. At the 2025 AGM, shareholders will be asked to renew the authority to make market purchases of up to 10% of the issued ordinary share capital. More details on resolution 19 can be found in the Notice of Meeting. During 2024, the Company purchased a total of 17,757,775 ordinary shares between 7 August 2024 and 31 December 2024 as part of the Company's £300 million share buyback programme.

Interests in voting rights

Information provided to the Company in accordance with the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) is published in a timely manner on the London Stock Exchange's Regulatory News Service – a Regulatory Information Service – and on the Company's website.

As at 26 February 2025, the following information had been received in accordance with DTR5 from holders of notifiable interests in the voting rights of the Company. The information provided below was correct at the date of notification. However, investors are only obliged to notify the Company when a notifiable threshold is crossed and therefore it should be noted that the holdings below may have changed but without crossing a threshold.

	Date last notification made	Number of voting rights directly held	Number of voting rights indirectly held	Number of voting rights in qualifying financial instruments	Total number of voting rights held	% of the issued share capital held(1)
Invesco Limited	22 Oct 2020	–	38,578,024	–	38,578,024	9.71%
Schroders plc	24 Sept 2024	–	18,741,922	–	18,741,922	4.90%
Orbis Holdings Limited	08 Jan 2024	–	19,274,154	–	19,274,154	5.01%

Notes:
(1) As at the date of the last notification made to the Company by the investor, in compliance with DTR.

Rights and obligations attaching to shares

The rights attaching to the Company's Ordinary Shares are set out in the Articles, available on the Company's website at www.drax.com/about-us/corporate-governance/compliance-and-policies/. The Articles may only be changed by shareholders by special resolution.

Attention should be given to the following sections within the Articles, covering the rights and obligations attaching to shares:

- Variation of rights – which covers the rights attached to any class of shares that may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the relevant class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate General Meeting of the holders of shares of the class duly convened and held in accordance with the Companies Act.
- Transfer of shares – provides detail of how transfers of shares may be undertaken. It also sets out the Directors' rights of refusal to effect a transfer and the action that Directors must take following such refusal. It should be noted that a shareholder does not need to obtain the approval of the Company, or of other holders of shares in the Company, for a transfer of shares to take place.
- Voting, deadlines and proxies – these sections of the Articles deal with voting on a show of hands and on a poll. They also cover the appointment of a proxy or corporate representative. In respect of appointment of a proxy or corporate representative, the Articles provide for the submission of proxy forms not less than 48 hours (or such shorter time as the Board may determine) before the time appointed for the holding of the meeting. It has been the Company's practice since incorporation to hold a poll on every resolution at Annual General Meetings and General Meetings.

Disabled employees

The Company gives full consideration to applications for employment by disabled persons, bearing in mind the aptitudes of the applicant concerned. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Group continues, and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, so far as possible, be identical to that of other employees.

Colleague engagement

Engaging with our colleagues is critical to creating a supportive, diverse, and inclusive culture where colleagues feel they belong and can contribute to delivering our purpose, strategy, and long-term success. Details of how the Company has engaged with employees during the year can be found in the Stakeholder Engagement section on page 97. In addition, details of how the Board has considered the interests of employees in key decision making can be found in the section 172 statement on page 96.

Political donations

Drax is a politically neutral organisation and, as further explained below, did not make any political donations or incur any political expenditure (within the ordinary meaning of those words) in 2024. The Company regularly engages with regulators and policymakers (including those associated with political parties and governments) to listen and contribute to discussions on a wide range of matters.

Such engagement is an important part of our strategy and contributing to initiatives enabling the UK in its goal of reaching net zero by 2050. Further information on how we engage with stakeholders can be found on pages 96 to 102, and our Political Engagement Policy can be found on the Company's website at: www.drax.com/about-us/corporate-governance/compliance-and-policies/drax-political engagement-policy/. Due to the broad definition of political donations under the Companies Act 2006 (the Act), and as a matter of good governance and transparency, we have provided information on areas of expenditure incurred as a result of this engagement which may be regarded as falling within the scope of the Act.

During the year ended 31 December 2024, Drax exhibited at, sponsored, and held events at, conferences organised by political parties, spending a total of £20,817 (2023: £67,274). This included, the buying of attendance passes to the Labour Annual Party Conference (£8,694), Conservative Party conference (£6,995), and Liberal Democrat Annual Party Conference (£2,140). It also included passes to the Labour Annual Business Conference (£2,388) and passes to the Scottish Labour Conference (£600). These events allow Drax to present its views on a non-partisan basis to politicians from across the political spectrum and non-political stakeholders such as NGOs and other listed and non-listed companies. These payments do not indicate support for any political party. Overall, the recipients were the Conservative Party (£6,995), the Labour Party (£11,682), and the Liberal Democrats (£2,140).

At the 2025 AGM, Drax will be seeking renewal from shareholders of the existing authority approved at the 2024 AGM. More details are contained in the Notice of Meeting.

Other significant agreements

- A £450 million Sustainability-linked Loan Facility Agreement dated 19 August 2024 between, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent) (the Facility Agreement).
- An indenture dated 4 November 2020 between, amongst others, Drax Finco plc and BNY Mellon Corporate Trustee Services Limited (as Trustee) governing €144 million 2.625% senior secured notes due 2025.
- An Indenture dated 2 May 2024 between, amongst others, Drax Finco plc and BNY Mellon Corporate Trustee Services Limited (as Trustee) governing €350 million 5.875% senior secured notes due 2029 (the 2020 Indenture and, together with the 2024 Indenture, the Indentures).
- A £375 million term loan facilities agreement dated 24 July 2019 between, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent) as amended and restated on 20 September 2021 (the 2019 Private Placement) and as further amended on 16 December 2024.
- A £98 million and €126.5 million term loan facilities agreement dated 18 August 2020, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent) as amended and restated on 21 September 2021 (the 2020 Private Placement) and as further amended on 16 December 2024.
- A loan facilities agreement dated 12 July 2021 between, amongst others, Pinnacle Renewable Energy Inc, Drax Corporate Limited, and Royal Bank of Canada (as facility agent) which includes a C$200 million term loan facility (2021 Facility Agreement) as further amended on 31 October 2023 and as further amended and restated on 22 December 2023.
- A £100 million and €185 million Sustainability-linked term loan facilities agreement dated 22 February 2024 between, amongst others, Drax Corporate Limited and Lloyds Bank Plc (as facility agent) as amended and restated on 4 November 2024. (2024 Sustainability-linked facility agreement).
- A £125 million term loan facilities agreement dated 3 April 2024 between, amongst others, Drax Corporate Limited and Banco Santander S.A., London Branch (as facility agent) (2024 £125m facility agreement).
- A £50 million term loan facilities agreement dated 19 August 2024 between, amongst others, Drax Corporate Limited and MUFG Bank, Ltd (as facility agent) (2024 £50m facility agreement).
- Drax Energy Solutions has entered into a master receivables and transfer and servicing agreement ("Drax Energy Solutions MRTSA"), under which Drax Energy Solutions as seller and servicer, sells trade receivables (on a non-recourse basis) to Ester Finance Titrisation as purchaser, with Crédit Agricole Corporate and Investment Bank as the arranger and calculation agent and Eurotitrisation as the programme agent. The Drax Energy Solutions MRTSA was originally entered into on 23 June 2016, and was amended and restated on 18 February 2022 to, inter alia, extend the maturity to 2027 and increase the quantum to £300 million. The Group agreed a further increase to the £300 million limit, to £400 million, for the period November 2022 to January 2024. Alongside the increased limit, the term of this facility was extended during the year to March 2025 and thereafter the size of the facility reduces to £300 million until the facility matures in January 2027. Utilization of the facility was £400 million at 31 December 2024.

Under the Indentures, a change of control (a Notes Change of Control) occurs if any person other than Drax Group plc becomes the ultimate beneficial owner of more than 50% of the voting rights of Drax Group plc's direct subsidiary, Drax Group Holdings Limited (unless replaced by a successor parent company), or else if all or substantially all of the assets of Drax Group Holdings Limited are disposed of outside of the Group. No later than 60 days after any change of control, Drax Group Holdings Limited must offer to purchase any outstanding notes at 101% of the principal amount of such notes plus accrued interest and other unpaid amounts.

Directors' report continued

Under the Facility Agreement, the 2019 Private Placement, the 2020 Private Placement, the 2021 Facility Agreement, 2024 Sustainability-linked facility agreement, 2024 £125m facility agreement and 2024 £50m facility agreement, a change of control occurs if any person or group of persons acting in concert gains control of Drax Group plc or if Drax Group plc no longer holds directly 100% of the issued share capital of Drax Group Holdings Limited (subject to carve-outs for the interposition of an intermediate holding company) or else if a Notes Change of Control occurs. Following a change of control, if any lender requires, it may by giving notice to the relevant Group entity within 30 days of receiving notice from such Group entity that a change of control has occurred, cancel its commitments and require the repayment of its share of any outstanding amounts within three business days of such cancellation notice being given.

Under the Drax Energy Solutions MRTSA, a change of control occurs in respect of Drax Energy Solutions Limited or Drax Group Holdings Limited if (i) Drax Group plc or any member of the Drax Group separately or together in any combination are not the direct or indirect legal and beneficial owners of more than 50% of the voting rights and share capital of Drax Energy Solutions Limited or Drax Group Holdings Limited, or (ii) any event whereby Drax Group plc would cease to be a listed company. Following a change of control Ester Finance Titrisation may serve notice and terminate the Servicing Mandate of Drax Energy Solutions. Such termination notice would become effective on the earlier of (a) the date on which a Substitute Servicer is appointed or b) the date falling six months following notification to all Debtors. Further information in respect of the Group's financial risk management programme (including commodity risk, foreign currency risk, interest rate risk, inflation risk, liquidity risk, and credit risk) appears in note 7 to the Consolidated financial statements on page 239.

Directors' interests and indemnity arrangements

Other than a service contract between the Executive Directors and a Group company, no Director had a material interest at any time during the year in any significant contract with the Company or any of its subsidiary undertakings. There are no agreements between the Group and its Directors providing for compensation for loss of office or employment because of a takeover bid. The Company has appropriate indemnity insurance cover in place in respect of legal action against Directors of the Company and its subsidiaries.

Strategic report

The Strategic report on pages 1 to 85 contains disclosures in relation to workforce engagement, stakeholder engagement, diversity, Greenhouse Gas emissions, streamlined energy and carbon reporting requirements (SECR), future development and research activities.

Post balance sheet events

In February 2025, Drax agreed a non-binding heads of terms with the UK Government for a low-carbon dispatchable CfD agreement for Drax Power Station, which would operate between April 2027 and March 2031. See page 17 for more information.

Auditors and the disclosure of information to the auditor

So far as each person serving as a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing the report, of which the auditor is unaware. Having made enquiries of fellow directors, each Director has taken all steps that they ought to have taken as a Director to ascertain any relevant audit information and to establish that the auditor is aware of that information. This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act.

Deloitte LLP, who performed the role of external auditor continuously since the Company's listing in 2005, stepped down as the external auditor upon completion of their work for the financial year ending 31 December 2023. Following a tender process in 2021, PricewaterhouseCoopers LLP (PwC) were appointed as the new external auditor. Resolutions will be proposed at the 2025 AGM (i) for the re-appointment of PwC as the auditor of the Group, and (ii) authorising the Directors to determine the auditor's remuneration. The Audit Committee reviews the appointment of the auditor, the auditor's effectiveness and its relationship with the Group, including the level of audit and non-audit fees paid to the auditor. Further details on the work of the auditor and the Audit Committee are set out in the Audit Committee report on pages 112 to 125.

Disclosures required under Listing Rule 6.6.4

The information required to be disclosed in accordance with Listing Rule 6.6.4 of the Financial Conduct Authority's Listing Rules can be located in the following pages of this Annual Report and Accounts:

Section	Information to be included	Location
1	Statement of the amount of interest capitalised	Note 2.5 on page 187
2, 4 – 14		Not applicable

The Directors' report was approved by the Board on 26 February 2025 and is signed on its behalf by:

Brett Gladden
Group Company Secretary

Registered office: Drax Power Station, Selby, North Yorkshire, YO8 8PH

Registered in England and Wales Number 5562053

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and United Kingdom adopted International Accounting Standards and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), set out in FRS 101 Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

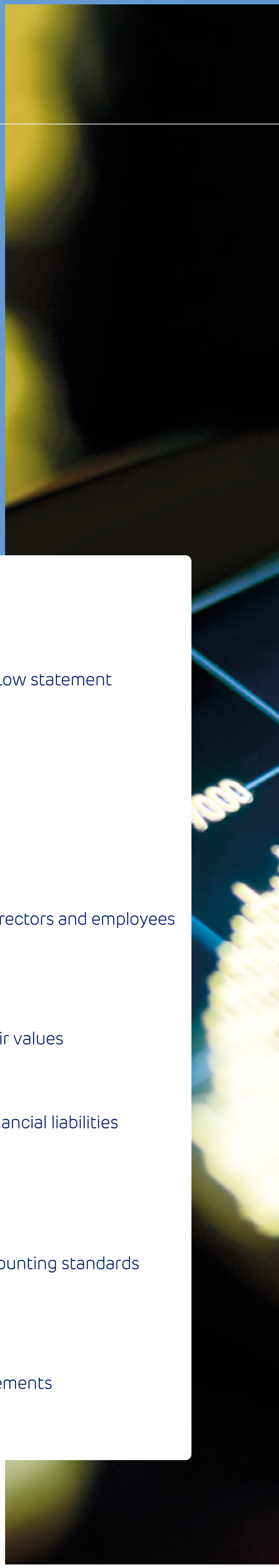
Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

This responsibility statement was approved by the Board of Directors on 26 February 2025 and is signed on its behalf by:

Will Gardiner
CEO



Financial statements

Contents

Financial statements
152 Independent Auditor's report to the members of Drax Group plc
161 Financial statements

Section 1
Consolidated financial statements
167 Consolidated income statement
168 Consolidated statement of comprehensive income
169 Consolidated balance sheet
170 Consolidated statement of changes in equity
171 Consolidated cash flow statement

Section 2
Financial performance
172 2.1 Segmental reporting
175 2.2 Revenue
180 2.3 Operating and administrative expenses
181 2.4 Impairment review of fixed assets and goodwill
187 2.5 Net finance costs
187 2.6 Current and deferred tax
191 2.7 Alternative performance measures
197 2.8 Earnings per share
197 2.9 Dividends
198 2.10 Retained profits
198 2.11 Share buyback programme
198 2.12 Post balance sheet event

Section 3
Operating assets and working capital
199 3.1 Property, plant and equipment
203 3.2 Leases
205 3.3 Renewable certificate assets
206 3.4 Inventories
207 3.5 Trade and other receivables and contract assets
210 3.6 Contract costs
211 3.7 Trade and other payables and contract liabilities
213 3.8 Climate change

Section 4
Financing and capital structure
216 4.1 Cash and cash equivalents
216 4.2 Borrowings
220 4.3 Notes to the Consolidated cash flow statement
222 4.4 Equity and reserves
223 4.5 Non-controlling interests

Section 5
Other assets and liabilities
225 5.1 Business combinations
225 5.2 Goodwill and intangible assets
228 5.3 Provisions

Section 6
People costs
230 6.1 Colleagues including Executive Directors and employees
230 6.2 Share-based payments
234 6.3 Retirement benefit obligations

Section 7
Risk management
239 7.1 Financial instruments and their fair values
243 7.2 Financial risk management
260 7.3 Hedge reserve
261 7.4 Cost of hedging reserve
262 7.5 Offsetting financial assets and financial liabilities
262 7.6 Contingencies
263 7.7 Commitments

Section 8
Reference information
264 8.1 General information
264 8.2 Adoption of new and revised accounting standards
265 8.3 Related party transactions
266 8.4 Restatements

Drax Group plc
267 Company financial statements
269 Notes to the Company financial statements


-67
-54

Independent Auditor's report to the members of Drax Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Drax Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 December 2024; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated cash flow statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Context

The Drax Group produces biomass in North America, generates renewable energy in the UK and sells renewable power to corporate customers in the UK. The Group is headquartered in the UK. The year ended 31 December 2024 is our first year as external auditors of the Group and the Company.

Through our audit transition, we performed specific procedures over opening balances by reviewing the predecessor auditors' working papers and undertaking an assessment of risk. We also performed process walkthroughs to understand and evaluate the key financial processes and controls across the Group, we independently evaluated the Group's accounting policies, and we assessed key areas of estimation and judgement that impact the Group and Company financial statements.

As we undertook each phase of this first year audit, we regularly reconsidered our risk assessment to reflect audit findings, including our assessment of the Group's control environment, and the impact on our planned audit approach. We considered the following areas to be of most significance in our audit of the financial statements and therefore we have included these as key audit matters:

- Recoverability of goodwill in the Pellet Operations (Group), reflecting challenges in the historic performance of this business;
- Recoverability of Property, Plant and Equipment in respect of Drax Power Station (Group), reflecting reduced expected future cash flows predominantly as a result of uncertainty surrounding the future tariffs for the power station beyond the end of the current tariff arrangements in 2027;
- Valuation and presentation of derivative financial instruments (Group), reflecting accounting judgements and estimates relevant to these balances and manual accounting processes and controls; and
- Recoverability of the carrying value of investments in subsidiary undertakings (Company), reflecting the relative significance of the investment value to the Company financial statements.

Overview

Audit scope

- We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the industry in which the Group operates, and our assessment of audit risk.
- We identified seven components within the Group which, in our view, required an audit of their complete financial information, either due to their size or risk characteristics. We also audited material consolidation journals.
- This covered approximately 97% of the Group's revenue and approximately 91% of the Group's Adjusted EBITDA. These coverages are based on absolute values.
- Audit procedures were also carried out over specific balances of a further ten components, either due to their size or risk characteristics. This provided coverage of substantially all of the Group's net assets, revenues, and Group Adjusted EBITDA.
- The Company has one reporting component which was subject to a full scope audit for the purposes of the Company financial statements.

Key audit matters

- Recoverability of goodwill in the Pellet Operations business (Group)
- Recoverability of Property, Plant and Equipment in respect of Drax Power Station (Group)
- Valuation and presentation of derivative financial instruments (Group)
- Recoverability of the carrying value of investments in subsidiary undertakings (Company)

Materiality

- Overall Group materiality: £23.3m based on approximately 2.5% of the last three years' average Adjusted EBITDA.
- Overall Company materiality: £10.9m based on approximately 1% of total assets.
- Performance materiality: £17.5m (Group) and £8.2m (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Recoverability of goodwill in the Pellet Operations (Group)	
At 31 December 2024, the Group reported goodwill of £175.6m (2023: £177.0m) related to the Pellet Operations (see note 2.4). As an indefinite life asset, the Group is required to perform an impairment test over goodwill at least annually, or more frequently if indicators of impairment are identified. Management's annual impairment test did not result in an impairment charge being recognised. The recoverable amount of goodwill is determined as the higher of fair value less cost of disposal and value in use. The Group assessed the recoverable amount by reference to value in use. This involves significant estimation due to the inherent uncertainty in forecasting future cash flows including factors such as future sales and material prices, supply volumes, inflation, and the impact of climate risks on these estimates, as well as determining the appropriate discount rate used in the value in use calculation. This was identified as an area of increased audit risk reflecting challenges in the historic performance of this business and the estimation uncertainty in value in use models.	To address this key audit matter, the following audit procedures were performed: – **Assessment of methodology:** We evaluated the appropriateness of the Group's value in use methodology in accordance with IAS 36 and tested the integrity and mathematical accuracy of the model. – **Testing of assumptions:** We tested key assumptions in the cash flow forecasts, including estimated growth in EBITDA, principally driven by sales prices, volume growth, and reduced cost of production, as well as, inflation and discount rates. Our work was supported by our valuation experts to assess the calculation of the discount rate and to compare this against external data sources. – **Sensitivity analysis:** We assessed management's sensitivity analysis as well as performing our own sensitivities to evaluate the impact of reasonably possible changes in key assumptions on the recoverable amount of goodwill. – **Historical accuracy:** We compared past cash flow forecasts to actual results to assess the historical accuracy of management's forecasting. – **Disclosure review:** We reviewed the disclosures in note 2.4 of the financial statements to ensure they appropriately describe the key assumptions and areas of estimation uncertainty related to goodwill, as well as the disclosure of management's sensitivities in accordance with IFRS requirements. These procedures provided sufficient appropriate audit evidence to conclude that the carrying value of goodwill in the Pellet Operations CGU at 31 December 2024 is not materially misstated, and the related disclosures were appropriate.

Independent Auditor's report to the members of Drax Group plc continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of Property, Plant and Equipment in respect of Drax Power Station (Group)	
At 31 December 2024, the Group reported property, plant, and equipment valued at £1,018.5m (2023: £974.1m) related to Drax Power Station (see key sources of estimation uncertainty). The Group is required to evaluate whether there are any indicators of impairment of non-current assets at the balance sheet date, and if any indicators are identified an impairment test is performed to evaluate if there is an impairment in value. Indicators of impairment were identified by management in respect of Drax Power Station due to future uncertainty over future cash flows when the current renewable support mechanism for the Power Station expires in 2027 and therefore an impairment test was performed. No impairment charge was recognised for this asset. Assessing whether or not impairment indicators exist requires management to exercise judgement. Where an indicator is identified, as was the case for Drax Power Station, the recoverable amount of the asset is determined as the higher of fair value less cost of disposal and value in use. The Group assessed the recoverable amount by reference to value in use. This involves significant estimation due to the inherent uncertainty in forecasting future cash flows including assumptions such as future support mechanisms, energy prices, capital expenditure (including maintenance costs), inflation, as well as determining the appropriate discount rate used in the value in use calculation. Future cashflows are also impacted by uncertainties related to climate change, including future Government policy with respect to Biomass Generation. This was identified as an area of increased audit risk reflecting the impairment trigger identified by management and the estimation uncertainty in value in use models.	To address this key audit matter, we performed the following audit procedures: – **Assessment of impairment indicators:** We evaluated management's assessment by reference to our own evaluation of the UK energy market, consideration of UK Government energy policy (including announcements made by the UK Government), and through the involvement of our own internal energy experts. – **Assessment of methodology:** We evaluated the appropriateness of the Group's value in use methodology in accordance with IAS 36 and tested the integrity and mathematical accuracy of the model. – **Testing of assumptions:** We tested key assumptions used in the cash flow forecasts, including future support mechanisms, energy prices, capital expenditure (including maintenance costs), and the discount rate. Our work was supported by our valuation and energy experts to assess the calculation of the discount rate and evaluate future energy price curves, including the evaluation of these against external data sources. – **Sensitivity analysis:** We assessed management's sensitivity analysis as well as performing our own sensitivities to evaluate the impact of reasonably possible changes in key assumptions on the recoverable amount of Drax Power Station within property, plant, and equipment. – **Historical accuracy:** We compared past cash flow forecasts to actual results to assess the historical accuracy of management's forecasts. – **Disclosure review:** We reviewed the disclosures included in the key sources of estimation uncertainty and notes 2.4 and 3.1 to the financial statements, to ensure they appropriately describe the key assumptions and areas of estimation uncertainty related to the carrying value of property, plant and equipment within Drax Power Station, as well as the disclosure of management's sensitivities in accordance with IFRS requirements. These procedures provided sufficient appropriate audit evidence to conclude that the carrying value of Drax Power Station as at 31 December 2024 is not materially misstated, and we found the related disclosures to be appropriate.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation and presentation of derivative financial instruments (Group)</td></tr>
<tr><td>As at 31 December 2024, the Group reported derivative assets and liabilities valued at £257.3m (2023: £622.0m) and £333.3m (2023: £538.2m) respectively (see note 7.1).

The Group uses various derivative instruments, including commodity contracts and cross-currency and interest rate swaps to manage financial risks such as foreign exchange, interest rate and commodity price fluctuations. In accordance with the requirements of IFRS these derivative financial instruments are required to be reported at fair value at each balance sheet date. The valuation of the derivatives can be complex, requiring the selection of appropriate valuation methodologies and assumptions. Key assumptions include future market prices, credit risk factors, the time value of money, and spread adjustments. The Group relies heavily on a manual process using Excel spreadsheets to perform the mark-to-market calculation of derivatives to determine the fair value, and this manual process increases the risk of errors, particularly given the significant volume of derivative contracts.

The presentation of assets and liabilities in respect of derivatives in the balance sheet, as well as the presentation of power sale and purchase contracts in the income statement can involve judgement. During the current year management identified an error in the presentation of certain sleeved electricity trades within the income statement which resulted in a restatement of revenues and cost of sales. In the prior year, management identified an error in the balance sheet presentation of certain derivative assets and liabilities which also resulted in a restatement of the 2022 balance sheet presentation. As well as the judgement required to determine the appropriate financial statement presentation, the processes to identify contracts and balances which should be presented on a net basis in the income statement and balance sheet respectively are manual using excel spreadsheets and this further increases the risk of error.</td>
<td>To address this key audit matter, we performed the following audit procedures:

– Process assessment: We assessed the Group's processes and methodology for performing mark-to-market calculations. This included a review of the controls in place to mitigate the risk of errors inherent in manual data handling.
– Data integrity testing: We tested the integrity of data inputs included within the Excel spreadsheets used by management.
– Spreadsheet testing: We tested formulas and logic applied in the spreadsheets used to perform mark-to-market calculations.
– Re-performance and verification: We re-performed a sample of the mark-to-market calculations independently, and verified a sample of key inputs to third-party sources and traced details back to contracts.
– Credit risk and fair value analysis: We evaluated the application of credit risk data and calculations used in the valuation of derivative contracts, including swaps. Our work in this area was supported by our internal treasury specialists.
– Net presentation review: We independently evaluated the accounting policies for different types of commodity contracts, which included consideration of the presentation of revenues and cost of sales in the income statement and assets and liabilities in the balance sheet. Our work included tracing relevant terms for a sample of contracts to the underlying agreements to ensure the appropriate presentation and disclosure in the financial statements. We assessed the prior year restatement to revenue and cost of sales based on the findings of our independent evaluation, subsequent discussions with management and with the support of our commodity and accounting technical specialists.
– Testing of netting adjustments: We obtained management's calculation for netting adjustments within the income statement and the balance sheet. We tested the appropriateness of these adjustments by reference to the nature of the contracts and the specific contract terms.
– Disclosure review: We reviewed the disclosures related to derivative valuations and financial risk management in the financial statements to ensure they provide clear and comprehensive information about the judgments and assumptions used. These disclosures can be found in the Critical accounting judgements section and notes 7.1, 7.2 and 7.5 to the financial statements.

These procedures provided sufficient appropriate audit evidence to conclude that the valuation and presentation of derivative financial instruments is not materially misstated, and we found the related disclosures to be appropriate.</td></tr>
</table>

Independent Auditor's report to the members of Drax Group plc continued

Key audit matter	How our audit addressed the key audit matter
Recoverability of the carrying value of investments in subsidiary undertakings (Company)	
As at 31 December 2024, the Company reported investments in subsidiary undertakings of £769.4m (2023: £755.4m) (see note 5). Management are required to evaluate whether there are any indicators of impairment of investments at the balance sheet date, and if any indicators are identified an impairment test is performed to evaluate if there is an impairment in value. No indicators of impairment were identified and therefore no impairment was recorded in respect of the carrying value of investments in subsidiary undertakings. The assessment of impairment indicators involves significant judgment. It requires management to assess the performance of subsidiary undertakings, as well as evaluating other relevant factors including, but not limited to, market conditions, regulatory changes, impact of climate change, market capitalisation of the Group, and operational performance.	To address this key audit matter, we performed the following audit procedures: – Assessment of management's paper: We obtained and read management's assessment of impairment indicators, and confirmed that the considerations set out in their paper supported the conclusion that there were no indicators of impairment. – Evaluation of potential impairment triggers: We evaluated management's considerations set out within their paper to ensure that the facts they had considered were consistent with our understanding of the Group, and that all relevant factors we would expect to be considered were reflected in their considerations. Our work was informed based on our knowledge and understanding of the Group obtained during the course of our audit, as well as our consideration of wider impacts on the industry in which the Group operates, for example climate change. – Evaluation of other evidence: We also independently assessed the risk of impairment by comparing the carrying value of the investments in subsidiary undertakings to the market capitalisation of the Group to confirm that the investment carrying value did not exceed the market capitalisation as at 31 December 2024. – Disclosure review: We reviewed the disclosures included within note 5 of the Company accounts and assessed these to confirm that they were consistent with Management's impairment trigger assessment and our audit work in this area. Based on the audit work performed we found that the assessment of the recoverability of the carrying value of investments in subsidiary undertakings and the related disclosures in the financial statement were appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has four key segments – Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions, as well as certain centralised functions, and these segments are comprised of a number of individual reporting components. The Group's financial statements are a consolidation of these reporting components and consolidation journals.

In determining our overall scope for the Group audit, we first obtained a comprehensive understanding of the Group and its environment, including the evaluation of group-wide controls, assessed risks of material misstatement at the Group level, and evaluated the relative size and complexity of individual components to the Group audit and the reportable segments.

The reporting components vary in size, and we identified seven reporting components that required an audit of their complete financial information due to their individual risk and/or size characteristics.

We performed further audit procedures on specific financial statement balances that were identified due to their size and/or risk profile at a further ten components. We also audited material consolidation journals.

The work over the two Pellet Production components in North America was performed by a PwC component team in Canada, under the supervision and direction of the Group audit team. The involvement of the Group audit team included attending component clearance meetings, review of their supporting working papers, together with the additional procedures performed at group level, to obtain the evidence required for our opinion on the financial statements as a whole. All audit work over the remaining components and consolidation journals was performed by the Group audit team.

The Group team also conducted risk based analytical procedures over one further component to identify and respond to any residual risk of material misstatement in the consolidated financial statements.

The Company has one reporting component which was subject to a full scope audit for the purposes of the Company financial statements.

The impact of climate risk on our audit

We made enquiries with management to understand the processes they adopted to assess the impact of climate risk on the Group's financial statements and disclosures made within the Annual Report.

The key areas of the financial statements where management evaluated that climate risk could have a significant impact are set out in note 3.8.

We assessed management's evaluation of the areas most impacted by climate risk in the financial statements and concluded that management's evaluation was appropriate. The most significant climate related risk we identified related to government policies and regulations in respect of biomass energy generation. This risk was incorporated into our audit work over impairment of non-current assets (including challenging assumptions within management's cash flow forecasts to ensure these appropriately reflected climate related risks); and evaluating the useful economic life of property, plant and equipment. We also read other disclosures included within the Annual Report and Accounts, including the Sustainable Development section, the Group's TCFD disclosures and the Viability statement to ensure that these were fair, balanced and understandable in the context of how climate risks may impact the Group in the future, and that they complied with relevant laws and regulations with respect to disclosure requirements by listed companies.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£23.3m.	£10.9m.
How we determined it	Approximately 2.5% of the last three years' average Adjusted EBITDA	Approximately 1% of total assets
Rationale for benchmark applied	We have selected Adjusted EBITDA as our benchmark for materiality because it is a key performance measure disclosed to users of the financial statements which features prominently in the Annual Report and other shareholder communications. Adjusted EBITDA is also a key metric used in determining executive remuneration, accounting for 40% of the annual bonus outcome. To account for volatility due to recent fluctuations in energy prices, we have used a three year average of Adjusted EBITDA as our benchmark.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of a holding Company, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1m to £21m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £17.5m for the Group financial statements and £8.2m for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.2m (Group audit) and £0.5m (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment and related cash flow and covenant forecast model that support their conclusions with respect to the going concern basis of preparation of the financial statements;
- Assessing the integrity and testing the mathematical accuracy of management's forecast model;
- Evaluating the historical accuracy of the budgeting process to assess the reliability of forecasts;
- Evaluating management's base case forecast and severe but plausible downside scenario, challenging the appropriateness of the underlying assumptions, including corroborating these to appropriate sources of audit evidence, verifying the opening cash position within the forecast, and confirming the level of committed borrowing facilities available to the Group;
- Assessing the appropriateness of management's severe but plausible downside scenario by reference to our knowledge obtained of the Group during our audit and consideration of wider industry and macro-economic factors;
- Reviewing the terms of the Revolving Credit Facility ("RCF") and other borrowing and working capital arrangements to assess the terms of the available facilities, including covenant requirements;
- Evaluating management's analysis of both liquidity and covenant compliance to ensure that no breaches in covenants are anticipated over the assessment period, to confirm that the Group maintains sufficient liquidity headroom, and testing the calculation of covenant forecasts to confirm these are accurate;
- Reviewing management accounts for the financial period from the year end to the end of January 2025 to confirm that performance in January 2025 is in line with forecasts used in the going concern assessment; and
- Reading the disclosures made in respect of going concern included in the financial statements to ensure that these are consistent with management's going concern assessment and the findings from our going concern procedures.

Independent Auditor's report to the members of Drax Group plc continued

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making enquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, OFGEM regulations applicable to energy generators and energy suppliers in the UK, Forestry regulations applicable to the pellets business in the US and Canada, and environmental and health and safety regulations applicable in the UK, US and Canada, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation in the UK, US and Canada. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the overstatement of Adjusted EBITDA through posting manual journal entries to manipulate financial performance, or the exercise of management bias in material accounting judgements and estimates, including the accounting for significant one-off or unusual transactions. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, including Group General Counsel, Group Regulation and Compliance Director and Vice President of Global biomass and sustainability operations to understand and evaluate known or suspected instances of non-compliance with laws and regulations or fraud;
- Read correspondence with OFGEM in respect of the outcome of material regulatory investigations;
- Understood and evaluated management's controls designed to prevent and detect non-compliance with laws and regulations and fraud;
- Reviewed board minutes and internal audit reports throughout the year and subsequent to the year end, up to the date of our audit opinion;
- Identified and tested unusual journal entries which increased reported Adjusted EBITDA, and could represent a heightened risk of manipulation of the financial performance of the business, to ensure the journal entries are appropriate;
- Tested period end adjustments, with specific focus on any adjustments that increase reported Adjusted EBITDA; and
- Assessed material accounting judgements and estimates including those applicable to significant one-off or unusual transactions that could increase reported Adjusted EBITDA to ensure that these are appropriate and do not indicate any evidence of management bias.

Independent Auditor's report to the members of Drax Group plc continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 25 April 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

The Company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Leeds
26 February 2025

Financial statements

Introduction

The Consolidated financial statements provide detailed information about the financial performance (Consolidated income statement and Consolidated statement of comprehensive income), financial position (Consolidated balance sheet), reserves (Consolidated statement of changes in equity), and cash flows (Consolidated cash flow statement) of Drax Group plc (the Company) together with all entities controlled by the Company (collectively, the Group).

The notes to the Consolidated financial statements provide additional information on the items in the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity and Consolidated cash flow statement. The notes include explanations of the information presented. In general, the additional information in the notes to the Consolidated financial statements is required by law, International Financial Reporting Standards (IFRS) or other regulations to facilitate increased understanding of the primary statements set out on pages 167 to 171, as well as voluntary information which management believes users of the accounts may find useful, in line with the principles of IFRS.

Basis of preparation

The Consolidated financial statements have been prepared in accordance with the United Kingdom adopted International Accounting Standards (IAS) in conformity with the requirements of the Companies Act 2006.

The Consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities that are measured at fair value (principally derivative financial instruments) and the assets and liabilities of the Group's defined benefit pension scheme (measured at fair value and using the projected unit credit method respectively).

The Consolidated financial statements are presented in pounds sterling, the functional currency of the Company and the Group's presentational currency, rounded to the nearest million to one decimal place unless stated otherwise.

Foreign currency transactions

Each entity in the Group determines its own functional currency and items included in the results of each entity are measured using that functional currency. Transactions in currencies other than an entity's functional currency are initially recorded in the transaction currency and translated into the entity's functional currency at the average monthly exchange rate to the extent that this approximates the exchange rate prevailing at the date of the transaction. If the average monthly exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, income and expenditure are translated at the rates prevailing at the date of the transaction.

At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the exchange rates prevailing at that date. Non-monetary items measured at historical cost are translated at the date of the transaction using the average monthly exchange rate to the extent that this approximates the exchange rate prevailing on the date the transaction occurred. Non-monetary items that are measured at fair value are translated at the exchange rate at the date when the fair value was determined. Foreign exchange gains and losses arising on such translations are recognised in the Consolidated income statement within foreign exchange gains or losses. Foreign exchange gains or losses on qualifying cash flow hedges are recognised in other comprehensive income (OCI) within the Consolidated statement of comprehensive income, and deferred within equity to the extent the hedges are effective, until the hedged item occurs.

Foreign operations

The assets and liabilities of foreign operations with a functional currency other than sterling are translated into sterling using the exchange rates prevailing at the reporting date. The income and expenditure of such operations are translated into sterling using the average monthly exchange rate to the extent that this approximates the exchange rates prevailing at the date of the transactions. If the average monthly exchange rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, income and expenditure are translated at the rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the retranslation of the foreign operation's net assets, and its results for the year, are recognised in OCI within the Consolidated statement of comprehensive income.

Climate change

The impact of climate change has been considered throughout the preparation of the Annual report and accounts. In particular, and in compliance with the FCA Listing Rules 9.8.6(8), the Task Force on Climate-related Financial Disclosures (TCFD) section of the Strategic report contains information on the four recommendations and 11 recommended disclosures of the TCFD. Consideration in respect of the Consolidated financial statements focused on:

- Critical accounting judgements and key sources of estimation uncertainty
- Impairment of assets
- Going concern and viability
- Useful economic lives of fixed assets
- Present value of decommissioning provisions
- Fair value of contingent consideration
- Defined benefit pension scheme
- Renewable certificates
- Sustainable financing
- Deferred tax assets

Further information on these considerations can be found in note 3.8 to the Consolidated financial statements.

Going concern

The Group's business activities, along with future developments that may affect its financial performance, financial position and cash flows, are discussed on pages 1 to 85 of this Annual report and accounts. The current market conditions and financial performance of the Group are considered in the Financial review starting on page 18.

In assessing going concern the Directors have considered the period up to 31 March 2026, which reflects a period of at least 12 months from the date of signing the Consolidated financial statements, as this period extends beyond the Group's debt repayment of the remaining €143.8 million bond maturing in November 2025 and C$200.0 million and €70.0 million of loan facilities maturing in January 2026. There are no further debt maturities following these repayments until 2027. See note 4.2 for further details on the Group's borrowings. The Directors have also considered any significant events, including any committed outflows beyond this period, in forming their conclusion.

The going concern assessment primarily focuses on cash flow forecasts, available liquidity and continued compliance with banking covenants over the period assessed. The cash flow forecasts used to assess going concern are modelled for the impact of severe but plausible scenarios, consistent with the viability assessment detailed on pages 84 and 85. The scenarios modelled included a decrease in power prices and an increase in biomass costs. At 31 December 2024, the Group had cash and committed facilities of £806.0 million (see note 2.7) and borrowings of £1,176.7 million (see note 4.2). Under all scenarios modelled, the Group maintained sufficient liquidity and continued to remain in compliance with its covenants. The Directors have therefore

Financial statements continued

concluded that they have a reasonable expectation that the Group will continue to meet its liabilities as they fall due for a period of at least 12 months from the date of signing these Consolidated financial statements and have adopted the going concern basis in preparing these Consolidated financial statements.

See the Viability statement on pages 84 and 85 for details of the Directors' assessment that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years based on forecasts and projections that take into account reasonably possible changes in trading performance and other key assumptions.

Basis of consolidation

These Consolidated financial statements incorporate the financial results of the Company and of all its subsidiaries made up to 31 December each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the Group obtains control to the date control ceases. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

All intra-group assets and liabilities, equity, income, expenses, unrealised profits and cash flows relating to transactions between the members of the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders that are current ownership interests, entitling their holders to a proportionate share of net assets upon liquidation, may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of OCI are attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See note 4.5 for the accounting policy and further details on the Group's accounting for non-controlling interests.

Joint arrangements are contractual arrangements where two or more parties have joint control over the arrangement. Joint arrangements are classified as either a joint operation or a joint venture based upon an analysis of the rights and obligations of the parties in the normal course of business. If the parties to the joint arrangement have direct rights to the assets, and direct obligations for the liabilities, relating to the arrangement, then it is a joint operation. If the parties to the joint arrangement have rights to the net assets of the arrangement, then it is a joint venture.

The Group currently has one joint operation and no joint ventures. The Group recognises its direct right to assets, liabilities, revenue and expenses of the joint operation, as well as its share of any jointly entitled assets, liabilities, income and expenditure.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. This is generally the case where the Group holds between 20% and 50% of the voting rights of an entity.

Associates are accounted for using the equity method. Investments in associates are initially recognised at cost, which includes transaction costs. Goodwill is not separately recognised in relation to associates. Subsequent to initial recognition, the carrying amount of investments in associates is adjusted to recognise the Group's share of after-tax profit or loss and each component of OCI of equity-accounted associates that are recognised in the Consolidated income statement and Consolidated statement of comprehensive income respectively. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. If the carrying amount of an associate reaches £nil, the Group only recognises its share of losses from the associate to the extent it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated against the investment to the extent of the Group's percentage ownership in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment. Accounting policies of equity-accounted associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

Associates are tested for impairment whenever there are any indicators of impairment. An impairment loss is recognised to the extent that the carrying amount of the investment exceeds its recoverable amount. Impairment losses on associates are recognised within impairment of non-current assets in the Consolidated income statement.

Accounting policies

The material accounting policies for the measurement of an individual item in the Consolidated financial statements are described in the note to the Consolidated financial statements relating to the item concerned (see contents on page 150).

The accounting policies adopted in the preparation of the Consolidated financial statements are consistent with those followed in the preparation of the Group's Consolidated financial statements for the year ended 31 December 2023, except for the adoption of new standards and amendments effective as of 1 January 2024. The Group has not early-adopted any standard, interpretation or amendment that has been issued but is not yet effective.

A full listing of new standards, interpretations and pronouncements under IFRS applicable to these Consolidated financial statements is presented in note 8.2. The application of these new requirements has not had a material effect on the Consolidated financial statements.

Judgements and estimates

The preparation of these Consolidated financial statements requires judgement to be made in selecting and applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenditure. Actual results may subsequently differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

In accordance with IAS 1, the judgements which have the most significant effect on the amounts recognised in the Consolidated financial statements, and the key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below. Further detail, including sensitivity analyses where appropriate for the key estimates and assumptions, is included in the related notes.

Critical accounting judgements

The critical judgements made in the process of applying the Group's accounting policies during the year that have the most significant effect on the amounts recognised in the Consolidated financial statements are set out below.

Accounting for biomass purchase and sale contracts

The Group buys and sells biomass for operational requirements in its Pellet Production and Biomass Generation segments. The Group's risk management policies also permit some flexibility in activity to optimise the overall portfolio position and potentially release value in certain circumstances. As such, at each reporting date the Group undertakes an assessment of whether contracts it holds to buy and sell biomass are within the scope of IFRS 9. If the contracts were deemed to be within the scope of IFRS 9, this could result in these contracts being recognised at fair value as derivative financial instruments from inception.

The Group assessed both biomass purchase and sale contracts and concluded that the nature of these contracts means they cannot be readily net settled in cash or other financial instruments and, as a result, they remain outside of the scope of IFRS 9. The Group concluded this due to the contractual terms having no net settlement provisions and the highly illiquid nature of the biomass market meaning biomass cannot be readily converted into cash. The lack of an active spot market means market participants cannot readily seek to make trading profits from short-term price fluctuations as prices and contracts are negotiated bilaterally with no active market price and no guarantee there will be a willing buyer or seller to trade with. Accordingly, biomass contracts are not recognised as derivative assets or liabilities in the Consolidated balance sheet prior to delivery, consistent with the accounting in prior years.

The Group has 15.0 million tonnes of contracted biomass purchases; therefore, had the Group concluded biomass purchase contracts were within the scope of IFRS 9, for every £1 per tonne that the weighted average market price is higher or lower than the weighted average contracted price, there would be a resulting £15.0 million fair value gain or loss respectively to be recognised on these contracts. The Group continues to assess developments in the biomass market on an ongoing basis to identify any impact on this assessment.

Capitalisation of development project costs

As the Group executes its strategy, significant investment is likely to be required in large development projects, including bioenergy with carbon capture and storage in the UK (UK BECCS), the Longview pellet plant development project (Longview) and the expansion of Cruachan. In accounting for this expenditure, judgements are required to determine whether these costs meet the criteria to be capitalised, or whether they should be expensed as incurred. The capitalisation of costs under IAS 16 and IAS 38 is based around the expectation that it is probable that economic benefit will flow to the Group as a result of the costs incurred to bring the asset into working condition. This judgement can be complex as it is dependent on several qualitative factors, including technological feasibility, economic feasibility and availability of finance. These factors can change over time and so any judgements are continually reassessed.

At 31 December 2024, the Group had capitalised a total of £47.2 million relating to the UK BECCS development project, including £4.4 million in 2024. The economic feasibility of the project is dependent on the implementation of an effective negative emissions policy and investment framework. Technical feasibility is dependent on infrastructure development for transmission and storage of CO_2. Had it been judged that the criteria for capitalisation had not yet been met, these costs would have been expensed as incurred. At 31 December 2024, the Group had capitalised a total of £121.3 million relating to Longview, including £63.6 million in 2024. Construction of the project is currently paused due to the requirement to apply for an updated air discharge permit. Final completion of the project is dependent upon receiving the permit, whether the project is still economically viable as a result of any updated plant design requirements to enable the site to operate within the permit limits, and whether there is appropriate demand and pricing for the pellets it will produce. This is under consideration, but management currently expects to complete the project.

Should expectations around the qualitative factors noted above change in the future, then the amounts capitalised may need to be impaired. For further details on UK BECCS see the "Development of BECCS at Drax Power Station in the UK" opportunity in the Climate-related opportunities section on page 65. The Group has not yet capitalised any costs in relation to the expansion of Cruachan or any BECCS projects outside of the UK, as it has been judged that the recognition criteria have not yet been met.

Offsetting of financial assets and financial liabilities

IAS 32 requires financial assets and financial liabilities to be offset and the net amount presented in the Consolidated balance sheet when the Group currently has both the legally enforceable right to offset the recognised amounts, and the intention to settle on a net basis. The offsetting requirements and relevant guidance is based on the principle of reflecting the entity's expected future cash flows and there is judgement as to whether the offsetting criteria should be applied to derivative financial instruments that will be settled through physical delivery of a non-financial asset. Judgement is also required around the appropriate unit of account where there are a number of both physical deliveries and cash flows that collectively settle financial instruments, and how the offsetting requirements should be applied to each of these settlements, either individually or at a contract level. The Group has determined the offsetting criteria should be applied to physically settled derivatives and has applied the offsetting criteria at a contract level rather than a cash flow level.

If the Group had not applied offsetting on physically settled derivative contracts in the current year then a number of derivative balances that are currently presented net in the Consolidated balance sheet would have been presented gross resulting in an additional £71.2 million of derivative assets and liabilities. See note 7.5 for further details on the Group's offsetting of all financial assets and financial liabilities.

Gross presentation of power purchase and sale contracts

The Group enters contracts to sell power. The Group fulfils these sales contracts through the output of its generation assets, but the Group may also fulfil these sales contracts by purchasing power from third parties.

The Group presents sales of power within the revenue line and purchases of power within the cost of sales line in the Consolidated income statement. This reflects the fact that the sale and purchase contracts are entered into at separate times, are independent contracts and are not entered into in contemplation of one another. The Group's Biomass Generation and Flexible Generation businesses enter sales contracts to sell their generation output. If the Group subsequently chooses to fulfil a sales contract through purchasing power from

Financial statements continued

a third party, that does not change the substance of the original sales contract or the Group's obligations under the sales contract.

The Group believes gross presentation of power sales and purchase contracts reflects the substance of the Group's operations as a generation business and not a trading business. Had the Group presented external purchases of power net within external revenue this would have reduced external revenue by £1,072.9 million with a corresponding decrease in external cost of sales.

See note 2.2 on page 175

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that carry a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next financial year. These are the items where actual outcomes in the next 12 months could vary materially from the estimates made in determining the reported amount of an asset or liability within the Consolidated financial statements.

Impairment

An impairment review is conducted annually on cash-generating units (CGUs) or group of CGUs, with associated goodwill or intangible assets with an indefinite life, and as required for other assets and CGUs where an indicator of possible impairment exists.

In 2024, an impairment assessment has been completed on six of the Group's CGUs. Five of these CGUs have been assessed as they have allocated goodwill (Drax Energy Solutions, Pellet Operations, Lanark, Galloway and Cruachan). No CGUs have intangibles with an indefinite life. In addition, the Drax Power Station CGU was assessed due to indicators of potential impairment being present.

The assessment of future cash flows that underpin the impairment reviews are based on management's best estimate and include a number of assumptions (see note 2.4 for further details of these key assumptions).

Drax Power Station was identified as the only CGU where a reasonably possible change in certain assumptions could lead to a material adjustment to its carrying value as at 31 December 2024.

The assessment for the Drax Power Station CGU at 31 December 2024 is sensitive to reasonably possible changes to the key inputs to the valuation model.

The Drax Power Station CGU has a carrying value at 31 December 2024 of £1,071.3 million. Reasonably possible assumptions include assuming operations cease at the end of the current renewables schemes in March 2027 as a result of not concluding a final low-carbon dispatchable Contracts for Difference (CfD) agreement (see note 2.12) combined with a £15/MWh decrease in power prices on unhedged volumes, a 10% increase in the forced outage rate and an increase in the pre-tax discount rate from 16.8% to 48.5% (equivalent to an increase in the post-tax discount rate from 6.8% to 8.0%). These reasonably possible changes in the key inputs to the value in use model would lead to an impairment of £515.5 million. If reasonably possible assumptions were included to assume operations were to cease in March 2031 at the end of the proposed low-carbon dispatchable CfD agreement (see note 2.12), combined with a £15/MWh decrease in power prices on unhedged volumes, a 10% increase in the forced outage rate and an increase in the pre-tax discount rate from 16.8% to 29.8% (equivalent to an increase in the post-tax discount rate from 6.8% to 8.0%), then these reasonably possible changes in the key inputs to the value in use model would lead to an impairment of £321.4 million.

See note 2.4 on page 181

Property, plant and equipment

Property, plant and equipment at Drax Power Station is depreciated on a straight-line basis over its useful economic life (UEL). UELs are estimated based on past experience, anticipated future replacement cycles, considering future expected developments in the energy market, and other available evidence and are reviewed at least annually.

Given the continued focus on climate change, renewable sources of energy and transitioning to a net zero economy, the power generation industry is going through a period of transformation, which can impact on the UELs of assets. As the UK Government's net zero strategy continues to evolve and become clearer, particularly in relation to UK BECCS, the Group will continue to assess any potential impact of these developments on UELs in relation to Drax Power Station. The net book value of fixed assets being depreciated at Drax Power Station as at 31 December 2024 is £1,018.5 million and depreciation on these assets in the year, based on the UELs disclosed in note 3.1, was £89.4 million. If the UEL of assets that are limited to the current assumed end of station life of 2039 were to increase by 10 years, the impact on the depreciation charge for the year would be a reduction of approximately £18.1 million. If the assumed end of station life of 2039 were to decrease by 12 years to 2027, in line with the end of the current renewable schemes, the impact on the annual depreciation charge for the year would be an increase of approximately £183.8 million.

See note 3.1 on page 199

Pension liabilities

The Group records a net surplus or liability in its Consolidated balance sheet for the fair value of assets held by the defined benefit pension scheme, less its obligation to provide benefits under the scheme. The actuarial valuations of the scheme's liabilities are performed annually by a third-party actuary and contain assumptions regarding interest rates, inflation, future salary and pension increases, mortality, and other factors, all of which are subject to future change. Three of the key estimates within the valuation are the discount rate, inflation rate, and life expectancy. Sensitivities in the valuation are presented in note 6.3. The value of the pension surplus recognised by the Group at 31 December 2024 is £24.7 million.

See note 6.3 on page 234

Alternative performance measures (APMs)

The Group uses APMs throughout the Annual report and accounts that are not defined within IFRS but provide additional information about the Group's financial performance and position that is used by the Board to evaluate the Group's performance. These measures have been defined internally and may therefore not be comparable to similar APMs presented by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined by IFRS. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

Each year management confirms the judgements made regarding the Group's definition of APMs, including exceptional items and certain remeasurements and Net debt. The assessment as to whether a transaction or group of transactions should or should not be classified as an exceptional item or a certain remeasurement can have a significant impact on the Adjusted results of the Group. Deciding which items to include or exclude from an APM's definition can have a significant impact on the APM presented. An internal policy governs the judgements made by management and in all instances, these judgements are approved by the Audit Committee as set out on page 117.

Defined below are the key APMs used by the Board to assess financial performance. The APMs glossary table on page 277 provides details of all APMs used, including the APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how each APM is calculated.

Adjusted results

The Group's financial performance for the period, measured in accordance with IFRS, is shown in the Total results column on the face of the Consolidated income statement. Exceptional items and certain remeasurements are deducted from the Total results in arriving at the Adjusted results for the year. The Group's Adjusted results are consistent with the way the Board and executive management assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Consolidated financial statements in evaluating the Group's trading performance and performance against strategic objectives.

Exceptional items and certain remeasurements

Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. For a transaction to be considered exceptional, management considers the nature of the transaction, the frequency of similar events, any related precedent, and commercial context. The application guidance for this policy includes de minimis thresholds for classifying items as exceptional. Presentation of a transaction as exceptional is approved by the Audit Committee in accordance with an agreed policy.

The policy is reviewed by the Audit Committee biennially, with the last review taking place in April 2023. This review did not result in any significant changes to the policy.

Certain remeasurements comprise fair value gains and losses on derivative contracts to the extent those contracts do not qualify for hedge accounting (or hedge accounting is not effective) which, under IFRS, are recorded in revenue, cost of sales, interest payable and similar charges or foreign exchange gains or losses. Management believes adjusting for fair value gains and losses recognised on derivative contracts provides readers of the Consolidated financial statements with useful information, as this removes the volatility caused by movements in market prices over the life of the derivative. The Group regards all of its forward contracting activity to represent economic hedges and, therefore, the contracted price at delivery or maturity is relevant to the Group and its performance, rather than how the contracted price compares to the prevailing market price, as the Group is not seeking to make trading profits on these contracts through market price movements.

The impact of excluding these fair value remeasurements is to reflect commodity sales and purchases at contracted prices (the price paid or received in respect of delivery of the commodity in question) in Adjusted results in the period the transaction takes place, and also to take into account the impact of associated financial derivative contracts (such as forward foreign currency purchases) in Adjusted results on maturity, being the period these contracts are intending to hedge.

Further information on exceptional items and certain remeasurements in the current and comparative periods is included in note 2.7.

Adjusted EBITDA

Adjusted EBITDA is a primary measure used by the Board and executive management to assess the financial performance of the Group as it provides a more comparable assessment of the Group's trading performance period-on-period. It is also a key metric used by the investor community to assess the performance of the Group's operations.

The Group defines Adjusted EBITDA as earnings before interest, tax, depreciation, amortisation, other gains or losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements (defined above). Adjusted EBITDA excludes any earnings from associates and Adjusted EBITDA directly attributable to non-controlling interests.

Adjusted basic earnings per share

Adjusted basic earnings per share (Adjusted basic EPS) is Adjusted profit attributable to the owners of the parent company divided by the weighted average number of ordinary shares outstanding during the period. Repurchased shares held in the treasury shares reserve are not included in the weighted average calculation of shares. This is the same denominator used when calculating Total basic earnings per share (Total basic EPS). This metric is used in discussions with the investor community.

Net debt

The Group defines Net debt as borrowings and lease liabilities less cash and cash equivalents. Borrowings denominated in foreign currencies to which the Group has entered into hedging arrangements associated with this currency exposure are translated at the hedged rate for the purposes of calculating Net debt. This is to take into account the effect of financial instruments entered into to hedge movements in, for example, foreign exchange rates in relation to debt principal repayments. Borrowings that have no hedging instruments attributed to them are translated at the closing rate.

Borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 4.2). Borrowings does not include other financial liabilities such as pension obligations (see note 6.3), trade and other payables (see note 3.7), and working capital facilities linked directly to specific payables (such as credit cards and deferred letters of credit) that provide a short extension of payment terms of less than 12 months (see note 4.3). The Group does not include balances related to supply chain financing in borrowings and therefore Net debt, as there are no changes to the Group's payment terms under this arrangement, nor would there be if the arrangement was to cease (see note 3.7).

Net debt excludes the proportion of cash, lease liabilities and borrowings in non-wholly owned entities that would be attributable to the non-controlling interests. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.

Prior to 2024, the Group's definition of Net debt did not include lease liabilities. The exclusion of lease liabilities from the calculation of Net debt was consistent with the Group's covenant reporting requirements at the time. In 2024, the Group has drawn new borrowings that include lease liabilities in their covenant reporting requirements. The Group has updated its definition of Net debt to include lease liabilities, to be consistent with the covenant requirements of the newly drawn borrowings. This is deemed to provide more useful information to users of the Consolidated financial statements as the Group's definition of Net debt is consistent with the way debt is assessed by the Group's lenders of newly drawn borrowings and going forward on any future borrowings drawn.

Financial statements continued

The table below shows Net debt calculated using both the current and prior year definition and a reconciliation between the two metrics:

	As at 31 December	
	2024 £m	2023 £m
Net debt excluding lease liabilities (previous definition)	**875.7**	1,083.9
Lease liabilities attributable to owners of the parent company	**116.0**	135.8
Net debt (including lease liabilities – current definition)	**991.7**	1,219.7

Net debt is a key metric used by debt rating agencies and the investor community as a measure of liquidity and the ability of the Group to manage its financial obligations.

See note 2.7 on page 191

Net debt to Adjusted EBITDA

This metric is the ratio of Net debt to Adjusted EBITDA, expressed as a multiple. The Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.

The Net debt to Adjusted EBITDA ratio gives an indication of the size of the Group's Net debt in relation to its trading performance and is a key metric used by the investor community to assess the performance of the Group's operations.

As explained above, the Group updated its definition of Net debt. The table below shows the ratio of Net debt to Adjusted EBITDA calculated using both the current and prior year definitions of Net debt.

	As at 31 December	
	2024	2023
Net debt excluding lease liabilities (previous definition) (£m)	**875.7**	1,083.9
Net debt (including lease liabilities – current definition) (£m)	**991.7**	1,219.7
Adjusted EBITDA (£m)	**1,064.2**	1,009.2
Net debt excluding lease liabilities (previous definition) to Adjusted EBITDA ratio	**0.8**	1.1
Net debt (including lease liabilities – current definition) to Adjusted EBITDA ratio	**0.9**	1.2

See note 2.7 on page 191

Section 1: Consolidated financial statements

Consolidated income statement

	Notes	Year ended 31 December 2024 Adjusted results(2) £m	Year ended 31 December 2024 Exceptional items and certain remeasurements £m	Year ended 31 December 2024 Total results £m	Year ended 31 December 2023 Restated(1) Adjusted results(2) £m	Year ended 31 December 2023 Exceptional items and certain remeasurements £m	Year ended 31 December 2023 Restated(1) Total results £m
Revenue	2.2	6,081.2	81.3	6,162.5	7,450.3	282.9	7,733.2
Cost of sales		(4,130.1)	4.9	(4,125.2)	(5,492.3)	(82.7)	(5,575.0)
Electricity Generator Levy		(160.8)	–	(160.8)	(204.6)	–	(204.6)
Gross profit		1,790.3	86.2	1,876.5	1,753.4	200.2	1,953.6
Operating and administrative expenses	2.3	(698.5)	(22.1)	(720.6)	(711.7)	–	(711.7)
Impairment losses on financial assets		(27.3)	(12.7)	(40.0)	(32.5)	–	(32.5)
Depreciation	3.1	(224.8)	–	(224.8)	(195.6)	–	(195.6)
Amortisation	5.2	(17.0)	–	(17.0)	(29.4)	–	(29.4)
Impairment of non-current assets	2.4	(11.8)	(2.6)	(14.4)	(1.7)	(69.1)	(70.8)
Other (losses)/gains		(8.5)	1.2	(7.3)	0.7	(4.5)	(3.8)
Share of losses from associates		(2.2)	–	(2.2)	(1.6)	–	(1.6)
Operating profit		800.2	50.0	850.2	781.6	126.6	908.2
Foreign exchange (losses)/gains	2.5	(9.4)	–	(9.4)	(14.3)	4.9	(9.4)
Interest payable and similar charges	2.5	(106.9)	(0.6)	(107.5)	(115.2)	(0.3)	(115.5)
Interest receivable and similar gains	2.5	20.1	–	20.1	13.1	–	13.1
Profit before tax		704.0	49.4	753.4	665.2	131.2	796.4
Tax:							
– Before effect of changes in tax rate	2.6	(213.0)	(14.9)	(227.9)	(195.2)	(37.3)	(232.5)
– Effect of changes in tax rate	2.6	–	–	–	(0.6)	(2.4)	(3.0)
Total tax charge		(213.0)	(14.9)	(227.9)	(195.8)	(39.7)	(235.5)
Profit for the period		491.0	34.5	525.5	469.4	91.5	560.9
Attributable to:							
Owners of the parent company		492.1	34.5	526.6	470.7	91.5	562.2
Non-controlling interests	4.5	(1.1)	–	(1.1)	(1.3)	–	(1.3)

Earnings per share:		Pence	Pence	Pence	Pence
For net profit for the period attributable to owners of the parent company					
– Basic	2.8	128.4	137.5	119.6	142.8
– Diluted	2.8	126.0	134.8	116.8	139.5

(1) The year ended 31 December 2023 amounts above have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. See further details of this restatement in the Net presentation of sleeved electricity trades section in note 8.4.
(2) Adjusted results are stated after adjusting for exceptional items and certain remeasurements. See note 2.7 for further details.

Section 1: Consolidated financial statements continued

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2024 £m	Restated(1) 2023 £m
Profit for the period		**525.5**	560.9
Items that will not be subsequently reclassified to profit or loss:			
Remeasurement of defined benefit pension scheme	6.3	**5.5**	(28.8)
Deferred tax on remeasurement of defined benefit pension scheme	2.6	**(1.3)**	7.2
Gains on equity investments		**–**	0.4
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations attributable to owners of the parent company	4.4	**(6.6)**	(10.3)
Exchange differences on translation of foreign operations attributable to non-controlling interests		**(0.8)**	(0.4)
Net fair value losses on financial assets at fair value through other comprehensive income		**(25.5)**	(25.0)
Net fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss		**25.5**	25.0
Net fair value gains on cost of hedging		**6.8**	7.5
Deferred tax on cost of hedging	2.6	**(1.7)**	(1.9)
Net fair value (losses)/gains on cash flow hedges	7.3	**(49.0)**	266.5
Net (losses)/gains on cash flow hedges reclassified to profit or loss	7.3	**(242.9)**	256.1
Deferred tax on cash flow hedges	2.6	**73.0**	(130.7)
Other comprehensive (expense)/income		**(217.0)**	365.6
Total comprehensive income for the year		**308.5**	926.5
Attributable to:			
Owners of the parent company		**310.4**	928.2
Non-controlling interests		**(1.9)**	(1.7)

(1) The Group has restated comparatives for the year ended 31 December 2023 to reclassify certain amounts from "items that will not be subsequently reclassified to profit or loss" to "items that may be subsequently reclassified to profit or loss", and to present gross the fair value losses on financial assets at fair value through other comprehensive income and their subsequent reclassification to profit or loss. See the Other comprehensive income presentation section in note 8.4 for further details of this restatement.

Consolidated balance sheet

	Notes	As at 31 December 2024 £m	2023 £m
Assets			
Non-current assets			
Goodwill	5.2	**415.1**	416.7
Intangible assets	5.2	**68.1**	81.5
Property, plant and equipment	3.1	**2,802.0**	2,698.8
Right-of-use assets	3.2	**100.9**	122.2
Investments		**3.6**	8.9
Retirement benefit surplus	6.3	**24.7**	18.4
Deferred tax assets	2.6	**48.6**	52.9
Derivative financial instruments	7.1	**81.7**	293.6
		3,544.7	3,693.0
Current assets			
Inventories	3.4	**302.0**	328.4
Renewable certificate assets	3.3	**540.0**	292.2
Trade and other receivables and contract assets	3.5	**470.3**	976.9
Derivative financial instruments	7.1	**175.6**	368.4
Cash and cash equivalents	4.1	**356.0**	379.5
		1,843.9	2,345.4
Liabilities			
Current liabilities			
Trade and other payables and contract liabilities	3.7	**(1,289.1)**	(1,539.6)
Lease liabilities	3.2	**(26.0)**	(25.1)
Current tax liabilities		**(9.6)**	(20.6)
Borrowings	4.2	**(119.0)**	(264.2)
Provisions	5.3	**(20.2)**	(6.6)
Derivative financial instruments	7.1	**(71.1)**	(231.6)
		(1,535.0)	(2,087.7)
Net current assets		**308.9**	257.7
Non-current liabilities			
Borrowings	4.2	**(1,057.7)**	(1,161.1)
Lease liabilities	3.2	**(90.5)**	(110.7)
Provisions	5.3	**(75.7)**	(72.2)
Deferred tax liabilities	2.6	**(280.4)**	(317.1)
Derivative financial instruments	7.1	**(262.2)**	(306.6)
		(1,766.5)	(1,967.7)
Net assets		**2,087.1**	1,983.0
Shareholders' equity			
Issued equity	4.4	**49.4**	49.1
Share premium	4.4	**443.8**	441.2
Hedge reserve	7.3	**(7.9)**	207.4
Cost of hedging reserve	7.4	**6.9**	18.7
Other reserves	4.4	**467.0**	588.2
Retained profits	2.10	**1,118.1**	666.4
Total equity attributable to owners of the parent company		**2,077.3**	1,971.0
Non-controlling interests	4.5	**9.8**	12.0
Total shareholders' equity		**2,087.1**	1,983.0

The Consolidated financial statements of Drax Group plc, registered number 5562053, were approved and authorised for issue by the Board of Directors on 26 February 2025.

Signed on behalf of the Board of Directors:

Andy Skelton
CFO

Section 1: Consolidated financial statements continued

Consolidated statement of changes in equity

	Issued equity £m	Share premium £m	Hedge reserve £m	Cost of hedging £m	Other reserves £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2023	47.9	433.3	(152.0)	40.1	747.7	193.8	13.4	1,324.2
Profit/(loss) for the year	–	–	–	–	–	562.2	(1.3)	560.9
Other comprehensive income/(expense)	–	–	391.9	5.6	(10.3)	(21.2)	(0.4)	365.6
Total comprehensive income/(expense) for the year	–	–	391.9	5.6	(10.3)	541.0	(1.7)	926.5
Equity dividends paid (note 2.9)	–	–	–	–	–	(86.3)	–	(86.3)
Issue of share capital (note 4.4)	1.2	7.9	–	–	–	–	–	9.1
Contributions from non-controlling interests	–	–	–	–	–	–	0.3	0.3
Repurchase of own shares (note 2.11)	–	–	–	–	(149.2)	–	–	(149.2)
Total transactions with the owners in their capacity as owner	1.2	7.9	–	–	(149.2)	(86.3)	0.3	(226.1)
Movements on cash flow hedges released directly from equity (note 7.3)	–	–	(43.4)	–	–	–	–	(43.4)
Deferred tax on cash flow hedges released directly from equity (notes 2.6 and 7.3)	–	–	10.9	–	–	–	–	10.9
Movements on cost of hedging released directly from equity (note 7.4)	–	–	–	(36.0)	–	–	–	(36.0)
Deferred tax on cost of hedging released directly from equity (notes 2.6 and 7.4)	–	–	–	9.0	–	–	–	9.0
Movement in equity associated with share-based payments	–	–	–	–	–	13.4	–	13.4
Tax on share-based payments released directly from equity (note 2.6)	–	–	–	–	–	4.5	–	4.5
At 1 January 2024	**49.1**	**441.2**	**207.4**	**18.7**	**588.2**	**666.4**	**12.0**	**1,983.0**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**526.6**	**(1.1)**	**525.5**
Other comprehensive (expense)/income	**–**	**–**	**(218.9)**	**5.1**	**(6.6)**	**4.2**	**(0.8)**	**(217.0)**
Total comprehensive (expense)/income for the year	**–**	**–**	**(218.9)**	**5.1**	**(6.6)**	**530.8**	**(1.9)**	**308.5**
Equity dividends paid (note 2.9)	**–**	**–**	**–**	**–**	**–**	**(93.5)**	**–**	**(93.5)**
Issue of share capital (note 4.4)	**0.3**	**2.6**	**–**	**–**	**–**	**–**	**–**	**2.9**
Distributions to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Repurchase of own shares (note 2.11)	**–**	**–**	**–**	**–**	**(115.4)**	**–**	**–**	**(115.4)**
Total transactions with the owners in their capacity as owner	**0.3**	**2.6**	**–**	**–**	**(115.4)**	**(93.5)**	**(0.3)**	**(206.3)**
Movements on cash flow hedges released directly from equity (note 7.3)	**–**	**–**	**4.8**	**–**	**–**	**–**	**–**	**4.8**
Deferred tax on cash flow hedges released directly from equity (notes 2.6 and 7.3)	**–**	**–**	**(1.2)**	**–**	**–**	**–**	**–**	**(1.2)**
Movements on cost of hedging released directly from equity (note 7.4)	**–**	**–**	**–**	**(22.6)**	**–**	**–**	**–**	**(22.6)**
Deferred tax on cost of hedging released directly from equity (notes 2.6 and 7.4)	**–**	**–**	**–**	**5.7**	**–**	**–**	**–**	**5.7**
Movement in equity associated with share-based payments	**–**	**–**	**–**	**–**	**0.8**	**13.0**	**–**	**13.8**
Tax on share-based payments released directly from equity (note 2.6)	**–**	**–**	**–**	**–**	**–**	**1.4**	**–**	**1.4**
At 31 December 2024	**49.4**	**443.8**	**(7.9)**	**6.9**	**467.0**	**1,118.1**	**9.8**	**2,087.1**

Consolidated cash flow statement

	Notes	Year ended 31 December 2024 £m	2023 £m
Cash generated from operations	4.3	**1,135.1**	1,111.0
Income taxes paid		**(193.6)**	(180.0)
Interest paid		**(99.5)**	(106.1)
Interest received		**17.5**	10.7
Net cash from operating activities		**859.5**	835.6
Cash flows from investing activities			
Purchases of property, plant and equipment		**(379.8)**	(429.8)
Purchases of intangible assets		**(7.7)**	(11.3)
Proceeds from the sale of property, plant and equipment		**0.5**	–
Acquisition of businesses net of cash acquired	5.1	**–**	(9.0)
Purchases of equity in associates		**–**	(1.7)
Contributions to associates		**(2.9)**	–
Net cash used in investing activities		**(389.9)**	(451.8)
Cash flows from financing activities			
Equity dividends paid	2.9	**(93.5)**	(86.3)
(Distributions to)/contributions from non-controlling interests		**(0.1)**	0.3
Proceeds from issue of share capital		**2.7**	8.6
Repurchase of own shares	2.11	**(115.4)**	(149.2)
Drawdown of borrowings	4.2	**731.8**	140.0
Repayment of borrowings	4.2	**(949.2)**	(125.3)
Gross receipt of financing derivatives		**198.3**	–
Gross payment of financing derivatives		**(229.8)**	–
Payment of principal of lease liabilities		**(27.4)**	(25.8)
Other financing costs paid		**(9.0)**	(0.2)
Net cash absorbed by financing activities		**(491.6)**	(237.9)
Net (decrease)/increase in cash and cash equivalents		**(22.0)**	145.9
Cash and cash equivalents at 1 January		**379.5**	238.0
Effect of changes in foreign exchange rates		**(1.5)**	(4.4)
Cash and cash equivalents at 31 December	4.1	**356.0**	379.5

Non-cash transactions recognised in the Consolidated income statement are reconciled to operating cash flows as part of the disclosure provided in note 4.3. Further details of the cash flow impact of exceptional items can be found in note 2.7.

Section 2: Financial performance

The Financial performance section gives further information about the items in the Consolidated income statement. It includes a summary of financial performance by each of the Group's businesses (see note 2.1), analysis of certain Consolidated income statement items (notes 2.2–2.6) information regarding Total and Adjusted results, dividends, retained profits, the share buyback programme and post balance sheet events (notes 2.7-2.12). Further commentary on the Group's trading and operational performance during the year can be found in the Strategic report on pages 1 to 85, with particular reference to key transactions and market conditions that have affected the results.

2.1 Segmental reporting

Reportable segments are presented in a manner consistent with internal reporting provided to the chief operating decision maker which is considered to be the Board. In 2024, the way the Board reviews the performance of the Group has changed. The Generation segment, that was previously presented as one segment, was separated into two segments, being Biomass Generation and Flexible Generation. This was to enable the Board to be able to separately review the performance of Biomass Generation and Flexible Generation and monitor their performance against individual strategic targets. Biomass Generation consists of generation from the four biomass generation units at Drax Power Station. Flexible Generation includes the pumped storage generation at Cruachan, the run-of-river hydro generation at Lanark and Galloway, open-cycle gas turbine (OCGT) generation at the three OCGT sites (Hirwaun, Millbrook and Progress), and waste-derived pellet production at Daldowie. Also in 2024, the Customers segment was renamed Energy Solutions.

Following these changes the Group is organised into four businesses. The Board reviews the performance of each of these businesses separately, and each represents a reportable segment:

- Pellet Production: production and subsequent sale of biomass pellets from the Group's processing facilities in North America
- Biomass Generation: generation and sale of electricity from biomass assets in the UK
- Flexible Generation: generation and sale of electricity from pumped storage, run-of-river hydro and OCGTs assets, and the processing and sale of waste-derived pellets, in the UK
- Energy Solutions (previously Customers): supply of electricity to non-domestic customers in the UK

Operating costs that can be reasonably allocated to the activities of a reportable segment are included within the results of that reportable segment. Central corporate and commercial functions provide certain specialist and shared services, including optimisation of the Group's positions. Central corporate and commercial function costs that cannot be reasonably allocated to the activities of a reportable segment are included within Innovation, capital projects and other. Innovation, capital projects and other is not a reportable segment as it does not earn revenues, however it is included in the information presented below to enable reconciliation of the segmental amounts presented to the consolidated IFRS results recognised in these Consolidated financial statements.

Given the principal activity of the Group is a generator and seller of electricity, the Consolidated income statement includes all revenue from sales of electricity during the period. Where electricity is purchased rather than generated to fulfil a sale, either due to operational or other requirements, the cost of this purchase is recorded within cost of sales.

When defining gross profit within the Consolidated financial statements, the Group follows the principal trading considerations applied by its Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions businesses when making a sale. In respect of the Pellet Production business, this reflects the direct costs of production, being fibre, fuel and drying costs, direct freight and port costs, or third-party pellet purchases. In respect of the Biomass Generation and Flexible Generation businesses, this reflects the direct costs of the commodities required to generate power or the direct cost of purchasing power, the relevant grid connection costs that arise, and Electricity Generator Levy (EGL) arising on applicable renewable and low-carbon generation. In respect of the Energy Solutions business, this reflects the direct costs of supply, being the costs of the power or gas supplied, together with costs levied on suppliers such as network costs, broker costs and renewables incentive mechanisms.

Accordingly, cost of sales excludes indirect overheads and staff costs (presented within operating and administrative expenses), and depreciation (presented separately on the face of the Consolidated income statement). See note 3.4 for details of the costs included within inventories.

The accounting policies applied for the purpose of measuring the reportable segments' profits or losses, assets and liabilities are the same as those used in measuring the corresponding amounts in the Consolidated financial statements.

EGL applies to the Group's three biomass units operating under the Renewables Obligation (RO) scheme and its run-of-river hydro operations. It does not apply to the Group's Contract for Difference (CfD) biomass unit or its pumped storage hydro operations. The EGL applies at a rate of 45% to receipts from in-scope forms of wholesale electricity generation that exceed a defined benchmark level, after the deduction of certain allowable costs, from 1 January 2023 to 31 March 2028.

The Group has determined that it should be treated as a levy under IFRIC 21 'Levies', rather than as a tax under IAS 12 'Income taxes'. Therefore, the cost is recognised above gross profit. A liability for a levy is recognised once the obligating event, being the activity that triggers the payment of the levy, has occurred. EGL is triggered based on average generation receipts for in-scope revenue schemes over a reporting period being higher than the threshold set in the legislation. A liability is recognised if the average actual generation receipts to date in a financial period are above the threshold. The threshold rises annually in April, in line with the UK Consumer Price Index (CPI). The threshold at 31 December 2024 was £77.94 (2023: £75.00). The assessment is based on receipts above this threshold after adjusting for allowable costs.

Seasonality of trading

The primary activities of the Group are affected by seasonality. Demand in the UK for electricity is typically higher in the winter period (October to March) when temperatures are lower, which drives higher prices and higher levels of generation. Conversely, demand is typically lower in the summer months (April to September) when temperatures are milder, and therefore prices and levels of generation are generally lower.

This trend is experienced by all of the Group's UK-based businesses, as they operate within the UK electricity market. It is most notable within the Biomass Generation business due to its scale and the flexible operation of its thermal generation plant.

2.1 Segmental reporting continued

The Pellet Production business incurs certain costs that are higher in winter months due to the impact of weather conditions, such as fibre drying costs and heating costs. Production volumes and margins are typically higher in the summer months. The business is protected from demand fluctuations due to seasonality by regular production and dispatch schedules under its contracts with customers, both intra-group and externally.

Segment revenues and results

The following is an analysis of the Group's performance by reportable segment and any other information necessary to enable reconciliation to the Group's total IFRS results recognised for the year ended 31 December 2024. Revenue for each segment is split between sales to external parties and inter-segment sales. Inter-segment sales are eliminated in the intra-group eliminations column along with any adjustments required for unrealised profits (primarily inventory purchased by the Biomass Generation segment from the Pellet Production segment that is still held as inventory at the reporting date).

Adjusted EBITDA by reportable segment is presented in note 2.7.

	Year ended 31 December 2024								
	Pellet Production £m	Biomass Generation £m	Flexible Generation £m	Energy Solutions £m	Innovation, capital projects and other £m	Intra-group eliminations £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue									
External sales	340.1	1,880.7	74.3	3,786.1	–	–	6,081.2	81.3	6,162.5
Inter-segment sales	602.0	3,040.0	148.5	–	–	(3,790.5)	–	–	–
Total revenue	942.1	4,920.7	222.8	3,786.1	–	(3,790.5)	6,081.2	81.3	6,162.5
Cost of sales	(562.1)	(3,685.5)	(46.2)	(3,625.0)	–	3,788.7	(4,130.1)	4.9	(4,125.2)
Electricity Generator Levy	–	(150.2)	(10.6)	–	–	–	(160.8)	–	(160.8)
Gross profit	380.0	1,085.0	166.0	161.1	–	(1.8)	1,790.3	86.2	1,876.5
Operating and administrative expenses	(236.7)	(268.6)	(28.4)	(85.5)	(78.1)	(1.2)	(698.5)	(22.1)	(720.6)
Impairment losses on financial assets	–	(2.9)	–	(24.4)	–	–	(27.3)	(12.7)	(40.0)
Depreciation	(102.7)	(97.7)	(17.1)	(0.7)	(5.8)	(0.8)	(224.8)	–	(224.8)
Amortisation	(4.5)	(2.9)	–	(7.3)	(2.3)	–	(17.0)	–	(17.0)
Impairment of non-current assets	(3.3)	(0.1)	–	–	(8.4)	–	(11.8)	(2.6)	(14.4)
Other (losses)/gains	(4.1)	(4.6)	0.2	–	–	–	(8.5)	1.2	(7.3)
Share of losses from associates	(1.3)	–	–	–	(0.9)	–	(2.2)	–	(2.2)
Operating profit/(loss)	27.4	708.2	120.7	43.2	(95.5)	(3.8)	800.2	50.0	850.2

Further information on the main revenue streams of each segment is presented in note 2.2.

The following is an analysis of the Group's performance by reportable segment for the year ended 31 December 2023:

	Year ended 31 December 2023								
	Pellet Production £m	Restated(1)(2) Biomass Generation £m	Restated(1) Flexible Generation £m	Energy Solutions £m	Innovation, capital projects and other £m	Restated(1) Intra-group eliminations £m	Restated(2) Adjusted results £m	Exceptional items and certain remeasurements £m	Restated(2) Total results £m
Revenue									
External sales	397.8	2,011.4	82.8	4,958.3	–	–	7,450.3	282.9	7,733.2
Inter-segment sales	424.6	4,391.5	298.3	–	–	(5,114.4)	–	–	–
Total revenue	822.4	6,402.9	381.1	4,958.3	–	(5,114.4)	7,450.3	282.9	7,733.2
Cost of sales	(511.8)	(5,216.9)	(100.8)	(4,763.3)	–	5,100.5	(5,492.3)	(82.7)	(5,575.0)
Electricity Generator Levy	–	(181.4)	(23.2)	–	–	–	(204.6)	–	(204.6)
Gross profit	310.6	1,004.6	257.1	195.0	–	(13.9)	1,753.4	200.2	1,953.6
Operating and administrative expenses	(221.7)	(301.3)	(26.9)	(90.7)	(78.1)	7.0	(711.7)	–	(711.7)
Impairment losses on financial assets	–	–	–	(32.5)	–	–	(32.5)	–	(32.5)
Depreciation	(89.3)	(84.6)	(15.9)	(0.9)	(2.7)	(2.2)	(195.6)	–	(195.6)
Amortisation	(4.7)	(2.5)	–	(21.6)	(0.6)	–	(29.4)	–	(29.4)
Impairment of non-current assets	(2.8)	–	1.1	–	–	–	(1.7)	(69.1)	(70.8)
Other gains/(losses)	0.5	0.2	–	–	–	–	0.7	(4.5)	(3.8)
Share of (losses)/profits from associates	(1.7)	–	–	–	0.1	–	(1.6)	–	(1.6)
Operating (loss)/profit	(9.1)	616.4	215.4	49.3	(81.3)	(9.1)	781.6	126.6	908.2

(1) Comparative amounts have been restated to reflect the updated presentation of reporting Biomass Generation and Flexible Generation separately. See above for further details of the change in reportable segments.
(2) Amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Biomass Generation segment. See the Net presentation of sleeved electricity trades section in note 8.4 for further details on this restatement.

Section 2: Financial performance continued

2.1 Segmental reporting continued

Capital expenditure by reportable segment

Assets and working capital are monitored on a consolidated basis; however, capital expenditure is monitored by segment.

	Additions to intangible assets		Additions to property, plant and equipment	
At 31 December	2024 £m	Restated(1) 2023 £m	2024 £m	Restated(1) 2023 £m
Pellet Production	–	–	104.8	163.0
Biomass Generation	0.5	1.9	72.5	129.9
Flexible Generation	–	–	139.4	203.5
Energy Solutions	3.8	2.7	0.3	0.2
Innovation, capital projects and other	2.6	5.3	8.5	12.6
Total	**6.9**	9.9	**325.5**	509.2

(1) Comparative amounts have been restated to reflect the updated presentation of reporting Biomass Generation and Flexible Generation separately. See above for further details of the change in reportable segments.

Total cash outflows in relation to capital expenditure during the year were £387.5 million (2023: £441.1 million). In the current year, the cash outflow in relation to property, plant and equipment is higher than the cost capitalised (see note 3.1), predominantly as a result of a decrease in creditors relating to capital expenditure compared to the prior year.

Intra-group trading

Intra-group transactions are carried out at management's best estimate of arm's-length, commercial terms that, where possible, equate to market prices. During 2024, the Pellet Production segment sold biomass pellets and provided associated services with a total value of £602.0 million (2023: £424.6 million) to the Biomass Generation segment and the Biomass Generation segment sold electricity, gas and renewable certificate assets with a total value of £2,928.7 million (2023: £4,250.1 million) to the Energy Solutions segment. The Biomass Generation segment sold electricity to the Flexible Generation segment with a total value of £36.5 million (2023: £92.7 million). The Flexible Generation segment sold electricity and renewable certificate assets with a total value of £145.9 million (2023: £296.4 million) to the Biomass Generation segment and electricity of £2.6 million (2023: £1.9 million) to the Energy Solutions segment. During 2024, the Biomass Generation segment sold biomass pellets to the Pellet Production segment with a total value of £74.8 million (2023: £48.7 million).

The impact of all intra-group transactions, including any unrealised profit arising, is eliminated on consolidation.

Major customers

There was no individual customer, in either the current or previous financial year, that represented 10% or more of total revenue.

Geographical analysis of revenue and non-current assets

The geographic information analyses the Group's revenue and non-current assets by the entity's country of domicile. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

The Group's external revenue and non-current assets for the Biomass Generation, Flexible Generation and Energy Solutions segments are all UK-based. The Pellet Production segment has third-party pellet sales to both the UK and other locations around the world. The Pellet Production segment's non-current assets are located in North America, in both Canada and the US.

	Revenue (based on location of customer) Year ended 31 December	
	2024 £m	Restated(1) 2023 £m
North America (Canada and US)	7.9	8.5
Europe (excluding UK)	25.8	60.3
Asia	242.5	280.1
UK	5,886.3	7,384.3
Total	**6,162.5**	7,733.2

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Biomass Generation segment. See the Net presentation of sleeved electricity trades section in note 8.4 for further details on this restatement.

	Non-current assets(1) (based on asset's location) As at 31 December	
	2024 £m	2023 £m
Canada	356.5	406.7
US	698.9	666.0
Asia	0.2	0.3
UK	2,334.1	2,255.1
Total	**3,389.7**	3,328.1

(1) Non-current assets comprise goodwill, intangible assets, property, plant and equipment, right-of-use assets and investments.

2.2 Revenue

The majority of the Group's revenue is within the scope of IFRS 15. The other sources of the Group's revenue outside the scope of IFRS 15 comprise gains and losses on non-hedge accounted derivatives, the ineffective portion of hedge accounted derivatives, amounts reclassified to revenue for gains and losses on hedge accounted UK inflation swaps, Contract for Difference (CfD) income, and income from the Government's Energy Bill Relief Scheme (EBRS) and Energy Bills Discount Scheme (EBDS). See note 2.7 for further details on gains and losses on derivatives and note 7.2.3 for inflation risk management. Gains and losses recognised in the Consolidated income statement on derivative contracts that are entered to hedge a revenue item are presented within the same revenue stream line as the revenue item they are intending to hedge.

	Year ended 31 December 2024			Restated(1) Year ended 31 December 2023		
	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Revenue from contracts with customers	**5,918.2**	**(6.9)**	**5,911.3**	7,148.3	–	7,148.3
Other revenue	**163.0**	**88.2**	**251.2**	302.0	282.9	584.9
Total revenue	**6,081.2**	**81.3**	**6,162.5**	7,450.3	282.9	7,733.2

(1) Comparative amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Biomass Generation segment. See the Net presentation of sleeved electricity trades section in note 8.4 for further details on this restatement.

Revenue stream (Segment)	Nature and timing of performance obligations, including significant payment terms	Method of recognising revenue, including any estimation uncertainties
Pellet sales (Pellet Production)	The Group's Pellet Production business produces biomass pellets which are sold to external customers. Customers generally obtain control of the pellets at the point the pellets are loaded onto the shipping vessel. Where freight is also arranged for the customer, these sales are known as Cost, insurance and freight (CIF) sales. The freight component is considered a separate performance obligation. Invoices are raised in line with contractual terms and are usually payable within 4–15 days.	Revenue is recognised at the point that the pellets are loaded onto the shipping vessel. The amount of revenue recognised is based on the contracted price and volume of the pellets. For CIF sales, revenue for the freight portion is recognised over the period the vessel sails.
Electricity and gas sales (Biomass Generation and Flexible Generation)	The Group's Biomass Generation and Flexible Generation businesses have contracts for wholesale electricity sales. Performance obligations, being the supply of electricity, are met either via generation or through the procurement of electricity from counterparties. The performance obligations for these contracts are deemed to be a series of distinct goods that are substantially the same and transfer consecutively. Control is deemed to have transferred to the customer at the point that the electricity has been supplied in accordance with the contractual terms. The Group's Biomass Generation segment has gas sales contracts as part of managing the Group's overall gas requirements. Invoices for electricity are typically raised on the fifth banking day following the month of supply, in line with the Grid Trade Master Agreement (GTMA) contractual terms, and are payable on the fifth banking day following the date of invoice.	Revenues from sales contracts fulfilled through generation are recognised at a point in time based upon metered output at rates specified under contractual terms. These are recognised under the output method, whereby revenue is recognised based on the value transferred to the customer. Revenue from sales contracts fulfilled through procured electricity or gas is recognised at the point at which this electricity or gas is supplied to the counterparty in accordance with the contractual terms at rates specified under the contract.
Renewable certificate sales (Biomass Generation, Flexible Generation and Energy Solutions)	Renewables Obligation Certificates (ROCs) and Renewable Energy Guarantees of Origin (REGOs) are sold to counterparties at a point in time. ROCs sold to optimise working capital are invoiced in line with contractual terms and are usually payable within two days. Invoices for ROC sales to third parties are raised when the ROCs are transferred, typically four to five months following the end of the compliance period in which they were generated. Invoices are usually payable within seven days.	External ROC and REGO sales are recognised at the point the relevant renewable certificates are transferred to the counterparty. See note 3.3 for further details on how the renewable certificate schemes operate.

Section 2: Financial performance continued

2.2 Revenue continued

CfD income/payment (Biomass Generation)	The Group's Biomass Generation business is party to a CfD with the Low Carbon Contracts Company (LCCC), a Government-owned entity responsible for delivering elements of the Government's Electricity Market Reform programme. Under the contract, the Group makes or receives payments in respect of electricity dispatched from a specific biomass-fuelled generating unit. Invoices are raised 7–10 days following the date of supply and are settled within 28 days.	The Group recognises the income or cost arising from the CfD in the Consolidated income statement as a component of revenue at the point the Group meets its performance obligation under the CfD agreement. This is considered to be the point at which the relevant generation is delivered and the payment becomes contractually due. See CfD income/payment section below for further details.
Ancillary services (Biomass Generation and Flexible Generation)	Ancillary services refer to the provision of a range of system support services to National Grid. Most contracts are for the delivery of a specific service either continually or on an ad-hoc basis over a period of time. Invoices are raised and subsequently settled in line with the National Grid company ancillary services settlement calendar, typically monthly.	Revenue is recognised by reference to the stage of completion of the contractual performance obligations, which are calculated by reference to the amount of the contract term that has elapsed. Depending on contract terms, this approach may require judgement in estimating probable future outcomes.
Other income (All segments)	Other income is derived from the sale of goods. The customer obtains control typically at the point of delivery to their premises or upon collection. Invoices are raised in line with contractual terms.	Revenue is recognised at the point the control of the goods is transferred to the customer.
Electricity and gas sales (Energy Solutions)	The Group's Energy Solutions business sells electricity and gas directly to non-domestic customers. Energy supplied is measured based upon metered consumption and contractual rates. The Energy Solutions business also has long-term contracts for the sale of electricity and gas, which are deemed as being satisfied over time in line with the progress of the contracts. Invoices are raised in line with contractual terms. For small and medium-sized enterprise (SME) customers, payment is generally due within 10–14 days. For Industrial and Commercial (I&C) customers, payment is generally due between 28–90 days.	Revenue is recognised on the supply of electricity or gas when a contract exists, supply has taken place, a quantifiable price has been established or can be determined, and the amounts receivable are expected to be recovered. Where supply has taken place but has not yet been measured or billed, revenue is estimated based on consumption statistics and selling price estimates and is recognised as accrued income. This estimate is not considered to be a key source of estimation uncertainty because historical experience has demonstrated that these estimates are materially accurate based on the subsequent billings and settlements. Where contracts for the sale of electricity and gas are held, revenue is recognised in line with the progress of the contracts. The revenue recognised for fixed price contracts is based on the input method. Revenue is recognised based on the costs incurred and the estimated margin to be obtained over the life of the contract. For variable price contracts revenue is recognised based on the output method. Revenue is recognised based on the volume supplied and the contracted price. Assumptions are applied consistently but third-party costs can vary, therefore actual outcomes may vary from initial estimates.

2.2 Revenue continued

EBRS and EBDS income (Energy Solutions)	The UK Government introduced the EBDS running from 1 April 2023 to 31 March 2024. Under this scheme, energy supplied to eligible non-domestic customers will have a discount applied to each unit of electricity and gas. Certain customers may be eligible for higher levels of support dependent on the sector in which they operate. The discount provided can then be claimed back from the UK Government by the supplier. The EBDS replaced the EBRS which supported non-domestic customers between 1 October 2022 and 31 March 2023. Under the EBRS, energy supplied to non-domestic customers in this period had a discount applied for the customer under the scheme to cap their energy tariff. The discount provided can then be claimed back from the UK Government by the supplier. Payment is due 10 days post submission of a claim, which typically occurs monthly.	The discounted price of electricity and gas supplied under both the EBRS and EBDS is recognised in revenue as it is supplied. The amount claimed back from the UK Government is recognised within revenue over the same period as the underlying discounted revenue it relates to is recognised. The revenue received from the UK Government is included in the EBRS and EBDS income line in the table on page 178. The Group does not recognise any additional revenue from the scheme than it would have done had it not been introduced.

Accounting policy
Revenue represents amounts receivable for goods or services provided to customers in the normal course of business, net of trade discounts, VAT and other sales-related taxes and excludes transactions between Group companies. Revenue is presented gross in the Consolidated income statement when the Group controls the specified good or service prior to the transfer to the customer. When the Group is acting primarily as an agent, revenue is recognised on a net basis. During the year, the Group reassessed the application of the agent and principal requirements in IFRS 15 against sleeved electricity trades. See note 8.4 for further information.

A summary of the Group's principal revenue streams, along with the nature and timing of performance obligations, payment terms, methods of recognising revenue, and any estimation uncertainties, is given in the table above.

Renewable certificate sales
The generation and sale of renewable certificates, primarily ROCs and REGOs, is a key driver of the Group's financial performance.

During the year, the Group made sales and related purchases of ROCs to help optimise its working capital position. External sales of ROCs in the table below includes £50.8 million of such sales (2023: £583.3 million), with a similar value reflected in cost of sales. The renewable certificate sales revenue in the Biomass Generation business of £739.3 million has decreased compared to prior year (2023: £1,277.4 million) primarily as a result of the reduction in these ROC sales.

See note 3.3 for further details of how the renewable certificate schemes operate, of the renewable certificates generated and sold by the Biomass Generation and Flexible Generation businesses, and of those utilised by the Energy Solutions business during the year.

CfD income/payment
The income/payment is calculated by reference to a strike price per MWh. The base year for the strike price was 2012 and it increases each year in line with the UK Consumer Price Index (CPI) and changes in system balancing costs. The strike price at 31 December 2024 was £138.16 per MWh (2023: £132.47 per MWh).

When market prices (based on average traded prices in the preceding season) are above or below the strike price, the Group makes an additional payment to or receives additional income from LCCC equivalent to the difference between that market power price and the strike price, for each MWh produced from the relevant generating unit. Such payments or receipts are in addition to amounts received from the sale of the associated power in the wholesale market.

Section 2: Financial performance continued

2.2 Revenue continued

Further analysis of revenue for the year ended 31 December 2024 is provided in the table below:

	Year ended 31 December 2024		
	External £m	Inter-segment £m	Total £m
Pellet Production			
Pellet sales	329.6	597.5	927.1
Other income	10.5	4.5	15.0
Total Pellet Production	340.1	602.0	942.1
Biomass Generation			
Electricity and gas sales	1,426.6	2,510.7	3,937.3
Renewable certificate sales	284.8	454.5	739.3
CfD income	148.6	–	148.6
Ancillary services	18.7	–	18.7
Other income	2.0	74.8	76.8
Total Biomass Generation	1,880.7	3,040.0	4,920.7
Flexible Generation			
Electricity sales	22.1	141.2	163.3
Renewable certificate sales	–	7.3	7.3
Ancillary services	24.2	–	24.2
Other income	28.0	–	28.0
Total Flexible Generation	74.3	148.5	222.8
Energy Solutions			
Electricity and gas sales	3,734.0	–	3,734.0
EBRS and EBDS income	14.4	–	14.4
Renewable certificate sales	37.4	–	37.4
Other income	0.3	–	0.3
Total Energy Solutions	3,786.1	–	3,786.1
Elimination of inter-segment sales	–	(3,790.5)	(3,790.5)
Total consolidated revenue in Adjusted results	6,081.2	–	6,081.2
Certain remeasurements	81.3	–	81.3
Total consolidated revenue in Total results	6,162.5	–	6,162.5

Revenue recognised in Adjusted results of £6,081.2 million (2023: £7,450.3 million) differs from revenue recognised in Total results of £6,162.5 million (2023: £7,733.2 million) due to certain remeasurement gains of £81.3 million (2023: £282.9 million), comprised of gains and losses on derivative contracts that are used to manage risk exposures associated with the Group's revenue, not designated into hedge accounting relationships under IFRS 9.

Revenue recognised in the period that was included within contract liabilities at the start of the year was £16.8 million (2023: £28.5 million). See note 3.7 for further details on contract liabilities.

Revenue recognised in the period from performance obligations satisfied or partly satisfied in the previous period was £nil (2023: £nil).

2.2 Revenue continued

The following is an analysis of the Group's revenues for the year ended 31 December 2023:

	Restated(1)(2) Year ended 31 December 2023		
	External £m	Inter-segment £m	Total £m
Pellet Production			
Pellet sales	391.3	424.6	815.9
Other income	6.5	–	6.5
Total Pellet Production	397.8	424.6	822.4
Biomass Generation			
Electricity and gas sales	1,183.4	3,908.0	5,091.4
Renewable certificate sales	842.6	434.8	1,277.4
CfD payment	(63.0)	–	(63.0)
Ancillary services	25.0	–	25.0
Other income	23.4	48.7	72.1
Total Biomass Generation	2,011.4	4,391.5	6,402.9
Flexible Generation			
Electricity sales	24.8	289.6	314.4
Renewable certificate sales	–	8.7	8.7
Ancillary services	30.4	–	30.4
Other income	27.6	–	27.6
Total Flexible Generation	82.8	298.3	381.1
Energy Solutions			
Electricity and gas sales	4,554.4	–	4,554.4
EBRS and EBDS income	365.8	–	365.8
Renewable certificate sales	37.9	–	37.9
Other income	0.2	–	0.2
Total Energy Solutions	4,958.3	–	4,958.3
Elimination of inter-segment sales	–	(5,114.4)	(5,114.4)
Total consolidated revenue in Adjusted results	7,450.3	–	7,450.3
Certain remeasurements	282.9	–	282.9
Total consolidated revenue in Total results	7,733.2	–	7,733.2

(1) Amounts have been restated to reflect the change in reportable segments. See note 2.1 for further details of the change in reportable segments.
(2) Amounts have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. This restatement wholly relates to the Biomass Generation segment. See the Net presentation of sleeved electricity trades section in note 8.4 for further details on this restatement.

The Group's Biomass Generation and Flexible Generation segments have contracts for wholesale electricity sales. Performance obligations, being the supply of electricity, are met either via electricity generation or through the procurement of electricity from counterparties. Where electricity is procured from counterparties to meet this obligation, the electricity sale is presented on a gross basis with the cost of buying the electricity presented in cost of sales and the sale of this electricity presented in revenue. If external purchases of power were presented net within external revenue this would have reduced external revenue by £1,072.9 million to £5,089.6 million (2023: by £2,347.0 million to £5,386.2 million) with a corresponding decrease in external cost of sales.

For most customer contracts the Group is eligible for, and applies, the practical expedient available under IFRS 15 and has not disclosed information related to the transaction price allocated to remaining performance obligations. The right to receive consideration from these customers is at an amount that corresponds directly with the value to the customer of the Group's performance completed to date, or the contract's original expected duration is less than one year. For the Group's fixed price energy supply contracts that have an original expected duration of more than one year, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of the reporting period is £146.6 million (2023: £336.0 million). Of this amount £127.0 million (2023: £284.0 million) is expected to be recognised as revenue in 2025, £18.4 million (2023: £46.4 million) in 2026 and £1.2 million (2023: £5.6 million) in 2027.

For accounting policies and other disclosures related to contract assets and liabilities, see notes 3.5 and 3.7.

For accounting policies and other disclosures related to costs incurred to acquire customer contracts, see note 3.6.

Section 2: Financial performance continued

2.3 Operating and administrative expenses

This note sets out certain components of operating and administrative expenses in the Consolidated income statement and a detailed breakdown of the fees paid to the Group's external auditor, PricewaterhouseCoopers LLP, in respect of services provided to the Group during the year. The fees in the year ended 31 December 2023 relate to fees paid to the Group's previous external auditor, Deloitte LLP, in respect of services provided to the Group during 2023.

The following expenditure has been charged in arriving at operating profit:

	Year ended 31 December	
	2024 £m	2023 £m
Staff costs (note 6.1)	**322.8**	294.0
Repairs and maintenance expenditure on property, plant and equipment	**159.6**	173.9
Other operating and administrative expenses	**238.2**	243.8
Total operating and administrative expenses	**720.6**	711.7

Auditor's remuneration

	Year ended 31 December	
	2024 £000	2023 £000
Audit fees:		
Fees payable for the audit of the Group's Consolidated financial statements	**2,153.0**	1,500.0
Fees payable for the audit of the Company's subsidiaries' statutory accounts	**225.0**	40.0
Total audit fees	**2,378.0**	1,540.0
Other fees:		
Review of the Group's half-year Condensed consolidated financial statements	**167.0**	140.0
Assurance services provided to non-material affiliates	**70.0**	18.3
Other services	**10.0**	47.0
Other assurance services	**205.0**	130.0
Total non-audit fees	**452.0**	335.3
Total auditor's remuneration	**2,830.0**	1,875.3

Included in fees payable for the audit of the Group's Consolidated financial statements for 2024 is £0.3 million relating to the transition phase of the audit, which was undertaken and invoiced by PricewaterhouseCoopers LLP in 2023.

Other assurance services provided by PricewaterhouseCoopers LLP in the current year consist of ESG assurance fees. In the prior year other assurance services provided by Deloitte LLP related to corporate refinancing fees.

In addition to the amounts presented in the table above, PricewaterhouseCoopers LLP provided ESG assurance services amounting to £0.4 million in 2023 prior to being appointed as auditor.

See the Audit Committee report on page 112 for further details.

2.4 Impairment review of fixed assets and goodwill

Accounting policy

Goodwill is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) or group of CGUs expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are identified consistently from period to period unless there is a change in the period that would impact the Group's CGUs. The Group's CGUs are reassessed should any such changes occur.

The Group reviews its fixed assets (and, where appropriate, groups of assets combined into a CGU) whenever there is an indication that an impairment loss may have been suffered. The Group assesses the existence of indicators of impairment at the end of each reporting period.

If an indication of potential impairment exists, the recoverable amount of the asset or CGU in question is assessed with reference to the present value of the future cash flows expected to be derived from the continuing use of the asset or CGU (value in use), or the expected price that would be received if the asset or CGU were sold to a market participant (fair value less costs of disposal). The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal (FVLCD) and its value in use (ViU). The initial assessment of the recoverable amount is normally based on ViU.

The assessment of future cash flows is based on the approved long-term forecasts that support the Board's strategic planning process and includes all expected costs necessary to generate the cash inflows from the CGU's assets in their current state and condition, including an allocation of centrally managed costs. Future cash flows include, where relevant, contracted cash flows arising from the Group's forward hedging activities and as a result the carrying amount of each CGU includes the fair value of those hedges. Assessments of future cash flows consider relevant environmental and climate change factors. In particular, macro-economic, commodity price and third-party cost assumptions reflect considerations in respect of the impact of climate change, growth in renewable technologies, electrification and the impact of relevant policies on longer-term supply and demand profiles.

As required by IAS 36, the additional value that could be obtained from enhancing the Group's assets and the potential benefit of any future restructuring or reorganisation that the Group is not yet committed to, is not reflected in the ViU calculation.

In determining ViU, the estimated future cash flows are discounted to present value using a pre-tax nominal discount rate reflecting the specific risks attributable to the asset or CGU in question.

If the recoverable amount is less than the carrying amount in the Consolidated financial statements, an impairment charge is recognised to reduce the carrying amount of the asset or CGU to the estimated recoverable amount. Any impairment loss is recognised immediately in the Consolidated income statement.

Individual assets are considered for impairment where possible. If individual assets do not generate cash inflows that are largely independent, the recoverable amount is determined for the CGU to which the asset belongs. Where possible, corporate assets are allocated to an individual CGU on a reasonable and consistent basis. Where corporate assets cannot be allocated to an individual CGU on a reasonable and consistent basis, they are included in the carrying amount of the smallest group of CGUs to which they can be allocated on a reasonable and consistent basis.

An impairment loss relating to a CGU is allocated first to the carrying amount of any goodwill allocated to the CGU and then to the other assets pro-rata on the basis of the carrying amount of each asset. When allocating an impairment loss to the other assets in the CGU, if the recoverable amount of an individual asset within that CGU is determinable, the impairment loss allocated to the individual asset is limited to reducing the asset's carrying value to its individual recoverable amount. If this results in the impairment loss allocated to an asset being less than its pro-rata share, the excess is allocated on a pro-rata basis to the remaining assets in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period. Non-financial assets other than goodwill that have an impairment loss recognised are reviewed in subsequent reporting periods for possible reversal of the impairment. Where an impairment reversal is identified, this is reversed immediately in the Consolidated income statement.

The table below details the Group's reportable segments, the CGUs within those segments and the value of any goodwill allocated to them. See note 5.2 for further details on goodwill.

Section 2: Financial performance continued

2.4 Impairment review of fixed assets and goodwill continued

CGUs

Segment name	CGUs contained within segment	As at 31 December 2024 Goodwill £m
Pellet Production	Pellet Operations	175.6
Biomass Generation	Drax Power Station	–
Flexible Generation	Lanark	11.3
	Galloway	40.1
	Cruachan	26.9
	Hirwaun	–
	Millbrook	–
	Progress	–
	Daldowie	–
Energy Solutions	Drax Energy Solutions	161.2
	Opus Energy	–
		415.1

In respect of the Pellet Production segment, the smallest group of assets that generate independent cash inflows is the Pellet Production business as a whole, known as the Pellet Operations CGU. This is due to the output of the individual pellet plants being combined and used interchangeably to fulfil customer contracts.

In respect of the Biomass Generation and Flexible Generation segments, the Group generally considers the smallest groups of assets that generate independent cash inflows to be the individual sites that share common infrastructure and control functions. The Open Cycle Gas Turbine (OCGT) assets were previously considered as one CGU. Construction of the OCGT assets is expected to complete in 2025. With updated decisions being made about how the OCGT assets will operate once they commence commercial generation, the OCGT assets are now considered to be separate CGUs – Hirwaun, Progress and Millbrook – due to having significant independence around the decisions, activities and resulting cash inflows. There are no other changes to any of the Biomass Generation or Flexible Generation CGUs from the prior year.

In respect of the Energy Solutions segment, the smallest groups of assets that generate independent cash inflows are the operating entities within the business, Drax Energy Solutions and Opus Energy.

The Innovation, capital projects and other segment does not have any external cash inflows and therefore does not meet the definition of a CGU. However, as explained above, corporate assets are considered for impairment individually where possible or as part of a CGU, and relevant centrally managed costs are allocated to each CGU on a reasonable and consistent basis.

Assessment of indicators of impairment for CGUs to which no goodwill is allocated

Full impairment reviews were performed on all CGUs to which goodwill had been allocated (see Impairment review section below). For CGUs to which no goodwill is allocated, impairment reviews are only performed if impairment indicators are identified.

In determining whether impairment indicators existed in respect of these CGUs, the Group considered changes in market prices for commodities, foreign currency exchange rates, changes in macro-economic conditions, potential impacts of climate change and regulatory requirements since the previous reporting date, and their potential impact on the Group's long-term planning models and future forecast cash flows. Given the relatively stable macro-economic conditions and exchange rates compared to the prior year end, as well as falling interest rates, these are not considered to be impairment indicators.

The market price of certain commodities (e.g. power and gas) have fallen since the prior year but still remain above historical averages. This was not an impairment indicator for the Drax Power Station, Hirwaun, Millbrook and Progress CGUs as they are less sensitive to power price changes due to certain generation income being under a CfD, or generation activities being more dependent on the spread between gas and power prices. Further, a high proportion of their income is not linked to power prices, such as renewable certificates, system support and ancillary services. The Drax Power Station CGU also has a high hedged power position. Gas prices are a key input cost for Daldowie and therefore this CGU has benefited as these prices have reduced during 2024.

Consideration was also given to assumptions regarding biomass generation and biomass prices post March 2027, when current subsidies for biomass generation at Drax Power Station are due to end, and whether that was an indicator of impairment (see the Principal risks and uncertainties section starting on page 70 for further details). Previously the carrying amount of the Drax Power Station CGU was supported by pre-2027 cash flows. As there is now one less year of pre-2027 cash flows compared to the prior year this was considered to be an impairment indicator. Heads of terms have been agreed with the UK Government for a proposed low-carbon dispatchable CfD agreement for the period April 2027 to March 2031 (see note 2.12 for further details). However these heads of terms are non-binding and therefore there remains some uncertainty over the cash flows post 2027. Accordingly a full impairment review of the Drax Power Station CGU has been performed.

There were no impairment indicators present for the Hirwaun, Millbrook, Progress or Daldowie CGUs and accordingly no impairment review was performed for these CGUs in the current year.

As part of the Opus Energy sale of meter points and restructuring, the non-current assets in the Opus Energy CGU were either disposed of or impaired to £nil, with the exception of Opus Energy House (see note 2.7 for further details). Opus Energy House is recognised at its recoverable amount. As a result, a full impairment review was not required for the Opus Energy CGU.

2.4 Impairment review of fixed assets and goodwill continued

Impairment review

For the purpose of impairment reviews the recoverable amounts of the CGUs, or groups of CGUs, are measured based on ViU calculations using the Group's established planning models. These calculations depend on a broad range of assumptions, the most significant of which are outlined below for each CGU, or group of CGUs, to which an impairment test has been performed in the current year. The bases of these estimates are outlined below.

CGUs	Significant assumptions for value in use calculation	Management's bases for determining estimates used in value in use calculation
Pellet Operations	– Production costs – Production volumes – Sales prices – Discount rate	– Future production costs are estimated based on a combination of current and historical costs, inflation expectations and maintenance/operating assumptions – Production volumes are estimated based on a combination of the capacity of the plant, current and historical volumes produced, planned and unplanned downtime provisions, and fibre availability – Sales prices are estimated based on contractual sales agreements and an assumed market price after current contracts expire based on third-party market forecasts and current contract negotiations – See below for details of the basis used to estimate discount rates
Drax Power Station, Lanark, Galloway and Cruachan	– Power prices – Post-2027 biomass support mechanism (Drax Power Station only) – Fuel cost (Drax Power Station only) – Ancillary income – Volume of generation (excluding Cruachan) – Discount rate	– Power revenue is derived from hedged power sales, future wholesale energy price estimates and an assumption of additional value added through the balancing market and optimisation – Future wholesale energy price estimates are based on market traded power prices for around three years (the period they are liquid), gas market prices as a proxy for power for another two years, then the Group's long-term power price forecast, which is prepared using externally provided gas price forecasts and demand inputs – Post-2027 biomass generation value is based on the heads of terms agreed with UK Government for a proposed low carbon dispatchable CfD agreement for the period April 2027 to March 2031 and a similar level of value continuing to 2039 – Fuel costs are estimated based on contractual purchase agreements and an assumed market price after current contracts expire based on third-party market forecasts and current contract negotiations – Ancillary income assumptions are based on past performance and current agreed prices with National Grid – Volume of generation for the run-of-river hydro assets is derived from historical rainfall averages. Volume of generation for Drax Power Station is based on biomass prices and availability, renewable support scheme terms and power price forecasts – See below for details of the basis used to estimate discount rates
Drax Energy Solutions	– Customer margins – Supply volumes – Collection rates – Third-party cost estimates – Renewables services growth rates – Discount rate	– Customer margins are estimated based on current contracted prices and on current and previously achieved profitability – The expectation of future organic supply volumes is based on past performance and management's expectations of market developments – Collection rates are estimated based on historical data and adjusted for expected changes in future circumstances – Third-party cost estimates are based on a combination of externally published rates, management analysis of key market input assumptions, and forecasts from external experts – Renewables services growth is based on assumptions about the growth of relevant markets, such as electric vehicles – See below for details of the basis used to estimate discount rates

Section 2: Financial performance continued

2.4 Impairment review of fixed assets and goodwill continued

For the Drax Energy Solutions CGU, management has projected detailed cash flows based on a period of five years, with cash flows beyond the five-year period taken into perpetuity using a long-term growth rate of 2%. For all other CGUs, management has projected detailed cash flows based on a period of 15 years. Whilst this is longer than the five-year period specified by IAS 36, and the period the Group assesses viability over in the Viability statement, it aligns with the Group's long-term strategic planning and takes into account future structural changes forecast within the generation and pellet production industries, as well as expected growth in the biomass industry. These longer-term structural changes are mainly linked to climate change and the impact of changing weather patterns (including increased rain fall from storms and drier summer months for the run-of-river hydro CGUs and the impact on plant downtime and supply chains due to extreme weather events for the Pellet Operations and Drax Power Station CGUs), the impact of decarbonisation and the transition to more renewable forms of energy and net zero, the impact of subsidy and support regimes, and the impact of repairs and maintenance expenditure which is not uniform across the lives of assets. Using a period of only five years for detailed cash flow forecasts could materially overstate or understate the ViU of these CGUs as the impact of these factors in periods after five years can be significant. The Pellet Operations CGU also has long term contracts that can typically be in excess of 10 years which further supports using a period greater than five years.

Where possible, for relevant commodities, forecasts are based on either contracted prices, particularly for the Pellet Operations CGU where the Group has a number of longer-term contracts to support the prices used, or observable market curves. Beyond the liquid portion of forward curves, internally constructed price curves are benchmarked against third-party market analysis to validate the reasonableness of the assumptions used. Management continually reassesses forecasting accuracy, taking into account changes in circumstances and events that could not reasonably be foreseen between the date of the forecast and the forecast period. These reviews support the accuracy of management's forecasts. This supports the use of detailed forecast periods of longer than five years.

Where management has projected detailed cash flows based on a period of 15 years, other than for Drax Power Station, cash flows beyond the 15-year period are taken into perpetuity using a long-term growth rate of 2%. The Drax Power Station CGU assumes cash flows to the end of 2039 in line with the assumed end of station life. The long-term growth rate is based on prudent expectations of market share and profitability along with more general macro-economic factors which were obtained from the Group's established planning model along with external macro-economic forecasts. The long-term growth rate does not exceed the relevant long-term average growth rate for each of the industries in which the Group operates.

The discount rates used for each CGU are calculated by third-party experts and reflect the weighted average cost of capital derived using the Capital Asset Pricing Model (CAPM). The estimations use a risk-free rate based on Government bonds, market participant capital structures and beta estimates adjusted for the specific circumstances and risk factors affecting the industry and markets in which the CGU operates (taking into account relevant peer data sets). This calculation uses the relevant tax rates to calculate a pre-tax discount rate.

Further details on the assessments for each group of CGUs as well as sensitivities for reasonably possible changes in key assumptions at the date of the impairment test are given below. Where reasonably possible changes would result in a material adjustment to the carrying value, these are disclosed as a key source of estimation uncertainty.

The carrying amount, length of detailed cash flows, pre-tax discount rate and the perpetuity growth rate used, where applicable, applied to each CGU are set out in the table below:

CGU	Carrying amount including allocated goodwill £m	Length of detailed cash flows £m	Pre-tax discount rate	Perpetuity growth rate
Pellet Operations	1,072.4	15 years	8.9%	2.0%
Drax Power Station	1,071.3	15 years	16.8%	n/a
Drax Energy Solutions	175.5	5 years	9.8%	2.0%
Lanark	45.4	15 years	8.3%	2.0%
Galloway	168.8	15 years	8.3%	2.0%
Cruachan	278.9	15 years	8.3%	2.0%

Pellet Operations

The Pellet Operations CGU is principally engaged in the production and sale of biomass pellets.

The ViU for the Pellet Operations CGU was in excess of its carrying amount. For the Pellet Operations CGU, a reasonably possible increase in the discount rate to 9.7% combined with an increase in production costs of $7 per tonne and a 7% decrease in the production volumes in the ViU calculation, would result in a £973.0 million reduction in headroom, but would not result in an impairment. Whilst reasonably possible changes in assumptions would reduce the headroom, they would not result in the recoverable amount being lower than the carrying value. As such the Group does not believe that any reasonably possible changes in the key assumptions would result in an adjustment to the carrying value of the Pellet Operations CGU.

2.4 Impairment review of fixed assets and goodwill continued

Drax Power Station

The Drax Power Station CGU is principally focused on renewable biomass electricity generation. Given an impairment indicator was identified (see above for further details) a full impairment assessment has been performed (an assessment was not required to be performed in the prior year due to no indicators of impairment being identified). The cash flows post March 2027 reflect management's best estimate of earnings based on the heads of terms of the low-carbon dispatchable CfD agreement with the UK Government (see note 2.12 for further details) to 2031 and the expected income beyond this date to the cessation of operations in line with the current end of station life of 2039. No value has currently been included in the ViU calculation for disposing of the site and assets in 2039 due to the uncertainty over the value that could be achieved as a result of a lack of comparable transactions for a large-scale generation site with a live grid connection. If a value was included this would further increase the headroom.

The ViU of the Drax Power Station CGU was in excess of its carrying amount. A reasonably possible £15/MWh decrease in power prices combined with a 10% increase in the forced outage rate, an increase in the pre-tax discount rate from 16.8% to 48.5% (equivalent to an increase in the post-tax discount rate from 6.8% to 8.0%), and operations to cease in March 2027 due to no low-carbon dispatchable CfD agreement being confirmed, would result in an impairment of £515.5 million. A reasonably possible £15/MWh decrease in power prices combined with a 10% increase in the forced outage rate, an increase in the pre-tax discount rate from 16.8% to 29.8% (equivalent to an increase in the post-tax discount rate from 6.8% to 8.0%), and operations to cease in March 2031 at the end of the proposed low-carbon dispatchable CfD agreement, would result in an impairment of £321.4 million. Accordingly, reasonably possible changes in assumptions within the ViU calculation could result in a material adjustment to the carrying value of the Drax Power Station CGU. Therefore, the assumptions in the ViU calculation of the Drax Power Station CGU have been identified as a key source of estimation uncertainty.

Whilst no impairment has been recognised in relation to the Drax Power Station CGU as at 31 December 2024, if any eventual CfD agreement was to be agreed at a lower value, or not agreed at all and the power station was to cease operations in 2027, it is expected there could be a significant impairment required to reduce the carrying value of the Drax Power Station CGU. Even if cash flows in the period April 2027 to March 2031 are consistent with the agreed heads of terms, the risk of an impairment needing to be recognised on the Drax Power Station CGU increases in future periods as the amount of higher value, pre-April 2027 cash flows become realised and will therefore not be included in future cash flow forecasts.

The recoverable amount of a CGU is assessed based on the higher of ViU and FVLCD. The impairment assessment for the Drax Power Station CGU has been performed on a ViU basis. The ViU basis is required to be performed based on the current condition of an asset and as such cash flows related to improving or enhancing an asset's performance are required to be excluded. For the Drax Power Station CGU, cash flows relating to UK BECCS, or other alternative enhancements such as data centres, have been excluded as these cash flows are the result of significant capital expenditure to enhance the current Drax Power Station assets. Had the ViU basis indicated an impairment to the carrying value, a FVLCD calculation would have been performed. The FVLCD basis is calculated based on what a market participant would pay for an asset, less any disposal costs. If a market participant would attribute value to the anticipated cash flow impact of improving or enhancing an asset's performance (for example UK BECCS or other opportunities to create value from alternative uses for a large-scale generation site with a live grid connection, such as data centres) these are included in a FVLCD calculation. As such, for the Drax Power Station CGU, FVLCD may be higher than ViU.

Drax Energy Solutions

This segment is principally focused on renewable electricity sales to industrial and commercial (I&C) customers and providing other renewables services, and therefore consideration of climate and environmental impacts are already a key feature of the business model.

The ViU of the Drax Energy Solutions CGU was in excess of its carrying amount. A reasonably possible increase in the pre-tax discount rate to 10.6% combined with factoring in a reduction in gross margin growth from 7.5% to 2.0% from 2027 to 2029, 0% perpetuity growth rate and a 10% increase in bad debt, would reduce the headroom by £227.5 million. This would not result in an impairment. Whilst reasonably possible changes in assumptions would reduce the headroom, they would not result in the recoverable amounts being lower than the carrying value. As such the Group does not believe that any reasonably possible changes in the key assumptions would result in an adjustment to the carrying value of the Drax Energy Solutions CGU.

Lanark, Galloway and Cruachan

These CGUs are engaged in run-of-river hydro and pumped storage power generation.

The ViU for all three CGUs (Lanark, Galloway and Cruachan) were in excess of their carrying amounts. A reasonably possible 10% power price reduction combined with an increase in the pre-tax discount rate to 8.9%, a three-month historically low generation period and a two-month unit outage would reduce the headroom in the Lanark CGU by £28.1 million. This would not result in an impairment. A reasonably possible 10% power price reduction in the Cruachan CGU combined with an increase in the pre-tax discount rate to 8.9%, a three-month historically low generation, a two-month unit outage and removal of value assumed from market volatility would reduce the headroom by £660.1 million. This would not result in an impairment. Whilst reasonably possible changes in assumptions for the Lanark and Cruachan CGUs would reduce the headroom, they would not result in the recoverable amount being lower than the carrying values. As such the Group does not believe that any reasonably possible changes in the key assumptions would result in an adjustment to the carrying values of either the Lanark or Cruachan CGUs.

Section 2: Financial performance continued

2.4 Impairment review of fixed assets and goodwill continued

For the Galloway CGU, a reasonably possible 10% power price reduction combined with an increase in the pre-tax discount rate to 8.9%, a three-month historically low generation period and a two-month unit outage would result in an impairment of £10.2 million. The Galloway CGU is sensitive to reasonably possible changes in the key assumptions. Whilst reasonably possible changes to assumptions would result in an adjustment to the carrying value of the Galloway CGU, they would not result in a material adjustment to its carrying value and so it is not considered a key source of estimation uncertainty as defined by IAS 1.

Daldowie, Hirwaun, Millbrook and Progress

For the Daldowie, Hirwaun, Millbrook and Progress CGUs, there were no impairment indicators identified and none of these CGUs have allocated goodwill. Therefore, ViU calculations to determine the recoverable amounts of these CGUs were not required.

Impairment of non-current assets

During the current year, the Group has sold a number of non-core small and medium-sized enterprise (SME) energy supply customer meter points to EDF Energy Customers Limited. The Group has also commenced a restructuring of the Opus Energy business to reflect its reduced customer base and the Group's focus on core I&C customers and renewables services. The transaction and the resulting strategic decision to restructure the Opus Energy business has resulted in a number of non-current asset impairments. The carrying value of the Opus Energy brand of £0.2 million and the tangible and intangible assets of £2.4 million (excluding the Opus Energy House) were impaired as a direct result of the transaction and strategic restructuring to focus on the core I&C customer and renewables services. These amounts were classified as exceptional. See note 2.7 for further details of this transaction.

A £2.8 million impairment was recognised in respect of the office building used by Opus Energy (Opus Energy House). This decrease in value predominantly reflects worsening market conditions for offices in the local area rather than being a consequence of the transaction and restructuring and as a result has not been classified as exceptional.

The Group has recognised an impairment of £4.6 million, being the full value of its equity accounted investment in C-Capture Limited.

Other impairments of non-current assets in 2024 totalled £4.4 million and were charged to the Consolidated income statement.

In 2023, the recoverable amount of the Opus Energy House property was assessed and an impairment charge of £8.9 million was recognised to reduce the carrying value to its recoverable amount of £6.0 million. The ViU calculation of the Opus Energy CGU resulted in recognising a full impairment of the £14.5 million allocated goodwill and a further £45.7 million impairment charge across the remaining non-current assets. The total impairment charge, recognised as exceptional in the Consolidated income statement, in relation to the non-current assets in the Opus Energy CGU was £69.1 million. See note 2.7.

	Year ended 31 December 2024			Year ended 31 December 2023		
Impairment	Opus Energy transaction and related restructuring £m	Other assets £m	Total £m	Opus Energy £m	Other assets £m	Total £m
Investment in associate	–	4.6	4.6	–	–	–
Goodwill – accumulated amortisation and impairment	–	–	–	14.5	–	14.5
Freehold land and buildings – accumulated depreciation and impairment	–	2.8	2.8	8.9	–	8.9
Property, plant and equipment – accumulated depreciation and impairment	–	–	–	0.1	–	0.1
Plant spares – accumulated depreciation and impairment	–	0.1	0.1	–	–	–
Assets under the course of construction – accumulated depreciation and impairment	–	3.2	3.2	–	1.7	1.7
Right of use assets – accumulated depreciation and impairment	–	0.1	0.1	–	–	–
Intangible assets – accumulated amortisation and impairment:						
Customer-related assets	–	–	–	31.5	–	31.5
Brand assets	0.2	–	0.2	3.0	–	3.0
Software and licences	2.4	–	2.4	11.1	–	11.1
Other receivables	–	1.0	1.0	–	–	–
Total impairment of non-current assets	**2.6**	**11.8**	**14.4**	69.1	1.7	70.8

The total non-current asset impairment charge for the year of £14.4 million (2023: £70.8 million) is recognised in the impairment of non-current assets line in the Consolidated income statement. The £2.6 million of impairment directly relating to the Opus Energy transaction and related restructuring was treated as an exceptional item (2023: the £69.1 million relating to the impairment of Opus Energy was treated as an exceptional item). See note 2.7 for further details.

2.5 Net finance costs

Net finance costs reflect expenses incurred in managing the capital structure (such as interest payable on borrowings) as well as foreign exchange gains and losses, the unwinding of discounts on provisions for reinstatement of the Group's sites at the end of their useful economic lives (see note 5.3), and interest on lease liabilities (see note 3.2). These are offset by interest income that the Group generates through use of short-term cash surpluses, for example through investment in money market funds, and interest income on the Group's defined benefit pension scheme surplus (see note 6.3).

A reconciliation of net finance costs is shown in the table below:

	Year ended 31 December	
	2024 £m	2023 £m
Interest payable and similar charges:		
Interest payable	**(104.2)**	(113.2)
Unwinding of discount on provisions (note 5.3)	**(2.7)**	(1.9)
Other financing charges	**–**	(0.1)
Total interest payable and similar charges included in Adjusted results	**(106.9)**	(115.2)
Interest receivable and similar gains:		
Interest income on bank deposits	**17.1**	11.0
Net interest income on defined benefit pension surplus (note 6.3)	**0.9**	2.1
Other interest income	**0.4**	–
Gain on repurchase of loan notes (note 4.2)	**1.7**	–
Total interest receivable and similar gains included in Adjusted results	**20.1**	13.1
Foreign exchange losses included in Adjusted results	**(9.4)**	(14.3)
Net finance costs included in Adjusted results	**(96.2)**	(116.4)
Certain remeasurements on financing derivatives	**(0.6)**	4.6
Net finance costs included in Total results	**(96.8)**	(111.8)

Interest payable and similar charges is stated net of £1.7 million (2023: £8.1 million) of interest capitalised as part of the cost of qualifying assets in property, plant and equipment during the year (see note 3.1). These charges represent fees payable on deferred letters of credit that have been used specifically to finance the construction of the qualifying assets.

Changes in the Group's financing structure during 2024 are described in note 4.2.

Foreign exchange gains and losses in net finance costs arise on the retranslation of non-derivative balances denominated in foreign currencies to prevailing rates at the reporting date and gains and losses on derivative contracts hedging foreign exchange risk on borrowings.

The Group has a number of intercompany loans denominated in the functional currencies of certain foreign subsidiaries, that are owed to a sterling functional currency entity. Due to the weakening of sterling during the year, this has resulted in a foreign exchange gain of £1.3 million (2023: loss of £17.0 million) on the retranslation of intercompany loans in the sterling functional currency entity. This gain (2023: loss) is recognised within the Consolidated income statement and within the foreign exchange gains or losses included in Adjusted results line in the table above. Conversely, within the net gain or loss on translating the net assets of the foreign subsidiaries into the Group's sterling presentational currency there is a foreign exchange loss (2023: gain) relating to the translation of the foreign subsidiaries' intercompany loans. This impacts the translation reserve with the movement recognised in other comprehensive income.

2.6 Current and deferred tax

The tax charge (2023: charge) includes both current and deferred tax. It reflects the estimated tax on the profit before tax for the Group for the year ended 31 December 2024 and the movement in the deferred tax balance in the year, so far as it relates to items recognised in the Consolidated income statement, in line with IAS 12.

Accounting policy

Current tax includes UK corporation tax, corporate income tax in Canada and US income tax. It is based on the taxable profit or loss for the year in the relevant jurisdiction. Taxable profit or loss differs from profit or loss before tax as reported in the Consolidated income statement because it excludes items of income or expenditure that are either taxable or deductible in other years or never taxable or deductible. The Group's liability (or asset) for current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

A provision is made for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases is based on specialist third-party tax advice. No uncertain tax provisions have been recognised in the current or prior year.

Section 2: Financial performance continued

2.6 Current and deferred tax continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Current and deferred taxes are credited or charged against profit or loss in the Consolidated income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred taxes are recognised in the Consolidated statement of comprehensive income or directly in the Consolidated statement of changes in equity respectively.

In accounting for tax, the Group makes assumptions regarding the treatment of items of income and expenditure for tax purposes. The Group believes that these assumptions are reasonable, based on prior experience and consultation with third-party advisers where deemed necessary. These assumptions are consistent with other assumptions used in these Consolidated financial statements. Full provision is made for deferred tax at the rates of tax prevailing at the reporting date unless future rates have been substantively enacted. Deferred tax assets are recognised where it is considered more likely than not that they will be recovered. The recoverability of the deferred tax asset is considered an estimate as it relies on the future profitability of the Group's businesses. See table on page 190 for a breakdown of the net deferred tax asset or liability position for each jurisdiction.

	Year ended 31 December	
	2024 £m	2023 £m
Total tax charge comprises:		
Current tax		
– UK tax	**(182.2)**	(186.5)
– Overseas tax	**–**	(1.6)
– Adjustments in respect of prior periods	**(2.4)**	2.0
Deferred tax		
– Before impact of tax rate changes	**(37.6)**	(46.7)
– Adjustments in respect of prior periods	**(5.7)**	0.3
– Effect of changes in tax rate	**–**	(3.0)
Total tax charge	**(227.9)**	(235.5)

	Year ended 31 December	
	2024 £m	2023 £m
Tax (charged)/credited on items recognised in other comprehensive income:		
Deferred tax on remeasurement of defined benefit pension surplus	**(1.3)**	7.2
Deferred tax on cash flow hedges	**73.0**	(130.7)
Deferred tax on cost of hedging	**(1.7)**	(1.9)
Total tax credit/(charge)	**70.0**	(125.4)

	Year ended 31 December	
	2024 £m	2023 £m
Tax (charged)/credited on items released directly from equity:		
Deferred tax on cash flow hedges	**(1.2)**	10.9
Deferred tax on cost of hedging	**5.7**	9.0
Deferred tax on share-based payments	**1.4**	(2.4)
Current tax on share-based payments	**–**	6.9
Total tax credit	**5.9**	24.4

2.6 Current and deferred tax continued

UK corporation tax is the main income tax applicable on the Group's taxable profits and is calculated at 25.0% (2023: 23.5%) of the assessable profit or loss for the year. This follows the rate increase to 25.0% from 1 April 2023 that was included within the Finance Bill 2021.

Due to the Group's overseas operations, the US income tax rate of 21.0% (2023: 21.0%) and the Canadian corporate income tax rate of 27.0% (2023: 27.0%) are also relevant to the Group's total tax charge.

The effective tax rate of 30.2% (2023: 29.6%) for the full year is higher than the standard corporation tax rate applicable in the UK, principally due to the non-deductible Electricity Generator Levy. Following a number of tax rate changes in prior periods, an exercise was undertaken in 2024 to validate the deferred tax balances held on consolidation. As a result of this exercise, the deferred tax liability associated with the fair value accounting of the hydro assets was uplifted by £16.4 million, increasing the effective tax rate. A net deferred tax asset of £9.6 million has also been recognised in relation to decommissioning provisions following a review of the IAS 12 single transaction amendments. In addition, there was a release of a £10.9 million deferred tax asset in respect of US unpaid intercompany interest, required following US debt capitalisation. The primary current tax rate benefits arise from research and development credits and UK Patent Box claims.

Drax Power Limited was granted a patent to protect certain intellectual property it owns and which attaches to the technology developed to manage the combustion process in generating electricity from biomass. Under UK tax legislation, the company is entitled to apply a lower tax rate of 10.0% to profits derived from utilisation of the patented technology.

The Group tax charge for the year can be reconciled to the profit before tax as follows:

	Year ended 31 December 2024			Year ended 31 December 2023		
	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m	Adjusted results £m	Exceptional items and certain remeasurements £m	Total results £m
Profit before tax	**704.0**	**49.4**	**753.4**	665.2	131.2	796.4
Profit before tax multiplied by the rate of corporation tax in the UK of 25.0% (2023: 23.5%)	**176.0**	**12.4**	**188.4**	156.3	30.8	187.1
Effects of:						
Adjustments in respect of prior periods	**5.6**	**2.5**	**8.1**	(2.3)	–	(2.3)
Expenses not deductible for tax purposes	**5.4**	**–**	**5.4**	5.2	6.5	11.7
Electricity Generator Levy	**40.2**	**–**	**40.2**	48.1	–	48.1
Impact of tax rate change	**–**	**–**	**–**	0.6	2.4	3.0
Share-based payments recognised in equity	**–**	**–**	**–**	8.1	–	8.1
Deferred tax asset unwind on US interest	**10.9**	**–**	**10.9**	–	–	–
Difference in overseas tax rates	**(1.7)**	**–**	**(1.7)**	(0.7)	–	(0.7)
UK Patent Box benefit	**(23.4)**	**–**	**(23.4)**	(17.4)	–	(17.4)
Tax effect of RDEC	**–**	**–**	**–**	(0.9)	–	(0.9)
UK super-deduction	**–**	**–**	**–**	(1.2)	–	(1.2)
Total tax charge	**213.0**	**14.9**	**227.9**	195.8	39.7	235.5

Section 2: Financial performance continued

2.6 Current and deferred tax continued

The movements in deferred tax assets and liabilities during each year are shown below.

	Financial instruments £m	Accelerated capital allowances £m	Non-trade losses £m	Intangible assets £m	Trade losses £m	Other liabilities £m	Other assets £m	Total £m
At 1 January 2023	124.7	(321.3)	0.5	(12.9)	80.1	(33.3)	57.9	(104.3)
(Charged)/credited to the income statement	(51.2)	9.0	(0.5)	12.3	(21.0)	(0.6)	2.6	(49.4)
Credited to other comprehensive income in respect of actuarial gains	–	–	–	–	–	7.2	–	7.2
Charged to other comprehensive income in respect of cash flow hedges	(130.7)	–	–	–	–	–	–	(130.7)
Charged to other comprehensive income in respect of cost of hedging	(1.9)	–	–	–	–	–	–	(1.9)
Credited to equity in respect of cash flow hedges	10.9	–	–	–	–	–	–	10.9
Credited to equity in respect of cost of hedging	9.0	–	–	–	–	–	–	9.0
Charged to equity in respect of share-based payments	–	–	–	–	–	–	(2.4)	(2.4)
Impact of acquisition	–	–	–	(1.3)	–	–	–	(1.3)
Effect of changes in foreign exchange rates	–	1.8	–	–	(2.5)	(0.1)	(0.5)	(1.3)
At 1 January 2024	**(39.2)**	**(310.5)**	**–**	**(1.9)**	**56.6**	**(26.8)**	**57.6**	**(264.2)**
(Charged)/credited to the income statement	**(29.7)**	**(38.4)**	**–**	**1.1**	**(7.0)**	**14.7**	**16.0**	**(43.3)**
Charged to other comprehensive income in respect of actuarial gains	**–**	**–**	**–**	**–**	**–**	**(1.3)**	**–**	**(1.3)**
Credited to other comprehensive income in respect of cash flow hedges	**73.0**	**–**	**–**	**–**	**–**	**–**	**–**	**73.0**
Charged to other comprehensive income in respect of cost of hedging	**(1.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.7)**
Credited to equity in respect of cash flow hedges	**(1.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.2)**
Credited to equity in respect of cost of hedging	**5.7**	**–**	**–**	**–**	**–**	**–**	**–**	**5.7**
Credited to equity in respect of share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Effect of changes in foreign exchange rates	**–**	**(0.9)**	**–**	**(0.1)**	**0.6**	**–**	**0.2**	**(0.2)**
At 31 December 2024	**6.9**	**(349.8)**	**–**	**(0.9)**	**50.2**	**(13.4)**	**75.2**	**(231.8)**
Deferred tax balances (after offset) for financial reporting purposes:								
Net Canadian deferred tax asset at 31 December 2024	**–**	**(9.4)**	**–**	**0.3**	**20.3**	**(0.3)**	**25.1**	**36.0**
Net US deferred tax asset at 31 December 2024	**–**	**(22.3)**	**–**	**–**	**29.5**	**–**	**5.4**	**12.6**
Net UK deferred tax liability at 31 December 2024	**6.9**	**(318.1)**	**–**	**(1.2)**	**0.4**	**(13.1)**	**44.7**	**(280.4)**
Net Canadian deferred tax asset at 31 December 2023	–	(18.8)	–	0.4	16.8	(0.2)	28.2	26.4
Net US deferred tax asset at 31 December 2023	–	(21.9)	–	–	39.8	–	8.6	26.5
Net UK deferred tax liability at 31 December 2023	(39.2)	(269.8)	–	(2.3)	–	(26.6)	20.8	(317.1)

2.6 Current and deferred tax continued

Deferred tax assets and liabilities are offset where they are levied by the same taxation authority and the Group has a legally enforceable right to offset the current taxes, otherwise they are shown separately in the Consolidated balance sheet. Within the above deferred tax asset on trade losses of £50.2 million (2023: £56.6 million) there is £29.5 million (2023: £39.8 million) in relation to losses in the US Pellet Production business, £20.3 million relating to losses of the Canadian Pellet Production business (2023: £16.8 million), and the remaining £0.4 million relates to UK operations (2023: £nil).

The future expected reversal of accelerated capital allowances and other timing differences, coupled with the profitability (inclusive of the impact of transfer pricing adjustments), stable output and forecast improvement in operational performance, mean that the US and Canadian businesses expect to generate sufficient profits in the short to medium term against which to utilise the deferred tax assets. The estimates used when assessing the future profitability of the US and Canadian businesses have been approved by the Board, and are consistent with estimates used in the going concern assessment and the impairment assessments. The impairment assessment factors in climate change risks in the forecasts. See note 2.4 for further details on how climate change has been considered as part of the impairment assessments.

As at 31 December 2024, the Group held £78.5 million (2023: £78.8 million) of gross UK capital losses available for offset against future chargeable gains. These losses are unrecognised for deferred tax purposes as the Group does not currently expect UK taxable gains to arise that would be eligible to offset against these losses.

The Group is within scope of the Organisation for Economic Co-operation and Development's (OECD) Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries in which they operate, referred to as Pillar Two. The legislation implementing the rules in the UK was substantively enacted on 20 June 2023 and applies to the 2024 financial year onwards.

The Group has applied the temporary exemption under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules, so that the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two. Supported by external advisers, a detailed review was undertaken during 2024 confirming that the Group falls within the Transitional Country by Country Reporting Safe Harbour for all jurisdictions, such that the expected top-up tax payable over the transitional period is expected to be £nil. This is based on these Consolidated financial statements along with the latest medium-term forecasts up to and including the year ending 31 December 2026.

The Group continues to monitor developments in the UK and outside of the UK to ensure ongoing compliance with its administrative obligations under these rules along with reassessments of the latest forecasts to confirm the Group's exposure to Pillar Two.

2.7 Alternative performance measures

The alternative performance measures (APMs) glossary to these Consolidated financial statements on page 277 provides details of all APMs used, each APM's closest IFRS equivalent, the reason why the APM is used by the Group and a definition of how each APM is calculated.

The Group presents Adjusted results in the Consolidated income statement. Management believes that this approach is useful as it provides a clear and consistent view of underlying trading performance. Exceptional items and certain remeasurements are excluded from Adjusted results and are presented in a separate column in the Consolidated income statement. The Group believes that this presentation provides useful information about the financial performance of the business and is consistent with the way the Board and executive management assess the performance of the business.

The Group has a policy and framework for the determination of transactions to be presented as exceptional. Exceptional items are excluded from Adjusted results as they are transactions that are deemed to be one-off or unlikely to reoccur in future years due to their nature, size, the expected frequency of similar events, or the commercial context. By excluding these amounts, this provides users of the Consolidated financial statements with a more representative view of the results of the Group and enables comparisons with other reporting periods as it excludes amounts from activities or transactions that are not likely to reoccur. All transactions presented as exceptional are approved by the Audit Committee. See the Audit Committee report on page 112 for further details.

In these Consolidated financial statements, the following transactions have been designated as exceptional items and presented separately:

- Costs and credits arising as a result of the transaction to sell the majority of the non-core Opus Energy SME customer meter points and related strategic restructuring to reflect the reduced size of the Opus Energy SME business and Energy Solutions' focus on core I&C customers and renewables services (2024, Energy Solutions)
- Impairment charges related to the Opus Energy CGU (2023, Energy Solutions). See note 2.4 for further information
- Proceeds from a legal settlement relating to a supplier's failure to perform under their contract (2023, Energy Solutions)
- Change in the fair value of contingent consideration (2023, Generation). See note 7.1 for further information
- Impact of the UK tax rate change on deferred tax balances (2023, Generation and Energy Solutions). See note 2.6 for further information

Section 2: Financial performance continued

2.7 Alternative performance measures continued

Certain remeasurements comprise gains and losses on derivative contracts to the extent that those contracts do not qualify for hedge accounting, or hedge accounting is not effective, and those gains or losses are either i) unrealised and relate to derivative contracts with a maturity in future periods, or ii) are realised in relation to the maturity of derivative contracts in the current period. Gains and losses on derivative contracts prior to maturity generally reflect the difference between the contracted price and the current market price, which management does not believe provides meaningful information as the Group is not entering contracts with the intention of creating value from changes in market prices. The Group is entering forward contracts as economic hedges to secure prices and rates, and lock in value for its future expected pellet production, generation or energy supply activities. The effect of excluding certain remeasurements from Adjusted results is that commodity sales and purchases are recognised in the period they are intended to hedge at their contracted prices i.e. at the all-in-hedged amount paid or received in respect of the delivery of the commodity in question. It also results in the total impact of financial contracts being recognised in the period they are intended to hedge. Management believes this better reflects the performance of the business as it more accurately represents the intention for entering derivative contracts.

Movements on derivative financial instruments which do not qualify for hedge accounting, or where hedge accounting is ineffective, are shown in the table below. During 2024 the amounts recognised were predominantly due to fair value gains recognised on foreign exchange contracts due to the weakening of sterling against the US dollar and the realisation of losses on maturity of inflation and commodity hedges.

Further details on the Group's derivative financial instruments are provided in Section 7.

	Year ended 31 December	
	2024 £m	2023 £m
Exceptional items:		
Opus Energy sale of meter points and restructuring	**(59.5)**	–
2023 Opus Energy impairment	**–**	(69.1)
Net credit from legal claim	**–**	13.7
Change in fair value of contingent consideration	**–**	(18.2)
Exceptional items included within operating profit and profit before tax	**(59.5)**	(73.6)
Tax on exceptional items	**14.8**	10.8
Impact of tax rate change	**–**	0.7
Exceptional items after tax	**(44.7)**	(62.1)
Certain remeasurements:		
Net fair value remeasurements on derivative contracts included in revenue	**11.9**	70.7
Net remeasurements realised on maturity of derivative contracts included in revenue	**77.6**	228.6
Net hedge ineffectiveness reclassified to profit or loss included in revenue	**(8.2)**	(16.4)
Net fair value remeasurements on derivative contracts included in cost of sales	**45.3**	(127.0)
Net remeasurements realised on maturity of derivative contracts included in cost of sales	**(17.1)**	44.3
Certain remeasurements included within operating profit	**109.5**	200.2
Net remeasurements realised on maturity of derivative contracts included in interest payable and similar charges	**(0.6)**	(0.3)
Net fair value remeasurements on derivative contracts included in foreign exchange (losses)/gains	**–**	4.9
Certain remeasurements included in profit before tax	**108.9**	204.8
Tax on certain remeasurements	**(29.7)**	(48.1)
Impact of tax rate change	**–**	(3.1)
Certain remeasurements after tax	**79.2**	153.6

Reconciliation of profit for the period:		
Adjusted profit for the period	**491.0**	469.4
Exceptional items after tax	**(44.7)**	(62.1)
Certain remeasurements after tax	**79.2**	153.6
Total profit for the period	**525.5**	560.9

2.7 Alternative performance measures continued

Opus Energy sale of meter points and restructuring

On 26 June 2024, the Group agreed the sale ("the transaction") of the majority of its non-core small and medium-sized enterprise (SME) customer meter points from Opus Energy to EDF Energy Customers Limited (EDF). The sale also included the transfer of receivables balances related to these transferred customer meter points. The transaction was an asset sale under an Asset Purchase Agreement (APA) and completed on 1 September 2024.

The Group received consideration of £9.6 million from EDF on completion of the transaction relating to the meter points and related customer contracts and £4.3 million relating to the provision of REGOs to cover the energy supplied under the transferred customer contracts. The consideration for the REGOs will be recognised in line with the transfer of the REGOs to EDF.

The amount the Group will receive for the transferred receivables is contingent on the amounts collected by EDF. The transfer did not qualify for derecognition under IFRS 9 as the Group had neither transferred nor retained substantially all the risks and rewards of ownership and has retained control of the asset. The receivables are recognised at fair value through profit or loss as they are no longer solely payment of principal and interest. The fair value gains and losses recognised on these receivables reflect changes in the fair value of the consideration expected to be received.

The Group has commenced a restructuring to reflect the reduced size of Opus Energy post sale and the focus on I&C customers and renewables services within the Energy Solutions business. The Group incurred costs of redundancies in order to reduce the headcount in the Opus Energy business and holds a redundancy provision at 31 December 2024 in respect of in scope colleagues who had not yet left the Group. See note 5.3 for further details.

Certain assets, including prepaid commissions and software have been impaired due to the reduced future economic benefit expected to be obtained from these assets following the transaction.

With a significantly reduced number of customers to cover the cost base of the remaining Opus Energy business, a number of sales contracts are judged to be onerous and an onerous contracts provision has therefore been recognised. See note 5.3 for further details.

An additional impairment charge has been recognised as a result of lower expected recoveries on the retained receivables due from loss customers (customers who are no longer supplied by Opus Energy) due to the transaction and restructuring.

The gains and losses described above that have been recognised in the period on the transaction and related restructuring have been classified as exceptional. Further details of the amounts recognised as exceptional are detailed below:

	Year ended 31 December 2024 £m
Consideration allocated to the customer meter points	9.6
Net assets disposed of directly related to the transferred customers	(8.4)
Profit on disposal of customer meter points – included in other gains and losses	**1.2**
Other losses incurred as a direct result of the transaction and restructuring	
Onerous contracts provision, impairment of prepaid commissions and final commission settlement on retained customers – included in cost of sales	(23.3)
Redundancy, transaction and migration costs – included in operating and administrative expenses	(9.2)
Fair value losses on receivables relating to transferred customers (see note 3.5) – included in operating and administrative expenses	(12.9)
Additional impairment of receivables relating to retained customers (see note 3.5) – included in impairment losses on financial assets	(12.7)
Impairment of non-current assets (see note 2.4) – included in impairment of non-current assets	(2.6)
Net loss recognised as a result of the transaction	**(59.5)**

As part of the transaction, the Opus Energy hedge book, to purchase power and gas to supply to its customers, was transferred to EDF. Prior to the transaction these trades were all intercompany between the Biomass Generation business and Opus Energy and were therefore eliminated on consolidation. As the hedge book was transferred at the original hedged rate to a party external to the Group, the trades were off market and had a day one mark-to-market fair value of £33.7 million. This gain has not been recognised as part of the net loss as a result of the transaction, as whilst the counterparty has changed, there is no impact on the Biomass Generation business which will continue to sell energy. This would have occurred irrespective of the transaction and as such the gain has been presented within Certain remeasurements in the Consolidated income statement, consistent with the Group's treatment of unrealised gains and losses on unhedged derivative contracts.

During the current year the Group had a net cash inflow of £9.6 million in respect of the Opus Energy transaction. This comprised a cash inflow of £13.9 million of consideration received, a net £2.0 million inflow in respect of debt and credits transferred to EDF, and a cash outflow of £6.3 million in respect of redundancy, transaction and migration costs paid out in the year. The cash flows relating to the transaction have been recognised within operating cash flows in the Consolidated cash flow statement.

Section 2: Financial performance continued

2.7 Alternative performance measures continued

For each item designated as exceptional or as a certain remeasurement, the table below summarises the impact of the item on Adjusted and Total profit after tax, Basic EPS and Net cash from operating activities.

	Year ended 31 December 2024							
	Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax (charge)/ credit £m	Profit/(loss) for the period £m	Basic earnings/(loss) per share Pence	Net cash from operating activities £m
Total results IFRS measure	**6,162.5**	**1,876.5**	**850.2**	**753.4**	**(227.9)**	**525.5**	**137.5**	**859.5**
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(81.3)	(109.5)	(109.5)	(108.9)	29.7	(79.2)	(20.7)	–
Exceptional items:								
Opus Energy sale of meter points and restructuring	–	23.3	59.5	59.5	(14.8)	44.7	11.6	(9.6)
Total	**(81.3)**	**(86.2)**	**(50.0)**	**(49.4)**	**14.9**	**(34.5)**	**(9.1)**	**(9.6)**
Adjusted results totals	**6,081.2**	**1,790.3**	**800.2**	**704.0**	**(213.0)**	**491.0**	**128.4**	**849.9**

	Year ended 31 December 2023							
	Restated[(1)] Revenue £m	Gross profit £m	Operating profit £m	Profit before tax £m	Tax (charge)/ credit £m	Profit/(loss) for the period £m	Basic earnings/(loss) per share Pence	Net cash from operating activities £m
Total results IFRS measure	7,733.2	1,953.6	908.2	796.4	(235.5)	560.9	142.8	835.6
Certain remeasurements:								
Net fair value remeasurement on derivative contracts	(282.9)	(200.2)	(200.2)	(204.8)	48.1	(156.7)	(39.7)	–
Impact of tax rate change	–	–	–	–	3.1	3.1	0.8	–
Exceptional items:								
2023 Opus Energy impairment	–	–	69.1	69.1	(13.5)	55.6	14.1	–
Net credit from legal claim	–	–	(13.7)	(13.7)	2.7	(11.0)	(2.8)	(9.3)
Change in fair value of contingent consideration	–	–	18.2	18.2	–	18.2	4.6	–
Impact of tax rate change	–	–	–	–	(0.7)	(0.7)	(0.2)	–
Total	(282.9)	(200.2)	(126.6)	(131.2)	39.7	(91.5)	(23.2)	(9.3)
Adjusted results totals	7,450.3	1,753.4	781.6	665.2	(195.8)	469.4	119.6	826.3

(1) The year ended 31 December 2023 amounts above have been restated to reflect the Group's revised application of the agent requirements of IFRS 15 to sleeved electricity trades. See further details of this restatement in the Net presentation of sleeved electricity trades section on page 266.

2.7 Alternative performance measures continued

Adjusted EBITDA is a key measure of financial performance for the Group. A reconciliation from Adjusted operating profit from the Consolidated income statement is shown below:

	Year ended 31 December 2024		
	Attributable to		
	Owners of the parent company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	**801.3**	**(1.1)**	**800.2**
Depreciation and amortisation	**240.4**	**1.4**	**241.8**
Other losses	**8.5**	**–**	**8.5**
Share of losses from associates	**2.2**	**–**	**2.2**
Impairment of non-current assets	**11.8**	**–**	**11.8**
Adjusted EBITDA	**1,064.2**	**0.3**	**1,064.5**

	Year ended 31 December 2023		
	Attributable to		
	Owners of the parent company £m	Non-controlling interests £m	Total £m
Adjusted operating profit/(loss)	782.9	(1.3)	781.6
Depreciation and amortisation	223.7	1.3	225.0
Other gains	(0.7)	–	(0.7)
Share of losses from associates	1.6	–	1.6
Impairment of non-current assets	1.7	–	1.7
Adjusted EBITDA	1,009.2	–	1,009.2

	Year ended 31 December	
	2024 £m	Restated(1) 2023 £m
Segment Adjusted EBITDA:		
Pellet Production	**143.0**	88.9
Biomass Generation	**813.5**	703.3
Flexible Generation	**137.6**	230.2
Energy Solutions	**51.2**	71.8
Innovation, capital projects and other	**(78.1)**	(78.1)
Intra-group eliminations	**(3.0)**	(6.9)
Total Adjusted EBITDA	**1,064.2**	1,009.2

(1) Comparative amounts have been restated to reflect the change in reportable segments. See note 2.1 for further details of the change in reportable segments.

Net debt

Net debt is calculated by taking the Group's borrowings (note 4.2), adjusting for the impact of associated hedging instruments, adding lease liabilities (note 3.2), and subtracting cash and cash equivalents (note 4.1). Net debt excludes the share of borrowings, lease liabilities, and cash and cash equivalents attributable to non-controlling interests.

Prior to 2024, the Group's definition of Net debt did not include lease liabilities. See page 165 for further details of this change.

Borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 4.2). Borrowings does not include other financial liabilities such as pension obligations (see note 6.3), trade and other payables (see note 3.7), lease liabilities calculated in accordance with IFRS 16 (see note 3.2), and working capital facilities (such as credit cards and deferred letters of credit) linked directly to specific payables that provide short extension of payment terms of less than 12 months (see note 4.3). The Group does not include balances related to supply chain financing in Net debt as there are no changes to the Group's payment terms under this arrangement, nor would there be if the arrangement was to cease (see note 3.7). Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.

The Group has entered into cross-currency interest rate swaps, fixing the sterling value of the principal repayments and interest in respect of the Group's euro (EUR) denominated debt. The Group has also entered fixed rate foreign exchange forwards to fix the sterling value of the principal repayment of the Canadian dollar (CAD) denominated debt and certain EUR denominated debt (see note 4.2). For the purpose of calculating Net debt, USD, EUR and CAD balances are translated at the hedged rate, rather than the rate prevailing at the reporting date, which impacts the carrying amount of the Group's borrowings. See the APMs glossary and the APMs section within the Basis of preparation for further details on the calculation of Net debt.

Section 2: Financial performance continued

2.7 Alternative performance measures continued

	As at 31 December	
	2024 £m	2023[(1)] £m
Borrowings (note 4.2)	(1,176.7)	(1,425.3)
Lease liabilities (note 3.2)	(116.5)	(135.8)
Cash and cash equivalents	356.0	379.5
Net cash, borrowings and lease liabilities	**(937.2)**	(1,181.6)
Non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	(0.8)	(0.3)
Non-controlling interests' share of lease liabilities in non-wholly owned subsidiaries	0.5	–
Impact of hedging instruments	(54.2)	(37.8)
Net debt	**(991.7)**	(1,219.7)

(1) The comparative amounts have been re-presented to reflect the change in definition of Net debt to include lease liabilities. See pages 165 and 166 for further information.

The table below reconciles Net debt in terms of changes in these balances across the year:

	Year ended 31 December	
	2024 £m	2023[(1)] £m
Net debt at 1 January	**(1,219.7)**	(1,359.0)
(Decrease)/increase in cash and cash equivalents	(23.5)	141.5
(Increase)/decrease in non-controlling interests' share of cash and cash equivalents in non-wholly owned subsidiaries	(0.5)	0.4
Decrease in borrowings	248.6	15.6
Decrease in lease liabilities	19.3	17.3
Increase/(decrease) in non-controlling interests' share of lease liabilities in non-wholly owned subsidiaries	0.5	(0.1)
Movement in the impact of hedging instruments	(16.4)	(35.4)
Net debt at 31 December	**(991.7)**	(1,219.7)

(1) The comparative amounts have been re-presented to reflect the change in definition of Net debt to include lease liabilities. See pages 165 and 166 for further information.

A reconciliation of the change in borrowings during the year is set out in the table in note 4.2.

As explained in the Basis of preparation, the Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.

	As at 31 December	
	2024	2023[(1)]
Adjusted EBITDA (£m)	1,064.2	1,009.2
Net debt (£m)	(991.7)	(1,219.7)
Net debt to Adjusted EBITDA ratio	**0.9**	1.2

(1) The comparative amounts have been re-presented to reflect the change in definition of Net debt to include lease liabilities, See pages 165 and 166 for further information.

Cash and committed facilities

The below table reconciles the Group's available cash and committed facilities:

	As at 31 December	
	2024 £m	2023 £m
Cash and cash equivalents (note 4.1)	356.0	379.5
RCF available but not utilised[(1)]	450.0	259.9
Total cash and committed facilities	**806.0**	639.4

(1) In August 2024, the Group secured a new £450.0 million RCF. The Group cancelled its previous £300.0 million RCF at this date. The Group's C$10 million RCF also matured during 2024. See note 4.2 for further information on the Group's facilities. As at 31 December 2024, the Group had no cash or non-cash drawings under the RCF (2023: £46.1 million in letters of credit were drawn).

Further commentary on total cash and committed facilities is contained within the CFO's financial review starting on page 18.

2.8 Earnings per share

Earnings per share (EPS) represents the amount of earnings (post-tax profit or losses) attributable to the weighted average number of ordinary shares outstanding in the year. Basic EPS is calculated by dividing the Group's earnings attributable to owners of the parent company (profit or loss after tax, excluding amounts attributable to non-controlling interests) by the weighted average number of ordinary shares that were outstanding during the year. Diluted EPS demonstrates the impact of all outstanding share options that would vest on their future maturity dates if the conditions at the end of the reporting period were the same as those at the end of the vesting period (such as those to be issued under employee share schemes – see note 6.2), and the options were exercised and treated as ordinary shares as at the reporting date. The 57.8 million of repurchased shares (2023: 40.3 million) held in the treasury shares reserve are not included in the weighted average calculation of shares. See note 2.11 for details of the shares repurchased in the current year as part of the £300 million share buyback programme and note 4.4 for further details on the treasury shares reserve. For the purpose of calculating diluted EPS, the weighted average calculation of shares excludes any share options that would have an anti-dilutive impact.

	Year ended 31 December	
	2024	2023
Number of shares (millions):		
Weighted average number of ordinary shares for the purposes of calculating Basic earnings per share	**383.2**	393.8
Effect of dilutive potential ordinary shares under share plans	**7.6**	9.3
Weighted average number of ordinary shares for the purposes of calculating Diluted earnings per share	**390.8**	403.1

	Year ended 31 December			
	2024		2023	
	Adjusted results	**Total results**	Adjusted results	Total results
Earnings per share attributable to owners of the parent company				
Earnings – profit after tax (£m)	**492.1**	**526.6**	470.7	562.2
Earnings per share – Basic (pence)	**128.4**	**137.5**	119.6	142.8
Earnings per share – Diluted (pence)	**126.0**	**134.8**	116.8	139.5

2.9 Dividends

	Year ended 31 December		
	Pence per share	**2024 £m**	2023 £m
Amounts recognised as distributions to equity holders in the year (based on the number of ordinary shares outstanding at the record date):			
Interim dividend for the year ended 31 December 2024 paid on 25 October 2024	**10.4**	**39.8**	–
Final dividend for the year ended 31 December 2023 paid on 17 May 2024	**13.9**	**53.7**	–
Interim dividend for the year ended 31 December 2023 paid on 6 October 2023	9.2	**–**	35.7
Final dividend for the year ended 31 December 2022 paid on 19 May 2023	12.6	**–**	50.6
Total distributions		**93.5**	86.3

At the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2024 of 15.6 pence per share (equivalent to approximately £57 million) payable on 16 May 2025. The final dividend has not been included as a liability as at 31 December 2024. This would bring total dividends payable in respect of the 2024 financial year to approximately £97 million.

The Group has a long-standing capital allocation policy. This policy is based on a commitment to robust financial metrics that underpin the Group's strong credit rating: investment in the core business; paying a sustainable and growing dividend; and returning surplus capital to shareholders. The Board is confident that the dividend is sustainable and expects it to grow as the implementation of the Group's strategy generates an increasing proportion of stable earnings and cash flows. In determining the rate of growth in dividends, the Board will take account of future investment opportunities and the less predictable cash flows from the Group's commodity-linked revenue streams.

In future years, if there is a build-up of capital in excess of the Group's investment needs, the Board will consider the most appropriate mechanism to return this to shareholders.

Consideration of sustainability, including a link to the Group's dividend, can be found in the Market context section on pages 6 and 7.

Section 2: Financial performance continued

2.10 Retained profits

Retained profits are a component of equity reserves. The overall balance reflects the total profits the Group has generated over its lifetime that are attributable to the equity holders of the parent company, reduced by the amount of that profit distributed to shareholders. The table below sets out the movements in retained profits during the year:

	Year ended 31 December	
	2024 £m	2023 £m
At 1 January	**666.4**	193.8
Profit for the year attributable to the owners of the parent company	**526.6**	562.2
Remeasurement of defined benefit pension scheme (note 6.3)	**5.5**	(28.8)
Deferred tax on remeasurement of defined benefit pension scheme (note 2.6)	**(1.3)**	7.2
Equity dividends paid (note 2.9)	**(93.5)**	(86.3)
Movements in equity associated with share-based payments	**13.0**	13.4
Tax on share-based payments (note 2.6)	**1.4**	4.5
Gain on equity investments	**–**	0.4
At 31 December	**1,118.1**	666.4

Distributable reserves

The capacity of the Group to make dividend payments is primarily determined by the availability of retained distributable profits and cash resources.

The parent company's financial statements, set out on pages 267 to 273 of these Annual report and accounts, disclose the basis of the parent company's distributable reserves.

The majority of the Group's distributable reserves are held in holding and operating subsidiaries. Management actively monitors the level of distributable reserves in each company in the Group, ensuring adequate reserves are available for upcoming dividend payments and any share buyback transactions, and that the parent company has access to these reserves.

The immediate cash resources of the Group of £356.0 million are set out in note 4.1 and the recent history of cash generation within note 4.3. The majority of these cash resources are held centrally within the Group by Drax Corporate Limited for treasury management purposes and are available for funding the working capital and other requirements of the Group.

The Group's financing facilities (see note 4.2) place customary conditions on the amount of dividend payments that can be made in any given year. The Group expects to be able to make dividend payments, in line with its policy, within these conditions for the foreseeable future. See note 4.2 for further details on the covenants relating to the financing facilities.

2.11 Share buyback programme

On 26 July 2024, the Group announced a £300 million share buyback programme. A first tranche of £75 million commenced on 7 August 2024. On 22 October 2024, it was announced that a further £75 million tranche would commence immediately following the completion of the first tranche.

The shares repurchased up to 31 December 2024 were acquired at an average price of 645.6 pence per share, with prices ranging from 618.8 pence to 673.9 pence. In total the Group repurchased 17.8 million ordinary shares during 2024 at a total net cost of £115.4 million. As at 26 February 2025, 23.2 million shares have been repurchased at a total net cost of £150.1 million.

During 2023, the Group undertook a £150 million share buyback programme. The shares were acquired at an average price of 567.5 pence per share, with prices ranging from 521.6 pence to 637.7 pence. In total the Group repurchased 26.5 million ordinary shares at a total net cost of £149.2 million.

Shares purchased under these share buyback programmes are held in a separate treasury shares reserve awaiting reissue or cancellation and have no voting rights attached to them. See note 4.4 for a reconciliation of the movement in the treasury shares reserve.

2.12 Post balance sheet event

Low-carbon dispatchable Contract for Difference

On 10 February 2025 Drax Power Limited agreed a non-binding heads of terms with the UK Government on a low-carbon dispatchable Contract for Difference (CfD) agreement for Drax Power Station.

The heads of terms propose a CfD mechanism with a strike price of £113/MWh (at 2012 values) indexed to UK CPI. The CfD applies to all four biomass units at Drax Power Station, with an aggregate collar of approximately 6TWh per annum (and a minimum of approximately 5TWh) and a four-year term from 1 April 2027 to 31 March 2031.

Under the proposed agreement Drax Power Station will sell approximately 6TWh of power annually against a season ahead reference price (as per the current CfD scheme) and then seek to maximise generation from its four units at times of high demand and reduce generation at times of low demand, using the power station's flexibility to support UK energy security. The proposed agreement also allows for system support and ancillary services.

Section 3: Operating assets and working capital

This section gives further information on the operating assets the Group uses to generate revenue and the short-term assets and liabilities, managed during day-to-day operations, that comprise the Group's working capital balances.

3.1 Property, plant and equipment

This note shows the cost, accumulated depreciation and impairment, and net book value of the physical assets controlled by the Group.

Accounting policy

Property, plant and equipment is stated at net book value, which is its cost less any accumulated depreciation and any accumulated impairment losses, if required, charged to date. Property, plant and equipment assets are initially measured at cost.

Cost comprises: the purchase price (after deducting trade discounts and rebates); any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and an estimate of the present value of the costs of dismantling and removing the item and restoring the site, where required. Depreciation reflects the usage of the asset over time and is calculated by taking the cost of the asset, net of any expected residual value, and charging it to the Consolidated income statement on a straight-line basis from the date that the asset is available for use and over its useful economic life (UEL). Where relevant, this is limited to the estimated decommissioning date of the site where the asset is located.

The Group constructs many of its assets as part of long-term development projects. Assets that are under the course of construction are not depreciated until they are ready for use in the manner intended by management.

The table below shows the weighted average remaining UELs of the main categories of assets held at the reporting date:

	Average UEL remaining 2024 (years)
Freehold buildings	**21**
Plant and equipment	
Electricity generation assets:	
Biomass plant	**14**
Hydro plants (including pumped storage)	**36**
Pellet production plant	**8**
Other plant, machinery and equipment	**12**
Reinstatement assets	**18**
Plant spare parts	**15**

Freehold land held at cost is considered to have an unlimited UEL and is not depreciated. The value of freehold land held at 31 December 2024 is £35.5 million (2023: £35.6 million).

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

Electricity generation assets are grouped according to the fuel type of the relevant plant.

Pellet production plant includes the US and Canada based assets of the Group's Pellet Production business and the assets at the Daldowie fuel plant near Glasgow.

Plant spare parts are depreciated over the remaining UEL of the relevant power station or plant, or shorter if a shorter UEL is more appropriate.

Plant spare parts can be used within maintenance projects which are operating in nature (in addition to capital maintenance projects). In this instance the net book value of the part is transferred from the property, plant and equipment balance and recognised as an expense in the Consolidated income statement within operating and administrative expenses. These issues are reflected in the issues to maintenance projects line in the table below.

Costs relating to major inspections, overhauls and upgrades to assets are included in the carrying amounts of existing assets or recognised as separate assets, as appropriate, if the recognition criteria are met; namely, when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Assets that are replaced as part of any overhauls or upgrades are disposed of. All other repairs and maintenance costs are expensed as incurred.

Estimated UELs and residual values are reviewed as a minimum at the end of each reporting period, taking into account regulatory changes, climate change (see note 3.8 for further details) and commercial and technological obsolescence, as well as normal wear and tear. Residual values are based on prices prevailing at the reporting date. Any changes to estimated UELs or residual values are applied prospectively.

At each reporting date the Group reviews its property, plant and equipment to determine whether there is any indication that these assets may be impaired. The Group's accounting policy in respect of impairment, along with details of the impairment review conducted during the year are set out in note 2.4.

An impairment charge is recognised immediately if the net book value of an asset exceeds its recoverable amount, which is the higher of an asset's value in use and its fair value less costs to sell. The Group's policy is to recognise an impairment charge through accumulated depreciation and impairment if the asset will continue to be used or retained by the Group. Cost and any accumulated depreciation and impairment are removed when an asset is disposed. Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount.

During the year, the Group has capitalised £4.4 million (2023: £18.3 million) of costs relating to the UK BECCS project at Drax Power Station resulting in a total amount of £47.2 million capitalised in relation to this project as at 31 December 2024 (2023: £42.8 million). During the year, the Group has also capitalised £63.6 million (2023: £45.4 million) of costs relating to the Longview pellet plant development project resulting in a total amount of £122.0 million capitalised in relation to this project as at 31 December 2024 (2023: £55.9 million). The capitalisation of development project costs has been classified as a critical accounting judgement due to the judgements required in determining whether costs incurred meet the criteria to be capitalised or not, and should expectations around development projects change then the amounts capitalised may need to be impaired.

The Group has also continued construction of the three OCGT projects that have obtained Capacity Market contracts. Construction of these projects is expected to complete during 2025. The amount capitalised up to the reporting date relating to these projects totals £420.7 million (2023: £323.5 million). Of this, £97.2 million (2023: £188.6 million) was capitalised during the year.

The Group's total commitment for future capital expenditure is disclosed in note 7.7.

Significant estimation uncertainty

As disclosed on page 164, the Group has made an estimate regarding the UEL of Drax Power Station. Given the continued focus on climate change, renewable sources of energy and transitioning to a net zero economy, the power generation industry is going through a period of transformation, which can impact on the UELs of assets. As the UK Government's net zero strategy becomes clearer, particularly in relation to biomass and BECCS, the Group will continue to assess any potential impact of these developments on the UEL of Drax Power Station.

The rate of change in these areas increases the risk that the UEL of Drax Power Station will be updated in the future as new information becomes available. As such, a change in UELs in relation to Drax Power Station's assets has been disclosed as a key source of estimation uncertainty. If options, such as UK BECCS or data centres, are deployed at Drax Power Station this could result in an extension of the end of station life beyond the current assumed end date of 2039. If the UELs of Drax Power Station assets that are currently limited to 2039 were to increase by a further 10 years, the annual depreciation charge would decrease by approximately £18.1 million. If a low-carbon dispatchable CfD agreement is not agreed with the UK Government for the period post March 2027 (see note 2.12 for further details on the heads of terms of the low-carbon dispatchable CfD agreement), when the current renewable schemes end, this could result in a reduction to the end of station life. If the assumed end of station life of 2039 were to decrease by 12 years to 2027, in line with the end of the current renewable schemes, the annual depreciation charge would be increased by approximately £183.8 million, excluding the impact of any potential impairment.

3.1 Property, plant and equipment continued

	Freehold land and buildings £m	Plant and equipment £m	Plant spare parts £m	Assets under the course of construction £m	Total £m
Cost:					
At 1 January 2023	503.5	3,376.7	81.0	329.0	4,290.2
Additions at cost	–	0.4	8.1	500.7	509.2
Acquired in business combinations	–	0.1	–	–	0.1
Disposals	(0.3)	(27.8)	–	–	(28.1)
Movement in reinstatement asset	–	22.7	–	–	22.7
Issues to maintenance projects	–	–	(6.5)	–	(6.5)
Transfers to intangibles (see note 5.2)	–	(0.1)	–	(0.5)	(0.6)
Transfers between PPE categories	0.4	168.0	0.5	(168.9)	–
Effect of changes in foreign exchange rates	(9.5)	(33.8)	–	(4.2)	(47.5)
At 1 January 2024	**494.1**	**3,506.2**	**83.1**	**656.1**	**4,739.5**
Additions at cost	**–**	**0.3**	**9.9**	**315.3**	**325.5**
Disposals	**(0.3)**	**(20.2)**	**–**	**(4.1)**	**(24.6)**
Movement in reinstatement asset (see note 5.3)	**–**	**0.7**	**–**	**–**	**0.7**
Issues to maintenance projects	**–**	**–**	**(3.3)**	**–**	**(3.3)**
Transfers from/(to) intangibles (see note 5.2)	**0.2**	**–**	**–**	**(3.4)**	**(3.2)**
Transfers to right-of-use assets	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Transfers from inventories	**–**	**–**	**3.3**	**–**	**3.3**
Transfers between PPE categories	**20.4**	**231.7**	**2.2**	**(254.3)**	**–**
Effect of changes in foreign exchange rates	**(0.3)**	**(4.2)**	**0.2**	**2.8**	**(1.5)**
At 31 December 2024	**514.1**	**3,713.0**	**95.4**	**712.4**	**5,034.9**
Accumulated depreciation and impairment:					
At 1 January 2023	142.5	1,706.1	33.5	20.1	1,902.2
Depreciation charge for the year	19.3	145.2	2.6	–	167.1
Impairment	8.9	0.1	–	1.7	10.7
Disposals	(0.1)	(25.1)	–	–	(25.2)
Issues to maintenance projects	–	–	(0.7)	–	(0.7)
Effect of changes in foreign exchange rates	(2.7)	(10.7)	–	–	(13.4)
At 1 January 2024	**167.9**	**1,815.6**	**35.4**	**21.8**	**2,040.7**
Depreciation charge for the year	**23.8**	**168.2**	**5.5**	**–**	**197.5**
Impairment	**2.8**	**–**	**0.1**	**3.2**	**6.1**
Disposals	**(0.1)**	**(12.8)**	**–**	**–**	**(12.9)**
Issues to maintenance projects	**–**	**–**	**(1.1)**	**–**	**(1.1)**
Transfers from right-of-use assets	**–**	**1.1**	**–**	**–**	**1.1**
Effect of changes in foreign exchange rates	**0.5**	**1.0**	**–**	**–**	**1.5**
At 31 December 2024	**194.9**	**1,973.1**	**39.9**	**25.0**	**2,232.9**
Net book value:					
At 31 December 2023	326.2	1,690.6	47.7	634.3	2,698.8
At 31 December 2024	**319.2**	**1,739.9**	**55.5**	**687.4**	**2,802.0**

Impairments previously presented through cost on non-depreciating assets have been re-presented in the table above. Impairments are presented through accumulated depreciation and impairment.

Included within the cost of assets under the course of construction is capitalised interest of £15.0 million (2023: £13.3 million) relating to the construction of the three OCGT projects, Longview pellet plant and the Cruachan upgrade project. See note 2.5 for further details of borrowing costs capitalised during the year.

Freehold land and buildings, and plant and equipment with a carrying amount of £1,580.7 million (2023: £1,609.7 million) have been pledged as security over the Group secured borrowings. See note 4.2 for details of the Group's secured borrowings.

See note 2.4 for further details of the Group's accounting policy and presentation of impairments of non-current assets.

Section 3: Operating assets and working capital continued

3.1 Property, plant and equipment continued

	Biomass plant £m	Hydro plant £m	Pellet production plant £m	Other £m	Total plant and equipment £m
Cost:					
At 1 January 2023	2,141.3	479.4	738.8	17.2	3,376.7
Additions at cost	–	–	–	0.4	0.4
Acquired in business combinations	–	–	–	0.1	0.1
Disposals	–	–	(27.6)	(0.2)	(27.8)
Movement in reinstatement asset	20.1	–	2.6	–	22.7
Transfers to intangibles	–	–	(0.1)	–	(0.1)
Transfers between PPE categories	117.1	–	50.9	–	168.0
Effect of changes in foreign exchange rates	–	–	(33.8)	–	(33.8)
At 1 January 2024	**2,278.5**	**479.4**	**730.8**	**17.5**	**3,506.2**
Additions at cost	**–**	**–**	**–**	**0.3**	**0.3**
Disposals	**(10.0)**	**–**	**(10.2)**	**–**	**(20.2)**
Movement in reinstatement asset (see note 5.3)	**(6.9)**	**–**	**–**	**7.6**	**0.7**
Transfers between PPE categories	**138.1**	**9.3**	**71.9**	**12.4**	**231.7**
Transfers (to)/from right-of-use assets	**–**	**–**	**(1.6)**	**0.1**	**(1.5)**
Effect of changes in foreign exchange rates	**–**	**–**	**(4.2)**	**–**	**(4.2)**
At 31 December 2024	**2,399.7**	**488.7**	**786.7**	**37.9**	**3,713.0**
Accumulated depreciation and impairment:					
At 1 January 2023	1,417.3	53.3	221.8	13.7	1,706.1
Depreciation charge for the year	66.2	12.9	64.2	1.9	145.2
Impairment	–	–	–	0.1	0.1
Disposals	–	–	(24.9)	(0.2)	(25.1)
Effect of changes in foreign exchange rates	–	–	(10.7)	–	(10.7)
At 1 January 2024	**1,483.5**	**66.2**	**250.4**	**15.5**	**1,815.6**
Depreciation charge for the year	**75.1**	**12.9**	**75.3**	**4.9**	**168.2**
Disposals	**(6.1)**	**–**	**(6.7)**	**–**	**(12.8)**
Transfers from right-of-use assets	**–**	**–**	**1.1**	**–**	**1.1**
Effect of changes in foreign exchange rates	**–**	**–**	**1.0**	**–**	**1.0**
At 31 December 2024	**1,552.5**	**79.1**	**321.1**	**20.4**	**1,973.1**
Net book value:					
At 31 December 2023	795.0	413.2	480.4	2.0	1,690.6
At 31 December 2024	**847.2**	**409.6**	**465.6**	**17.5**	**1,739.9**

The depreciation expense in the Consolidated income statement comprises the following:

	Year ended 31 December	
	2024 £m	2023 £m
Depreciation charged on property, plant and equipment	**197.5**	167.1
Depreciation charged on right-of-use assets	**28.1**	26.9
Movement on depreciation included in closing inventories	**(0.8)**	1.6
Total depreciation expense	**224.8**	195.6

Depreciation charged on right-of-use assets in the table above is presented net of £0.9 million (2023: £nil) depreciation related to salary sacrifice electric vehicles included within staff cost in operating and administrative expenses. Right-of-use asset depreciation totals £29.0 million for the year ended 31 December 2024 (2023: £26.9 million).

3.2 Leases

Accounting policy

IFRS 16 determines a control model to distinguish between lease agreements and service contracts on the basis of whether the use of an identified asset is controlled by the Group for a period of time. If the Group is deemed to have control of an identified asset, then a right-of-use asset and corresponding lease liability are recognised on the Consolidated balance sheet.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate that is implicit in the lease. If this discount rate cannot be determined from the agreement, the liability is discounted using an incremental borrowing rate. Incremental borrowing rates are updated biannually. The borrowing rate for leased property is derived with reference to property yields specific to the location of the leased property and property type. For non-property leases, the borrowing rate is derived from a series of inputs including counterparty-specific proxies for risk-free rates, such as UK Gilt curves, and an adjustment for credit risk based on the Group's credit rating. The liability is subsequently adjusted for interest, repayments, remeasurements and other modifications. The right-of-use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the initial calculation of the lease liability, estimated costs for dismantling or restoring the asset, any initial direct costs, and lease payments made or incentives received prior to commencement of the lease.

Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets, and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification decreases the scope of the lease, the carrying amount of the right-of-use asset and lease liability are adjusted, and a gain or loss is recognised in proportion to the decrease in the scope of the lease. All other modifications are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right-of-use asset.

Lease extension or termination options are included within the lease term when the Group, as the lessee, has the discretion to exercise the option and where it is reasonably certain that the option will be exercised.

Leases with a term shorter than 12 months, or where the identified asset has a value below £3,500, are expensed to the Consolidated income statement on a straight-line basis over the term of the agreement.

Lease remeasurements, lease modifications, transfers between property, plant and equipment and right-of-use assets, and disposals of leased assets are included within other movements in the table below.

Right-of-use assets

	Land and buildings £m	Plant and equipment £m	Rail cars £m	Vessels £m	Total £m
Cost:					
At 1 January 2023	30.4	24.8	33.7	90.8	179.7
Additions at cost	9.9	5.6	0.6	–	16.1
Acquired in business combinations	–	0.1	–	–	0.1
Other movements	(1.1)	(3.2)	(4.6)	(0.4)	(9.3)
Effect of changes in foreign exchange rates	(0.5)	(0.5)	(1.3)	(2.9)	(5.2)
At 1 January 2024	**38.7**	**26.8**	**28.4**	**87.5**	**181.4**
Additions at cost	**2.3**	**6.0**	**–**	**–**	**8.3**
Movement in reinstatement asset (see note 5.3)	**2.3**	**–**	**–**	**–**	**2.3**
Other movements	**5.1**	**(3.2)**	**(0.4)**	**(5.2)**	**(3.7)**
Effect of changes in foreign exchange rates	**(0.3)**	**0.1**	**(1.0)**	**(5.3)**	**(6.5)**
At 31 December 2024	**48.1**	**29.7**	**27.0**	**77.0**	**181.8**
Accumulated depreciation and impairment:					
At 1 January 2023	11.5	10.6	10.6	8.7	41.4
Depreciation charge for the year	6.7	6.6	5.0	8.6	26.9
Other movements	(0.3)	(3.3)	(4.3)	0.3	(7.6)
Effect of changes in foreign exchange rates	(0.2)	(0.3)	(0.5)	(0.5)	(1.5)
At 1 January 2024	**17.7**	**13.6**	**10.8**	**17.1**	**59.2**
Depreciation charge for the year	**8.2**	**7.7**	**5.0**	**8.1**	**29.0**
Impairment	**0.1**	**–**	**–**	**–**	**0.1**
Other movements	**(0.1)**	**(3.3)**	**(2.3)**	**0.1**	**(5.6)**
Effect of changes in foreign exchange rates	**(0.2)**	**0.1**	**(0.3)**	**(1.4)**	**(1.8)**
At 31 December 2024	**25.7**	**18.1**	**13.2**	**23.9**	**80.9**
Net book value:					
At 31 December 2023	21.0	13.2	17.6	70.4	122.2
At 31 December 2024	**22.4**	**11.6**	**13.8**	**53.1**	**100.9**

Section 3: Operating assets and working capital continued

3.2 Leases continued

Lease liabilities

Carrying amount:	Year ended 31 December 2024 £m	2023 £m
At 1 January	**135.8**	153.1
Additions	**9.8**	16.1
Acquired in business combinations	**–**	0.1
Interest charge for the year	**6.6**	7.2
Payments	**(34.0)**	(33.0)
Other movements	**(2.8)**	(1.0)
Effect of changes in foreign exchange rates	**1.1**	(6.7)
At 31 December	**116.5**	135.8

The existence of termination, extension and purchase options has not had a material impact on the determination of the lease liabilities.

In addition to the payments disclosed above, the Group made payments of £6.0 million during the year (2023: £0.3 million) in relation to short-term and low value leases.

The maturity of the gross undiscounted lease liabilities at 31 December is as follows:

	As at 31 December 2024 £m	2023 £m
Within one year	**31.6**	33.4
Within one to two years	**24.6**	28.6
Within two to five years	**39.0**	52.5
After five years	**47.2**	57.0
Total gross lease liabilities	**142.4**	171.5
Effect of discounting	**(25.9)**	(35.7)
Lease liabilities recognised in the Consolidated balance sheet	**116.5**	135.8
Current	**26.0**	25.1
Non-current	**90.5**	110.7

The Group recognised the following charges relating to leases in the Consolidated income statement:

	Year ended 31 December 2024 £m	2023 £m
Expense relating to short-term leases	**5.9**	0.3
Expense relating to low value leases	**0.1**	–
Interest charge for the year	**6.6**	7.2
Depreciation charge for the year	**29.0**	26.9
Variable lease payments	**0.6**	–

Right-of-use asset depreciation in the table above includes £0.9 million (2023: £nil) depreciation related to salary sacrifice electric vehicles included within staff costs in operating and administrative expenses.

3.3 Renewable certificate assets

The Group generates renewable certificate assets, including Renewables Obligation Certificates (ROCs) and Renewable Energy Guarantees of Origin (REGOs), which are accredited by the Office for Gas and Electricity Markets (Ofgem), as a result of generating renewable electricity using biomass at Drax Power Station and generating renewable electricity at the Group's run-of-river hydro plants. The Group also purchases renewable certificates from third parties. The Group's ROCs and REGOs are sold bilaterally to counterparties, including external suppliers, and also internally for utilisation by the Energy Solutions business.

This note sets out the value of renewable certificate assets that the Group held at the reporting date.

Accounting policy

Renewable certificate assets are recognised at cost or deemed cost less any impairments. Renewable certificates, principally ROCs and REGOs, are first recognised as current assets in the period they are generated or purchased. For generated renewable certificates the Group uses their fair value at initial recognition, based on anticipated sales prices, as deemed cost. For renewable certificates purchased from third parties the agreed purchase price is the cost.

Generating renewable power simultaneously creates joint products, being electricity and the renewable certificates. The cost of generating renewable electricity is allocated between the cost of the electricity generation, which is recognised in the Consolidated income statement at the point of generation, and the cost of generating the renewable certificate, which is initially recognised as an asset in the Consolidated balance sheet. As such, the value of generated renewable certificates earned reduces the cost of electricity generation.

Where the Energy Solutions business incurs an obligation to deliver renewable certificates, that obligation is accrued in the period incurred and recognised within cost of sales.

Renewable certificate assets are derecognised when they are submitted to Ofgem or at the point of sale to a customer. The point of sale is when the customer takes control of the renewable certificate, which is usually at the point of transfer of the certificate. At this point any revenue expected to be received from the customer is recognised (see note 2.2) and the carrying amount of the renewable certificate asset sold is recognised within cost of sales.

Generated ROC and REGO valuations are comprised of the expected value to be obtained in a sales transaction with a third-party supplier at the point of generation. If the Group has already agreed sales contracts covering the renewable certificates generated in a period, then they are recognised at the contracted price. Any renewable certificates generated above this, or to be utilised by the Energy Solutions business, are recognised at an estimate of the expected market value, which is generally based on the amount to be obtained in a sales transaction with a third-party supplier. These estimates are made using various sources of information including recently achieved sales prices, ongoing sales negotiations, internal forecasts, and published third-party market price assessments and data.

The Renewables Obligation (RO) scheme places an obligation on electricity suppliers to source an increasing proportion of their electricity from renewable sources. Under the RO scheme, ROCs are issued to generators of renewable electricity which are then sold bilaterally to counterparties, including suppliers, to demonstrate that they have fulfilled their obligations under the RO scheme. ROCs are managed in compliance periods (CPs), running from April to March annually. CP1 commenced in April 2002. At 31 December 2024, the Group is operating in CP23.

To meet its obligations a supplier can either submit ROCs or pay the buy-out price at the end of the CP. The buy-out price rises annually in line with the UK Retail Price Index (RPI). The buy-out price for CP23 is £64.73 (2023: CP22 £59.01). ROCs are typically procured in arm's-length transactions with renewable generators at a market price slightly lower than the buy-out price for that CP. At the end of the CP, the amounts collected from suppliers paying the buy-out price form the recycle fund, which is distributed on a pro-rata basis to the suppliers who presented ROCs during the CP.

Generated ROC valuations at initial recognition are comprised of two parts: the buy-out price element and an estimate of the future benefit that may be obtained from the ROC recycle fund at the end of the CP. The recycle fund provides a benefit where supplier buy-out charges (incurred by suppliers who do not procure sufficient ROCs to satisfy their obligations) are redistributed to the suppliers who presented ROCs in a CP on a pro-rata basis. The estimate of the recycle value is based on assumptions about likely levels of renewable generation, which is generally weather dependent, the demand for ROCs over the CP, and the number of ROCs banked in a CP, and is thus subject to some uncertainty. The Group utilises external sources of information, such as energy demand and generation forecasts, average historical weather data, and published information about ROC banking in previous CPs, in addition to its own forecasts in making these estimates. Historical experience indicates that the assumptions used in the valuations are reasonable, but the recycle value remains subject to possible variation and may subsequently differ from assumptions at 31 December.

REGOs are certificates that enable suppliers to prove that energy supplied to their customers came from a renewable source. One REGO is issued to a generator for every MWh of renewable electricity they generate. The primary use of REGOs is for the Fuel Mix Disclosure that requires licensed electricity suppliers to disclose to potential and existing customers the mix of fuels used to generate the electricity supplied. REGOs are managed in CPs, running from April to March annually. CP1 commenced in April 2002. At 31 December 2024, the Group is operating in CP23. Generated REGO valuations at initial recognition are usually based on published third-party market price assessments.

At each reporting date, the Group reviews the carrying value of renewable certificate assets held against updated anticipated sales prices or anticipated obligation requirements, and the estimated recycle value. Where relevant, this takes account of agreed forward sales contracts, changes in published third-party market price assessments, the likely utilisation of renewable certificates generated to settle the Group's own obligations, and any relevant information about the levels of wider renewable generation in the market. Any impairment loss on these assets is recognised in the Consolidated income statement in the period incurred within cost of sales.

Section 3: Operating assets and working capital continued

3.3 Renewable certificate assets continued

Carrying amount:	Year ended 31 December 2024 £m	2023 £m
At 1 January	**292.2**	187.8
Earned from generation	**752.6**	749.7
Purchased from third parties	**464.6**	673.8
Utilised by the Energy Solutions business	**(654.7)**	(435.7)
Sold to third parties	**(314.7)**	(883.4)
At 31 December	**540.0**	292.2

Of the £540.0 million of renewable certificates recognised at 31 December 2024 (2023: £292.2 million), £486.1 million (2023: £172.9 million) relates to ROCs and £53.9 million (2023: £119.3 million) relates to REGOs. Of the £752.6 million (2023: £749.7 million) of renewable certificates earned from generation, £652.6 million (2023: £601.8 million) was attributable to ROCs and £100.0 million (2023: £147.9 million) to REGOs.

Recognition of revenue from the sale of renewable certificates is described in further detail in note 2.2.

Climate change considerations for renewable certificate assets are discussed in more detail in note 3.8.

3.4 Inventories

The Group holds inventories of fuels and other consumable items that are used in the process of generating electricity and raw materials used in the production of biomass pellets. This note shows the cost of biomass, other fuels and consumables held at the reporting date.

Accounting policy

The Group's inventories are valued at the lower of cost and net realisable value. The costs of items of inventory are determined using weighted average costs.

The cost of purchased inventories includes all direct costs incurred in bringing the raw material, fuel or consumables to their present location and condition, including the purchase price, import duties and other taxes, and transport and handling costs. The Group uses forward foreign exchange contracts to hedge the costs of fuel denominated in foreign currencies. Where these contracts are designated into hedge relationships in accordance with IFRS 9, the inventory cost is recognised at the hedged value, to the extent these hedges are effective, and all such gains and losses are included in cost of sales as part of the inventory cost.

Biomass inventories are weighed when entering, moving within or exiting the Group's sites using technology regularly calibrated to industry standards. Fuel burn in the electricity generation process is calculated using calibrated weighers to provide closing inventory volumes. Calibrated weighers are subject to a range of tolerable error. All fuel inventories are subject to regular surveys to ensure measurements are sufficiently accurate.

The characteristics of biomass require specialist handling and storage. Biomass at Drax Power Station is stored in sealed domes with a carefully controlled atmosphere for fire prevention purposes and thus cannot be surveyed using traditional methods. Instead, this inventory is surveyed using regularly calibrated radar scanning technology to validate the accuracy of the weights outlined above. Recorded system volumes are also periodically verified through dome cycling (running a dome down until empty).

The cost of manufactured inventories includes all direct costs as well as conversion costs including labour, direct overheads and an allocation of indirect overheads, including depreciation. The cost of inventories includes other costs incurred in bringing the inventories to their existing condition and location.

Costs that do not contribute to bringing inventories to their present condition and location, such as storage and administration overheads, are excluded from the cost of inventories and expensed as incurred. Abnormal amounts of wasted materials, labour or other production costs are also excluded from the cost of inventories.

3.4 Inventories continued

The valuation of fibre inventory involves estimations of conversion rates to determine the volume of residual fibre stockpiles and log inventory. Third-party surveys are performed regularly to assess the volume of inventory and appropriate adjustments are made, if required, using conversion factors estimated by management. Internal inventory counts are performed periodically at all locations.

	As at 31 December	
	2024 £m	2023 £m
Biomass – finished goods	**244.7**	266.0
Biomass – fibre and other raw materials	**15.8**	20.0
Other fuels and consumables	**41.5**	42.4
Total inventories	**302.0**	328.4

Total inventories of £302.0 million (2023: £328.4 million) are stated net of provisions of £5.3 million (2023: £3.4 million).

The cost of inventories recognised as an expense in the Consolidated income statement in the year ended 31 December 2024 was £1,708.5 million (2023: £1,505.7(1) million). This includes the value of provisions recognised against inventory in the year.

(1) The 2023 amount for the cost of inventories recognised as an expense has been restated from £1,745.4 million to £1,505.7 million due to a correction of the rate used to translate the cost of inventories of certain foreign operations.

3.5 Trade and other receivables and contract assets

Trade receivables represents amounts owed by customers for goods or services provided in the ordinary course of business that they have been invoiced for, but have not yet been paid. Accrued income represents income earned on goods or services provided in the ordinary course of business in the period, but not yet invoiced, largely in respect of energy supplied to customers that will be invoiced the following month. Prepayments represent amounts paid in respect of goods or services not yet received. Other receivables include collateral posted in relation to the Group's commodity and treasury trading activities, and other amounts for goods or services provided that have been invoiced for but not yet paid that do not fall under trade receivables. Contingent consideration relates to amounts receivable dependent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of the Combined Cycle Gas Turbines (CCGT) generation portfolio in 2021.

Accounting policy

Trade receivables and accrued income that do not contain a significant financing component are initially measured at the transaction price. Other financial assets, principally other receivables, are initially measured at fair value plus transaction costs, other than financial assets measured at fair value through profit or loss (FVTPL) where transaction costs are recognised immediately in the Consolidated income statement.

The classification of financial assets subsequent to initial recognition depends on the business model used by the Group to manage them and the characteristics of the contractual cash flows.

Financial assets are recognised at amortised cost if:

- it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms give rise to payments that are solely payments of principal and interest (SPPI).

Financial assets are recognised at fair value through other comprehensive income (FVOCI) if:

- it is held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms give rise to payments that are SPPI.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

The Group has access to a receivables monetisation facility under which amounts receivable from a portfolio of receivables can be sold to a third party on a non-recourse basis. This portfolio of receivables, that may be sold under this facility or held to collect the contractual cash flows, are accounted for at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9, due to the objective of the business model being achieved by both collecting contractual cash flows and the selling of the financial assets. For the receivables within this portfolio that are sold, the receivables are derecognised from the Consolidated balance sheet at the point of sale, which is shortly after the initial recognition of the receivable balance, as the significant risks and rewards of ownership are deemed to have been transferred. Fair value gains or losses on these receivables are recognised within other comprehensive income and reclassified to interest payable and similar charges in the Consolidated income statement when derecognised. Impairment gains or losses are recognised directly in the Consolidated income statement. At 31 December 2024, the receivables sold under this facility were £386.3 million (2023: £400.0 million). See note 4.3 for further information about the facility.

As part of the sale of customer meter points to EDF by Opus Energy (see note 2.7 for further details), the receivables relating to the meter points sold were transferred to EDF. The amount the Group receives for transferring these receivables is dependent on the amounts collected by EDF. The receivables sold to EDF do not qualify for derecognition under IFRS 9 as Opus Energy has retained substantially all the risks and rewards of ownership of the financial assets. These receivables are accounted for at FVTPL in accordance with IFRS 9, due to the contractual terms of the financial assets giving rise to cash flows that are not SPPI. The cash flows to be received by Opus Energy on collection of the receivables by EDF are calculated in accordance with the Asset Purchase Agreement (APA) and are dependent on the amounts collected by EDF. The impairment requirements of IFRS 9 do not apply to these receivables as the receivables are measured at fair value. Since the transfer, any fair value gains or losses on these receivables have been recognised within the Consolidated income statement within operating and administrative expenses.

Section 3: Operating assets and working capital continued

3.5 Trade and other receivables and contract assets continued

The UK Government introduced the Energy Bills Discount Scheme (EBDS) running from 1 April 2023 to 31 March 2024 which replaced the Energy Bill Relief Scheme (EBRS). Under these schemes, energy supplied to eligible non-domestic customers had a discount applied. The discount provided was then able to be claimed back from the UK Government by the supplier. The amount the Group is entitled to claim from the Government is recognised in other receivables.

See note 2.2 for details of amounts relating to EBDS and EBRS within the Consolidated income statement. At 31 December 2024, there are no amounts outstanding from these schemes (2023: £4.8 million).

Contingent consideration receivable is a financial asset. As the cash flows are not SPPI, it does not meet the criteria for recognition at either amortised cost or FVOCI, and is therefore recognised at FVTPL. The impairment requirements of IFRS 9 do not apply to these receivables as the receivables are measured at FVTPL. Fair value gains and losses on this receivable are recognised in other gains and losses in the Consolidated income statement.

	As at 31 December	
	2024 £m	2023 £m
Amounts falling due:		
Trade receivables	**105.4**	336.0
Accrued income	**278.6**	420.7
Prepayments	**24.9**	77.2
Other receivables	**52.0**	133.8
Contingent consideration	**9.4**	9.2
Total trade and other receivables and contract assets	**470.3**	976.9

At 31 December 2024, the Group had no amounts receivable from significant counterparties which represented 10% or more of total trade receivables and accrued income (2023: no significant counterparty).

Of total trade receivables and accrued income at 31 December 2024, £192.8 million (2023: £558.9 million) relates to the Energy Solutions business, £145.1 million (2023: £164.8 million) relates to the Biomass Generation business, £19.9 million (2023: £7.5 million) relates to the Flexible Generation business, and £26.2 million (2023: £25.5 million) relates to the Pellet Production business.

Accrued income includes contract assets which relate to amounts for goods or services provided under customer contracts, where the entitlement to consideration is contingent on something other than the passage of time. The Group has recognised a contract asset for any services provided where the Group does not yet have the unconditional right to receive payment and the condition is not solely the passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the Group's right to payment becomes unconditional. This is usually when an invoice is issued. Contract assets included in accrued income at 31 December 2024 were £43.4 million (2023: £89.1 million).

Included in the prepayments balance is an amount of £1.5 million (2023: £1.9 million) relating to the prepayment of a service contract for services due to be received after more than one year. Prepayments also includes £2.7 million (2023: £21.1 million) relating to broker fees paid which have been capitalised as contract costs, of which £nil (2023: £8.6 million) are due to be recognised after more than one year, in line with the recognition of the revenue to which the contract costs relate. See note 3.6 for further details.

The contingent consideration relates to the Group's disposal of the CCGT generation portfolio in January 2021. Should the acquirer satisfy certain triggers in respect of the option to develop the land at the Damhead Creek 2 site, which was disposed of as part of this sale, £29.0 million of contingent consideration would become payable to the Group from the acquirer. The estimated fair value of this contingent consideration is £9.4 million (2023: £9.2 million). Contingent consideration is disclosed within current assets; however, the timing of receipt would be dependent on when a trigger was to occur, which may be in a period greater than 12 months from the end of the reporting period. Changes in the fair value of the contingent consideration are recognised within the other gains and losses line within the Consolidated income statement. See note 7.1 for further details on the contingent consideration.

The following table shows the movement in fair value of the Group's trade and other receivables measured at FVTPL:

	As at 31 December	
Receivables measured at FVTPL:	**2024 £m**	2023 £m
At 1 January	**9.2**	27.4
Fair value of transferred receivables at the date of transfer to EDF	**21.6**	–
Fair value losses recognised in operating and administrative expenses	**(12.9)**	–
Fair value gains/(losses) recognised in other gains and losses	**0.2**	(18.2)
Amounts received from EDF	**(2.0)**	–
Offset for credit balances transferred to EDF	**(6.4)**	–
At 31 December	**9.7**	9.2
Of which relates to:		
Receivables sold to EDF	**0.3**	–
Contingent consideration	**9.4**	9.2

3.5 Trade and other receivables and contract assets continued

Impairment of financial assets

Accounting policy

The Group applies the impairment model in IFRS 9 to provide for expected credit losses on the Group's financial assets not measured at FVTPL, including trade receivables, accrued income, contract assets and other financial assets. The provision for impairment of trade receivables and accrued income (including contract assets) is measured at an amount equal to the lifetime expected credit loss. Contract assets relate to amounts for goods or services provided under customer contracts and, therefore, have substantially the same risk characteristics as trade receivables for the same types of contracts.

For other financial assets, the Group recognises a lifetime expected credit loss provision when there has been a significant increase in credit risk since initial recognition. If the credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognises a 12-month expected credit loss provision.

The greatest concentration of credit risk exists in the Energy Solutions business. For all receivables in the current year, across all businesses, a provision matrix method has been adopted. For the small and medium-sized enterprise (SME) consumers within the Energy Solutions business, the risk is higher due to the wide range of customer characteristics within the portfolio. In the prior year, due to the loss provisioning for these customers being more complex a combined probability method that was more dynamic than the provision matrix method was applied. Due to the sale of the majority of the Group's non-core SME customer meter points and transfer of the related receivables balances to EDF (see note 2.7 for further details), the receivables balance and exposure to credit risk for these customers has significantly reduced compared to the prior year. As such the use of the combined probability method was not deemed appropriate and the provision matrix method has been applied to all customers.

Under the Group's debt recovery strategy, a breach in terms could lead to the customer being disconnected or pursued legally for recovery of an outstanding balance. The Group considers a financial asset to be in default when the amount due from a debtor is unlikely to be received in full, or when contractual payments are 90 days past due. The Group writes off a financial asset when there is no realistic prospect of recovery and all attempts to recover the balance have been exhausted. An indication that all credit control activities have been exhausted is where the debt on an account is exclusively greater than 365 days past due and active recovery attempts have failed, or where there are known insolvency issues relating to the customer.

Provision matrix method

Customers are grouped according to the age of the debt based on the number of days past due. The provision rates are based on historical collection rates and an expectation of future cash collection.

The movement in the overall allowance for expected credit losses on trade receivables is presented in the following table. This excludes £0.3 million (2023: £nil) of trade receivables measured at FVTPL:

	2024			2023		
	Combined probability method £m	Provision matrix method £m	Total £m	Combined probability method £m	Provision matrix method £m	Total £m
At 1 January	**50.6**	**8.8**	**59.4**	54.9	6.0	60.9
Amounts written off	**(28.5)**	**(17.9)**	**(46.4)**	(44.2)	(5.0)	(49.2)
Net additional amounts provided against	**28.0**	**20.9**	**48.9**	39.9	7.4	47.3
Amounts added on acquisition	**–**	**–**	**–**	–	0.4	0.4
Transfer of financial assets to FVTPL category	**(19.5)**	**–**	**(19.5)**	–	–	–
Change in provisioning methodology	**(30.6)**	**30.6**	**–**	–	–	–
At 31 December	**–**	**42.4**	**42.4**	50.6	8.8	59.4
Gross trade receivables		**147.5**	**147.5**	155.8	239.6	395.4
Expected credit loss provision		**(42.4)**	**(42.4)**	(50.6)	(8.8)	(59.4)
Trade receivables subject to the IFRS 9 impairment model		**105.1**	**105.1**	105.2	230.8	336.0
Average expected credit loss %		**29%**	**29%**	32%	4%	15%

The provision in the table above relates primarily to trade receivables in the Energy Solutions business. The provision matrix method has resulted in a £nil provision applied to both the Flexible Generation and Pellet Production businesses in both the current and prior years and a £2.9 million (2023: £nil) provision in the Biomass Generation business.

The risk of default within the Biomass Generation, Flexible Generation and Pellet Production businesses is considered to be remote, supported by strong historical collection rates, high credit quality counterparties and short payment terms with timely receipts resulting in negligible aged debt.

The net charge to the Consolidated income statement in 2024 for impairment losses on financial assets was £40.0 million (2023: £32.5 million). This is the net of the additional amounts provided against in relation to trade receivables of £48.9 million (2023: £47.3 million (excluding £0.4 million added on acquisition)) less an £8.9 million (2023: £14.8 million) benefit in the period in respect of the resolution of legacy credit balances. Of the net charge in the current year, £12.7 million has been recognised as exceptional as part of the Opus Energy transaction (see note 2.7 for further details).

Section 3: Operating assets and working capital continued

3.5 Trade and other receivables and contract assets continued

The value of provisions calculated using the combined probability method in the prior year is set out below for comparative purposes. This shows the trade receivables balances for SME customers within the Energy Solutions business grouped by the combined probability assigned by the model.

As explained above, the Group stopped using the combined probability model in the current year. As such, the following table shows the comparative risk profile of amounts due based on the combined probability model at 31 December 2023 only:

	As at 31 December 2023	
Probability of default range %	Estimated gross carrying amount at default £m	Lifetime expected credit losses £m
80–100	42.1	36.7
50–79	14.3	8.0
26–49	17.9	5.8
0–25	81.5	0.1
Total	155.8	50.6

The value of provisions calculated using the Group's provision matrix method is set out below. This shows the ageing profile in 30-day increments of the trade receivables and accrued income (including contract assets) of the Group at 31 December 2024 excluding £0.3 million (2023: £nil) of trade receivables that are measured at FVTPL.

The comparative amounts show the same, apart from not including the Group's SME customers within the Energy Solutions business, that were previously calculated using the combined probability method and are included in the table above.

	As at 31 December 2024			As at 31 December 2023		
	Estimated total gross carrying amount at default £m	**Lifetime expected credit losses £m**	**Expected credit loss rate %**	Estimated total gross carrying amount at default £m	Lifetime expected credit losses £m	Expected credit loss rate %
Accrued income balances not yet due	**287.6**	**9.0**	**3%**	430.1	9.4	2%
Trade receivables days past due:						
Balances not yet due	**81.6**	**4.0**	**5%**	183.6	2.1	1%
Between 0–30 days	**5.2**	**0.8**	**15%**	32.6	0.9	3%
Between 31–60 days	**2.5**	**0.7**	**28%**	7.1	0.7	9%
Between 61–90 days	**2.1**	**0.8**	**38%**	2.7	0.5	19%
Over 90 days	**56.1**	**36.1**	**64%**	13.6	4.6	34%
Trade receivables subject to the IFRS 9 impairment model total	**147.5**	**42.4**	**29%**	239.6	8.8	4%
Total	**435.1**	**51.4**	**12%**	669.7	18.2	3%

The expected credit loss provision of £51.4 million (2023: £18.2 million) in the table above primarily relates to the Energy Solutions business. The expected credit loss rates above are expressed as a percentage of the gross carrying amount of all of the Group's trade receivables and accrued income balances that are subject to the provision matrix method.

The expected credit loss provision calculated for other financial assets of the Group was negligible.

Credit and counterparty risk are disclosed in further detail in note 7.2.

3.6 Contract costs

The Group incurs costs of obtaining contracts in the Energy Solutions business.

Accounting policy

Management expects that incremental broker fees paid to intermediaries as a result of obtaining electricity and gas contracts are recoverable. The Group has therefore capitalised them as contract costs at the point the fee is paid. The fees are amortised over the contract period in line with the recognition of revenue and are charged to cost of sales. The balance is included within prepayments in note 3.5. This amount includes both current and non-current balances. The reconciliation from opening to closing contract costs is as follows:

	Year ended 31 December	
	2024 £m	2023 £m
At 1 January	**21.1**	29.8
Additions	**19.2**	17.6
Amortisation	**(21.5)**	(26.3)
Accelerated amortisation – customers sold	**(10.6)**	–
Impairment – customers retained	**(5.5)**	–
At 31 December	**2.7**	21.1

3.6 Contract costs continued

During the year the Group sold the majority of its non-core SME customers in Opus Energy to EDF (see note 2.7 for further details). The amortisation of the commissions relating to the customers sold was accelerated due to the future cash flows from those customers' contracts being received as part of the consideration for the sale of the customer meters. This accelerated charge was recognised as exceptional within the Consolidated income statement. The remaining commissions relating to the customers retained by Opus Energy were impaired due to those customer contracts being onerous following the sale (see note 5.3).

3.7 Trade and other payables and contract liabilities

Trade and other payables represents amounts the Group owes to its suppliers for trade purchases and ongoing costs, taxes and social security amounts due in relation to the Group's role as an employer, and other creditors that are due to be paid in the ordinary course of business. The Group makes accruals for amounts that will fall due for payment in the future as a result of the Group's activities in the current period (e.g. fuel received but for which the Group has not yet been invoiced). Contract liabilities represents the Group's obligation to transfer goods and services to its customers whereby the Group has already received the consideration in advance or where the amount is due from the customer at the reporting date.

Accounting policy

Trade and other payables are financial liabilities that are initially measured at fair value. Trade and other payables are subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire. If the terms of a financial liability are significantly modified, the existing financial liability is derecognised and a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the financial liability based on the terms pre-modification and post-modification is recognised in the Consolidated income statement.

	As at 31 December	
	2024 £m	2023 £m
Trade payables	**134.8**	145.2
Fuel accruals	**67.9**	71.4
Energy supply accruals	**473.2**	587.4
Other accruals	**319.5**	306.6
Other payables	**264.4**	389.6
Contract liabilities	**29.3**	39.4
Total trade and other payables and contract liabilities	**1,289.1**	1,539.6

Trade payables are unsecured and are usually paid within 60 days of recognition. The carrying amounts of trade and other payables approximates their fair values, due to their short-term nature.

The Group facilitates a supply chain finance scheme under which certain suppliers can obtain early access to payments from a bank and the Group pays the bank based on the original payment terms. The Group has assessed the supply chain finance arrangement, considering the nature and specific terms of the arrangement and has determined that it is appropriate for the amount to continue to be recognised within trade payables. This conclusion is based on the fact that there are no changes to the Group's payment terms under this arrangement, nor would there be if the arrangement was to cease. Trade payables includes £38.4 million (2023: £48.6 million) relating to supply chain finance. Cash flows relating to supply chain finance, being the Group's payment to the bank, are included within net cash from operating activities. See note 4.3 for further details.

The Group also has access to deferred letter of credit payment facilities under which the Group benefits from an extension to invoice payment terms of less than 12 months for a fee. The original liability is derecognised from trade payables once the deferred letter of credit has been issued and drawn, this is normally at the point that the original liability is due for payment in accordance with invoice payment terms. The amount due to the facility provider is recognised in other payables. Fees are either recognised in the Consolidated income statement, or capitalised if they are directly attributable to the construction of a qualifying asset and meet the criteria for capitalisation, in the period incurred. Other payables includes £150.3 million (2023: £224.7 million) related to deferred letters of credit. Of the total deferred letters of credit, £92.8 million (2023: £155.1 million) were utilised for capital expenditure and £57.5 million (2023: £69.6 million) were utilised for trade payables. Cash flows relating to deferred letters of credit, being the Group's payment to the bank, are included within net cash from operating activities where utilised for biomass purchases or net cash used in investing activities for capital expenditure. See note 4.3 for further details.

Section 3: Operating assets and working capital continued

3.7 Trade and other payables and contract liabilities continued

The tables below detail the amount of trade and other payables and contract liabilities that relate to financial liabilities that are part of supplier finance arrangements, such as supply chain finance and deferred letters of credit, and how much of these amounts have already been paid out by the finance providers at the reporting date.

	As at 31 December 2024 £m	2023 £m
Supply chain finance scheme		
Carrying amount of financial liabilities that are part of the arrangement:		
Presented within trade payables	**38.4**	48.6
– Of which represents the value of accelerated payments to suppliers	**11.8**	47.6
Range of payment due dates:		
Liabilities that are part of the arrangement	**45 to 65 days after invoice date**	45 to 65 days after invoice date
Comparable trade payables that are not part of the arrangement	**3 to 60 days after invoice date**	3 to 60 days after invoice date
Deferred letters of credit – biomass purchases		
Carrying amount of financial liabilities that are part of the arrangement:		
Presented within other payables	**57.5**	69.6
– Of which represents the value of accelerated payments to suppliers	**56.6**	68.5
Range of payment due dates:		
Liabilities that are part of the arrangement	**80 to 117 days after invoice date**	80 to 117 days after invoice date
Comparable trade payables that are not part of the arrangement	**3 to 25 days after invoice date**	3 to 25 days after invoice date
Deferred letters of credit – capital expenditure		
Carrying amount of financial liabilities that are part of the arrangement:		
Presented within other payables	**92.8**	155.1
– Of which represents the value of accelerated payments to suppliers	**90.3**	146.8
Range of payment due dates:		
Liabilities that are part of the arrangement	**Extension of invoice payment terms by 329-364 days**	Extension of invoice payment terms by 329-360 days
Comparable trade payables that are not part of the arrangement	**30 to 42 days after invoice date**	30 to 42 days after invoice date
Non-cash movements in the period:		
Derecognition of amounts owed to the supplier and recognition of amounts owed to the facility provider – supply chain finance scheme	**219.5**	213.1
Derecognition of amounts owed to the supplier and recognition of amounts owed to the facility provider – deferred letters of credit	**316.9**	411.7
Effect of changes in foreign exchange rates – supply chain finance scheme	**1.9**	1.0
Effect of changes in foreign exchange rates – deferred letters of credit	**2.2**	5.7

In the supply chain finance scheme, the payable to the original supplier and the payable owed to the facility provider (once the payable owed to the original supplier has been derecognised) are both presented within trade payables as the payable remains operating in nature and there is no extension to the Group's payment terms under this arrangement.

The Group does not include trade and other payables and contract liabilities in its definition of borrowings or Net debt where they are linked to a specific payable and give an extension in payment terms of less than 12 months (see note 2.7).

3.7 Trade and other payables and contract liabilities continued

Energy supply accruals includes £347.7 million (2023: £444.4 million) in relation to the Group's obligation to deliver renewable certificates arising from activities in the Energy Solutions business. The decrease is due to the lower value of REGOs compared to the prior year. The remaining balance principally comprises third-party grid charge accruals of £65.5 million (2023: £75.1 million) and Feed-in-Tariff accruals of £25.3 million (2023: £19.4 million).

Contract liabilities primarily relate to the advance consideration received from customers for fixed price electricity and gas contracts, for which revenue is recognised based on the stage of completion of the contract. The balance reduces as revenue is subsequently recognised in the following periods, offset by further advanced consideration received. Contract liabilities at 31 December were £29.3 million (2023: £39.4 million). The movement in the period includes a release of £4.2 million as a result of the Opus Energy transaction. See note 2.7 for further details.

3.8 Climate change

Climate change, and tackling it, is closely linked to the Group's purpose, as set out in the Strategic report on pages 1 to 85. The Sustainable development report, starting on page 30, sets out how the Group's ambition is to be climate positive and the TCFD disclosures, starting on page 56, set out the Group's approach to managing climate risks and opportunities, including scenario analysis. The Group aims to be a leader in the UK's transition to net zero and its strategy is aligned to this purpose. Climate change is factored into short, medium and long-term forecasts and estimates used by the Group. In the Viability statement on page 84 and the TCFD report on page 56, quantitative risk analysis on the Group's operational Biomass Generation, Flexible Generation and Pellet Production assets indicates that asset exposure to impacts arising from transitional and physical climate-related risks currently remains low.

Climate change and the transition to net zero have been considered in the preparation of these Consolidated financial statements. The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities. In preparing these Consolidated financial statements, the following climate change-related risks have been considered:

Area	Description	Page reference
Critical accounting judgements and key sources of estimation uncertainty	Impairment of assets, UELs of property, plant and equipment and capitalisation of development project costs are all sensitive to climate change. For capitalisation of development project costs these costs may not be recoverable if there is a change in the UK Government's approach to combatting climate change which means that the development of UK BECCS does not progress. However, the Group considers that the only way to achieve current UK Government targets for greenhouse gas removals is through having at least one BECCS unit at Drax Power Station by 2030. This is consistent with the National Energy System Operator for Great Britain (NESO) Clean Power 2030 report published in November 2024, which assumes one biomass unit is converted to BECCS in their pathways. Impairment of assets and UELs of property, plant and equipment are detailed separately below.	163 and 164
Impairment of assets	The Group's expectations around the impacts of climate change, and in particular the requirements of the UK Government's commitment to reach net zero by 2050, are integral to the forecasts used in the Group's impairment analysis. For example, the forward power price curves used take into account expectations regarding the impact of climate change and the changing mix of generating assets on the UK power system. This could lead to lower average power prices as the proportion of intermittent renewables increases, but this would be tempered by increased structural volatility, meaning a need for biomass and other dispatchable generation. Government and societal responses to climate change are still developing, and therefore financial forecasts cannot capture all potential future scenarios. This presents uncertainty around future cash flows from an IAS 36 perspective. Sensitivities modelled, including those around biomass acceptability and changes in regulation, seek to capture and assess some of these potential scenarios. Consideration was given to assumptions around biomass generation and biomass prices when current renewable schemes for biomass generation at Drax Power Station are due to end from March 2027, along with the potential extension to 2031 through the agreed heads of terms for a low-carbon dispatchable CfD agreement signed in February 2025. See note 2.4 for further details. Sensitivities modelled in the impairment testing also included operational outages at both the generation and pellet production facilities, which could be caused by extreme weather conditions as a result of climate change or other factors.	164 and 181

Section 3: Operating assets and working capital continued

3.8 Climate change continued

Impairment of assets (continued)	Following the announcement in 2023 to exit the gas supply market, to support the Group's ambition to decarbonise, in the current year the Group sold the majority of its non-core small and medium-sized enterprise (SME) customer meter points from Opus Energy to EDF. As explained in note 2.7 a subsequent restructuring commenced to reflect the reduced size of the Opus Energy business and the focus on industrial and commercial (I&C) customers and renewables services within the Energy Solutions business. This has resulted in a number of non-current asset impairments. See note 2.4 for further details. The impact of climate change on the OCGT assets has also been considered. Whilst there is a risk of legislative change relating to unabated gas, the assets' carrying values are underpinned by long-term, Government-backed contracts. When they are operational these assets will be amongst the newest on the system. The NESO Clean Power 2030 pathways report states gas generation will remain critical for security of supply. The Group continues to consider options for these assets. Climate change could have an impact on weather patterns and the supply of renewable energy generation, affecting energy prices. Sensitivities for these scenarios were run on the run-of-river hydro and pumped storage assets and did not indicate any potential impairments.	
Going concern and viability	As above, forecast power prices and potential operational outages are also incorporated into the going concern and viability assessments.	21 and 161 for going concern and 84 for viability
Useful economic lives of fixed assets	The potential impact of climate change is one of the factors assessed in determining how long the Group anticipates both new and existing assets will operate for. For example, the OCGT assets under development will be given a UEL in line with the Group's expectations around the UK's transition to a net zero position by 2050. As outlined in the key sources of estimation uncertainty section, UELs at Drax Power Station may be lengthened or shortened as a result of future decisions, that may be directly or indirectly linked to climate change. Were UELs to be shortened by 12 years to 2027, in line with the end of the current renewables schemes, and if a decision was taken not to develop UK BECCS or other opportunities (such as data centres), at the site, the impact on the annual depreciation charge would be an increase of approximately £183.8 million. See further details in note 3.1.	164 and 200
Present value of decommissioning provisions	As described in note 5.3, the decommissioning provision in relation to Drax Power Station, the OCGTs and certain pellet plants has been assessed with the support of a third-party expert. The third-party analyses specifically considered potential impacts of climate change, both physical and transitional, extending over the medium term, and concluded that direct effects were unlikely to have a significant impact over this time horizon. If Drax Power Station or the OCGT sites closed sooner than indicated by their current UELs, for reasons explained above, then the decommissioning provision would increase as the cash outflows would occur earlier; however, this would not have a material impact on the provision. Legislation and regulatory requirements could have an impact on the UELs of the OCGTs. If a law was enacted that could result in early closure of unabated gas generation this would result in an earlier utilisation of the provision.	228
Fair value of contingent consideration	Future regulatory changes in relation to the type of assets that can be built in the UK, in response to climate change, could lead to the project at Damhead Creek 2 not progressing as currently assumed. This could lead to an adverse impact on the fair value of the contingent consideration which the Group has recognised. This would not lead to a material reduction in the fair value.	241
Defined benefit pension scheme	The Group operates one defined benefit pension scheme. The trustees of the scheme have an investment strategy that seeks to diversify its risk exposures. The investment policy requires investment managers to take climate risk into account. The impact of climate change is relatively low due to the risk profile of the assets held under the scheme.	234

3.8 Climate change continued

Renewable certificates	As demand for renewable electricity is growing, the long term trend in the value of Renewable Energy Guarantees of Origin (REGO) certificates has increased due to the higher demand. This is in part due to the need for organisations to decarbonise and promote their corporate social responsibility and environmental social governance. The run-of-river hydro assets and biomass assets are eligible to claim REGOs on the electricity they produce. Certificates are utilised by the Energy Solutions segment, who submit them to Ofgem on behalf of their customers. Further stabilisation and correction of REGO prices in the future could impact the value of renewable certificates held, in turn impacting future revenues. ROC valuations are comprised of two parts: the buy-out price element and an estimate of the future benefit that may be obtained from the ROC recycle fund. The recycle fund provides a benefit where supplier buy-out charges are redistributed to the suppliers who presented ROCs in a compliance period on a pro-rata basis. One of the key estimates of the recycle value are assumptions about the expected levels of renewable generation, which is largely dependent on weather. Climate change could have an impact on weather patterns and therefore the supply of ROCs, which would impact the recycle value.	205
Sustainable financing	During the year, the Group has entered into various new facilities (see note 4.2), some of which have embedded aspects of the Group's climate targets and commitments. These new facilities and new sustainability-linked £450 million RCF have a customary margin grid referenced over SONIA or EURIBOR with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 Science Based Targets initiative (SBTi) targets. The CAD term loan has an ESG adjustment based on carbon emissions from generation. Should the Group not meet the targets the Group would be liable to increased finance costs prospectively.	216
Deferred tax assets	Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group currently has deferred tax assets related to its US and Canadian businesses. The estimates used when assessing the future profitability of the US and Canadian businesses have been approved by the Board and are consistent with estimates used in the going concern and impairment assessments. As discussed above, the impairment assessment factors in climate change risks in the forecasts. See note 2.4 for further details on how climate change has been factored into the forecasts.	181

Section 4: Financing and capital structure

This section provides further information about the Group's capital structure (equity and debt financing) and cash generated from operations during the year.

4.1 Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash at bank, short-term bank deposits with a maturity of three months or less, and money market funds. Cash equivalents are highly liquid low-risk investments and are readily convertible into known amounts of cash with a maturity of three months or less, as such there is an insignificant risk of a change in value. The carrying amount of these assets is approximately equal to their fair value. It is the Group's policy to deposit available cash in low-risk bank accounts or short-term deposit accounts.

	As at 31 December	
	2024 £m	2023 £m
Cash at bank	**73.5**	77.5
Short-term deposits	**179.4**	130.9
Money market funds	**103.1**	171.1
Total cash and cash equivalents	**356.0**	379.5

4.2 Borrowings

Accounting policy

The Group measures all debt instruments initially at fair value, which equates to the principal value of the consideration received, net of transaction costs that are directly attributable to the debt issuance. Subsequent to initial measurement, debt instruments are measured at amortised cost using the effective interest method. Transaction costs (any such costs incremental and directly attributable to the issue of the financial instrument) are included in the calculation of the effective interest rate and are amortised over the expected life of the instrument.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. Loan commitment fees may be payable to the lender to entitle the Group to draw down at any time over a fixed period. Where there is a fixed repayment date, regardless of when the loan is drawn down, the commitment fees are recognised on a systematic basis over the period the Group is able to draw down. Where the loan has the same fixed term, regardless of when the loan is drawn down, if drawdown is probable, then the commitment fees are deferred until drawdown and are recognised over the life of the instrument as part of the effective interest rate. If drawdown is not probable, then loan commitment fees are recognised on a systematic basis over the period the Group is able to draw down.

Fees that are paid for the availability of a facility where the amount and timing of drawdown can vary at the Group's discretion, such as under a revolving credit facility (RCF), are recognised on a systematic basis over the life of the facility.

Debt instruments denominated in foreign currencies are revalued using the period-end exchange rates, with any exchange gains and losses being recognised as a component of foreign exchange gains or losses in the period they arise. The Group hedges foreign currency risk and interest rate risk in accordance with the policies set out in note 7.2. Where hedging instruments are used to fix cash flows associated with debt instruments, the debt instrument and the hedging instrument are measured and presented separately on the Consolidated balance sheet. Where hedge accounting is applied to foreign exchange risk and interest rate risk on debt instruments, gains and losses are recycled to the Consolidated income statement within either foreign exchange gains or losses or interest payable and similar charges, to match the exposure they are hedging, where effective. The borrowings amounts disclosed in the tables below exclude any impact of hedging instruments.

Debt instruments are derecognised when the contractual obligations are discharged, cancelled or expired. If the terms of a debt instrument are significantly modified, the existing liability is derecognised and a new liability based on the modified terms is recognised at fair value. The difference between the carrying value of the debt instrument based on the terms pre-modification and post-modification is recognised in the Consolidated income statement.

4.2 Borrowings continued

The Group's borrowings at each reporting date were as follows:

	As at 31 December 2024				As at 31 December 2023			
	Effective sterling interest rate[1] %	Principal m	Year of maturity	Amortised cost £m	Effective sterling interest rate[1] %	Principal m	Year of maturity	Amortised cost £m
Non-current secured borrowings:								
2.625% EUR loan notes 2025[2]	–	–	n/a	–	4.6%	€250.0	2025	215.7
6.625% USD loan notes 2025[3]	–	–	n/a	–	6.1%	$500.0	2025	391.5
5.875% EUR loan notes 2029	7.5%	€350.0	2029	289.5	–	–	n/a	–
UK infrastructure private placement facility (2019)	3.0%	£50.0	2029	49.5	3.3%	£252.5	2025 – 2029	251.4
UK infrastructure private placement facility (2020)	2.5%	€101.5 + £98.0	2026 – 2030	181.0	2.6%	€101.5 + £98.0	2026 – 2030	184.7
CAD term loan facility	6.1%	C$200.0	2026	111.0	7.1%	C$200.0	2026	117.8
GBP and EUR term loan facility (2024)	5.5%	€185.0 + £100.0	2027 – 2029	251.9	–	–	n/a	–
£125m GBP term loan facility (2024)	6.2%	£125.0	2027 – 2029	124.9	–	–	n/a	–
£50m GBP term loan facility (2024)	5.5%	£50.0	2028	49.9	–	–	n/a	–
Current secured borrowings:								
2.625% EUR loan notes 2025[2]	4.6%	€143.8	2025	119.0	–	–	n/a	–
UK infrastructure private placement facility (2019)	–	–	n/a	–	3.3%	£122.5	2024	122.5
UK infrastructure private placement facility (2020)	–	–	n/a	–	2.6%	€25.0	2024	21.7
Current unsecured borrowings:								
Collateral facility	–	–	n/a	–	7.1%	£120.0	2024	120.0
Total borrowings				1,176.7				1,425.3
Current				119.0				264.2
Non-current				1,057.7				1,161.1

(1) The effective sterling interest rate includes the impact of any interest rate and cross-currency interest rate swaps.
(2) In May 2024, the Group completed a tender offer on €106.2 million of the principal.
(3) These loan notes were due to mature in 2025 but were fully redeemed in May 2024.

The effective sterling interest rate gives the rate that the Group has fixed to pay on each of the facilities, using a combination of interest rate swaps and cross-currency interest rate swaps. These instruments as well as foreign currency forward contracts are used to fix the sterling repayment of the principal. See note 7.2.2 for further details on the Group's hedging of borrowings.

During the year, the Group has refinanced a number of existing facilities to extend the Group's average debt maturity profile. Further details of this refinancing activity is provided below and in the Financial review starting on page 18.

In January 2024, £122.5 million of the UK infrastructure private placement facility (2019) was repaid, as well as €25.0 million of the UK infrastructure private placement facility (2020).

In February 2024, the Group signed a new secured committed sustainability-linked GBP and EUR term loan facility (2024) for £258.0 million (sterling equivalent). This comprised €135.0 million and £50.0 million due to mature in 2027 and a further €50.0 million and £50.0 million due to mature in 2029. The €135.0 million due to mature in 2027 contains options to extend for up to a further two years, subject to lender approval. These amounts were fully drawn in April 2024. Interest on the term loans is set at a margin over the Euro Interbank Offered Rate (EURIBOR) or the Sterling Overnight Index Average (SONIA) with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 Science Based Targets initiative (SBTi) targets.

In April 2024, the Group signed a new secured committed £125.0 million term loan facility (2024) comprising of £95.0 million due to mature in 2027 and £30.0 million due to mature in 2029. These amounts were fully drawn in May 2024. Interest on the term loans is set at a margin over SONIA. The agreement includes an option to establish an incremental facility for up to £25.0 million, if agreed between the Group and its lenders.

In April 2024, the Group completed a €350.0 million offering of senior secured loan notes. The loan notes mature in 2029 and have a coupon rate of 5.875%. These loan notes were fully drawn in May 2024. On the same date, the Group elected to redeem in full the $500.0 million 6.625% loan notes due to mature in 2025 at 100% of the principal value.

In May 2024, the Group completed a tender offer on €106.2 million of the principal of the 2.625% EUR loan notes due to mature in 2025 at 97.875% of the principal value (€103.9 million). Following completion of this offer in May 2024, the remaining principal of these notes outstanding is €143.8 million. A gain on extinguishment of £1.7 million was recognised within interest receivable and similar gains in relation to this partial repayment (see note 2.5).

In May 2024, the Group chose to make early repayments of £122.5 million and £80.0 million of the UK infrastructure private placement facility (2019), with maturities in 2025 and 2026 respectively.

Section 4: Financing and capital structure continued

4.2 Borrowings continued

In July 2024, the £120.0 million outstanding on the short-term collateral facility was repaid.

In August 2024, the Group signed a new secured committed £50.0 million GBP term loan facility (2024) due to mature in 2028 with a margin over SONIA. The term loan was fully drawn in September 2024.

In August 2024, the Group secured a new sustainability-linked £450.0 million RCF which matures in 2027, with options to extend by two years, subject to lender approval. The facility, which provides additional liquidity, replaced the £300.0 million RCF which was due to mature in 2026. The facility has a customary margin grid referenced over SONIA with adjustments linked to certain Scope 1, 2 and 3 carbon emissions which are based on the Group's 2030 SBTi targets. No cash has been drawn since its inception and it remained undrawn as at 31 December 2024. See note 2.7 for further details on the Group's cash and committed facilities. See note 3.8 for further details on climate change considerations related to borrowings.

In December 2024, the Group agreed with the lenders of a £50.0 million tranche of the UK infrastructure private placement facility (2019) and a £53.0 million tranche of the UK infrastructure private placement facility (2020) to reprice the interest rates at no cost to reflect current market rates available to the Group. This was assessed to be a substantial modification to the terms of the borrowings in accordance with IFRS 9 and therefore the previous borrowings have been derecognised and new borrowings have been recognised. No gains or losses have been recognised in respect of the transaction.

The Group's secured borrowings are secured by a charge over a number of the Group's assets. See note 3.1 for details of the assets pledged as security.

The weighted average interest rate payable, at the reporting date, on the Group's borrowings was 5.39% (2023: 4.79%).

Reconciliation of borrowings

The table below shows the movement in borrowings during the current and prior year:

	Year ended 31 December 2024						
	Opening amortised cost £m	Amounts drawn £m	Transaction costs £m	Amounts repaid £m	Cash interest payments £m	Non-cash movements £m	Closing amortised cost £m
2.625% EUR loan notes 2025	215.7	–	–	(88.7)	(4.4)	(3.6)	119.0
6.625% USD loan notes 2025	391.5	–	–	(393.9)	(13.0)	15.4	–
5.875% EUR loan notes 2029	–	298.8	(4.4)	–	(7.8)	2.9	289.5
UK infrastructure private placement facility (2019)(1)	373.9	–	–	(325.0)	(10.9)	11.5	49.5
UK infrastructure private placement facility (2020)(1)	206.4	–	(0.8)	(21.6)	(11.5)	8.5	181.0
CAD term loan facility	117.8	–	(0.1)	–	(6.6)	(0.1)	111.0
GBP and EUR term loan facility (2024)	–	258.0	(2.0)	–	(9.9)	5.8	251.9
£125m GBP term loan facility (2024)	–	125.0	(1.3)	–	(3.7)	4.9	124.9
£50m GBP term loan facility (2024)	–	50.0	(0.4)	–	(0.6)	0.9	49.9
Collateral facility	120.0	–	–	(120.0)	(6.4)	6.4	–
Total borrowings	**1,425.3**	**731.8**	**(9.0)**	**(949.2)**	**(74.8)**	**52.6**	**1,176.7**

(1) The repricing of £50.0 million and £53.0 million tranches of these facilities constituted an extinguishment of previous borrowings and the recognition of new borrowings. No gains or losses on extinguishment were recognised. No cash payments were made between the Group and the lenders and therefore all movements in respect of the repricings have been presented in the non-cash movements column.

Non-cash movements in borrowings comprises foreign exchange gains of £30.7 million, interest costs of £85.0 million and gains on extinguishment of £1.7 million.

4.2 Borrowings continued

	Year ended 31 December 2023						
	Opening amortised cost £m	Amounts drawn £m	Transaction costs £m	Amounts repaid £m	Cash interest payments £m	Non-cash movements £m	Closing amortised cost £m
2.625% EUR loan notes 2025	219.8	–	–	–	(5.8)	1.7	215.7
6.625% USD loan notes 2025	412.8	–	–	–	(26.1)	4.8	391.5
UK infrastructure private placement facility (2019)	372.5	–	–	–	(25.5)	26.9	373.9
UK infrastructure private placement facility (2020)	207.9	–	–	–	(11.3)	9.8	206.4
CAD term loan facility	183.6	–	(0.2)	(60.1)	(13.6)	8.1	117.8
Uncommitted short-term loan facility €50m	44.3	–	–	(43.4)	(0.2)	(0.7)	–
Borrowings acquired in business combinations	–	1.8	–	(1.8)	–	–	–
Collateral facility	–	140.0	–	(20.0)	(0.3)	0.3	120.0
Total borrowings	1,440.9	141.8	(0.2)	(125.3)	(82.8)	50.9	1,425.3

Non-cash movements in borrowings comprises foreign exchange gains of £35.4 million and interest costs of £86.3 million.

As disclosed above, the Group has a number of cross-currency interest rate swaps that fix the sterling value of the principal repayment of certain foreign currency denominated borrowings. Accordingly, the foreign exchange gains (2023: gains) on borrowings disclosed above have been offset by £32.5 million of foreign exchange losses (2023: £29.5 million) on cross-currency interest rate swaps that have been recycled to profit and loss as part of the hedging relationship. See note 2.7 for further details of the impact of the Group's cash flow hedging relationships on Net debt. See note 7.2.2 for further details of the Group's cash flow hedging relationships on borrowings.

Compliance with loan covenants

The Group has customary financial covenants, principally in relation to consolidated Adjusted EBITDA and the consolidated net leverage ratio. The consolidated net leverage ratio broadly equates to a Net debt to Adjusted EBITDA ratio calculation (see note 2.7), and is calculated in line with the Group's financial covenant requirements in the loan facility agreements[(1)]. The Group also has conditions placed on its dividend payments as a result of the financing facilities. The Group is required to test its financial covenants every six months at financial full-year and half-year reporting periods, and has complied with all financial covenants during the current and prior year. The Group has significant headroom and expects to continue to comply with these financial covenants for the foreseeable future, including the five-year viability period. See the Viability statement on page 84 for further details on the scenarios considered.

(1) The net debt calculation for financial covenants is based on Net debt including cash, borrowings and lease liabilities attributable to non-controlling interests, but excludes the impact of hedging.

Letters of credit and surety bonds

As at 31 December 2024, the Group had issued letters of credit totalling £56.8 million (2023: £180.3 million), of which £14.5 million (2023: £14.5 million) were utilised to cover commodity trading collateral requirements and £nil (2023: £120.0 million) were utilised to cover the collateral facility described above. As at 31 December 2024, the Group had surety bonds with a number of insurers totalling £89.0 million (2023: £119.0 million), of which £30.0 million (2023: £70.0 million) were utilised to cover commodity trading collateral requirements.

Section 4: Financing and capital structure continued

4.3 Notes to the Consolidated cash flow statement

Accounting policy

In accordance with IAS 7 the Group has elected to classify cash flows from interest paid and interest received as cash flows from operations, dividends paid as cash flows from financing activities, and dividends received as cash flows from investing activities. The interest repayment on lease liabilities is included within interest paid, and the lease principal repayment is presented within cash flows from financing activities. Payments for short-term and low value leases are included within cash flows from operating activities.

Cash generated from operations

Cash generated from operations is the starting point of the Group's Consolidated cash flow statement on page 171. The table below makes adjustments for any non-cash accounting items to reconcile the Group's net profit for the year to the amount of cash generated from the Group's operations.

	Year ended 31 December	
	2024 £m	2023 £m
Profit for the year	**525.5**	560.9
Adjustments for:		
Interest payable and similar charges	**107.5**	115.2
Interest receivable and similar gains	**(20.1)**	(13.1)
Tax charge	**227.9**	235.5
Research and development tax credits	**(2.0)**	(2.0)
Share of losses from associates	**2.2**	1.6
Depreciation of property, plant and equipment	**196.7**	168.7
Amortisation of intangible assets	**17.0**	29.4
Depreciation of right-of-use assets	**28.1**	26.9
Impairment of non-current assets	**14.4**	70.8
Losses on disposal of fixed assets	**11.2**	2.6
Other losses	**1.7**	18.2
Certain remeasurements of derivative contracts(1)	**(89.3)**	(222.0)
Non-cash charge for share-based payments	**14.0**	13.9
Effect of changes in foreign exchange rates	**(21.9)**	6.2
Operating cash flows before movement in working capital	**1,012.9**	1,012.8
Changes in working capital:		
Decrease in inventories	**25.2**	20.6
Decrease in receivables	**392.2**	71.4
Decrease in payables	**(142.7)**	(30.8)
Net movement in derivative-related collateral	**83.7**	155.4
Increase/(decrease) in provisions	**11.5**	(4.4)
Increase in renewable certificate assets	**(247.8)**	(104.4)
Total cash released from working capital	**122.1**	107.8
Net movement in defined benefit pension obligations	**0.1**	(9.6)
Cash generated from operations	**1,135.1**	1,111.0

(1) Certain remeasurements of derivative contracts includes the effect of non-cash unrealised gains and losses recognised in the Consolidated income statement and their subsequent cash realisation. It also includes the cash and non-cash impact of deferring and recycling gains and losses on derivative contracts designated into hedge relationships under IFRS 9, where the gain or loss is held in the hedge reserve and then released to the Consolidated income statement in the period the hedged transaction occurs.

The Group has generated cash from operations of £1,135.1 million during the year (2023: £1,111.0 million). This resulted from a cash inflow from operating activities before working capital of £1,012.9 million (2023: £1,012.8 million), a net working capital cash inflow of £122.1 million (2023: £107.8 million) and a cash inflow of £0.1 million (2023: £9.6 million cash outflow) in respect of defined benefit pension obligations. The most significant factors making up these cash movements are explained in further detail below.

The £89.3 million outflow due to the adjustment for certain remeasurements of derivative contracts in the current year (2023: £222.0 million) mainly relates to cash payments on maturing trades where the derivative losses had been recognised in a previous period, as well as unrealised fair value gains on open derivative contracts.

Cash collateral is sometimes paid or received in relation to the Group's commodity and treasury trading activities. When derivative positions are out of the money for the Group, collateral may be required to be paid to the counterparty. When derivative positions are in the money, collateral may be received from counterparties. These positions reverse when mark-to-market positions reduce, or contracts are settled, and the collateral is returned.

The Group actively manages its liquidity requirements. This includes managing collateral associated with the hedging of power and other commodities, as well as other contractual arrangements. Under certain arrangements the Group is able to use non-cash collateral, such as letters of credit and surety bonds, that may otherwise have required cash collateral.

4.3 Notes to the Consolidated cash flow statement continued

The Group has had a net cash inflow of £83.7 million from derivative-related collateral during the year, as trades have matured and mark-to-market positions have reduced (2023: £155.4 million). As at 31 December 2024, the Group held £9.8 million in cash collateral receipts (2023: £20.3 million) recognised in payables, and had posted £4.7 million (2023: £98.9 million) of cash collateral payments recognised in receivables. The Group had also utilised £14.5 million (2023: £14.5 million) of letters of credit and £30.0 million (2023: £70.0 million) of surety bonds to cover commodity trading collateral requirements. Letters of credit and surety bonds utilised at the reporting date have reduced the requirement for cash collateral payments, which has increased the amount by which receivables have decreased.

The Group has a strong focus on cash flow discipline and managing liquidity. The Group enhances its working capital position by managing payables, receivables, inventories and renewable certificate assets to make sure the working capital committed is closely aligned with operational requirements. The impact of these actions on the cash flows of the Group is included within the further detail explained below.

The table below sets out the key arrangements utilised by the Group to manage elements of its working capital:

	As at 31 December 2024 £m	As at 31 December 2023 £m	**Inflow/ (outflow) £m**
Receivables monetisation	**400.0**[(1)]	400.0	**–**
ROC monetisation sales	**–**	298.4	**(298.4)**
Supply chain finance scheme	**(38.4)**	(48.6)	**(10.2)**
Deferred letters of credit	**(150.3)**	(224.7)	**(74.4)**

(1) As at 31 December 2024 the Group had sold £386.3 million of receivables under this facility (see note 3.5). At 31 December 2024 the Group had recognised an amount payable to the facility provider of £13.7 million, being the movement in the receivables sold compared to the prior month. This amount was paid to the facility provider in January 2025, so as at 31 December 2024 the utilisation of the facility was still £400.0 million.

None of the balances in the table above are included within the Group's definition of Net debt or borrowings (see note 2.7 for further details on Net debt and note 4.2 for further details on borrowings). The receivables monetisation facility is non-recourse in nature and therefore there is no future liability associated with these amounts. Through standard ROC sales and ROC purchase arrangements the Group is able to manage the working capital cycle of inflows and outflows of these assets. The supply chain finance and deferred letters of credit facilities are linked directly to specific payables. The deferred letters of credit facilities provide a short extension of payment terms of less than 12 months. See note 3.7 for further disclosures relating to supplier finance arrangements. The impact of these facilities on the cash flows of the Group is explained further below.

The overall cash inflow of £392.2 million (2023: £71.4 million) due to lower receivables in the current year is primarily a result of a reduction in energy prices compared to the prior year.

The Energy Solutions segment has access to a receivables monetisation facility which enables it to accelerate cash flows associated with amounts receivable from energy supply customers on a non-recourse basis. The facility was previously refinanced to increase the size of the facility to £400.0 million from £200.0 million for the period to March 2025, and then reducing to £300.0 million until the facility matures in January 2027. Utilisation of the facility was £400.0 million at 31 December 2024 (2023: £400.0 million). As the facility was fully utilised at 31 December 2024 and 31 December 2023 there has been no cash flow impact in the period.

Payables have decreased from the prior year, with a cash outflow of £142.7 million (2023: £30.8 million). This is due to a reduction in other payables as the deferred letters of credit have reduced in relation to OCGT capital expenditure now that the assets are nearing completion. The decrease in payables is also due to the reduction in energy supply accruals compared to the prior year as the value of REGOs has reduced year-on-year. Certain of the Group's suppliers are able to access a supply chain finance facility provided by a bank, for which funds can be accelerated in advance of normal payment terms. At 31 December 2024, the Group had trade payables of £38.4 million (2023: £48.6 million) related to this reverse factoring. The facility does not directly impact the Group's working capital, as payment terms remain unaltered with the Group and would remain the same should the facility fall away.

The Group also has access to deferred letters of credit facilities under which the Group benefits from an extension to payment terms of less than 12 months for a fee. The amount outstanding under these facilities at 31 December 2024 was £150.3 million (2023: £224.7 million). Of the total deferred letters of credit, £92.8 million (2023: £155.1 million) were utilised for capital expenditure and £57.5 million (2023: £69.6 million) were utilised for trade payables. Utilisation of these payment facilities impacted the purchases of property, plant and equipment line in the Consolidated cash flow statement and the movement in payables line above.

The movement in renewable certificate assets during the year includes a combination of generation, utilisation, purchases and sales, as described in note 3.3. The £247.8 million cash outflow (2023: £104.4 million) is predominantly due to an increase in the value of renewable certificates generated and still held by the Group compared to the prior year, due to a reduced level of ROC monetisation sales. Cash from renewable certificates, and in particular ROCs, is typically realised several months after they are earned; however, through standard ROC sales and ROC purchase arrangements the Group is able to manage the working capital cycle of inflows and outflows of these assets. At 31 December 2024, the Group had cash inflows of £nil from using these standard renewable certificate sales (2023: £298.4 million).

Section 4: Financing and capital structure continued

4.3 Notes to the Consolidated cash flow statement continued

Changes in liabilities arising from financing cash flows

A reconciliation of the movements in liabilities arising from financing activities for both cash and non-cash movements is provided below:

	Borrowings £m	Lease liabilities £m	Hedging instruments £m	Total £m
At 1 January 2024	**1,425.3**	**135.8**	**32.5**	**1,593.6**
Cash flows from financing activities	**(226.4)**	**(27.4)**	**(31.5)**	**(285.3)**
Effect of changes in foreign exchange rates	**(30.7)**	**1.1**	**18.3**	**(11.3)**
Other movements	**8.5**	**7.0**	**21.7**	**37.2**
At 31 December 2024	**1,176.7**	**116.5**	**41.0**	**1,334.2**

	Borrowings £m	Lease liabilities £m	Hedging instruments £m	Total £m
At 1 January 2023	1,440.9	153.1	(2.2)	1,591.8
Cash flows from financing activities	14.5	(25.8)	–	(11.3)
Effect of changes in foreign exchange rates	(35.4)	(6.7)	29.8	(12.3)
Other movements	5.3	15.2	4.9	25.4
At 31 December 2023	1,425.3	135.8	32.5	1,593.6

Other movements on borrowings principally relate to interest. Other movements on lease liabilities principally relate to discounting and additions in the year. Other movements on hedging instruments include cross-currency interest rate swaps that are hedging both principal and interest payments on borrowings. Interest payments are classified as operating cash flows in the Consolidated cash flow statement, as such fair value movements and cash settlements relating to the interest payments on these hedges are recognised within the other movements line above.

4.4 Equity and reserves

The Group's ordinary share capital reflects the total number of shares in issue, which are publicly traded on the London Stock Exchange.

Accounting policy

Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Company after deducting its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Issued equity

	As at 31 December	
	2024 £m	2023 £m
Issued and fully paid:		
427,770,766 ordinary shares of 11 $\frac{16}{29}$ pence each (2023: 424,923,406)	**49.4**	49.1

The movement in allotted and fully paid share capital of the Company during the year was as follows:

	Year ended 31 December	
	2024 (number)	2023 (number)
At 1 January	**424,923,406**	414,872,491
Issued under employee share schemes	**2,847,360**	10,050,915
At 31 December	**427,770,766**	424,923,406

The Company has only one class of shares, which are ordinary shares of 11 $\frac{16}{29}$ pence each, carrying no right to fixed income. No shareholders have waived their rights to dividends. Throughout the year, shares were issued in satisfaction of options vesting in accordance with the rules of the Group's employee share schemes (see note 6.2).

During the year 794,782 shares were issued at a weighted average exercise price of 336 pence per share in respect of options vesting on employee share purchase schemes and 2,052,578 shares were issued in respect of share options vesting on share awards with no exercise price.

Share buyback programme

On 26 July 2024, the Group announced the commencement of a £300 million share buyback programme. The buyback programme is ongoing, with £115.4 million of shares having been repurchased as at 31 December 2024. The shares purchased by the Group have not been cancelled and so continue to be included in the issued shares in the above table. See note 2.11 for further details on the share buyback programme.

4.4 Equity and reserves continued

Share premium

The share premium account reflects amounts received in respect of issued share capital that exceeds the nominal value of the shares issued, net of incremental transaction costs and tax, that are directly attributable to the issue of new shares. Movements in the share premium reserve during the year reflect amounts received above the nominal value on the issue of shares under employee share schemes.

	Year ended 31 December	
	2024 £m	2023 £m
At 1 January	**441.2**	433.3
Issue of share capital	**2.6**	7.9
At 31 December	**443.8**	441.2

Other reserves

	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Treasury shares reserve £m	Total other reserves £m
At 1 January 2023	1.5	85.8	710.8	(50.4)	747.7
Exchange differences on translation of foreign operations	–	(10.3)	–	–	(10.3)
Repurchase of own shares (see note 2.11)	–	–	–	(149.2)	(149.2)
At 1 January 2024	**1.5**	**75.5**	**710.8**	**(199.6)**	**588.2**
Exchange differences on translation of foreign operations	**–**	**(6.6)**	**–**	**–**	**(6.6)**
Movement in equity associated with share-based payments	**–**	**–**	**–**	**0.8**	**0.8**
Repurchase of own shares (see note 2.11)	**–**	**–**	**–**	**(115.4)**	**(115.4)**
At 31 December 2024	**1.5**	**68.9**	**710.8**	**(314.2)**	**467.0**

The capital redemption and treasury shares reserves arose when the Group completed previous share buyback programmes. A further share buyback was ongoing during 2024 and has continued into 2025. The net cost of this share buyback up to 31 December 2024 was £115.4 million (see note 2.11 for further details). The 57.8 million (2023: 40.3 million) shares held in the treasury shares reserve have no voting rights attached to them.

Exchange differences relating to the translation of the net assets of the Group's US and Canadian subsidiaries from their functional currencies (USD and CAD) into sterling for presentation in these Consolidated financial statements are recognised in the translation reserve.

Hedge reserve and Cost of hedging reserve

Movements in the hedge reserve and the cost of hedging reserve, which reflect the change in fair value of derivative financial instruments designated into hedge accounting relationships in accordance with IFRS 9 and related deferred tax, are set out in notes 7.3 and 7.4.

4.5 Non-controlling interests

Accounting policy

In accordance with IFRS 3, the Group elects on an acquisition-by-acquisition basis whether to measure non-controlling interests (NCIs) at their proportionate share of the identifiable net assets of the acquiree at the acquisition date, or at fair value. The Group treats transactions with NCIs that do not result in a loss of control as transactions with equity owners of the parent company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling interests and NCIs to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to NCIs and the fair value of any consideration paid or received is recognised in equity, within retained profits.

At 31 December 2024, the Group has two (2023: two) subsidiary undertakings with NCIs. These subsidiaries were acquired during 2021 as part of the acquisition of Pinnacle.

Summarised financial information

The summarised financial information disclosed is shown on a 100% basis. It represents the results of each entity below that would be shown in the subsidiaries' own financial statements prepared in accordance with IFRS, modified for Group-level fair value adjustments at acquisition, and gains or losses on translation of the entities' financial statements into the Group's presentational currency, which are recognised through the Consolidated statement of comprehensive income. All amounts are presented before intercompany eliminations.

		As at 31 December 2024		As at 31 December 2023	
	Principal place of business	**Non-controlling interest %**	**Non-controlling interests £m**	Non-controlling interest %	Non-controlling interests £m
Lavington Pellet Limited Partnership	**North America**	**25%**	**5.9**	25%	6.5
Smithers Pellet Limited Partnership	**North America**	**30%**	**3.9**	30%	5.5
Total			**9.8**		12.0

Distributions of £0.4 million (2023: £nil) were paid to non-controlling interests during the year.

Section 4: Financing and capital structure continued

4.5 Non-controlling interests continued

Summarised statement of total comprehensive income

	Year ended 31 December 2024					Year ended 31 December 2023				
	Revenue £m	Loss £m	Loss attributable to the non-controlling interests £m	Total comprehensive loss £m	Total comprehensive loss attributable to the non-controlling interests £m	Revenue £m	Loss £m	Loss attributable to the non-controlling interests £m	Total comprehensive loss £m	Total comprehensive loss attributable to the non-controlling interests £m
Lavington Pellet Limited Partnership	27.6	(0.1)	–	(1.8)	(0.6)	31.6	(1.7)	(0.4)	(2.5)	(0.5)
Smithers Pellet Limited Partnership	12.3	(3.6)	(1.1)	(4.5)	(1.3)	14.5	(2.8)	(0.9)	(3.3)	(1.2)
Total	39.9	(3.7)	(1.1)	(6.3)	(1.9)	46.1	(4.5)	(1.3)	(5.8)	(1.7)

Summarised balance sheet

	As at 31 December 2024					As at 31 December 2023				
	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net assets £m	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Net assets £m
Lavington Pellet Limited Partnership	22.0	7.6	(2.8)	(3.1)	23.7	24.9	4.5	(2.0)	(1.4)	26.0
Smithers Pellet Limited Partnership	13.9	3.3	(4.3)	–	12.9	15.8	3.1	(1.5)	–	17.4
Total	35.9	10.9	(7.1)	(3.1)	36.6	40.7	7.6	(3.5)	(1.4)	43.4

Summarised cash flows

	Year ended 31 December 2024				Year ended 31 December 2023			
	Net cash inflow from operating activities £m	Net cash outflow from investing activities £m	Net cash inflow from financing activities £m	Net cash inflow £m	Net cash inflow/(outflow) from operating activities £m	Net cash outflow from investing activities £m	Net cash (outflow)/inflow from financing activities £m	Net cash outflow £m
Lavington Pellet Limited Partnership	2.2	(0.7)	0.3	1.8	2.2	(1.3)	(2.3)	(1.4)
Smithers Pellet Limited Partnership	1.4	(1.1)	–	0.3	(2.2)	(0.7)	2.7	(0.2)
Total	3.6	(1.8)	0.3	2.1	–	(2.0)	0.4	(1.6)

Section 5: Other assets and liabilities

This section provides information on the assets and liabilities in the Consolidated balance sheet that are not covered in other sections, including goodwill, other intangible assets and provisions.

5.1 Business combinations

Accounting policy

Business combinations are transactions or other events in which the Group obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. Acquisitions of businesses are recognised at the point the Group obtains control of the acquiree (the acquisition date). The consideration transferred, the identifiable assets acquired, and the liabilities assumed are measured at their fair value on the acquisition date. Amounts relating to the settlement of pre-existing relationships are recognised in the Consolidated income statement with a corresponding adjustment to the consideration transferred to reflect the fact that part of the consideration is deemed to relate to the settlement of the pre-existing relationship.

From the acquisition date, the assets and liabilities of acquired businesses are recognised in the Consolidated balance sheet, and the revenues and profits or losses of the acquired businesses are recognised in the Consolidated income statement. Acquisition-related costs are recognised as an expense in the Consolidated income statement in the period that they are incurred.

Goodwill is measured as the excess of the:

- consideration transferred; less
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity;

over the fair value of the identifiable net assets acquired.

Bonuses paid to employees of the acquired entity that are dependent upon the employee remaining in continuous employment post acquisition are treated as post-acquisition remuneration.

Acquisition of BMM

On 31 August 2023, Drax Energy Solutions Limited, a wholly-owned subsidiary of the Group, acquired 100% of the issued share capital of BMM Energy Solutions Limited (BMM). BMM specialises in the installation and maintenance of electric vehicle charge points and has been the Group's primary installation partner since 2018. The acquisition strengthened the Group's end-to-end electric vehicle charging proposition to UK businesses.

The acquisition accounting has been finalised in the current financial year following the one-year measurement period from the acquisition date. Total consideration payable was £8.8 million reflecting a £0.2 million adjustment to the consideration recognised in the prior year. This resulted in the final goodwill reducing by £0.2 million to £5.8 million. There were no changes to the initial identifiable net assets of £3.0 million.

5.2 Goodwill and intangible assets

Intangible assets are not physical in nature but are identifiable from other assets. Goodwill arises on the acquisition of a business when the consideration paid exceeds the fair value of the identifiable net assets acquired. Intangible assets other than goodwill can be acquired in business combinations, acquired separately or internally generated.

Accounting policy

Goodwill is measured as the excess of the:

- consideration transferred; less
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity;

over the fair value of the identifiable net assets acquired.

Goodwill arising on the acquisition of a foreign operation is treated as an asset of that operation and therefore denominated in the functional currency of the operation to which it is allocated. Goodwill denominated in a foreign currency is subsequently translated at the rate prevailing at each reporting date. Foreign exchange differences arising on retranslation are recognised in the Consolidated statement of comprehensive income.

Goodwill is allocated to the cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. If one or more CGUs, or group of CGUs, to which goodwill is allocated are restructured, then the goodwill is reallocated to the CGUs impacted by the restructure. Goodwill is considered to have an indefinite useful life, is not amortised, and is assessed annually for impairment (see note 2.4 for further details). Any impairment charge is recognised against the carrying amount of goodwill in accumulated amortisation and impairment.

Intangible assets acquired in business combinations are measured at fair value on the acquisition date. Other intangible assets are measured initially at cost. Cost comprises the purchase price (net of any discount or rebate) and any directly attributable costs of preparing the asset for use in the manner intended by management.

The carrying amounts of intangible assets are assessed for indicators of impairment at each reporting date. The Group's policy is to recognise an impairment charge through accumulated amortisation and impairment.

Section 5: Other assets and liabilities continued

5.2 Goodwill and intangible assets continued

Intangible assets are amortised over their anticipated useful economic lives (UELs), which are reviewed at least at each financial year end. When reviewing UELs the assessment takes into account regulatory changes, climate change, and commercial and technological changes. Any changes to estimated UELs are applied prospectively. During the prior year this review resulted in a change to the UELs of the Opus Energy customer-related asset and brand asset to December 2024 to reflect the estimated period over which the value from these assets was expected to be realised. During the current year these assets were fully impaired as part of the Opus Energy transaction. See note 2.7 for further details.

	Method of amortisation	Average UEL (years)
At 31 December 2024		
Customer-related assets:		
Pinnacle	Straight line	**6**
BMM	Straight line	**8**
Other	Straight line	**9**
Computer software and licences:		
Internally generated	Straight line	**3**
Acquired separately	Straight line	**8**
Other intangibles	Straight line	**1**

Carrying amounts are assessed for indicators of impairment at each reporting date. The customer-related assets are attributable to the Pellet Operations CGU following the acquisition of Pinnacle and the Drax Energy Solutions CGU following the acquisition of BMM. During the current year the Opus Energy CGU customer-related asset was disposed of and the brand asset impaired to £nil net book value (see below for further details). Details of the impairment assessments relating to these CGUs are included in note 2.4.

	Customer-related assets £m	Brand £m	Software and licences – internally generated[1] £m	Software and licences – acquired separately[1] £m	Other intangibles £m	Goodwill £m	Total £m
Cost and carrying amount:							
At 1 January 2023[2]	257.6	11.3	130.2	18.5	2.0	424.2	843.8
Additions at cost	–	–	7.7	2.2	–	–	9.9
Acquired in business combinations	5.0	–	–	–	–	6.0	11.0
Transfers from property, plant and equipment (see note 3.1)	–	–	0.6	–	–	–	0.6
Effect of changes in foreign exchange rates	(1.5)	–	–	(0.2)	–	1.0	(0.7)
At 1 January 2024[2]	**261.1**	**11.3**	**138.5**	**20.5**	**2.0**	**431.2**	**864.6**
Additions at cost	**–**	**–**	**6.9**	**–**	**–**	**–**	**6.9**
Adjustment related to business combinations (see note 5.1)	**–**	**–**	**–**	**–**	**–**	**(0.2)**	**(0.2)**
Disposals	**(211.1)**	**–**	**–**	**–**	**–**	**–**	**(211.1)**
Transfers between categories	**–**	**–**	**0.7**	**(0.9)**	**0.2**	**–**	**–**
Transfers from property, plant and equipment (see note 3.1)	**–**	**–**	**2.9**	**0.3**	**–**	**–**	**3.2**
Effect of changes in foreign exchange rates	**(2.8)**	**–**	**–**	**0.1**	**(0.1)**	**(1.4)**	**(4.2)**
At 31 December 2024	**47.2**	**11.3**	**149.0**	**20.0**	**2.1**	**429.6**	**659.2**
Accumulated amortisation and impairment:							
At 1 January 2023[2]	170.6	6.8	86.5	11.7	1.7	–	277.3
Charge for the year	17.2	1.1	10.2	0.8	0.1	–	29.4
Impairment	31.5	3.0	11.1	–	–	14.5	60.1
Effect of changes in foreign exchange rates	(0.3)	–	–	(0.1)	–	–	(0.4)
At 1 January 2024[2]	**219.0**	**10.9**	**107.8**	**12.4**	**1.8**	**14.5**	**366.4**
Charge for the year	**6.7**	**0.2**	**8.7**	**1.4**	**–**	**–**	**17.0**
Disposals	**(209.2)**	**–**	**–**	**–**	**–**	**–**	**(209.2)**
Impairment	**–**	**0.2**	**2.4**	**–**	**–**	**–**	**2.6**
Transfers between categories	**–**	**–**	**0.3**	**(0.3)**	**–**	**–**	**–**
Effect of changes in foreign exchange rates	**(0.8)**	**–**	**–**	**–**	**–**	**–**	**(0.8)**
At 31 December 2024	**15.7**	**11.3**	**119.2**	**13.5**	**1.8**	**14.5**	**176.0**
Net book value:							
At 31 December 2023	42.1	0.4	30.7	8.1	0.2	416.7	498.2
At 31 December 2024	**31.5**	**–**	**29.8**	**6.5**	**0.3**	**415.1**	**483.2**

(1) Comparative amounts have been re-presented to separate software and licences between those internally generated and those acquired separately.
(2) Impairments previously presented through cost on non-amortising assets have been re-presented through accumulated amortisation and impairment.

5.2 Goodwill and intangible assets continued

The Group has incurred research and development expenditure of £26.2 million (2023: £22.8 million), which is included within operating and administrative expenses in the Consolidated income statement.

Customer-related assets

Customer-related assets reflects the value of customer contracts acquired on the acquisition of Pinnacle in April 2021, the Pacific BioEnergy sales contracts purchased by the Pellet Operations CGU in December 2021, and the customer-related asset acquired on acquisition of BMM in August 2023.

The Opus Energy customer-related asset was disposed of as part of the sale of non-core small and medium-sized enterprise (SME) meter points to EDF (see note 2.7 for further details).

The Pinnacle customer-related asset recognised on the acquisition of Pinnacle relates to the fair value of contracted cash flows from Pinnacle's existing customer base. The Pinnacle customer-related asset is being amortised on a straight-line basis to reflect that the majority of the value from the contracted cash flows is expected to be realised evenly over the contract terms, as most contracts have similar end dates and contracts with earlier end dates are generally offset by increasing volumes on longer dated contracts. At 31 December 2024, the Pinnacle asset had a carrying amount of £21.7 million (2023: £26.8 million) and a remaining UEL of approximately six years (2023: seven years).

On acquisition of BMM in August 2023 a customer-related asset with a fair value of £5.0 million was recognised reflecting the estimated future cash flows from existing customer relationships that were not yet contracted. The fair value was estimated based upon a multi-period excess earnings method. At 31 December 2024, the BMM customer-related asset had a carrying amount of £4.3 million (2023: £4.8 million) and a remaining UEL of eight years (2023: nine years).

The other customer-related asset relates to pellet sales contracts acquired from Pacific BioEnergy on 31 December 2021. At 31 December 2024 this asset had a carrying amount of £5.5 million (2023: £6.7 million) and a remaining UEL of nine years (2023: 10 years).

Opus Energy brand

The Opus Energy brand was acquired as part of the Opus Energy acquisition in February 2017. During the year the Opus Energy brand was fully impaired due to the sale of the majority of the non-core SME energy supply customer meter points to EDF Energy Customers Limited and the commencement of a restructuring of the Opus Energy business to reflect its reduced customer base and the Group's focus on core industrial and commercial (I&C) customers and renewables services. See note 2.7 for further details of this transaction.

Computer software and licences

Additions in the year include those in the ordinary course of business, which principally reflect ongoing investment in business systems to support the Energy Solutions segment. Software assets are amortised on a straight-line basis over their estimated UELs ranging from 2–10 years.

As at 31 December 2024, computer software assets under the course of construction amounted to £12.5 million (2023: £19.7 million).

A £2.4 million impairment in respect of software specific to the Opus Energy business has been recognised in the current year as it is no longer considered to have future value following the Opus Energy transaction and the related restructuring of the Opus Energy business. See note 2.7 for further details. See note 2.4 for a summary of impairment charges recognised on non-current assets during the year.

Goodwill

The table below shows the carrying amount of goodwill by CGU:

	Drax Energy Solutions £m	Lanark £m	Galloway £m	Cruachan £m	Pellet Operations £m	Total £m
Goodwill						
At 1 January 2024	161.4	11.3	40.1	26.9	177.0	416.7
Acquisition adjustment (see note 5.1)	(0.2)	–	–	–	–	(0.2)
Effect of changes in foreign exchange rates	–	–	–	–	(1.4)	(1.4)
At 31 December 2024	161.2	11.3	40.1	26.9	175.6	415.1

Section 5: Other assets and liabilities continued

5.3 Provisions

The Group makes provisions for reinstatement to cover the estimated costs of decommissioning and demolishing or remediating the sites of its Biomass Generation, Flexible Generation and Pellet Production assets at the end of their UELs. The Group has recognised a restructuring provision in respect of the coal closure at Drax Power Station and the Opus Energy restructuring. An onerous contract provision has also been recognised as a result of the Opus Energy restructuring.

Accounting policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount required to settle the obligation.

Specifically, a provision is made for the estimated decommissioning costs at the end of the UELs of the Group's generation assets and pellet plants, when a legal or constructive obligation arises, on a discounted basis. The amount provided is calculated on a site-by-site basis and represents the present value of the expected future costs. An amount equivalent to the discounted decommissioning provision is capitalised within property, plant and equipment (PPE), with the capitalisation shown in the movement in reinstatement asset line in note 3.1. For leased assets, an amount equivalent to the discounted provision is capitalised within right-of-use assets (ROU), with the capitalisation shown in the movement in reinstatement asset line in note 3.2. The amount capitalised is depreciated over the UELs of the related assets. The unwinding of the discount is included in interest payable and similar charges in the Consolidated income statement.

The Group recognises a restructuring provision when it has developed a detailed formal plan for the restructuring and has raised a valid expectation that it will carry out the restructuring either by starting to implement the plan or announcing its main features to those affected by it. The restructuring provision includes only the direct expenditures arising from the restructuring programme. These are costs that would have been avoided if the restructuring programme did not go ahead. Any costs to be incurred relating to the ongoing activities of the Group are excluded from the provision. A provision for termination benefits is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

Provisions are recognised for onerous contracts as the amount of the unavoidable costs of meeting the obligations of the contract exceed the economic benefit expected to flow from the contract. The unavoidable costs are the lower of fulfilling the contract or paying any penalties to terminate the contract early.

	Decommissioning provisions £m	Restructuring provisions £m	Onerous contract provision £m	Other provisions £m	Total £m
Carrying amount:					
At 1 January 2024	68.4	9.9	–	0.5	78.8
Additional provision charged to PPE (see note 3.1)	0.7	–	–	–	0.7
Additional provision charged to ROU (see note 3.2)	2.3	–	–	–	2.3
Transfer between provision categories	0.5	–	–	(0.5)	–
Charged/(credited) to profit or loss:					
Additional provision recognised	–	7.7	15.3	–	23.0
Utilised	(2.6)	(4.9)	(2.2)	–	(9.7)
Released	–	(1.9)	–	–	(1.9)
Unwinding of discount (see note 2.5)	2.7	–	–	–	2.7
At 31 December 2024	72.0	10.8	13.1	–	95.9
Current	6.5	4.9	8.8	–	20.2
Non-current	65.5	5.9	4.3	–	75.7

Decommissioning provisions

Decommissioning provisions are made in respect of Drax Power Station (£58.0 million), the OCGTs (£7.6 million), certain pellet plants (£5.9 million) and rail cars (£0.5 million).

Decommissioning work relating to coal operations at Drax Power Station began in 2024 and is expected to be completed by the end of 2026. The remainder of the decommissioning work will begin at the end of station life, which is currently estimated to be 2039. The decommissioning provision relating to certain pellet plants is based on the assumption that the decommissioning and reinstatement will take place at the end of the expected UEL of each site, which are estimated to be between 2037 and 2044. A legal obligation exists to decommission and demolish the OCGT sites at the end of station life, which is assumed to be 2049.

Of the £0.7 million movement in the decommissioning provision charged to PPE, £8.5 million relates to additions for the three OCGT sites, offset by a £7.8 million adjustment for changes in assumptions.

The provisions have been estimated using existing technology at current prices based upon specialist, third-party advice, updated on a triennial basis as a minimum, but more regularly when deemed appropriate due to changes that might significantly impact the estimated cost, such as changes in prices, or changes in expected decommissioning plans. The most recent valuation for the Drax Power Station and pellet plant decommissioning provisions took place in December 2023. The exercise to assess the decommissioning provision relating to the three OCGT sites was performed July 2024.

5.3 Provisions continued

An inflation curve is used to inflate the separate elements of the decommissioning cost estimates (which are based on current prices) to the dates that they are expected to occur. These values are then discounted to calculate the present value of the provision to be recognised. The discount rates used are nominal risk-free rates that reflect the duration of the liabilities. These discount rates are estimated using forward UK Gilt curves for Drax Power Station and the OCGTs and Canadian Government bonds for the pellet plants, as a proxy for risk-free rates. The use of a risk-free rate reflects the fact that the estimated future cash flows have built-in risks specific to the liability. The average discount rates used for the Group's decommissioning provisions range from 3.33%–5.78% (2023: 3.02%–5.03%).

The cost of decommissioning Drax Power Station is estimated, based on the midpoint of the range calculated by third-party experts, to be £93.6 million at current prices with a range of £65.5 million to £121.6 million. The cost of decommissioning each of the three OCGT sites is estimated to be between £5.5 million and £5.8 million at current prices.

If inflation and discounting assumptions, consistent with those applied to the recognised Drax Power Station decommissioning provision, were applied to the range calculated by the third-party experts this would result in an estimated provision range of £42.4 million to £78.7 million. An increase of 100 basis points in the inflation and discount rates used would result in an increase of £8.5 million (2023: £9.6 million) and a decrease of £6.4 million (2023: £7.9 million) respectively in the amount recognised. The relationship between the change in basis points and change in the amount recognised is relatively linear, therefore the impact of similar sensitivities may be extrapolated from these amounts.

The cost of decommissioning a site the size of Drax Power Station will be impacted by things such as the exact composition and volumes of materials used in the structures to be decommissioned, and the presence of contaminants. Full site surveys and investigations will need to be performed once the site ceases operation to ascertain further information necessary to decommission the site which could impact the potential costs. The costs being estimated are also going to be incurred several years in the future. All of these factors increase the estimation uncertainty of the decommissioning provision. The impact of climate change, both physical and transitional, extending over the medium term, was also considered by the third party when determining the provision. The Group has concluded that climate change is unlikely to have a significant impact on the future decommissioning costs, however this risk will continue to be reassessed and the impact of any changes will be reflected in the valuation.

The decommissioning provisions are not considered a key source of estimation uncertainty as there is not a significant risk of a material adjustment to the carrying amounts within the next financial year. Decommissioning provisions are based on costs sufficiently far in the future that, given the length of time, it is not anticipated that any new, more reliable, or accurate information will be available within the next financial year to update this estimate that would result in a material adjustment.

Restructuring provisions

The restructuring provision includes redundancy costs relating to the formal closure of the coal units at Drax Power Station which was initially planned for September 2022. It also includes costs for engineering works required to make the coal units and related assets safe following cessation of operations. At the request of the UK Government, the Group entered into an agreement with National Grid to keep the two coal units available to provide a "winter contingency" service to the UK power network from October 2022 until the end of March 2023, which delayed the formal closure of the coal units and resulted in the utilisation of certain amounts of the restructuring provision also being delayed. This has not materially impacted the expected costs. The formal closure of the coal units commenced at the end of the winter contingency service in March 2023.

The additions to the restructuring provision in the current year are due to the sale of the majority of the non-core SME customer meter points in Opus Energy, resulting in a restructuring to reduce the headcount. This was to reflect the significantly smaller SME customer base and the Energy Solutions segment's focus on core industrial and commercial (I&C) customer and renewables services. See note 2.7 for further details of this transaction.

The amount of the restructuring provision utilised in the year predominantly relates to engineering and redundancy costs. Of the £10.8 million remaining at 31 December 2024, £7.1 million relates to engineering works associated with the coal closure, of which £1.2 million is expected to be utilised in 2025, with the remaining amounts expected to be utilised in the period from 2026 to 2028. A further £3.7 million relates to redundancy costs, the majority of which relate to the Opus Energy restructuring. All of the redundancy costs are expected to be utilised in 2025.

Onerous contract provision

As a result of the Opus Energy restructuring, an onerous contract provision has also been recognised. Of the £13.1 million onerous contract provision at 31 December 2024, £8.8 million is expected to be utilised in 2025 with the remaining amounts expected to be utilised in the period from 2026 to 2028. See note 2.7 for further details.

Section 6: People costs

The notes in this section relate to the remuneration of the Directors and employees of the Group, including the Group's obligations under retirement benefit schemes.

6.1 Colleagues including Executive Directors and employees

This note provides a detailed breakdown of the cost of employees, including Executive Directors of the Group. The average monthly number of employees in Operations (staff based at Pellet Production, Biomass Generation and Flexible Generation sites), Energy Solutions (employees in the Group's Energy Solutions segment), and Central corporate and commercial functions are also provided.

Further information in relation to pay and remuneration of the Executive Directors can be found in the Remuneration Committee report, starting on page 126.

Staff costs (including Executive Directors)

	Year ended 31 December	
	2024 £m	2023 £m
Wages and salaries	**262.0**	240.4
Social security costs	**26.5**	22.3
Defined benefit pension service cost (note 6.3)	**2.1**	2.3
Defined contribution pension cost (note 6.3)	**24.1**	21.4
Share-based payments (note 6.2)	**14.1**	13.8
Termination benefits	**8.7**	1.5
Total staff costs	**337.5**	301.7
Staff costs capitalised	**(14.7)**	(7.7)
Staff costs included in operating and administrative expenses (note 2.3)	**322.8**	294.0

Average monthly number of people employed (including Executive Directors)

	Year ended 31 December	
	2024 (number)	Restated(1) 2023 (number)
Operations (Pellet Production)	**815**	781
Operations (Biomass Generation)	**526**	522
Operations (Flexible Generation)	**163**	153
Energy Solutions	**802**	892
Central corporate and commercial functions	**1,151**	1,072
Total average monthly number of people employed	**3,457**	3,420

(1) Comparative amounts have been restated to reflect the change in reportable segments. See note 2.1 for further details on the change in reportable segments.

6.2 Share-based payments

The Group operates five share option schemes for employees: the Long-Term Incentive Plan (LTIP) for Executive Directors and senior employees, the Deferred Share Plan (DSP) for Executive Directors, One Drax Awards which are recognition and retention awards granted to certain employees below senior management, the Employee Stock Purchase Plan (ESPP) for all qualifying US and Canada-based employees, and the Save As You Earn (SAYE) scheme for all qualifying UK employees. The Group incurs a non-cash charge in respect of these schemes in the Consolidated income statement, which is set out below along with a description of each scheme and the number of options outstanding at the reporting date.

Accounting policy

The LTIP, DSP, One Drax Awards, ESPP and SAYE share-based payment schemes are equity-settled. Equity-settled share-based payments are measured at the fair value of the equity instrument at the date of grant. The corresponding expense is recognised in the Consolidated income statement on a straight-line basis over the relevant vesting period, based on an estimate of the number of shares that will ultimately vest as a result of the effect of non-market-based vesting conditions, which is revised at each reporting date. Market-based vesting conditions are factored into the calculation of the fair value of options granted at the date of grant and are not subsequently remeasured.

If share options are cancelled due to non-vesting conditions not being met, for example employees withdrawing (by choice) part way through the vesting period or not exercising their options in the exercise period after they vest, the charge for such options is accelerated at the point of cancellation.

If share options are forfeited due to employees failing to meet continuing service conditions of a grant, or failing to meet non-market performance conditions, then these options do not attract a charge and any previously recognised charge is reversed.

6.2 Share-based payments continued

Costs recognised in the Consolidated income statement in relation to share-based payments during the year were as follows:

	Year ended 31 December	
	2024 £m	2023 £m
LTIP	**7.1**	8.7
DSP	**0.6**	0.5
One Drax Awards	**1.6**	1.4
ESPP	**0.2**	0.1
SAYE	**4.6**	3.1
Total share-based payment expense included within staff costs (note 6.1)	**14.1**	13.8

Movements in the number of share options outstanding at the reporting date for each scheme is shown below.

The following schemes are discretionary award schemes and have no exercise price.

	LTIP (number)	DSP (number)	One Drax Awards (number)
At 1 January 2023	5,699,371	367,745	136,747
Granted	2,282,798	101,657	262,526
Dividend shares granted	292,009	24,999	3,922
Forfeited	(138,146)	–	(2,738)
Exercised	(2,750,860)	(208,627)	(140,669)
At 1 January 2024	**5,385,172**	**285,774**	**259,788**
Granted	**3,065,741**	**106,341**	**360,448**
Dividend shares granted	**171,367**	**10,460**	**9,053**
Forfeited	**(228,490)**	**–**	**(31,443)**
Exercised	**(1,846,285)**	**(109,827)**	**(260,439)**
At 31 December 2024	**6,547,505**	**292,748**	**337,407**

The following schemes are share purchase schemes and therefore weighted average exercise prices are presented.

	ESPP		SAYE			
	Weighted average exercise price (pence)	ESPP (number)	Three-year weighted average exercise price (pence)	SAYE three-year (number)	Five-year weighted average exercise price (pence)	SAYE five-year (number)
At 1 January 2023	–	–	178	8,163,668	155	2,464,862
Granted	469	64,497	498	1,996,117	498	197,825
Forfeited	–	–	327	(46,063)	432	(8,228)
Exercised	–	–	127	(6,831,232)	219	(15,727)
Cancelled	–	–	509	(395,588)	496	(52,923)
At 1 January 2024	**469**	**64,497**	**470**	**2,886,902**	**173**	**2,585,809**
Granted	**468**	**126,303**	**378**	**3,334,272**	**378**	**470,417**
Forfeited	**469**	**(3,801)**	**455**	**(111,452)**	**461**	**(4,521)**
Exercised	**398**	**(126,938)**	**327**	**(634,525)**	**290**	**(33,319)**
Cancelled	**–**	**–**	**496**	**(1,570,144)**	**492**	**(205,988)**
Expired	**–**	**–**	**331**	**(4,572)**	**298**	**(1,008)**
At 31 December 2024	**544**	**60,061**	**405**	**3,900,481**	**182**	**2,811,390**

Section 6: People costs continued

6.2 Share-based payments continued

Key information about each active scheme for options granted and exercised in the current and prior year is presented below.

Scheme	Year ended 31 December 2024 LTIP	DSP	One Drax Awards	ESPP	SAYE three-year	SAYE five-year
Weighted average share price of options exercised during the year at the date of exercise (pence)	484	484	484	565	538	538
Number of options exercisable at reporting date	120,705	13,351	–	–	149,486	120,418
Weighted average exercise price of options exercisable at reporting date (pence)	–	–	–	–	427	142
Range of exercise price of options outstanding at reporting date (pence)	–	–	–	544	Between 378 and 563	Between 127 and 563
Weighted average remaining contractual life (months)	51	22	2	2	32	20

Scheme	Year ended 31 December 2023 LTIP	DSP	One Drax Awards	ESPP	SAYE three-year	SAYE five-year
Weighted average share price of options exercised during the year at the date of exercise (pence)	621	621	621	–	554	604
Number of options exercisable at reporting date	119,102	13,351	–	–	25,207	712
Weighted average exercise price of options exercisable at reporting date (pence)	–	–	–	–	462	498
Range of exercise price of options outstanding at reporting date (pence)	–	–	–	469	Between 127 and 563	Between 127 and 563
Weighted average remaining contractual life (months)	17	14	3	2	22	20

The fair value of share options is calculated using a Monte Carlo simulation if the scheme vests subject to market conditions, or the Black-Scholes model otherwise. The Monte Carlo simulation takes into account the estimated probability of different levels of vesting for share options with market-based vesting conditions and produces a probability-based fair value calculation.

The key inputs to both the Monte Carlo and Black-Scholes valuation models are the share price at the date of grant, exercise price where applicable, dividend yield on the underlying share, time to expiry of the option, expected volatility and risk-free interest rate. Expected volatility for each scheme is determined by calculating the historical volatility of the Group's share price over the same length of time as the vesting period for that scheme. The expected life used in the valuations is based on the length of the vesting period. This is based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free interest rate is determined using the rate for the equivalent length zero-coupon UK Government bond for each scheme.

Information about the valuation models used for options granted during the current and prior year, and relevant inputs to those models, is set out in the tables below.

Scheme	Year ended 31 December 2024 LTIP	LTIP	DSP	One Drax Awards	ESPP	ESPP	SAYE three-year	SAYE five-year
Grant date	15 March 2024	3 September 2024	15 March 2024	15 March 2024	1 March 2024	1 September 2024	10 April 2024	10 April 2024
Valuation model used	Monte Carlo	Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Share price at grant date (pence)	473	641	473	473	466	639	483	483
Exercise price (pence)	–	–	–	–	396	543	378	378
Dividend yield	–	–	–	–	5.97%	3.17%	5.80%	6.42%
Vesting period of options granted	3 years	3 years	3 years	1 year	6 months	6 months	3 years	5 years
Expected volatility	37.48%	38.20%	37.48%	35.35%	42.23%	37.39%	36.94%	40.15%
Annual risk-free interest rate	4.28%	3.88%	4.28%	4.98%	5.24%	4.80%	4.13%	4.03%
Weighted average fair value of options granted at measurement date (pence)	363	447	473	473	109	147	132	132

6.2 Share-based payments continued

	Year ended 31 December 2023						
Scheme	LTIP	LTIP	DSP	One Drax Awards	ESPP	SAYE three-year	SAYE five-year
Grant date	31 March 2023	5 September 2023	31 March 2023	31 March 2023	1 September 2023	12 April 2023	12 April 2023
Valuation model used	Monte Carlo	Monte Carlo	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes
Share price at grant date (pence)	608	545	608	608	547	641	641
Exercise price (pence)	–	–	–	–	469	498	498
Dividend yield	–	–	–	–	3.57%	4.10%	4.54%
Vesting period of options granted	3 years	3 years	3 years	1 year	6 months	3 years	5 years
Expected volatility	39.92%	39.92%	36.35%	37.25%	26.95%	36.35%	38.95%
Annual risk-free interest rate	3.56%	3.56%	4.94%	5.17%	4.97%	4.94%	4.62%
Weighted average fair value of options granted at measurement date (pence)	481	481	608	585	110	205	220

Each of the Group's share-based payment schemes vest subject to continued employment, or "good leaver" termination provisions. For the LTIP, DSP and One Drax Awards, each time a dividend is paid out during the vesting period of the scheme, participants are entitled to receive further share options of equivalent value to the dividends, determined using the market value of shares on the ex-dividend date, and which are formally granted on the vesting date for each scheme. As such, a dividend yield of 0% is input into the fair value calculations for each of these schemes to reflect that the fair value of each share option is not reduced by dividends paid out over the vesting period.

LTIP

The LTIP was introduced in 2020 for Executive Directors and senior employees. Under the LTIP, annual awards of performance and service-related shares are made for no consideration to Executive Directors and other senior employees up to a maximum of 200% of their annual base salary. Vesting of 50% of the shares is conditional upon whether the Group's Total Shareholder Return (TSR) matches or outperforms an index (determined in accordance with the scheme rules) over three years, and vesting of the remaining 50% of shares is conditional upon performance of cumulative Adjusted basic EPS over three years. The fair value of LTIP options with the TSR vesting condition is calculated with the support of external specialists due to the TSR vesting condition being market-based and therefore requiring a valuation to be performed using a Monte Carlo simulation.

DSP

The Group operates the DSP, under which Executive Directors receive 40% of their annual bonus in share options. DSP awards are granted at nil cost and vest after three years.

One Drax Awards

One Drax Awards are granted to certain employees below senior management and vest after one year. The number of shares awarded to the employee is equivalent to 10% of their base salary based on the Group's share price at the grant date.

ESPP

The ESPP scheme is offered to all US and Canada-based qualifying employees biannually. Under the ESPP, employees are granted the option to purchase shares at a 15% discount to the market price of Drax Group plc shares, based on the lower of the market price at the grant date and the market price at the vesting date. The options are exercisable at the end of six-month savings contracts, under which an employee selects a fixed percentage of their salary to be put towards the scheme.

SAYE

Participation in the SAYE scheme (Sharesave) is offered to all UK qualifying employees every April. Options are granted for employees to acquire shares at a discount of 20% to the market price of Drax Group plc shares, based on the average closing price for the five days immediately preceding the grant date, determined in accordance with the scheme rules. The options are exercisable at the end of three or five-year savings contracts.

Additional information in relation to the Group's share-based incentive plans is included in the Remuneration Committee report on pages 135 and 136.

Section 6: People costs continued

6.3 Retirement benefit obligations

The Group operates one defined benefit and three defined contribution pension schemes as set out in the table below.

Name of scheme	Type of benefit	Status	Country
Drax 2019 Scheme	Defined benefit final salary	Closed to new members on transfer in 2019	UK
My Drax Retirement Savings Section of the Aon MasterTrust	Defined contribution	Open to new members	UK
Drax Biomass Inc. 401(K) Plan	Defined contribution	Open to new members	US
Pinnacle Registered Retirement Savings Plan	Defined contribution	Open to new members	Canada

Up until 31 January 2023, the Group also operated an additional defined benefit pension scheme, the Drax Power Group section of the Electricity Supply Pension Scheme (DPG ESPS). As at 1 February 2023, the Group replaced its three UK Group Personal Pension Plans with the My Drax Retirement Savings Section of the Aon MasterTrust.

On 31 January 2023, the DPG ESPS's assets and liabilities were transferred to the Drax 2019 Scheme, and the DPG ESPS was wound up on 17 April 2023. The Drax 2019 Scheme continues to provide the same level of pension benefits to current and former employees as they were previously entitled to, with the combination allowing the resulting scheme to operate in a more efficient and focused manner, with a reduced administrative burden and associated cost.

Trustee governance (defined benefit pension schemes)

The Drax 2019 Scheme is administered by a sole trustee (PAN Trustees UK LLP, "the Trustee"), which is legally separate from the Group. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the defined benefit scheme.

Accounting policy

Payments to defined contribution schemes are recognised as an expense when employees have rendered services that entitle them to the contributions. The Consolidated income statement charge for the defined contribution schemes represents the total contributions to be paid by the Group in respect of the current period.

For the defined benefit pension scheme, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement of the obligation, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognised immediately in the Consolidated balance sheet with a charge or credit to the Consolidated statement of comprehensive income in the period in which it occurs. Defined benefit costs, including current service costs, past service costs, and gains and losses on curtailments and settlements, are recognised in the Consolidated income statement as part of operating and administrative expenses in the period in which they occur. The net interest expense or income is recognised in the Consolidated income statement within either interest payable and similar charges or interest receivable and similar gains.

Significant estimation uncertainty

Measurement of the defined benefit pension obligation using the projected unit credit method involves the use of key assumptions, including discount rates, inflation rates, salary and pension increases and mortality rates. These actuarial assumptions are reviewed annually and modified as appropriate. The Group believes that the assumptions utilised in measuring obligations under the schemes are reasonable based on prior experience, market conditions and the advice of pension scheme actuaries. However, actual results may differ from such assumptions.

The assumptions applied in 2024 have been prepared in accordance with third-party actuarial advice received and are consistent with those applied in the prior period.

Defined contribution schemes

The Group operates three defined contribution schemes for all qualifying employees. Pension costs for the defined contribution schemes are as follows:

	Year ended 31 December	
	2024 £m	2023 £m
Total included in staff costs (note 6.1)	**24.1**	21.4

As at 31 December 2024, contributions of £3.1 million (2023: £0.4 million) due in respect of the current reporting period had not been paid over to the schemes. This has been recognised within trade and other payables and contract liabilities within the Consolidated balance sheet. The Group has no further outstanding payment obligations in respect of the current reporting period once these contributions have been paid.

6.3 Retirement benefit obligations continued

Defined benefit scheme

The Group currently operates one defined benefit scheme. The net pension surplus is as follows:

	As at 31 December	
	2024 £m	2023 £m
Total net surplus recognised in the Consolidated balance sheet	**24.7**	18.4

At 31 December 2024, application of the accounting assumptions used in relation to the defined benefit scheme, which are described in further detail below, continued to result in a net position of surplus assets over liabilities.

The Drax 2019 Scheme (the Scheme) is a defined benefit final salary plan, where employees are entitled to retirement benefits based on their final salary on attainment of retirement age (or earlier withdrawal or death). Pensions are payable for life and updated in line with inflationary increases. No other post-retirement benefits are provided. The Scheme is open to future accrual of benefits but closed to new members.

The Group and Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities to protect against interest rates being lower or inflation being higher than expected.

The Scheme exposes the Group to actuarial and other risks, the most significant of which are considered to be:

Investment risk	The Scheme's liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform against this yield, this creates a deficit. The Scheme holds a significant proportion of growth assets (diversified growth funds, direct lending, credit and property) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given this scheme's long-term objectives.
Discount rate risk	A decrease in corporate bond yields will increase the value placed upon the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Longevity risk	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities of the Scheme.
Inflation risk	The majority of the Scheme's obligations to pay benefits are linked to RPI inflation and, as such, higher inflation leads to higher liabilities. In most cases, caps on inflationary increases are in place to protect against extreme inflation. The Scheme has a significant holding in liability-driven investments to protect against inflation risk.
Credit risk	Around 95% of the Scheme's overall funded liabilities are currently hedged against interest rates and inflation using liability-driven investments. The Scheme hedges interest rate risks on a statutory and long-term funding basis (gilts driven) whereas AA corporate bonds are implicit in the discount rate and so there is a degree of mismatching risk to the Group should yields on gilts and corporate bonds diverge. The Scheme's holding in corporate bonds mitigates this risk to some extent.

Other risks include operational risks (such as paying out the wrong benefits), legislative risks (such as the UK Government increasing the burden on pension schemes through new regulation), and other demographic risks (such as making a higher proportion of members with dependents eligible to receive pensions from the Group). The Trustee ensures certain benefits are payable on death before retirement. The Scheme's liabilities shown below reflects management's understanding of the benefits due at the date of the report and make no allowance for any potential impact on benefits of recent case law (such as the recent High Court judgment in the case of Virgin Media Limited vs NTL Pension Trustees II Limited).

Section 6: People costs continued

6.3 Retirement benefit obligations continued

A qualified third-party actuary, Aon, carried out the most recent funding valuation of the Scheme as at 31 March 2022. The actuarial review at 31 December 2024 is based on the same membership and other data as this funding valuation. The Scheme's Board accepted the advice of the actuary and approved the use of these assumptions for the purpose of assessing the Scheme's costs.

The result of the latest funding valuation has been adjusted to 31 December 2024, taking into account experience over the period since 31 March 2022, changes in market conditions and differences in financial and demographic assumptions. The present value of the defined benefit obligation and the related current service costs were measured using the projected unit credit method.

The principal assumptions for the Scheme across the current and prior year are set out below.

	As at 31 December	
	2024 % p.a.	2023 % p.a.
Discount rate	**5.5**	4.6
Inflation (RPI)	**3.0**	2.8
Rate of increase in pensions in payment and deferred pensions	**2.8**	2.7
Rate of increase in pensionable salaries	**3.4**	3.2

The defined benefit obligation for the Scheme as at 31 December 2024 allows for expected benefit increases that will be awarded in 2025, based on known 2024 indices.

Mortality assumptions are based on recent actual mortality experience of the Scheme's members and allow for expected future changes in mortality rates. The assumptions are that a member aged 60 in 2024 will live, on average, for a further 25 years if they are male (2023: 25 years) and for a further 27 years if they are female (2023: 27 years). Life expectancy at age 60 for male and female non-pensioners currently aged 45 is assumed to be 26 and 28 years respectively (2023: 26 and 28 years respectively).

The weighted average duration of the Scheme at 31 December 2024 based on the IAS 19 position was 15 years (2023: 16 years).

The defined benefit obligation in respect of the Scheme includes benefits for current employees of the Group (28%), former employees of the Group who are yet to retire (10%) and retired pensioners (62%).

The net surplus recognised in the Consolidated balance sheet in respect of the Scheme is the excess of the fair value of the plan assets over the present value of the defined benefit obligation, determined as follows:

	As at 31 December	
	2024 £m	2023 £m
Fair value of plan assets	**203.4**	220.3
Defined benefit obligation	**(178.7)**	(201.9)
Net surplus recognised in the Consolidated balance sheet	**24.7**	18.4

The total charges and credits recognised in the Consolidated income statement, within operating and administrative expenses and interest receivable and similar gains, are as follows:

	Year ended 31 December	
	2024 £m	2023 £m
Included in staff costs (note 6.1):		
Current service cost	**2.1**	2.3
Included in interest receivable (note 2.5):		
Interest income on net defined benefit surplus	**(0.9)**	(2.1)
Total amount recognised in the Consolidated income statement	**1.2**	0.2

6.3 Retirement benefit obligations continued

Changes in the present value of the defined benefit obligation of the Scheme are as follows:

	Year ended 31 December	
	2024 £m	2023 £m
Defined benefit obligation at 1 January	**201.9**	181.1
Current service cost	**2.1**	2.3
Interest cost	**9.0**	8.0
Actuarial (gains)/losses	**(24.3)**	21.8
Benefits paid	**(10.0)**	(11.3)
Defined benefit obligation at 31 December	**178.7**	201.9

The actuarial gains of £24.3 million (2023: losses of £21.8 million) reflect gains of £23.5 million (2023: losses of £0.3 million) arising from changes in financial assumptions, losses of £1.0 million (2023: £22.4 million) arising from scheme experience, and gains of £1.8 million (2023: £0.9 million) arising from changes in demographic assumptions.

The gains in the current year are due to changes in financial assumptions and principally reflect the reduction in the present value of the Scheme's liabilities arising as a result of the movement in discount rate assumption to 5.5% p.a. (2023: 4.6% p.a.) following an increase in corporate bond yields. This was partly offset by a slight increase in overall long-term inflationary assumptions, reflecting market pricing.

Changes in the fair value of plan assets are as follows:

	Year ended 31 December	
	2024 £m	2023 £m
Fair value of plan assets at 1 January	**220.3**	219.6
Interest on plan assets	**9.9**	10.1
Remeasurement losses on fair value of plan assets	**(18.8)**	(7.0)
Employer contributions	**2.0**	8.9
Benefits paid	**(10.0)**	(11.3)
Fair value of plan assets at 31 December	**203.4**	220.3

Employer contributions included payments totalling £nil (2023: £4.3 million) to reduce the actuarial deficit related to the legacy DPG ESPS. There were contributions of £0.2 million outstanding at the end of the year (2023: £0.2 million).

The actual return on plan assets in the period was a loss of £8.9 million (2023: gain of £3.1 million).

Remeasurement gains on the defined benefit pension scheme of £5.5 million (2023: losses of £28.8 million) were recognised in the Consolidated statement of comprehensive income. These are made up as follows:

	Year ended 31 December	
	2024 £m	2023 £m
Actuarial gains/(losses) on defined benefit obligation	**24.3**	(21.8)
Remeasurement losses on fair value of plan assets	**(18.8)**	(7.0)
Total remeasurement gains/(losses) recognised in other comprehensive income	**5.5**	(28.8)

The fair values of the major categories of plan assets were as follows (all assets are quoted, except for cash and cash equivalents or otherwise stated):

	As at 31 December	
	2024 £m	2023 £m
Gilts	**85.5**	110.3
Equities(1)	**31.3**	24.1
Bonds(2)	**22.7**	5.0
Property	**21.7**	15.1
Infrastructure	**9.6**	–
Investment funds	**–**	4.5
Cash and cash equivalents	**5.3**	10.5
Other assets(3)	**27.3**	50.8
Fair value of total plan assets	**203.4**	220.3

(1) As at 31 December 2024, the Scheme's target long-term asset strategy was: diversified growth funds (39%), private credit (10%), secure income alternatives (7.5%) and liability driven investing/cash (43.5%). As at 31 December 2023, the Scheme's target long-term asset strategy was: diversified growth funds (34%), private credit (12%), hedge funds (3%), secure income alternatives (7%) and liability driven investing/cash (44%).

(2) Bonds include a mixture of corporate, high yield, emerging market, UK Government and absolute return bonds.

(3) Other assets include £16.6 million (2023: £25.8 million) of investments in private credit, a type of private equity vehicle which is not quoted in an active market. The fair value of these investments is derived in accordance with International Private Equity and Venture Capital Valuation (IPEV) Guidelines. All other assets are quoted in an active market, including £4.7 million (2023: £nil) in respect of downside risk management and £4.0 million (2023: £nil) relating to asset-backed securities (ABS).

Section 6: People costs continued

6.3 Retirement benefit obligations continued

The pension plan assets do not include any ordinary shares issued by Drax Group plc or any property occupied by the Group.

The valuation of the pension liabilities has been disclosed as a key source of estimation uncertainty due to the assumptions used in the valuation. The assumptions for discount rate, inflation rate (and related inflation-linked benefits), and life expectancy have a potentially significant effect on the measurement of the Scheme's surplus. The following table provides an indication of the sensitivity of the net pension surplus at 31 December to changes in these assumptions, considering the impact on the defined benefit obligation only. If a combination of the below reasonably possible changes to key assumptions were used in the valuation of the pension obligations, this could result in a material change to the amount recognised.

			Increase/(decrease) in net surplus	
As at 31 December			2024 £m	2023 £m
Discount rate	– Increase	0.25%	**6.3**	7.9
	– Decrease	0.25%	**(6.5)**	(8.2)
Inflation rate[(1)]	– Increase	0.25%	**(5.2)**	(6.5)
	– Decrease	0.25%	**5.1**	6.3
Life expectancy	– Increase	1 year	**(4.8)**	(7.2)
	– Decrease	1 year	**5.1**	7.4

(1) The sensitivity of the Scheme's liabilities to salary and pension increases is closely correlated with inflation, therefore separate sensitivities have not been performed on salary and pension increases and the inflationary sensitivity incorporates these.

The Group is exposed to investment and other risks. However, these risks are mitigated by the Scheme being around 95% hedged against movements in UK Government bonds and inflation of appropriate duration. This means from a discount rate perspective that the Scheme is broadly only exposed to changes in credit spreads plus around 5% of changes in underlying gilt yields and, for inflation, the Scheme's exposure is around 5% of any actual changes.

Future contributions

UK legislation requires that pension schemes are funded prudently (i.e. to a level in excess of the current expected cost of providing benefits). This funding is carried out with reference to actuarial valuations which are required by law to take place at intervals of no more than three years. Following each valuation, the Trustee and the Group must agree the contributions required (if any) such that the Scheme is fully funded over time on the basis of suitably prudent assumptions.

The Group expects to make total contributions of £1.9 million to the Scheme during the 12 months ending 31 December 2025.

The latest actuarial valuation of the Drax 2019 Scheme which was carried out as at 31 March 2022 resulted in a funding surplus of £13.9 million and so no deficit recovery plan was required.

The Group agreed to make additional contributions to the Drax 2019 Scheme from February 2023 to June 2023 and an additional payment in 2026 to fully fund the Scheme on a low-risk basis, as agreed between the Group and Trustee at the time, through the provision of a surety bond. At this point, the Scheme is expected to be self-sufficient, unless material adverse changes in economic conditions arise compared to those assumed in the valuation. The Group is satisfied that the additional contributions are manageable within the Group's business plan.

The Trust Deeds of the Scheme provide the sponsors of the Scheme with an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time. Based on these rights, any net surplus in the Scheme is recognised in full in the Consolidated balance sheet.

Update on the Virgin Media Limited v NTL Pension Trustees II Limited case

In June 2023, the High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. The ruling confirmed the need for actuarial confirmation where schemes made changes to benefits between 6 April 1997 and 5 April 2016, and any relevant amendments were void without the appropriate confirmation. During 2024, Virgin Media Limited appealed the High Court's decision through the Court of Appeal, but this was upheld on 25 July 2024.

The Trustee has taken legal advice and concluded that it is reasonable to believe that previous rule amendments were carried out in accordance with the relevant requirements and that no further action is needed as this stage.

Notwithstanding this initial risk assessment there remain areas of uncertainty that could potentially require legal clarification.

Management has performed an assessment to understand the potential impact of the ruling in the case and based on this are satisfied that there is no material liability or probable outflow, and as such, no adjustment has been reflected within the defined benefit obligation at this time.

Section 7: Risk management

This section provides disclosures around financial risk management, including the financial instruments the Group uses to mitigate such risks.

7.1 Financial instruments and their fair values

The Group holds a variety of derivative and non-derivative financial instruments, including cash and cash equivalents, borrowings, payables and receivables arising from operations.

Accounting classifications and fair values

IFRS 13 requires categorisation of the Group's financial instruments in accordance with the following hierarchy in order to explain the basis on which their fair values have been determined:

- Level 1 – Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Fair value measurements are those derived from inputs, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Categorisation within this fair value measurement hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability.

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy as defined by IFRS 13. It does not include fair value information for lease liabilities, or for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Cash and cash equivalents (note 4.1), trade and other receivables (note 3.5), and trade and other payables (note 3.7) generally have a short time to maturity. For this reason, their carrying values, on the historical cost basis, are approximate to their fair values. The Group's borrowings relate principally to the publicly traded high-yield loan notes and amounts drawn against term loans (note 4.2). These financial liabilities are measured at amortised cost.

	Carrying amount						Fair value			
At 31 December 2024 £m	Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Commodity contracts	101.9	51.6	–	–	–	153.5	–	153.5	–	153.5
Foreign currency exchange contracts	21.0	75.7	–	–	–	96.7	–	96.7	–	96.7
Interest rate and cross-currency contracts	7.1	–	–	–	–	7.1	–	7.1	–	7.1
Contingent consideration	–	9.4	–	–	–	9.4	–	–	9.4	9.4
Trade and other receivables	–	0.3	38.9	–	–	39.2	–	39.2	–	39.2
Cash and cash equivalents	–	103.1	–	–	–	103.1	–	103.1	–	103.1
Financial assets not measured at fair value										
Trade and other receivables	–	–	–	353.4	–	353.4				
Cash and cash equivalents	–	–	–	252.9	–	252.9				
Financial liabilities measured at fair value										
Commodity contracts	(50.9)	(30.9)	–	–	–	(81.8)	–	(81.8)	–	(81.8)
Foreign currency exchange contracts	(24.6)	(12.3)	–	–	–	(36.9)	–	(36.9)	–	(36.9)
Interest rate and cross-currency contracts	(30.6)	–	–	–	–	(30.6)	–	(30.6)	–	(30.6)
Inflation rate contracts	(184.0)	–	–	–	–	(184.0)	–	(184.0)	–	(184.0)
Financial liabilities not measured at fair value										
Secured bank loans	–	–	–	–	(768.2)	(768.2)	–	(771.2)	–	(771.2)
Secured loan notes	–	–	–	–	(408.5)	(408.5)	(422.3)	–	–	(422.3)
Lease liabilities	–	–	–	–	(116.5)	(116.5)				
Trade and other payables	–	–	–	–	(793.0)	(793.0)				

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

At 31 December 2023 £m	Carrying amount Fair value-hedging instruments	Mandatorily at FVTPL-others	FVOCI	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Fair value Level 1	Level 2	Level 3	Total
Financial assets measured at fair value										
Commodity contracts	402.7	125.4	–	–	–	528.1	–	528.1	–	528.1
Foreign currency exchange contracts	37.7	70.8	–	–	–	108.5	–	108.5	–	108.5
Interest rate and cross-currency contracts	25.4	–	–	–	–	25.4	–	25.4	–	25.4
Contingent consideration	–	9.2	–	–	–	9.2	–	–	9.2	9.2
Trade and other receivables	–	–	242.2	–	–	242.2	–	242.2	–	242.2
Cash and cash equivalents	–	171.1	–	–	–	171.1	–	171.1	–	171.1
Financial assets not measured at fair value										
Trade and other receivables	–	–	–	644.2	–	644.2				
Cash and cash equivalents	–	–	–	208.4	–	208.4				
Financial liabilities measured at fair value										
Commodity contracts	(58.8)	(134.4)	–	–	–	(193.2)	–	(193.2)	–	(193.2)
Foreign currency exchange contracts	(23.7)	(35.8)	–	–	–	(59.5)	–	(59.5)	–	(59.5)
Interest rate and cross-currency contracts	(35.1)	–	–	–	–	(35.1)	–	(35.1)	–	(35.1)
Inflation rate contracts	(250.4)	–	–	–	–	(250.4)	–	(250.4)	–	(250.4)
Financial liabilities not measured at fair value										
Secured bank loans	–	–	–	–	(698.1)	(698.1)	–	(704.8)	–	(704.8)
Unsecured bank loans	–	–	–	–	(120.0)	(120.0)	–	(120.0)	–	(120.0)
Secured loan notes	–	–	–	–	(607.2)	(607.2)	(596.4)	–	–	(596.4)
Lease liabilities	–	–	–	–	(135.8)	(135.8)				
Trade and other payables	–	–	–	–	(919.2)	(919.2)				

The derivative financial instruments used by the Group and not subject to the own-use exemption have been categorised as follows:

- Commodity contracts – forward contracts for the sale or purchase of a commodity which may or may not be settled through physical delivery of the commodity, as well as weather-related contracts
- Foreign currency exchange contracts – currency-related contracts including forwards, swaps, vanilla options and structured option products
- Interest rate and cross-currency contracts – contracts which swap one interest rate for another in a single currency, including floating-to-fixed interest rate swaps, and contracts which swap interest and principal cash flows in one currency for another currency, including fixed-to-fixed and floating-to-fixed cross-currency interest rate swaps
- Inflation rate contracts – swap contracts, such as floating-to-fixed, which are linked to an inflation index such as the UK Retail Price Index (RPI) or the UK Consumer Price Index (CPI)

Fair value measurement

- Commodity contracts – the fair value of open commodity contracts that do not qualify for the own-use exemption, or are otherwise within the scope of IFRS 9, is calculated by reference to forward market prices at the reporting date
- Foreign currency exchange contracts – the fair value of foreign currency exchange contracts is determined using forward currency exchange market rates at the reporting date
- Interest rate contracts – the fair value of interest rate swaps is calculated by reference to forward market curves at the reporting date for the relevant interest index. The fair value of cross-currency interest rate swaps is calculated using the relevant forward currency exchange market rates for fixed-to-fixed swaps and by using the relevant forward currency exchange market rates and interest index for floating-to-fixed swaps
- Inflation rate contracts – the fair value of inflation rate swaps is calculated by reference to forward market curves at the reporting date for the relevant inflation index

Given the maturity profile of all these contracts, liquid forward market price curves are available for the duration of the contracts.

7.1 Financial instruments and their fair values continued

The fair values of all derivative financial instruments are discounted to reflect both the time value of money and credit risk inherent within the instrument.

The assessment of fair value is derived in part by reference to a market price or rate for the instrument in question. The Group bases its assessment of market prices or rates upon forward curves that are largely derived from readily obtainable prices or rates published from third-party sources. However, any forward curve is based, at least in part, upon assumptions about future transactions and market movements. Due to the nature of the derivative financial instruments the Group holds, minor differences in the inputs, assumptions or methodologies used can result in appropriate, but different, estimates of fair values to those recognised by the Group. There may be choices to be made regarding which methodology or data source to use in the calculation of fair value for each derivative contract.

Assumptions may also need to be made where forward curves are not an exact match for the Group's derivative contracts (e.g. due to quoted product types, maturity dates or time periods not exactly matching the terms of the Group's derivative contracts), or where different forward curves are available. Where such instruments extend beyond the liquid portion of the forward curve, the level of estimation increases as the number of observable transactions decreases. However, given the maturity profile of the Group's contracts, liquid forward market price curves are usually available for the duration of the contracts. The fair value of derivatives is not, however, considered a key source of estimation uncertainty as reasonably possible changes in assumptions are not expected to result in a materially different value within the next financial year.

Also, whilst there is a significant risk that the carrying amount of derivative assets and liabilities will change materially within the next financial year, as a result of movements in market prices or rates, the Group is not expecting to change its methodology or input sources in the next financial year. Any such changes are not as a result of assumptions or other sources of estimation uncertainty as at 31 December 2024 and therefore do not meet the definition of a key source of estimation uncertainty as defined by IAS 1.

Sensitivities are provided in note 7.2 for the impact of changes in inputs on the fair value.

The Group has reviewed all significant contracts for the presence of embedded derivatives. The EUR loan notes and the UK infrastructure private placement facility (2020) (see note 4.2) all contain early repayment options that meet the definition of embedded derivatives. However, in all cases, these do not require separate valuations as they are deemed to be closely related to the host contract.

The fair value of commodity contracts, foreign currency exchange contracts, interest rate swaps, cross-currency interest rate swaps and inflation swaps are largely determined by comparison between observable, liquid, forward market prices or rates, and the trade price or rate; therefore, these contracts are categorised as Level 2. Credit risk is not a significant input to the fair value calculations.

There have been no transfers during the current or prior year between Level 1, 2 or 3 category inputs.

The Group is responsible for determining the policies and approach to valuations required for financial reporting purposes, including Level 3 fair values. No external specialists have been utilised for the valuation of the current or prior year derivative financial instruments. Valuation policies, approaches and the results are discussed with and approved by the CFO and the Audit Committee as required, based on the size, complexity and judgement required with each valuation.

Level 3 fair values

The contingent consideration receivable by the Group relates to the sale of the CCGT generation portfolio in 2021. The gross nominal value of £29.0 million is contingent on certain triggers in respect of the option to develop the Damhead Creek 2 land disposed of as part of the sale of these assets. The fair value measurement of the contingent consideration has been categorised as Level 3 based on the inputs to the valuation techniques used.

	Valuation approach	Significant unobservable inputs and range of inputs (probability weighted)	Relationship between significant unobservable input and fair value measurement
Contingent consideration	The fair value of the contingent consideration is determined using a discounted cash flow model. The valuation approach is based on a calculation of the probability of the option to develop the Damhead Creek 2 land being exercised. This probability is calculated using a range of forecasts for future Capacity Market auctions and the assumption that the option to develop the land would be exercised if the Capacity Market price were to clear above a certain level, providing sufficient certainty on the economics of the development.	Forecasted future Capacity Market clearing prices: **£2.54/kW – £101.00/kW (Average – £48.07/kW)** (2023: £2.47/kW – £77.20/kW) (2023: (Average – £42.66/kW)) Estimated bid price at which Damhead Creek 2 is to be entered into the Capacity Market auction: **£71.75/kW** (2023: £67.50/kW)	The fair value measurement would increase/(decrease) with: – Higher/(lower) forecasted Capacity Market clearing prices causing a higher/(lower) probability of the option over the Damhead Creek 2 land being exercised – Lower/(higher) estimated bid price required for the Damhead Creek 2 development to proceed causing a higher/(lower) probability of the option over the Damhead Creek 2 land being exercised

Section 7: Risk management continued

7.1 Financial instruments and their fair values continued

During the year, inputs to the fair value calculation have been updated to reflect updates in both forecasted future Capacity Market clearing prices and the estimated bid price at which Damhead Creek 2 would require to provide sufficient certainty on the economics of the development.

The estimated bid price of £71.75/kW (2023: £67.50/kW) has increased with inflation during the year. The net impact of updating the estimated bid price, recent Capacity Market clearing price forecasts, and the impact of unwinding the discount has resulted in a £0.2 million increase to the fair value of the contingent consideration (2023: £18.2 million decrease).

During the prior year, due to significantly increased expectations relating to the cost to develop the project, the estimated bid price increased from £40.00/kW to £67.50/kW. This, alongside the impact of updating the calculation with forecasts of future Capacity Market clearing prices, resulted in an £18.2 million decrease to the fair value of the contingent consideration. As the change in fair value reflected the reversal of a previous credit recorded within exceptional items, and the decrease in fair value was above the Group's threshold to be considered exceptional, the £18.2 million decrease was excluded from Adjusted results and presented as an exceptional item included within other gains or losses in the Consolidated income statement (see note 2.7). The current year increase has not been excluded from Adjusted results as it does not meet the threshold for being considered exceptional and is included within other gains and losses in the Consolidated income statement.

A reconciliation of the contingent consideration is detailed below:

	Year ended 31 December	
	2024 £m	2023 £m
Balance at 1 January	**9.2**	27.4
Net change in fair value	**0.2**	(18.2)
Balance at 31 December	**9.4**	9.2

There are no reasonably possible changes to unobservable inputs to the fair value calculation that would have a material impact on the fair value measurement of the contingent consideration.

Accounting for derivatives

Derivatives (subject to certain exemptions described below) must be measured at fair value, which generally represents the difference between the price the Group has secured in the contract, and the price the Group could achieve in the market at the reporting date.

Changes in fair value are recognised either within the Consolidated income statement or the hedge reserve and cost of hedging reserve within the Consolidated statement of changes in equity, dependent upon whether the contract in question qualifies as an effective hedge under IFRS 9 (see note 7.2).

The own-use exemption applies to certain contracts for physical commodities entered into and held for the Group's own purchase, sale or usage requirements. The Group's own-use contracts, such as certain power purchase agreements (PPAs) and the Group's energy supply contracts, are excluded from fair value mark-to-market accounting.

Contracts for non-financial assets which do not qualify for the own-use exemption (principally wholesale power, gas, financial oil and carbon emissions allowances) and financial contracts (principally foreign exchange, interest, inflation and freight) are accounted for as derivatives in accordance with IFRS 9 and are recorded in the Consolidated balance sheet at fair value. Changes in fair value are reflected through the hedge reserve (see note 7.3) to the extent that the contracts are designated as effective hedges in accordance with IFRS 9, or the Consolidated income statement where the hedge accounting requirements are not met, or the hedges are ineffective. Changes in fair value of the derivatives that do not meet the hedge accounting requirements are excluded from Adjusted results in the Consolidated income statement until the contract matures, as management believes this more clearly reflects the underlying performance of the Group as it ensures these derivatives are recognised in the period that they are intended to hedge at their contracted prices (see note 2.7 for further details).

The Group's biomass risk management policy permits some flexibility in trading activity to optimise the overall portfolio position and potentially release value in certain, limited circumstances. The nature of these contracts means they cannot be readily net settled in cash or other financial instruments and, as a result, they remain outside of the scope of IFRS 9 and are excluded from fair value mark-to-market accounting. See the critical accounting judgements section on page 163 for further details on this.

7.1 Financial instruments and their fair values continued

Derivative balances are classified in the Consolidated balance sheet as current or non-current based on the final maturity date of the contracts. The derivative financial instruments recognised in the Consolidated balance sheet at the reporting date are:

	As at 31 December	
	2024 £m	2023 £m
Non-current derivative financial instrument assets	**81.7**	293.6
Current derivative financial instrument assets	**175.6**	368.4
Total derivative financial instrument assets	**257.3**	662.0
Non-current derivative financial instrument liabilities	**(262.2)**	(306.6)
Current derivative financial instrument liabilities	**(71.1)**	(231.6)
Total derivative financial instrument liabilities	**(333.3)**	(538.2)
Total net derivative financial instruments	**(76.0)**	123.8

The gains and losses recognised in the period relating to derivative financial instruments mandatorily measured at fair value through profit or loss (FVTPL) are detailed below. The Group had no financial assets or financial liabilities voluntarily designated at FVTPL. In addition to the amounts disclosed below, gains and losses relating to derivative financial instruments qualifying for hedge accounting are disclosed in notes 7.2 to 7.4.

	Year ended 31 December	
	2024 £m	2023 £m
Gains on derivative financial instruments not qualifying for hedge accounting – recognised in revenue	**11.9**	70.7
Gains/(losses) on derivative financial instruments not qualifying for hedge accounting – recognised in cost of sales	**45.3**	(127.0)
Gains on derivative financial instruments not qualifying for hedge accounting – recognised in foreign exchange (losses)/gains	**–**	4.9
Losses on derivative financial instruments not qualifying for hedge accounting – recognised in interest payable and similar charges	**(0.6)**	(0.3)
Total gains/(losses) on derivative financial instruments not qualifying for hedge accounting	**56.6**	(51.7)

7.2 Financial risk management

The Group's activities expose it to a variety of financial risks, including commodity price risk, foreign currency risk, interest rate risk, inflation risk, liquidity risk, counterparty risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of commodity and financial markets and seeks to manage potential adverse effects on the Group's financial performance.

The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is overseen by the risk management committees as explained in the Principal risks and uncertainties section (starting on page 70). The Financial Risk Management Committee identifies, evaluates and manages financial risks in close co-ordination with the Group's trading and treasury functions under policies approved by the Board of Directors.

7.2.1 Commodity price risk

The Group is exposed to the effect of fluctuations in commodity prices, particularly the price of power, gas, other fuels and the price of carbon emissions allowances. Price variations and market cycles have historically influenced the financial results of the Group and are expected to continue to do so.

Commodity price sensitivity

The sensitivity analysis below has been determined based on the exposure to commodity prices and the impact on profit after tax and other components of equity of reasonably possible increases or decreases in commodity prices as at 31 December. The analysis assumes all other variables were held constant.

Financial and commodity markets saw significant volatility and high prices in 2022. During 2023, the high prices seen in 2022 generally reversed and these price reductions have continued into 2024, but in the most part prices are still above historical averages. See the Principal risks and uncertainties section on page 73 for further details on UK energy market conditions. As a result of these fluctuating market conditions, the valuation of the Group's commodity derivative financial instruments, in particular power, gas and oil, have seen large reversals of the amounts previously recognised as market prices have continued to reduce, whilst older trades with higher prices have also matured.

Section 7: Risk management continued

7.2 Financial risk management continued

Sensitivities for a 10% change in prices have been included in the current and prior year. The impact of smaller and larger price changes can be extrapolated from the below table as changes in prices have a relatively linear relationship with the impact on profit after tax and on the hedge reserve.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% decrease £m	10% increase £m	10% decrease £m	10% increase £m
At 31 December 2024				
Power	**–**	**–**	**43.0**	**(43.0)**
Carbon	**1.6**	**(1.6)**	**–**	**–**
Gas	**10.8**	**(10.8)**	**–**	**–**
Oil	**(4.8)**	**4.8**	**–**	**–**
Freight	**(0.2)**	**0.2**	**–**	**–**

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% decrease £m	10% increase £m	10% decrease £m	10% increase £m
At 31 December 2023				
Power	–	–	34.9	(34.9)
Carbon	2.8	(2.8)	(0.2)	0.2
Gas	11.1	(11.1)	–	–
Oil	(7.9)	7.9	–	–

The Group designates certain derivatives as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to increases or decreases in commodity price risk and the impact on the hedge reserve resulting from these movements. Profit after tax is sensitive to increases or decreases in commodity prices as a result of the impact on the fair value of derivative financial instruments not designated as hedging instruments under cash flow hedge accounting.

Commodity risk management

The Group has a policy of securing forward power sales and purchases, and purchases of fuel when it is profitable to do so and is in line with specified limits under approved policies. Forward power sales can be secured up to 100% of forecast availability two years ahead, after taking account of the volume held back for operational risk management purposes. All commitments to sell and purchase power under fixed price contracts are designated as cash flow hedges as they reduce the Group's cash flow exposure resulting from fluctuations in the price of power. The Group purchases biomass pellets and other fuels under either a fixed or variable priced contract with different maturities, principally from a number of international sources.

The Group considers all such commodity contracts to be economic hedges. If either the contracts cannot be readily net settled, or if the Group is able to demonstrate that these contracts were entered into and continue to be held for the purpose of receipt or delivery of the non-financial item in accordance with the Group's expected purchase, sale or usage requirements and the own-use exemption applies, then these contracts are not within the scope of IFRS 9. For other contracts that are within the scope of IFRS 9 the Group applies hedge accounting where possible. If the contracts are within the scope of IFRS 9 and hedge accounting is not applied then the contracts are recognised at fair value through profit or loss (FVTPL).

Where forward power curves are less liquid, the Group uses financially settled gas sales as a proxy for power to mitigate the risk of power price fluctuations. The Group also purchases gas under fixed-price contracts to meet the requirements of the Energy Solutions segment and for its Daldowie fuel plant. The Group's gas supply business is reducing in size due to the decision made in January 2023 to phase out the Group's gas supply contracts and due to the sale of the majority of the Group's non-core SME customer meter points to EDF in September 2024 (see note 2.7 for further details).

The Group purchases carbon emissions allowances under fixed-price contracts to cover the Group's purchase requirements under the UK Emissions Trading Scheme (UK ETS) in relation to the Group's carbon emissions. Carbon emissions allowances are also sold as part of the proxy power hedges in the same way as financial gas described above. Sales and purchases of carbon are not designated as cash flow hedges.

The Group purchases financial oil contracts to hedge freight costs as oil is a significant input into the overall cost of freight. Financial oil contracts are not designated as cash flow hedges.

7.2 Financial risk management continued

Hedge accounting

The Group has cash flow hedges relating to commodity contracts, principally commitments to sell and purchase power. In the prior year, cash flow hedge accounting was also applied to certain carbon purchases. Amounts are recognised in the hedge reserve as the designated contracts are marked-to-market at each reporting date for the effective portion of the hedge, which is generally 100% of the relevant contract. Amounts held within the hedge reserve are then recycled to the Consolidated income statement as the hedged item impacts profit or loss. For power sales and purchase contracts, this is when the underlying power is delivered.

Included in amounts released from equity are current and prior period gains and losses on financial instruments for which the hedged transaction has now occurred and these gains and losses have been released to the Consolidated income statement in the period. No ineffectiveness was recognised in the Consolidated income statement on continuing commodity hedges in the current or prior year. Due to the use of "all-in-one" hedges, this results in the movement in fair value for the hedged items and hedging instruments being identical. The only sources of ineffectiveness regarding the "all-in-one" hedges would be if delivery of the commodities was no longer expected to occur (which would result in hedge accounting being discontinued) and credit risk. The Group applies a hedge ratio of 1:1 to its commodity risk cash flow hedges.

The reconciliation of the reserves and time period when the hedge will affect the Consolidated income statement are disclosed in note 7.3.

The summary of the amounts relating to the hedging instruments and any related ineffectiveness in the period is presented in the table below.

The average forward rates quoted below only reflect the rates applicable to the portion of the Group's commodity contracts that qualify for hedge accounting in accordance with IFRS 9. The rates do not reflect the overall average rate of the Group's total portfolio of commodity contracts that are used to protect the value of future cash flows.

	31 December 2024							
Exposure	Notional value of contracts (MWh, allowances)	Weighted average fixed price £	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Commodity contracts								
Sale and purchases of power	7,013,766	87.3	January 2025 – September 2028	34.5	101.9	(50.9)	25.9	–
Purchase of carbon emissions allowances	–	–	–	–	–	–	–	–

	31 December 2024							
Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Commodity contracts								
Sale and purchase of power	34.5	(15.2)	–	Revenue	–	(397.5)	–	Revenue
			–	Cost of sales	–	103.9	–	Cost of sales
Purchase of carbon emissions allowances	–	(0.6)	–	Cost of sales	–	1.2	–	Cost of sales

Section 7: Risk management continued

7.2 Financial risk management continued

Exposure	Notional value of contracts (MWh, allowances)	Weighted average fixed price £	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
	31 December 2023							
Commodity contracts								
Sale and purchases of power	5,580,931	129.4	January 2024 – September 2026	343.5	402.3	(58.8)	257.4	–
Purchase of carbon emissions allowances	62,000	37.4	March 2024 – December 2024	0.4	0.4	–	0.3	(0.7)

Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
	31 December 2023							
Commodity contracts								
Sale and purchase of power	343.5	413.3	–	Revenue	–	(415.9)	–	Revenue
			–	Cost of sales	–	599.3	–	Cost of sales
Purchase of carbon emissions allowances	0.4	1.4	–	Cost of sales	–	1.6	–	Cost of sales

7.2.2 Foreign currency and interest rate risk

Foreign currency risk

The Group is exposed to fluctuations in foreign currency rates as a result of committed and forecast transactions in foreign currencies, principally in relation to purchases of fuel for use in the Biomass Generation segment and principal and interest payments relating to foreign currency denominated debt. These fuel purchases are typically denominated in US dollars (USD), euros (EUR) or Canadian dollars (CAD), and the foreign currency debt is also denominated in USD, EUR and CAD (see note 4.2 for further details on the Group's borrowings).

The Group also has an exposure to translation risk in relation to its net investment in its US and Canadian subsidiaries within the Pellet Production segment.

Foreign currency sensitivity

The analysis below shows the impact on profit after tax and other components of equity of reasonably possible strengthening or weakening of currencies against GBP. The sensitivity analysis below shows the impact of a change in foreign exchange rates as at 31 December on outstanding monetary items denominated in foreign currencies and the valuation of foreign currency derivative instruments. For foreign currency derivatives designated into hedge relationships the analysis includes the impact of recycling amounts from the hedge reserve if a change in foreign exchange rates would result in the recycling of gains and losses due to the item they are hedging impacting profit or loss. The analysis assumes all other variables were held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% strengthening £m	10% weakening £m	10% strengthening £m	10% weakening £m
At 31 December 2024				
USD	66.8	(57.4)	(75.9)	(75.9)
EUR	10.1	(8.9)	(19.1)	(27.4)
CAD	1.2	(1.0)	(6.6)	(6.9)

7.2 Financial risk management continued

	Impact on profit after tax		Impact on other components of equity, net of tax	
	10% strengthening £m	10% weakening £m	10% strengthening £m	10% weakening £m
At 31 December 2023				
USD	84.5	(53.5)	125.3	(100.8)
EUR	15.9	(13.2)	3.9	(3.6)
CAD	0.3	–	4.8	(4.0)

The Group designates certain foreign currency derivatives as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to the strengthening or weakening of other currencies in relation to the impact on the hedge reserve of these movements. Profit after tax is sensitive to the strengthening or weakening of other currencies as a result of the impact on the fair value of foreign currency derivatives not designated as hedging instruments under cash flow hedge accounting.

Foreign currency risk management

It is the Group's policy to hedge material transactional exposures using a variety of derivatives to protect the sterling values of foreign currency cash flows, except where there is an economic hedge inherent in the transaction. The Group enters into derivative contracts in line with the Group's currency risk management policy, including forwards and options, to manage the risks associated with its anticipated foreign currency requirements over a rolling five-year period, covering contracted exposures and a proportion of highly probable forecast transactions.

In addition, in order to optimise the cost of funding, the Group has issued foreign currency denominated debt in USD, EUR and CAD (see note 4.2 for further details on borrowings). The Group utilises derivative contracts, including cross-currency interest rate swaps and foreign exchange forward contracts, to manage exchange risk on foreign currency debt.

Foreign currency risk hedge accounting

The Group designates certain foreign currency exchange contracts, predominantly forwards, as hedging instruments of the foreign currency risk of biomass purchases denominated in foreign currencies. Gains and losses on these foreign currency exchange contracts are transferred from equity to inventories for these hedges when the Group takes ownership of the biomass. The Group designates the spot element of these foreign currency exchange contracts and applies a hedge ratio of 1:1.

The Group designates certain foreign currency exchange contracts, predominantly forwards and swaps, as hedging instruments of the foreign currency risk on the principal repayments of certain foreign currency denominated borrowings. Gains and losses that are effective at hedging the foreign exchange risk on the principal repayments are released to foreign exchange gains or losses to offset gains and losses on retranslating the hedged foreign currency denominated borrowings. The Group designates the spot element of these foreign currency exchange contracts and applies a hedge ratio of 1:1.

The Group also designates certain cross-currency interest rate swaps as hedging instruments of the foreign currency risk on payments of both principal and interest on certain foreign currency denominated borrowings. Gains and losses that are effective at hedging the foreign exchange risk on the interest payments are released to interest payable and similar charges at the same time as the interest on the related hedged foreign currency denominated borrowings is expensed. Gains and losses that are effective at hedging the foreign exchange risk on the principal repayments are released to foreign exchange gains or losses to offset gains and losses on retranslating the hedged foreign currency denominated borrowings. The Group applies a hedge ratio of 1:1 for its cross-currency interest rate swaps.

The main sources of ineffectiveness relating to foreign currency exchange contracts (forwards and swaps) that are designated as hedging spot foreign currency risk are timing differences and credit risk. The main sources of ineffectiveness relating to cross-currency interest rate swaps are differences in the critical terms, differences in repricing dates, foreign currency basis spread, and credit risk.

Interest rate risk

The Group has exposure to interest rate risk, principally in relation to variable rate debt, cash and cash equivalents and the revolving credit facility (RCF), should it be drawn. The returns generated on the Group's cash balance, or payable on amounts drawn on the RCF, are exposed to movements in short-term interest rates. The Group actively manages cash balances to protect against adverse changes in interest rates whilst retaining liquidity. Further information about the Group's variable rate debt instruments (including the RCF) and their repayment schedules is provided in note 4.2.

Section 7: Risk management continued

7.2 Financial risk management continued

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the reporting date was outstanding for the whole year.

The analysis below shows what the impact on the current and previous year's profit after tax and other components of equity would have been for a reasonably possible increase or decrease in interest rates. For interest rate derivatives designated into hedge relationships the analysis includes the impact of recycling amounts from the hedge reserve. The analysis assumes all other variables are held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	100 basis points increase £m	100 basis points decrease £m	100 basis points increase £m	100 basis points decrease £m
At 31 December 2024				
Variable rate debt – hedged	**(5.6)**	**5.6**	**–**	**–**
Interest rate swaps	**5.6**	**(5.6)**	**9.8**	**(9.8)**
Net impact	**–**	**–**	**9.8**	**(9.8)**
At 31 December 2023				
Variable rate debt – unhedged	(1.2)	1.2	–	–
Variable rate debt – hedged	(4.2)	4.2	–	–
Interest rate swaps	4.2	(4.2)	8.1	(8.1)
Net impact	(1.2)	1.2	8.1	(8.1)

An increase or decrease in interest rates would affect profit after tax as a result of the impact on the interest payable in the period on any variable rate debt. The Group has reduced its exposure to interest rate risk on variable rate debt through the use of floating-to-fixed interest rate and cross-currency swaps. These swaps are designated as hedging instruments under cash flow hedge accounting and therefore a change in interest rates would not have a significant impact on profit after tax as the recycling of gains and losses on these swaps would generally offset the impact of changes in interest rates on the Group's variable rate debt. Other components of equity are sensitive to an increase or decrease in interest rates due to the impact changes in interest rates has on the valuation of these floating-to-fixed interest rate and cross-currency swaps. These fair value changes impact the hedge reserve.

Other components of equity are sensitive to an increase or decrease in interest rates due to the impact changes in interest rates has on the valuation of these floating-to-fixed interest rate swaps. These fair value changes impact the hedge reserve.

Certain amounts of the Group's variable rate debt and interest rate swaps have a floor of 0% for the benchmark interest rate. In the prior year the Group had CAD denominated debt that had a variable rate based on Canadian Dollar Offered Rate (CDOR). At 31 December 2023, no swaps were in place to hedge the interest risk on the CAD denominated debt. Therefore, in relation to this debt in the prior year, a change in interest rate would have had an impact on profit after tax but not on other components of equity. During the prior year the Group extended the maturity of the CAD term loan facility to January 2026. As part of the extension the Group agreed with the lenders to transition the floating-rate to Canadian Overnight Repo Rate Average (CORRA) plus a credit adjustment spread. At 31 December 2024, the Group had entered into a CORRA floating-to-fixed cross-currency interest rate swap hedging the CAD denominated debt. As such, in the current year a change in interest rate would have no impact on profit after tax as the movement in debt would be offset by the recycling of the cash flow hedge, but would have an impact on other components of equity due to fair value changes in the value of the derivative impacting the hedge reserve.

Interest rate risk management

The Group has a risk management policy in place relating to interest rate risk. The Group policy permits the use of hedging instruments in order to hedge up to 100% of the Group's current and forecast interest rate exposure.

Interest rate risk hedge accounting

The Group designates certain interest rate swaps as hedging instruments of the interest rate risk of variable rate borrowings. Gains and losses on the interest payments on interest rate swaps are released to interest payable and similar charges at the same time as the interest is expensed on the related hedged borrowings. The Group applies a hedge ratio of 1:1 to its interest rate swaps.

The main sources of ineffectiveness relating to interest rate hedges are differences in the critical terms, differences in repricing dates, and credit risk.

7.2 Financial risk management continued

Hedge accounting information

The Group has Sterling Overnight Index Average (SONIA) floating-to-fixed interest rate swaps to fix the interest payments on the following facilities: £50.0 million of the UK infrastructure private placement facility (2019), £98.0 million of the UK infrastructure private placement facility (2020), two £50.0 million tranches of the GBP and EUR term loan facility (2024), £125.0 million of the GBP term loan facility (2024) and the £50.0 million GBP term loan facility (2024).

The Group has Euro Interbank Offered Rate (EURIBOR) floating-to-fixed interest rate swaps to fix the principal and interest payments on €70.0 million of the UK infrastructure private placement facility (2020). The Group has EURIBOR floating-to-fixed interest rate swaps to fix the interest payments on €185.0 million of the GBP and EUR term loan facility (2024). The Group has separately taken out €185.0 million notional value of foreign exchange forwards in order to fix the sterling cash flows payable on the principal repayment.

The Group has Canadian Overnight Repo Rate (CORRA) floating-to-fixed interest rate swaps to fix the interest payments on the C$200.0 million CAD term loan facility. The Group has separately taken out C$200.0 million notional value of foreign exchange forwards in order to fix the sterling cash flows payable on the principal repayment.

The Group has taken out fixed-to-fixed cross-currency interest rate swaps to hedge the future cash flows associated with the following facilities: €350.0 million 2029 and €143.8 million 2025 fixed rate EUR loan notes and €31.5 million of the UK infrastructure private placement facility (2020).

As at 31 December 2024, the Group has fixed in sterling all interest and principal payments on variable rate and foreign currency denominated borrowings through the use of interest rate swaps, cross-currency interest rate swaps, and foreign currency exchange forwards and swaps, as described above. See note 4.2 for further details on the Group's borrowings.

A summary of amounts relating to the Group's hedge accounting of foreign currency risk and interest rate risk are presented in the table below.

The information is disaggregated by risk type. Hedges of biomass purchases, principal repayments on borrowings hedged using foreign currency forwards or swaps, and fixed-to-fixed cross currency interest rate swaps are designated as hedges of foreign currency risk. Interest rate swaps are designated as hedges of interest rate risk. Floating-to-fixed cross-currency interest rate swaps are designated as hedges of both foreign currency and interest rate risk.

The average forward rates quoted below only reflect the rates applicable to the portion of the Group's foreign currency hedging instruments that qualify for hedge accounting in accordance with IFRS 9. The rates do not reflect the overall average rate of the Group's total portfolio of derivatives that are used to fix the sterling value of future cash flows.

A reconciliation of reserves and the time period when the hedge will affect profit or loss, or will be transferred from equity and included in the initial cost of the non-financial item, are disclosed in notes 7.3 and 7.4.

Section 7: Risk management continued

7.2 Financial risk management continued

	31 December 2024							
Exposure	Notional value of contracts ($m, €m, C$m)	Weighted average fixed/variable rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	1,430.5	$1.27	January 2025 – February 2027	18.6	20.7	(2.1)	10.7	–
Purchases in foreign currency – EUR	270.0	€1.15	January 2025 – October 2026	(6.3)	–	(6.3)	(4.5)	–
Purchases in foreign currency – CAD	166.0	C$1.67	January 2025 – March 2027	(5.1)	0.3	(5.4)	(5.8)	–
Foreign currency risk on borrowings								
Interest and principal payments – USD	–	–	–	–	–	–	–	–
Interest and principal payments – EUR	525.3	€1.14/ 6.48%	November 2025 – April 2028	(10.4)	–	(19.7)	4.4	–
Principal payments – EUR	185.0	€1.11	February 2027 – March 2028	(5.1)	–	(5.1)	–	–
Principal payments – CAD	200.0	C$1.68	January 2026	(5.7)	–	(5.7)	–	–
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	255.0	€1.09/ 4.04%	January 2026 – March 2028	(8.6)	–	(8.7)	(2.7)	–
Interest payments – CAD	200.0	6.05%	January 2026	(1.5)	–	(1.8)	(1.3)	–
Interest rate risk on borrowings								
Variable rate GBP debt	423.0	2.89%	January 2026 – April 2028	6.1	7.1	(0.4)	4.3	–

7.2 Financial risk management continued

	31 December 2024							
Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging losses recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	18.6	19.7	–	Cost of sales	4.3	–	–	Inventories
Purchases in foreign currency – EUR	(6.3)	(7.1)	–	Cost of sales	0.9	–	–	Inventories
Purchases in foreign currency – CAD	(5.1)	(5.9)	–	Cost of sales	(0.4)	–	–	Inventories
Foreign currency risk on borrowings								
Interest and principal payments – USD	–	(5.6)	–	Interest payable and similar charges	–	(0.7)	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	9.3	–	Foreign exchange (losses)/gains
Interest and principal payments – EUR	(11.3)	(7.5)	–	Interest payable and similar charges	–	7.4	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	6.4	–	Foreign exchange (losses)/gains
Principal payments – EUR	(5.1)	(6.0)	–	Foreign exchange (losses)/gains	–	6.0	–	Foreign exchange (losses)/gains
Principal payments – CAD	(5.7)	(7.4)	–	Foreign exchange (losses)/gains	–	7.4	–	Foreign exchange (losses)/gains
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	(8.7)	(6.4)	–	Interest payable and similar charges	–	(2.5)	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	3.4	–	Foreign exchange (losses)/gains
Interest payments – CAD	(1.6)	(1.3)	–	Interest payable and similar charges	–	(0.4)	–	Interest payable and similar charges
Interest rate risk on borrowings								
Variable rate GBP debt	10.8	(2.3)	–	Interest payable and similar charges	–	(12.0)	–	Interest payable and similar charges

Section 7: Risk management continued

7.2 Financial risk management continued

Exposure	31 December 2023 Notional value of contracts ($m, €m, C$m)	Weighted average fixed/variable rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/ credit £m
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	2,126.9	$1.29	January 2024 – January 2027	14.1	35.6	(21.5)	(7.3)	–
Purchases in foreign currency – EUR	47.0	€ 1.15	January 2024 – April 2024	–	–	–	0.2	–
Purchases in foreign currency – CAD	116.6	C$1.68	January 2024 – March 2027	–	2.1	(2.1)	(1.3)	–
Foreign currency risk on borrowings								
Interest and principal payments – USD	500.0	$1.36/ 6.13%	November 2024	22.1	2.7	(21.1)	(2.4)	–
Interest and principal payments – EUR	281.5	€1.10/ 4.57%	November 2024 – November 2026	(1.2)	–	(12.7)	(0.2)	–
Principal payments – CAD	200.0	C$1.68	January 2026	(0.1)	–	(0.1)	0.2	–
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	95.0	€1.09/ 2.05%	January 2024 – January 2026	(1.6)	–	(1.3)	1.4	–
Interest rate risk on borrowings								
Variable rate GBP debt	473.0	0.88%	January 2024 – January 2026	20.2	22.7	–	15.1	–

7.2 Financial risk management continued

Exposure	31 December 2023 Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging losses recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
Foreign currency risk on biomass purchases								
Purchases in foreign currency – USD	14.1	(68.0)	–	Cost of sales	(42.5)	–	–	Inventories
Purchases in foreign currency – EUR	–	(3.3)	–	Cost of sales	(0.9)	–	–	Inventories
Purchases in foreign currency – CAD	–	(8.8)	–	Cost of sales	–	–	–	Inventories
Hedges of foreign currency risk on borrowings								
Interest and principal payments – USD	35.9	(22.9)	–	Interest payable and similar charges	–	(3.3)	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	822.0	–	Foreign exchange (losses)/gains
Interest and principal payments – EUR	(1.2)	(9.7)	–	Interest payable and similar charges	–	4.9	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	5.6	–	Foreign exchange (losses)/gains
Principal payments – CAD	(0.1)	(0.2)	–	Foreign exchange (losses)/gains	–	–	–	Foreign exchange (losses)/gains
Foreign currency and interest rate risk on borrowings								
Interest and principal payments – EUR	(3.9)	(3.6)	–	Interest payable and similar charges	–	(1.9)	–	Interest payable and similar charges
			–	Foreign exchange (losses)/gains	–	1.9	–	Foreign exchange (losses)/gains
Interest rate risk on borrowings								
Variable rate GBP debt	23.4	(31.5)	–	Interest payable and similar charges	–	16.0	–	Interest payable and similar charges

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.3 Inflation risk

The Group is exposed to inflation risk on elements of its revenues and cost base. The Group's ROC revenue is linked to UK RPI and its CfD and Capacity Market income are linked to UK CPI (see note 2.2 for further information on ROC and CfD income). In addition, a proportion of the Group's fuel costs are linked to either US or Canadian CPI. The Group has UK CPI and RPI swaps to hedge certain revenues linked to inflation.

Inflation risk sensitivity

The sensitivity analysis below has been determined based on the exposure to inflation rates on inflation-linked derivatives at the reporting date.

The analysis below shows the impact on profit after tax and other components of equity of a reasonably possible increase or decrease in inflation rates as at 31 December. The analysis assumes all other variables are held constant.

	Impact on profit after tax		Impact on other components of equity, net of tax	
	200 basis points increase £m	200 basis points decrease £m	200 basis points increase £m	200 basis points decrease £m
At 31 December 2024				
UK CPI inflation swaps	**–**	**–**	**(25.7)**	**22.1**
UK RPI inflation swaps	**(1.0)**	**1.0**	**(10.9)**	**10.9**

	Impact on profit after tax		Impact on other components of equity, net of tax	
	200 basis points increase £m	200 basis points decrease £m	200 basis points increase £m	200 basis points decrease £m
At 31 December 2023				
UK CPI inflation swaps	–	–	(31.3)	26.6
UK RPI inflation swaps	(5.6)	5.5	(24.3)	23.9

The Group designates the UK CPI and RPI inflation swaps as hedging instruments under cash flow hedge accounting. As such, other components of equity are sensitive to the impact on inflation linked derivatives recognised in the hedge reserve of an increase or decrease in UK inflation rates. Profit after tax is sensitive to an increase or decrease in UK inflation rates due to the impact these rate changes would have on the over-hedged portion of the inflation swaps, with this impact being recognised directly in the Consolidated income statement.

Inflation risk management

The Group has a risk management policy in place relating to inflation risk. The Group policy permits the use of hedging instruments in order to hedge up to 100% of the Group's current and forecast inflation exposure.

Hedge accounting

The Group has contracts for which the revenue is contractually linked to UK CPI inflation. The Group has designated this risk component as a hedged item. UK CPI and UK RPI inflation swaps are utilised as the hedging instruments for this inflation risk. Gains and losses on the inflation swaps are held in the hedge reserve and reclassified to revenue in the Consolidated income statement at the same time the revenue from the inflation-linked contracts impacts profit or loss or if the hedged item is no longer expected to occur. The Group applies a hedge ratio of 1:1 for its inflation swaps.

The main sources of ineffectiveness relating to the inflation swaps are the basis point difference between the RPI swaps and the CPI-linked revenues they are hedging, calculation differences, and the hedged item no longer being expected to occur. Calculation differences occur due to differences between the reference months used to calculate the inflationary increase per the swaps and the reference months used to calculate the inflationary increase for the CPI-linked revenues.

During the current year the Group recognised £8.7 million (2023: £10.7 million) of ineffectiveness due to the basis difference between the RPI hedging instruments and the CPI exposure. In the prior year as a result of a decrease in the forecast CfD generation, the Group recycled £9.3 million of losses on hedge accounted inflation-linked derivative contracts to the Consolidated income statement, due to the hedged item no longer being expected to occur. There has been no decrease in forecast CfD generation in the current year and as such no amounts have been recycled due to the hedged item no longer being expected to occur.

In the current year, as a result of the updated 2025 commissioning dates, the Group recycled £1.2 million of losses on hedge accounted inflation-linked OCGT Capacity Market derivative contracts to the Consolidated income statement, due to the hedged item no longer being expected to occur.

7.2 Financial risk management continued

The summary of the amounts relating to the hedging instruments and any related ineffectiveness in the period is presented in the table below.

Exposure	Notional value of contracts £m	Weighted average fixed rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
	31 December 2024							
Inflation								
Inflation-linked sales contracts – CPI	30.4	CPI – 2.70%	April 2026 – July 2038	(18.6)	–	(18.6)	(14.5)	10.5
	440.0	RPI – 3.65%	April 2026	(75.4)	–	(165.4)	(34.9)	–

Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging gains recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
	31 December 2024							
Inflation								
Inflation-linked sales contracts – CPI	(18.6)	(1.3)	–	Revenue	–	(3.1)	1.2	Revenue
	(47.9)	(2.1)	(8.7)	Revenue	–	27.1	–	Revenue

Exposure	Notional value of contracts £m	Weighted average fixed rate	Maturity date	Cumulative change in fair value of hedging instrument since inception used for measuring ineffectiveness – gains/(losses) £m	Fair value recognised in balance sheet – assets £m	Fair value recognised in balance sheet – liabilities £m	Balance in the hedge reserve for continuing hedges net of deferred tax – (debit)/credit £m	Balance in the hedge reserve for hedging relationships for which hedge accounting is no longer applied net of deferred tax – (debit)/credit £m
	31 December 2023							
Inflation								
Inflation-linked sales contracts – CPI	30.4	CPI – 2.72%	April 2026 – July 2038	(19.7)	–	(19.7)	(15.3)	13.6
	440.0	RPI – 3.46%	April 2026	(100.7)	–	(230.7)	(53.6)	–

Exposure	Cumulative change in fair value of hedged item since inception used for measuring ineffectiveness – gains/(losses) £m	Hedging losses recognised in OCI in the period – gains/(losses) £m	Hedge ineffectiveness recognised in the income statement in the period – gains/(losses) £m	Line item in the income statement that includes hedge ineffectiveness	Amount transferred to the cost or carrying value of a non-financial asset £m	Amount reclassified due to the hedged item affecting profit or loss – (gains)/losses £m	Amount reclassified due to the hedged future cash flows being no longer expected to occur – (gains)/losses £m	Line item in the income statement/ balance sheet affected by the transfer/ reclassification
	31 December 2023							
Inflation								
Inflation-linked sales contracts – CPI	(19.7)	3.3	–	Revenue	–	(0.9)	–	Revenue
	(75.2)	(3.5)	(10.7)	Revenue	–	17.5	9.3	Revenue

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.4 Liquidity risk

The treasury function is responsible for liquidity, funding and settlement management under policies approved by the Board. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments. The Group maintains a mixture of cash and cash equivalents, committed facilities and uncommitted facilities in order to ensure sufficient funding for business requirements.

In managing liquidity risk, the Group has the ability to accelerate the cash flows associated with certain working capital items, principally those related to ROC sales and Energy Solutions energy supply sales. In each case this is undertaken on a non-recourse basis and, accordingly, the ROC assets and Energy Solutions receivables are derecognised from the Consolidated balance sheet at the point of sale. The Group also utilises standard purchasing facilities to extend the working capital cycle, whilst still paying suppliers on time. The impact on the Group's cash flows is described in note 4.3. Such facilities are not included within the Group's definition of Net debt, as outlined in note 2.7.

The following tables set out details of the expected maturity profile of the undiscounted, contractual payments of non-derivative financial liabilities. The tables include both interest and principal cash flows. To the extent that interest payments or receipts are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

	As at 31 December 2024					
	Within 3 months £m	**3 months – 1 year £m**	**1–2 years £m**	**2–5 years £m**	**>5 years £m**	**Total £m**
Term loans, gross value	**11.2**	**30.5**	**202.8**	**613.3**	**27.0**	**884.8**
Loan notes, gross value	**–**	**139.1**	**17.0**	**332.2**	**–**	**488.3**
Borrowings, contractual maturity	**11.2**	**169.6**	**219.8**	**945.5**	**27.0**	**1,373.1**
Trade and other payables	**763.5**	**28.2**	**1.1**	**0.2**	**–**	**793.0**
Lease liabilities	**8.9**	**22.7**	**24.6**	**39.0**	**47.2**	**142.4**
	783.6	**220.5**	**245.5**	**984.7**	**74.2**	**2,308.5**

	As at 31 December 2023					
	Within 3 months £m	3 months – 1 year £m	1–2 years £m	2–5 years £m	>5 years £m	Total £m
Term loans, gross value	153.9	154.9	271.6	278.8	87.0	946.2
Loan notes, gross value	–	31.7	635.3	–	–	667.0
Borrowings, contractual maturity	153.9	186.6	906.9	278.8	87.0	1,613.2
Trade and other payables	763.8	150.7	3.2	1.5	–	919.2
Lease liabilities	8.6	24.8	28.6	52.5	57.0	171.5
	926.3	362.1	938.7	332.8	144.0	2,703.9

The weighted average interest rate payable at the reporting date on the Group's borrowings was 5.39% (2023: 4.79%).

Trade and other payables of £793.0 million (2023: £919.2 million) excludes non-financial liabilities such as contract liabilities, the Group's obligation to deliver ROCs and employee benefit-related accruals.

The following tables set out details of the expected maturity profile of contractual payments and receipts of derivative financial instruments. Where the amount payable is not fixed, the amount disclosed has been determined by reference to projected commodity prices, foreign currency exchange rates, inflation rates or interest rates, as illustrated by the yield or other forward curves existing at the reporting date. Certain commodity contracts are expected to be gross settled through delivery or receipt of the commodity and a subsequent cash settlement of the trade value. Vanilla foreign currency exchange contracts are expected to be gross settled through simultaneous delivery of one currency and receipt of another. Gross settlement of both the interest and principal on cross-currency interest rate swaps is expected. Financial contracts and other foreign exchange contracts (excluding forwards and swaps) are expected to be net settled. Interest rate contracts and inflation rate contracts are expected to include the net settlement of the interest rate and inflation rate differentials. Where derivatives are expected to be gross settled based on the trade value rather than the mark-to-market value, the gross cash flows have been presented in the table below. Where derivatives are expected to be net settled, the undiscounted net cash flows expected to occur based on the current fair value have been presented in the table below. Where derivative balances are subject to offsetting, the net expected contractual payments and receipts of the offset asset and liability have been presented.

The amounts included within difference to carrying amount column include the effect of discounting for the time value of money and credit risk on all trade types. Additionally, for all physically settled commodity trades, the difference to carrying amount includes the market value of these trades, as the traded price is included as the cash payment or receipt in the table below, but the carrying amount is based on the mark-to-market of the trade, being the difference between the market value and traded value. For foreign currency exchange contracts the amounts included within the difference to carrying amount column also includes the time value of options that have no intrinsic value, for example out-of-the-money options. As these trades are not expected to exercise no cash flows have been included in the below table.

The below tables have been re-presented in the current period to include the expected cash flows from all derivative contracts (both assets and liabilities), including both cash inflows and outflows. The Group believe the additional information provided more accurately reflects the expected cash flows and liquidity profile of the Group's derivative contracts.

7.2 Financial risk management continued

Derivative liabilities – cash inflow/(outflow)	As at 31 December 2024 Within 1 year £m	1–2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Commodity contracts – inflow	303.0	259.3	37.8	600.1	(673.5)	(73.4)
Commodity contracts – outflow	(33.8)	(1.4)	(4.1)	(39.3)	30.9	(8.4)
Foreign exchange contracts – inflow	641.1	468.4	328.0	1,437.5	15.2	(36.9)
Foreign exchange contracts – outflow	(637.4)	(494.6)	(357.6)	(1,489.6)		
Cross-currency contracts – inflow	215.7	53.9	341.0	610.6	1.2	(30.2)
Cross-currency contracts – outflow	(241.3)	(63.4)	(337.3)	(642.0)		
Interest rate contracts – inflow	0.3	–	–	0.3	0.1	(0.4)
Interest rate contracts – outflow	–	(0.5)	(0.3)	(0.8)		
Inflation contracts – outflow	(84.3)	(91.5)	(20.0)	(195.8)	11.8	(184.0)
	163.3	130.2	(12.5)	281.0	(614.3)	(333.3)

Derivative assets – cash inflow/(outflow)	As at 31 December 2024 Within 1 year £m	1–2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Commodity contracts – inflow	363.7	50.6	16.8	431.1	(306.5)	124.6
Commodity contracts – outflow	(117.5)	(4.5)	(24.9)	(146.9)	175.8	28.9
Foreign exchange contracts – inflow	874.6	1,030.0	245.1	2,149.7	(9.7)	96.7
Foreign exchange contracts – outflow	(839.9)	(977.1)	(226.3)	(2,043.3)		
Cross-currency contracts – inflow	–	–	–	–	–	–
Cross-currency contracts – outflow	–	–	–	–		
Interest rate contracts – inflow	6.3	1.1	–	7.4	(0.2)	7.1
Interest rate contracts – outflow	–	–	(0.1)	(0.1)		
Inflation contracts – outflow	–	–	–	–	–	–
	287.2	100.1	10.6	397.9	(140.6)	257.3

Derivative liabilities – cash inflow/(outflow)	As at 31 December 2023 Within 1 year £m	1–2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Commodity contracts – inflow	28.2	5.5	4.3	38.0	(40.7)	(2.7)
Commodity contracts – outflow	(403.5)	(43.1)	(0.1)	(446.7)	256.2	(190.5)
Foreign exchange contracts – inflow	907.4	486.6	387.4	1,781.4	(13.5)	(59.5)
Foreign exchange contracts – outflow	(936.2)	(497.1)	(394.1)	(1,827.4)		
Cross-currency contracts – inflow	562.1	25.0	29.8	616.9	1.7	(35.1)
Cross-currency contracts – outflow	(620.1)	(2.5)	(31.1)	(653.7)		
Interest rate contracts – inflow	–	–	–	–	–	–
Interest rate contracts – outflow	–	–	–	–		
Inflation contracts – outflow	(81.6)	(85.2)	(107.5)	(274.3)	23.9	(250.4)
	(543.7)	(110.8)	(111.3)	(765.8)	227.6	(538.2)

Derivative assets – cash inflow/(outflow)	As at 31 December 2023 Within 1 year £m	1–2 years £m	>2 years £m	Total £m	Difference to carrying amount £m	Carrying amount £m
Commodity contracts – inflow	880.4	515.7	57.5	1,453.6	(927.9)	525.7
Commodity contracts – outflow	(6.5)	–	–	(6.5)	8.9	2.4
Foreign exchange contracts – inflow	768.6	543.6	669.9	1,982.1	40.3	108.5
Foreign exchange contracts – outflow	(756.9)	(522.4)	(634.6)	(1,913.9)		
Cross-currency contracts – inflow	146.4	–	–	146.4	(0.1)	2.7
Cross-currency contracts – outflow	(143.6)	–	–	(143.6)		
Interest rate contracts – inflow	16.0	7.4	1.4	24.8	(2.1)	22.7
Interest rate contracts – outflow	–	–	–	–		
Inflation contracts – outflow	–	–	–	–	–	–
	904.4	544.3	94.2	1,542.9	(880.9)	662.0

Section 7: Risk management continued

7.2 Financial risk management continued

7.2.5 Credit risk

The Group's gross exposure to credit risk for financial instruments is limited to the carrying amount of financial assets recognised at the reporting date. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 7.1.

Trade and other receivables are stated gross of the provision for expected credit losses on trade receivables of £42.4 million (2023: £59.4 million) and expected credit losses on accrued income of £9.0 million (2023: £9.4 million). The balance excludes non-financial receivables such as prepayments.

The Group's four reportable segments (Pellet Production, Biomass Generation, Flexible Generation and Energy Solutions) are exposed to different levels and concentrations of credit risk, largely reflecting the number, size and nature of their respective customers.

The Pellet Production segment sells biomass pellets both intra-group and to external parties. Credit risk for the Group relates to the sales made to external parties. The majority of the Pellet Production segment's external sales are with large utility customers in Europe and Asia. The Pellet Production segment manages its credit risk by reviewing individual sales contracts, considering the length of the contract, payment terms, and assessing the credit quality of counterparties prior to signing contracts and throughout the duration of contracts.

For the Biomass Generation and Flexible Generation segments, the risk arises from treasury, trading and energy procurement activities. Wholesale counterparty credit exposures are monitored by individual counterparty and by category of credit rating. Counterparty credit exposures are subject to approved limits. The Group uses master netting agreements to reduce credit risk and net settles payments with counterparties where net settlement provisions exist. In addition, the Group employs a variety of other methods to mitigate credit risk: margining; various forms of parent company guarantee; deeds of charge; cash collateral; letters of credit; and surety bonds. The majority of the Biomass Generation and Flexible Generation segments' credit risk is with counterparties in related energy industries or with financial institutions. In addition, where deemed appropriate, the Group has historically purchased credit default swaps.

The highest credit risk exposure is in the Energy Solutions segment, with a large number of customers of varying sizes operating in a variety of markets. In particular, its small and medium-sized enterprise (SME) customers carry lower concentrations but higher levels of credit risk, owing to a customer base comprised of smaller retail and commercial entities. Credit risk is managed by checking a company's creditworthiness and financial strength both before commencing trade and during the business relationship. Credit risk is monitored and managed by industry sector. Due to the sale of the majority of the Opus Energy non-core SME meter points the Group has reduced its credit risk exposure for the Energy Solutions segment.

Further details on the impact of credit risk on trade and other receivables is disclosed in note 3.5.

The investment of surplus cash is undertaken with the objective of ensuring that there is sufficient liquidity at all times, so that funds are available to meet liabilities as they fall due, whilst securing a return from invested funds and preserving the capital value of those funds within Board-approved policies. These policies manage credit risk exposure by setting out minimum rating requirements and maximum investments with any one counterparty based on their rating and the maturity profile.

The Group had cash and cash equivalents of £356.0 million at 31 December 2024 (2023: £379.5 million). The Group's cash and cash equivalents excluding money market funds (held at FVTPL) are subject to the impairment requirements of IFRS 9. The Group had cash and cash equivalents excluding money market funds of £252.9 million at 31 December 2024 (2023: £208.4 million). The identified impairment loss, based on the 12-month expected credit loss basis, was immaterial. Cash and cash equivalents are held with banks with external credit ratings between AAA and A.

The Group is exposed to credit risk on derivative contracts, to which the impairment requirements of IFRS 9 are not applied as the fair value requirements of IFRS 13 are applicable. Credit risk is a factor in the determination of fair value. The carrying amount of these financial assets, disclosed in note 7.1, represents the Group's maximum credit risk exposure. Some derivative contracts are fully cash collateralised, thereby minimising credit risk. At 31 December 2024, the Group held £9.8 million in cash collateral receipts (2023: £20.3 million) covering certain derivative assets and had posted £4.7 million (2023: £98.9 million) of cash collateral payments covering certain derivative liabilities. The credit rating of counterparties to which the £4.7 million of cash collateral had been posted was A+.

7.2 Financial risk management continued

Counterparty risk

As the Group relies on third-party suppliers and counterparties for the delivery of financial and non-financial items, as is therefore exposed to the risk of non-performance by these third-party suppliers. For financial instruments, such as foreign currency forwards, this risk is limited to the credit risk, as discussed above. The Group is also exposed to counterparty risk on non-financial items, such as the purchases of biomass and capital expenditure. If a large supplier were to fall into financial difficulty and/or fail to deliver against its contract with the Group, there would be additional costs associated with securing the lost goods or services from other suppliers.

The Group enters into purchase and sale contracts for a wide variety of goods and services, for example the sale of power to a number of counterparties. The failure of one or more of these counterparties to perform under their contractual obligations may cause the Group financial distress or increase the risk profile of the Group. The Group has acceptance procedures in place to ensure the counterparties the Group contracts with are appropriate. The Group also has limits in place, and actively monitors its exposures to individual counterparties to minimise this risk.

Capital management

The Group is disciplined in its management of capital to ensure it is able to continue as a going concern; maintain a strong credit rating underpinned by robust financial metrics; invest in its core business; and pay a sustainable and growing dividend whilst maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of shareholders' equity (excluding the hedge and cost of hedging reserves), plus Net debt. Net debt is comprised of borrowings, lease liabilities, cash and cash equivalents attributable to owners of the parent company and is inclusive of the impact of associated hedging instruments as disclosed in note 2.7.

See note 4.2 for details of loan covenants, and the Viability statement starting on page 84 for details of scenario analysis performed on covenant restrictions within the Group's financing facilities.

	As at 31 December	
	2024 £m	2023 £m
Net debt (note 2.7)	**991.7**	1,219.7
Total shareholders' equity attributable to owners of the parent company, excluding hedge and cost of hedging reserves	**2,078.3**	1,744.9

Section 7: Risk management continued

7.3 Hedge reserve

The Group designates certain hedging instruments that are used to address commodity price risk, foreign exchange risk, interest rate risk and inflation rate risk as cash flow hedges. At the inception of the hedge, the relationship between the hedging instrument and hedged item is documented, along with its risk management objectives. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments used in hedging transactions are effective in offsetting changes in cash flows of the hedged items. Changes in the fair value of contracts designated into such hedging relationships are recognised within the hedge reserve to the extent they are effective. Amounts accumulated in the hedge reserve are reclassified in the periods when the hedged item affects profit or loss. If the hedged item results in the recognition of a non-financial asset then the amount accumulated in the hedge reserve is transferred and included within the initial cost of the asset.

The table below details the gains and losses recognised in the current and prior year on hedging instruments, the amounts reclassified from equity due to the hedged item affecting the Consolidated income statement, and the amounts reclassified due to the hedged future cash flows no longer being expected to occur. See section 7.2 for further details on these amounts.

	Hedge reserve					
	Commodity price risk[1] £m	Foreign currency exchange risk[2] £m	Interest rate risk[2] £m	Foreign exchange and Interest rate risk[2] £m	Inflation rate risk £m	Total £m
At 1 January 2023	(192.8)	84.5	26.8	4.1	(74.6)	(152.0)
Gains/(losses) recognised:						
– Change in fair value of hedging instrument recognised in OCI	414.7	(112.9)	(31.5)	(3.6)	(0.2)	266.5
Reclassified from equity as the hedged item has affected profit or loss:						
– Reclassified to the Consolidated income statement – included in cost of sales	600.9	–	–	–	–	600.9
– Reclassified to the Consolidated income statement – included in revenue	(415.9)	–	–	–	16.6	(399.3)
– Reclassified to the Consolidated income statement – included in interest payable and similar charges	–	1.6	16.0	(1.9)	–	15.7
– Reclassified to the Consolidated income statement – included in foreign exchange (losses)/gains	–	27.6	–	1.9	–	29.5
Reclassified from equity as the hedged item is no longer expected to occur:						
– Reclassified from equity – included in revenue	–	–	–	–	9.3	9.3
Transferred from equity and included within the initial cost of a non-financial asset:						
– Transferred to cost of inventories	–	(43.4)	–	–	–	(43.4)
Related deferred tax, net (note 2.6)	(149.9)	31.8	3.8	0.9	(6.4)	(119.8)
At 1 January 2024	**257.0**	**(10.8)**	**15.1**	**1.4**	**(55.3)**	**207.4**
Gains/(losses) recognised:						
– Change in fair value of hedging instrument recognised in OCI	**(15.8)**	**(19.8)**	**(2.3)**	**(7.7)**	**(3.4)**	**(49.0)**
Reclassified from equity as the hedged item has affected profit or loss:						
– Reclassified to the Consolidated income statement – included in cost of sales	**105.1**	**–**	**–**	**–**	**–**	**105.1**
– Reclassified to the Consolidated income statement – included in revenue	**(397.5)**	**–**	**–**	**–**	**24.0**	**(373.5)**
– Reclassified to the Consolidated income statement – included in interest payable and similar charges	**–**	**6.7**	**(12.0)**	**(2.9)**	**–**	**(8.2)**
– Reclassified to the Consolidated income statement – included in foreign exchange (losses)/gains	**–**	**29.1**	**–**	**3.4**	**–**	**32.5**
Reclassified from equity as the hedged item is no longer expected to occur:						
– Reclassified from equity – included in revenue	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Transferred from equity and included within the initial cost of a non-financial asset:						
– Transferred to cost of inventories	**–**	**4.8**	**–**	**–**	**–**	**4.8**
Related deferred tax, net (note 2.6)	**77.1**	**(5.2)**	**3.5**	**1.8**	**(5.4)**	**71.8**
At 31 December 2024	**25.9**	**4.8**	**4.3**	**(4.0)**	**(38.9)**	**(7.9)**

(1) The table above has been re-presented to split the prior year reclassified amounts in commodity price risk column between amounts included in revenue and amounts included within cost of sales.
(2) The above table has been re-presented to include a foreign exchange and interest rate risk column. The amounts included within foreign exchange and interest rate risk relate to the Group's floating-to-fixed cross-currency interest rate swaps that were previously disclosed partially within foreign currency exchange risk and partially within interest rate risk.

7.3 Hedge reserve continued

The expected release profile from equity of post-tax hedging gains and losses is as follows:

	As at 31 December 2024			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity risk	34.7	(9.2)	0.4	25.9
Foreign currency exchange risk	(1.3)	(3.0)	9.1	4.8
Interest rate risk	4.2	0.4	(0.3)	4.3
Foreign currency and interest rate risk	(2.4)	(1.3)	(0.3)	(4.0)
Inflation risk	(15.1)	(10.1)	(13.7)	(38.9)
	20.1	(23.2)	(4.8)	(7.9)

	As at 31 December 2023			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Commodity risk	199.4	56.0	1.6	257.0
Foreign currency exchange risk	(3.3)	(5.4)	(2.1)	(10.8)
Interest rate risk	9.2	5.0	0.9	15.1
Foreign currency and interest rate risk	0.7	0.6	0.1	1.4
Inflation risk	(19.4)	(15.2)	(20.7)	(55.3)
	186.6	41.0	(20.2)	207.4

7.4 Cost of hedging reserve

Where the Group has designated the spot foreign exchange risk as the hedged risk, the Group allocates unrealised gains and losses on the forward rate of hedge accounted foreign currency derivative contracts to a cost of hedging reserve in accordance with IFRS 9.

A large proportion of the derivative contracts held relate to foreign currency exchange contracts, including forward contracts, options and swaps. Consistent with prior periods, for foreign currency exchange contracts hedging the purchase of inventory denominated in foreign currencies to which the Group has applied hedge accounting, the Group has continued to designate the change in the spot rate as the hedged risk in the Group's cash flow hedge relationships. The Group designates the cost of hedging – being the change in fair value associated with forward points including currency basis – to equity. All amounts within the cost of hedging reserve relate to foreign currency exchange risk.

The table below details the cost of hedging gains or losses recognised in the year on hedging instruments and the amounts transferred from equity and included within the initial cost of a non-financial asset:

	Cost of hedging	
	2024 £m	2023 £m
At 1 January	18.7	40.1
Gains/(losses) recognised:		
– Change in fair value of hedging instruments recognised in the Consolidated statement of comprehensive income	6.8	7.5
Transferred from equity and included within the initial cost of a non-financial asset:		
– Transferred to cost of inventories	(22.6)	(36.0)
Related deferred tax, net (note 2.6)	4.0	7.1
At 31 December	6.9	18.7

The expected release profile from equity of post-tax cost of hedging gains and losses is as follows:

	As at 31 December 2024			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Foreign currency exchange risk	5.1	0.7	1.1	6.9

	As at 31 December 2023			
	Within 1 year £m	1–2 years £m	>2 years £m	Total £m
Foreign currency exchange risk	16.6	4.3	(2.2)	18.7

Section 7: Risk management continued

7.5 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the Consolidated balance sheet where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group also has financial assets and liabilities with certain counterparties that are subject to master netting agreements. Some financial assets and liabilities do not meet the criteria for offsetting at the reporting date but are subject to an enforceable master netting agreement that in certain circumstances, such as a bankruptcy, would allow for the amounts to be offset and a single net amount payable or receivable.

The table below shows the impact of financial assets and liabilities that are offset in the Consolidated balance sheet, and it also shows the impact if the carrying amounts that are subject to these master netting agreements were also to be offset in certain circumstances, such as a bankruptcy:

	As at 31 December 2024					
	Gross amounts of financial instruments £m	Gross amounts of financial instruments offset in the balance sheet £m	Net amounts of financial instruments presented in the balance sheet £m	Related financial instruments that are not offset £m	Related cash collateral assets/ (liabilities) that are not offset £m	Net amount £m
Financial assets						
Derivative financial instruments	**328.5**	**(71.2)**	**257.3**	**(166.4)**	**(1.5)**	**89.4**
Trade and other receivables and contract assets	**523.0**	**(52.7)**	**470.3**	**(2.5)**	**–**	**467.8**
Financial liabilities						
Derivative financial instruments	**(404.5)**	**71.2**	**(333.3)**	**156.1**	**–**	**(177.2)**
Trade and other payables and contract liabilities	**(1,341.8)**	**52.7**	**(1,289.1)**	**12.8**	**1.5**	**(1,274.8)**

	As at 31 December 2023					
	Gross amounts of financial instruments £m	Gross amounts of financial instruments offset in the balance sheet £m	Net amounts of financial instruments presented in the balance sheet £m	Related financial instruments that are not offset £m	Related cash collateral assets/ (liabilities) that are not offset £m	Net amount £m
Financial assets						
Derivative financial instruments	888.5	(226.5)	662.0	(220.9)	(20.3)	420.8
Trade and other receivables and contract assets	1,088.5	(111.6)	976.9	(4.9)	(95.9)	876.1
Financial liabilities						
Derivative financial instruments	(764.7)	226.5	(538.2)	215.3	95.9	(227.0)
Trade and other payables and contract liabilities	(1,651.2)	111.6	(1,539.6)	10.5	20.3	(1,508.8)

The above collateral assets and liabilities are recorded in other receivables and other payables respectively. See note 4.3.

7.6 Contingencies

Contingent assets are potential assets that arise from past events whose existence will be confirmed by a future event that is outside of the control of the Group. The amount or timing of any potential receipt is uncertain.

Contingent liabilities are potential obligations that arise from past events whose existence will be confirmed by a future event that is outside of the control of the Group. The amount or timing of any potential outflow is uncertain.

As at 31 December 2024, the Group had no contingent assets or liabilities to be disclosed.

7.7 Commitments

The Group has a number of financial commitments (i.e. a contractual requirement to make a cash payment in the future) that are not recorded in the Consolidated balance sheet as the contract is not yet due for delivery. Such commitments include contracts for the future purchase of biomass and contracts for the construction of assets.

	As at 31 December	
	2024 £m	2023 £m
Contracts placed for future capital expenditure not provided in the Consolidated financial statements – property, plant and equipment	**142.8**	221.6
Future commitments to purchase ROCs	**–**	303.2
Future commitments to purchase biomass under fixed and variable priced contracts	**2,353.3**	3,092.5
Future commitments to purchase fibre under fixed and variable priced contracts	**424.4**	439.7

Commitments for future capital expenditure have decreased due to significant progression in the construction of the OCGTs during 2024. Future commitments to purchase biomass have reduced compared to the prior year as they include long-term contracts, a majority of which match the period out to the end of the existing renewable schemes in March 2027.

The contractual maturities of the future commitments to purchase biomass and fibre are as follows:

	As at 31 December	
	2024 £m	2023 £m
Within one year	**995.2**	916.5
Within one to five years	**1,442.7**	2,134.5
After five years	**339.8**	481.2
	2,777.7	3,532.2

Commitments to purchase biomass reflect long-term forward purchase contracts with a variety of international suppliers, primarily for the delivery of biomass pellets for use in electricity generation at Drax Power Station. To the extent that these contracts relate to the purchase of biomass pellets, they are not reflected elsewhere in the financial statements as they are not within the scope of IFRS 9, and are not, therefore, required to be measured at fair value. See the Critical accounting judgements section in the Basis of preparation for further details on this judgement.

Section 8: Reference information

This section details reference information relevant to the compiling of the Consolidated financial statements and provides general information about the Group (e.g. operations and registered office). This section also sets out the basis of preparation of the accounts and general accounting policies that are not specific to any one note.

8.1 General information

Drax Group plc (the Company) is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and registered in England and Wales. The Company and its subsidiaries (collectively, the Group) have four principal activities:

- Production and subsequent sale of biomass pellets from the Group's processing facilities in North America
- Generation and sale of electricity from biomass assets in the UK
- Generation and sale of electricity from pumped storage, run-of-river hydro and OCGTs assets, and the processing and sale of waste-derived pellets, in the UK
- Supply of electricity to non-domestic customers in the UK

The Group's activities are principally based within the UK, US and Canada.

The address of the Company's registered office and principal establishment is Drax Power Station, Selby, North Yorkshire, YO8 8PH, United Kingdom. A full list of the Company's direct and indirect related undertakings is disclosed in note 5 to the Company's separate financial statements, which follow these Consolidated financial statements.

8.2 Adoption of new and revised accounting standards

The following amendments became effective for the first time in 2024. The Group adopted the following from 1 January 2024:

- IFRS 16 (amended) – Lease Liability in a Sale and Leaseback – effective from 1 January 2024
- IAS 1 (amended) – Classification of Liabilities as Current or Non-current – effective from 1 January 2024
- IAS 1 (amended) – Non-current Liabilities with Covenants – effective from 1 January 2024
- IAS 7 (amended) and IFRS 7 (amended) – Supplier Finance Arrangements – effective from 1 January 2024

The adoption of the amendments to IFRS 16 and IAS 1 in the current period has not had a material impact on these Consolidated financial statements. The Group has supplier finance arrangements (as outlined in note 4.3) and so the adoption of the amendment to IAS 7 and IFRS 7 has resulted in additional disclosures in these Consolidated financial statements. See note 3.7.

At the date of approval of this report, the following new or amended standards and relevant interpretations, which have not been applied in these Consolidated financial statements, were in issue but not yet effective:

- IFRS 10 (amended) – Consolidated Financial Statements – effective date deferred indefinitely(1)
- IAS 28 (amended) – Investments in Associates and Joint Ventures (2011) – effective date deferred indefinitely(1)
- IAS 21 (amended) – Lack of Exchangeability – effective from 1 January 2025
- IFRS 9 (amended) and IFRS 7 (amended) – Amendments to the Classification and Measurement of Financial Instruments – effective from 1 January 2026(1)
- IFRS Accounting Standards – Annual Improvements to IFRS Accounting Standards – Volume 11 – effective from 1 January 2026
- IFRS 9 (amended) and IFRS 7 (amended) – Contracts Referencing Nature-dependent Electricity – effective from 1 January 2026(1)
- IFRS 18 – Presentation and Disclosure in Financial Statements – effective from 1 January 2027(1)
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures – effective from 1 January 2027(1)

(1) Pending endorsement by the UK Endorsement Board (UKEB).

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements, which is expected to be effective for periods commencing on or after 1 January 2027, subject to UK endorsement, with early adoption permitted. The standard will replace IAS 1 Presentation of Financial Statements. Whilst IFRS 18 will not directly impact recognition or measurement, it will impact how amounts are presented, with the principal changes being:

- Categorisation of all income and expenditure into three new defined categories: Operating, Investing and Financing
- Introduction of two new defined subtotals to be presented within the income statement: Operating profit and Profit before financing and income taxes
- New disclosure requirement for Management Performance Measures (MPMs)
- New requirements regarding the aggregation and disaggregation of information to be presented in the financial statements

The Group is considering the impact of applying IFRS 18 in the period prior to adoption.

Adoption of other new or amended standards and relevant interpretations in future periods is not expected to have a material impact on the Consolidated financial statements of the Group. The Group will continue to monitor the developments of these new or amended standards as and when they are endorsed for use in the United Kingdom.

8.3 Related party transactions

A related party is either an individual or entity with control or significant influence over the Group, or a company that is linked to the Group by investment (such as an associated company or joint venture), that the Group has significant influence over. The Group's related parties are primarily its associate and its key management personnel. The amounts below are the total amount of transactions that have been entered into with any related parties in the year.

Houston Pellet Limited Partnership (HPLP)

HPLP is owned 30% by the Group and 70% by non-related third parties. The Group purchases biomass pellets from HPLP. The Group manages and administers the business affairs of HPLP and charges a management fee. These transactions are at negotiated amounts between the Group and the non-related third parties.

The transactions in the period and the balances at the reporting date with the related party are summarised below:

		Transactions in the year ended 31 December 2024				Balances as at 31 December 2024[1]	
		Drax Ownership	Revenue £m	Other income £m	Purchases £m	Payable £m	Receivable £m
Houston Pellet Limited Partnership	HPLP	30%	2.1	0.5	18.7	1.9	2.9

		Transactions in the year ended 31 December 2023				Balances as at 31 December 2023[1]	
		Drax Ownership	Revenue £m	Other income £m	Purchases £m	Payable £m	Receivable £m
Houston Pellet Limited Partnership	HPLP	30%	1.8	1.2	14.6	1.1	1.2

(1) The amounts payable to and receivable from HPLP are unsecured and non-interest bearing.

Remuneration of key management personnel

The remuneration of the Directors and executive management, who are considered to be the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24. Further information about the remuneration of individual Directors, together with the Directors' interests in the share capital of the Company, is provided in the audited section of the Remuneration Committee report on pages 133 to 137.

	Year ended 31 December	
	2024 £000	2023 £000
Short-term employee benefits	7,274	7,104
Termination benefits	388	566
Share-based payments	4,107	4,047
Post-employment benefits	411	414
Total remuneration	**12,180**	12,131

Compensation of the Group's key management personnel includes short-term employee benefits, which includes salaries and other short-term benefits. The compensation also includes contributions to post-employment money purchase pension schemes.

Share-based payments compensation represents the amounts receivable under share-based incentive schemes as disclosed in note 6.2.

The average number of members of the Board and executive management during the year was 16 (2023: 18) and the amounts included in the table above reflect their remuneration.

There were no other transactions with Directors for the periods covered by these Consolidated financial statements.

Section 8: Reference information continued

8.4 Restatements

Net presentation of sleeved electricity trades

The Group enters into electricity sale and purchase contracts for a number of reasons, in the course of its principal activity as a generator and seller of electricity. The majority of these electricity trades are shown on a gross basis, meaning that electricity sales are recognised in revenue and any electricity purchases are recognised in cost of sales. The Group enters certain sleeved electricity trades in order to increase overall market liquidity and increase access to trading counterparties. In such trades the Group acts as an intermediary to enable two other counterparties to trade. The buy and sell trades the Group enters into in these cases are equal and opposite in volume terms.

During the year, the Group has reassessed these trades against the agent and principal requirements of IFRS 15 and concluded that the Group is acting primarily as an agent. As such, these transactions are now presented net within revenue. Previously, these electricity sales were presented within revenue and the electricity purchases were presented within cost of sales.

The Consolidated income statement comparatives for the year ended 31 December 2023 have been restated to reflect this revised application. This restatement is purely a presentational change impacting the revenue and cost of sales lines in the Consolidated income statement, as summarised in the table below. This restatement relates to the Biomass Generation segment. There is no impact from this change on the Group's profit for the period, net assets, shareholders' equity, nor on gross profit or any other Consolidated income statement subtotals. There is no impact on the Consolidated balance sheet, Consolidated statement of comprehensive income, Consolidated statement of changes in equity or the Consolidated cash flow statement.

	Year ended 31 December 2023					
	Adjusted results			Total results		
	Previously reported £m	Restatement £m	Restated £m	Previously reported £m	Restatement £m	Restated £m
Revenue	7,842.4	(392.1)	7,450.3	8,125.3	(392.1)	7,733.2
Cost of sales	(5,884.4)	392.1	(5,492.3)	(5,967.1)	392.1	(5,575.0)

Other comprehensive income presentation

The Group has restated comparatives for the year ended 31 December 2023 in the Consolidated statement of comprehensive income to recognise fair value movements on cash flow hedges, cost of hedging, and the related deferred tax that were previously classified as "items that will not subsequently be reclassified to profit or loss", to "items that may subsequently be reclassified to profit or loss". This is to reflect the fact that, whilst considered unlikely, there are some potential future scenarios that may lead these items to be reclassified to profit or loss. Comparative amounts have also been restated to present the fair value movements on financial assets at fair value through other comprehensive income and the reclassification of these accumulated fair value gains or losses to the Consolidated income statement on derecognition gross. These amounts were previously presented net. These restatements are presentational changes. There is no impact on the Group's Other comprehensive income for the period or Total comprehensive income for the period from this change. There is no impact from this change on the net assets or shareholders' equity, nor any impact on the Consolidated income statement, Consolidated statement of changes in equity or the Consolidated cash flow statement.

Company financial statements

Company balance sheet

	Notes	As at 31 December 2024 £000	2023 £000
Non-current assets			
Investment in subsidiaries	5	**769,445**	755,377
Current assets			
Other receivables		**122**	3
Amounts due from other Group companies	6	**318,738**	37,888
Cash and cash equivalents		**4,852**	649
		323,712	38,540
Current liabilities			
Other payables		**(24)**	–
Amounts due to other Group companies		**(2,161)**	(1,574)
		(2,185)	(1,574)
Net current assets		**321,527**	36,966
Net assets		**1,090,972**	792,343
Shareholders' equity			
Issued equity	7	**49,415**	49,086
Share premium		**443,720**	441,138
Treasury shares		**(314,219)**	(199,660)
Capital redemption reserve		**1,502**	1,502
Retained profits		**910,554**	500,277
Total shareholders' equity		**1,090,972**	792,343

The Company reported a profit for the financial year ended 31 December 2024 of £490.9 million (2023: £151.6 million).

These financial statements were approved and authorised for issue by the Board of Directors on 26 February 2025.

Signed on behalf of the Board of Directors:

Andy Skelton
CFO

Drax Group plc continued

Company statement of changes in equity

	Issued equity £000	Share premium £000	Treasury shares[1] £000	Capital redemption reserve £000	Retained profits £000	Total £000
At 1 January 2023	47,925	433,281	(50,440)	1,502	421,986	854,254
Issue of share capital (note 7)	1,161	7,857	–	–	–	9,018
Profit and other comprehensive income for the year	–	–	–	–	151,647	151,647
Movement in equity associated with share-based payments	–	–	–	–	12,963	12,963
Equity dividends paid (note 8)	–	–	–	–	(86,319)	(86,319)
Repurchase of own shares (note 10)	–	–	(149,220)	–	–	(149,220)
At 1 January 2024	**49,086**	**441,138**	**(199,660)**	**1,502**	**500,277**	**792,343**
Issue of share capital (note 7)	**329**	**2,582**	**–**	**–**	**–**	**2,911**
Profit and other comprehensive income for the year	**–**	**–**	**–**	**–**	**490,901**	**490,901**
Movement in equity associated with share-based payments	**–**	**–**	**865**	**–**	**12,887**	**13,752**
Equity dividends paid (note 8)	**–**	**–**	**–**	**–**	**(93,511)**	**(93,511)**
Repurchase of own shares (note 10)	**–**	**–**	**(115,424)**	**–**	**–**	**(115,424)**
At 31 December 2024	**49,415**	**443,720**	**(314,219)**	**1,502**	**910,554**	**1,090,972**

(1) The 57.8 million (2023: 40.3 million) shares held in this reserve have no voting rights attached to them.

Notes to the Company financial statements

1. Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council (FRC).

The principal activity of the Company is being the ultimate parent company of the Drax Group plc group of companies.

The Company financial statements have been prepared in accordance with FRS 101, Reduced Disclosure Framework.

The Company applied certain new and amended standards for the first time in 2024. The full list of standards adopted is set out in the Consolidated financial statements in note 8.2. These updates and amendments have not had a material impact on the financial statements of the Company.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, share-based payments, capital risk management, standards not yet effective and certain related party transactions. Where required, equivalent disclosures are given in the Consolidated financial statements.

The Company financial statements have been prepared under the historical cost convention and are presented in pounds sterling which is the functional currency of the Company and rounded to the nearest thousand unless stated otherwise. The principal accounting policies adopted are summarised below and have been consistently applied to both years presented.

2. Accounting policies

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where relevant, provision for impairment.

Financial instruments

Issued equity – Ordinary shares are classified as equity as evidenced by their residual interest in the assets of the Company after deducting its liabilities. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The share premium account reflects amounts received in respect of issued share capital that exceeds the nominal value of the shares issued, net of incremental transaction costs and tax, that are directly attributable to the issue of new shares. Movements in the share premium reserve during the year reflect amounts received above the nominal value on the issue of shares under employee share schemes.

Cash and cash equivalents – Cash and cash equivalents comprise cash at bank, short-term bank deposits with a maturity of three months or less, and money market funds. The carrying amount of these assets is approximately equal to their fair value.

Impairment of financial assets

The Company applies the impairment model in IFRS 9 to provide for expected credit losses on its financial assets including amounts due from other Group companies and other financial assets. The provision for impairment on amounts owed by Group companies is measured at an amount equal to the lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. If there has not been a significant increase in credit risk since initial recognition, a 12-month expected credit loss provision is recognised.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on a financial asset as at the reporting date with the risk of default as at the date of initial recognition. The following information is considered when assessing if a significant increase in credit risk has occurred since initial recognition:

- Changes in the external and internal credit ratings for the financial asset or counterparty to the financial asset
- Changes in credit default swap pricing or spreads for the financial asset or counterparty to the financial asset
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to impact the counterparty's ability to meet its contractual payments
- Actual or expected significant changes in the operating results of the counterparty

Regardless of the analysis factors, a significant increase in credit risk is presumed if a contractual payment due in respect of a financial asset is more than 30 days past due.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

There were no critical accounting judgements made in the preparation of the Company's financial statements.

Key sources of estimation uncertainty

There are no areas of significant estimation uncertainty within the Company's financial statements.

Drax Group plc continued

4. Profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the years ended 31 December 2024 and 31 December 2023. The Company's financial statements were approved by the Board on 26 February 2025. The net profit attributable to the Company is £490.9 million (2023: £151.6 million).

The Company received dividend income from its subsidiary undertakings totalling £485.0 million in 2024 (2023: £147.5 million).

The Company has no employees other than the Directors in the current or prior year, whose remuneration was paid by a subsidiary undertaking and a proportion was recharged to the Company.

The auditor's remuneration for audit services provided to the Company for the year ended 31 December 2024 was £10,000 (2023: £28,449).

5. Fixed asset investments

	Year ended 31 December	
	2024 £000	2023 £000
Carrying amount:		
At 1 January	**755,377**	742,016
Capital contribution	**14,068**	13,361
At 31 December	**769,445**	755,377

Investments in subsidiary undertakings

The capital contribution in 2024 and 2023 relates to the share-based payment charges associated with the employee share schemes, which arise because the beneficiaries of the schemes are employed by subsidiary companies. For more information see note 6.2 to the Consolidated financial statements.

Full list of related undertakings

The table below lists the Company's direct and indirect related undertakings as at 31 December 2024:

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
Abbott Debt Recovery Limited***	Dormant	England and Wales	Ordinary	05355799	100
Abergelli Power Limited***	Power generation	England and Wales	Ordinary	08190497	100
Alabama Pellets LLC*	Fuel supply	Delaware, USA	Common	7064679	100
Amite BioEnergy LLC*	Fuel supply	Delaware, USA	Common	5128116	100
Arkansas Bioenergy LLC*	Fuel supply	Delaware, USA	Common	7881707	100
Baton Rouge Transit LLC*	Fuel supply	Delaware, USA	Common	5128759	100
BMM Energy Solutions Limited^***	Energy services	Scotland	Ordinary	SC462201	100
C-Capture Limited	Research and development	England and Wales	Ordinary	06912622	19
Carbon Removals Denmark A/S<	Non-trading company	Denmark	Ordinary	45187942	100
DBI O&M Company LLC*	Non-trading company	Delaware, USA	Common	5305470	100
Demopolis Pellets LLC*	Fuel supply	Delaware, USA	Common	6314280	100
Donnington Energy Limited	Dormant	England and Wales	Ordinary	07109298	100
Drax Asia (Japan) K.K.>	Provision of corporate services	Japan	Common	0100-01-227551	100
Drax BESS Holdco Limited	Dormant	England and Wales	Ordinary	16152612	100
Drax Biomass Acquisitions LLC*	Non-trading company	Delaware, USA	Common	7897331	100
Drax Biomass Holdings Limited***	Holding company	England and Wales	Ordinary	08322715	100
Drax Biomass Holdings LLC*	Dormant	Delaware, USA	Common	5128115	100
Drax Biomass Inc.*	Biomass pellet manufacturing	Delaware, USA	Common	5068290	100
Drax Biomass International Holdings LLC*	Holding company	Delaware, USA	Common	5250168	100
Drax Biomass Transit LLC*	Holding company	Delaware, USA	Common	5128118	100
Drax CCS Limited	Dormant	England and Wales	Ordinary	07885329	100
Drax Corporate Limited	Group-wide corporate services	England and Wales	Ordinary	05562058	100
Drax Cruachan Expansion Limited***	Non-trading company	England and Wales	Ordinary	06657393	100
Drax Energy Solutions Limited	Power retail	England and Wales	Ordinary	05893966	100
Drax Finco plc	Finance company	England and Wales	Ordinary	10664639	100
Drax Fuel Supply Limited***	Non-trading company	England and Wales	Ordinary	05299523	100
Drax Generation Developments Limited***	Development company	England and Wales	Ordinary	07821368	100
Drax Group Holdings Limited	Holding company	England and Wales	Ordinary	09887429	100
Drax Holdings Limited+	Holding company	Cayman Islands	Ordinary	92144	100

5. Fixed asset investments continued

Name and nature of business	Principal activity	Country of incorporation and registration	Type of share	Registered number	Ownership & voting %
Drax Hydro Limited	Holding company	England and Wales	Ordinary	08654218	100
Drax Innovation Limited***	Development company	England and Wales	Ordinary	10664715	100
Drax Netherlands B.V.~	Dormant	Netherlands	Ordinary	81848455	100
Drax Pension Trustees Limited	Dormant	England and Wales	Ordinary	09824989	100
Drax Power Limited	Power generation	England and Wales	Ordinary	04883589	100
Drax Pumped Storage Limited	Power generation	England and Wales	Ordinary	06657336	100
Drax Research and Innovation Holdco Limited***	Holding company	England and Wales	Ordinary	06657454	100
Drax Retail Developments Limited	Dormant	England and Wales	Ordinary	10711130	100
Drax River Hydro Limited	Power generation	England and Wales	Ordinary	05956747	100
Drax Smart Generation Holdco Limited***	Holding company	England and Wales	Ordinary	07821911	100
Drax Smart Sourcing Holdco Limited***	Holding company	England and Wales	Ordinary	07821375	100
Drax Smart Supply Holdco Limited***	Holding company	England and Wales	Ordinary	10664625	100
East Texas Genco I, LLC*	Project development	Delaware, USA	Common	2595041	100
East Texas Genco II, LLC*	Project development	Delaware, USA	Common	4375052	100
Elimini, Inc*	Provision of corporate services	Delaware, USA	Common	7216170	100
Elimini US Development, LLC*	Non-trading company	Delaware, USA	Common	7234532	100
Elimini US Holdings, LLC*	Holding company	Delaware, USA	Common	7234548	100
Farmoor Energy Limited***	Power retail	England and Wales	Ordinary	07111074	100
Haven Heat Limited	Dormant	England and Wales	Ordinary	06657428	100
Haven Power Nominees Limited***	Non-trading company	England and Wales	Ordinary	07352734	100
Hirwaun Power Limited	Power generation	England and Wales	Ordinary	08190283	100
Houston Pellet Inc.**	General partner	Richmond, Canada	Common	BC0730544	33
Houston Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP0428310	30
Jefferson Transit LLC*	Dormant	Delaware, USA	Common	6297176	100
LaSalle Bioenergy LLC*	Fuel supply	Delaware, USA	Common	6297174	100
Lavington Pellet Inc.**	General partner	Richmond, Canada	Common	BC1022038	75
Lavington Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP0649393	75
Longview Bioenergy LLC*	Fuel supply	Delaware, USA	Common	7881704	100
Louisiana Genco I, LLC*	Non-trading company	Delaware, USA	Common	2595050	100
Millbrook Power Limited	Power generation	England and Wales	Ordinary	08920458	100
Morehouse BioEnergy LLC*	Fuel supply	Delaware, USA	Common	5128117	100
Northern Pellet Inc.**	General partner	Richmond, Canada	Common	BC1213828	50
Northern Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Class A and Class C	LP781774	50
Opus Energy (Corporate) Limited	Power retail	England and Wales	Ordinary	05199937	100
Opus Energy Group Limited***	Power retail	England and Wales	Ordinary	04409377	100
Opus Energy Limited	Power retail	England and Wales	Ordinary	04382246	100
Opus Energy Marketing Limited***	Non-trading company	England and Wales	Ordinary	05030694	100
Opus Energy Renewables Limited	Power retail	England and Wales	Ordinary	07126582	100
Opus Gas Limited***	Non-trading company	England and Wales	Ordinary	05680956	100
Opus Gas Supply Limited	Power retail	England and Wales	Ordinary	06874709	100
Opus Water Limited	Dormant	England and Wales	Ordinary	09425319	100
Pinnacle Renewable Energy Inc.**	Fuel supply	Richmond, Canada	Common	BC1300366	100
Pinnacle Renewable Holdings (USA) Inc.*	Holding company	Delaware, USA	Common	7043656	100
Pirranello Energy Supply Limited	Dormant	England and Wales	Ordinary	10769036	100
Progress Power Limited	Power generation	England and Wales	Ordinary	08421833	100
Smithers Pellet Inc.**	General partner	Richmond, Canada	Common	BC1135983	70
Smithers Pellet Limited Partnership**	Fuel supply	Richmond, Canada	Units	LP730047	70
SMW Limited^	Fuel supply	Scotland	Ordinary	SC165988	100
Sunflower Energy Supply Limited	Dormant	England and Wales	Ordinary	09735929	100
Tyler Bioenergy LLC*	Dormant	Delaware, USA	Common	6297175	100

Drax Group plc continued

5. Fixed asset investments continued

Registered office

Incorporated in England and Wales

The registered address of all the companies incorporated in England and Wales is Drax Power Station, Selby, North Yorkshire, YO8 8PH. The exception to this is C-Capture Limited, which is registered at Windsor House, Cornwall Road, Harrogate, HG1 2PW.

***Incorporated in the USA**

The registered address of all related undertakings incorporated in the USA is CSC, 251 Little Falls Drive, Wilmington, DE 19808-1674.

****Incorporated in Canada**

The registered address of all related undertakings incorporated in Canada is 2800 Park Place, 666 Burrard Street, Vancouver, BC V6C 2Z7.

^Incorporated in Scotland

The registered address of all related undertakings incorporated in Scotland is 13 Queen's Road, Aberdeen, Scotland, AB15 4YL.

+Registered in Cayman Islands

The registered address of Drax Holdings Limited is C/O Intertrust Corporate Services (Cayman) Limited, One Nexus Way, Camana Bay, George Town, Grand Cayman KY1 9005, Cayman Islands.

~Registered in Netherlands

The address of Drax Netherlands B.V. registered in Netherlands is Barbara Strozzilaan 101, Amsterdam, 1083HN.

>Registered in Japan

The address of Drax Asia (Japan) K.K. registered in Japan is Level 21, Marunouchi Nijubashi Building, 3-2-3 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-0005.

<Registered in Denmark

The address of Carbon Removals Denmark A/S registered in Denmark is C/O DLA Piper Law Firm P/S, Oslo Plads 2, DK-2100 København Ø, Denmark.

*****Exempt from audit**

These subsidiaries have taken advantage of the exemption from audit available under section 479A of the Companies Act 2006 for the 2024 statutory accounts. These companies are all incorporated in the UK.

Abbott Debt Recovery Limited and Opus Energy Marketing Limited have 30 December 2024 year ends. All other related undertakings have 31 December 2024 year ends.

The Group consolidates all of the related undertakings disclosed above apart from:

- C-Capture Limited which is equity accounted
- Northern Pellet Inc. and Northern Pellet Limited Partnership which are accounted for as joint operations
- Houston Pellet Inc. and Houston Pellet Limited Partnership which are equity accounted

6. Amounts due from other Group companies

The amounts due from other Group companies include short-term trading balances which are unsecured, interest free and settled under normal payment terms. Amounts due from other Group companies also includes other funds advanced by the Company and cash pool arrangements which accrue interest at a commercial rate. Cash pool balances are repayable on demand and interest is settled quarterly. Other funds advanced by the Company are settled according to the terms of the agreement or, if shorter, the date demanded by the Company as the lender. If interest is not paid on the due date it is rolled over and capitalised.

The expected credit loss provision calculated on amounts due from other Group companies was negligible in the current and prior year due to the high credit quality of the counterparties and short time until expected receipt. As a result, no provision has been recognised.

7. Issued equity

	As at 31 December	
	2024 £000	2023 £000
Issued and fully paid:		
427,770,766 (2023: 424,923,406) ordinary shares of $11\frac{16}{29}$ pence each	**49,415**	49,086

The movement in allotted and fully paid share capital of the Company during the year was as follows:

	Year ended 31 December	
	2024 (number)	2023 (number)
At 1 January	**424,923,406**	414,872,491
Issued under employee share schemes	**2,847,360**	10,050,915
At 31 December	**427,770,766**	424,923,406

The Company has only one class of shares, which are ordinary shares of $11\frac{16}{29}$ pence each, carrying no right to fixed income. No shareholders have waived their rights to dividends. During the year 794,782 shares were issued at a weighted average exercise price of 336 pence per share in respect of options vesting on employee share purchase schemes and 2,052,578 shares were issued in respect of share options vesting on share awards with no exercise price.

The total cash received, split between the nominal value of issued equity and share premium, is shown in the Company statement of changes in equity on page 268.

Full details of share options outstanding are included in note 6.2 to the Consolidated financial statements.

8. Dividends

		Year ended 31 December	
	Pence per share	2024 £m	2023 £m
Amounts recognised as distributions to equity holders in the year (based on the number of ordinary shares outstanding at the record date):			
Interim dividend for the year ended 31 December 2024 paid on 25 October 2024	**10.4**	**39.8**	–
Final dividend for the year ended 31 December 2023 paid on 17 May 2024	**13.9**	**53.7**	–
Interim dividend for the year ended 31 December 2023 paid on 6 October 2023	9.2	**–**	35.7
Final dividend for the year ended 31 December 2022 paid on 19 May 2023	12.6	**–**	50.6
Total distributions		**93.5**	86.3

At the forthcoming Annual General Meeting the Board will recommend to shareholders that a resolution is passed to approve payment of a final dividend for the year ended 31 December 2024 of 15.6 pence per share (equivalent to approximately £57 million) payable on 16 May 2025. The final dividend has not been included as a liability as at 31 December 2024.

9. Distributable reserves

The Company considers its distributable reserves to be comprised of the retained profits, less credits to equity in respect of share schemes, less treasury shares. Accordingly, the Company considers itself to have sufficient distributable profits from which to pay the current proposed final dividend for 2024 of approximately £57 million. In addition to its own reserves, the Company has access to the distributable reserves of its subsidiary undertakings with which future dividend payments can be funded.

The Company is dependent upon its subsidiaries for the provision of cash with which to make dividend payments. The Group has sufficient cash resources with which to meet the proposed dividend (see note 4.1 to the Consolidated financial statements for additional information).

10. Share buyback programme

On 26 July 2024, the Company announced a £300 million share buyback programme. A first tranche of £75 million commenced on 7 August 2024. On 22 October 2024 it was announced that a further £75 million tranche would commence immediately following the completion of the first tranche.

The shares repurchased up to 31 December 2024 were acquired at an average price of 645.6 pence per share, with prices ranging from 618.8 pence to 673.9 pence. In total the Company repurchased 17.8 million ordinary shares during 2024 at a total net cost of £115.4 million. As at 26 February 2025, 23.2 million shares have been repurchased at a total net cost of £150.1 million.

During 2023 the Company undertook a £150 million share buyback programme. The shares were acquired at an average price of 567.5 pence per share, with prices ranging from 521.6 pence to 637.7 pence. In total the Company repurchased 26.5 million ordinary shares at a total net cost of £149.2 million.

Shares purchased under these share buyback programmes are held in a separate treasury shares reserve awaiting reissue or cancellation and have no voting rights attached to them. See the Company statement of changes in equity for a reconciliation of the movement in the treasury shares reserve.

11. Guarantees

The Company has provided guarantees over the liabilities of its subsidiaries that have taken advantage of the audit exemption available in section 479A of the Companies Act 2006. The list of subsidiaries who have taken this exemption can be found in note 5.

The possibility of an economic outflow in relation to the above guarantees is considered remote.

Shareholder information

Key dates for 2025

At the date of publication of this document, the following are the proposed key dates in the 2025 financial calendar:

Ordinary shares marked ex-dividend	24 April
Record date for entitlement to the final dividend	25 April
Annual General Meeting	1 May
Payment of final dividend	16 May
Financial half-year end	30 June
Announcement of half-year results	31 July
Financial year end	31 December

Other significant dates, or amendments to the proposed dates above, will be posted on the Group's website drax.com as and when they become available.

Results announcements

Results announcements are issued to the London Stock Exchange and are available on its news service. Shortly afterwards, they are available under Regulatory News within the Investors section on the Group's website.

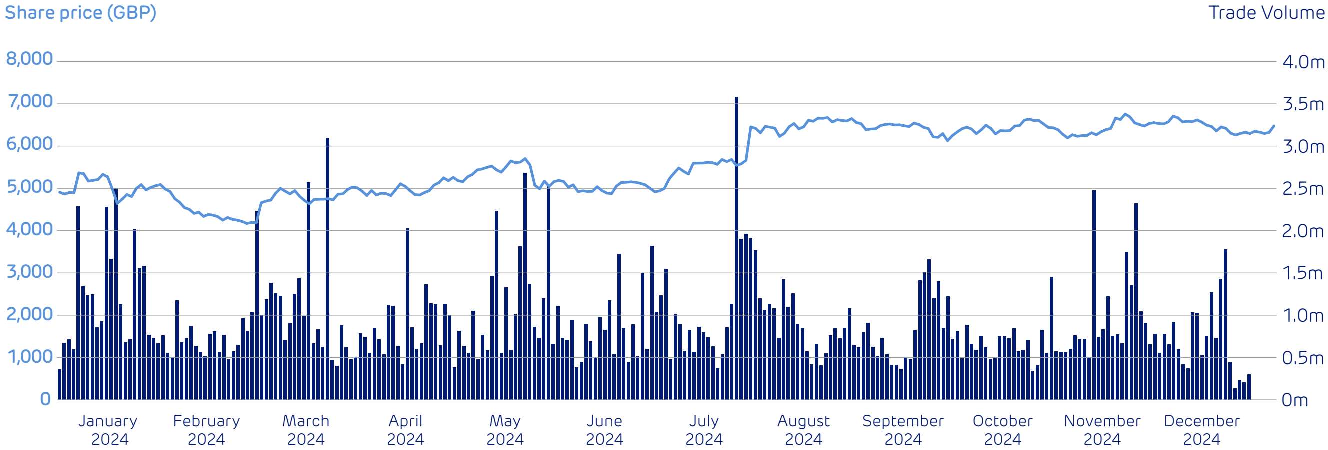
Share price

Shareholders can access the current share price of Drax Group plc ordinary shares on the Company's website. During London Stock Exchange trading hours the price shown on the website is subject to a delay of approximately 15 minutes and outside trading hours it is the last available price.

The table below provides an indication of the fluctuations in the Drax Group plc share price during the course of 2024, and the graph provides an indication of the trend of the share price throughout the year.

Closing price on 31 December 2023	Low during the year 26 February 2024	High during the year 14 November 2024	Closing price on 31 December 2024
489.7 pence	417.1 pence	675.8 pence	647.8 pence

Share price chart



Note:
The share prices given are the middle market closing prices as derived from the London Stock Exchange Daily Official List.

Market capitalisation

The market capitalisation, based on the number of shares outstanding and the closing price at 31 December 2024, was approximately £2,396 million (2023: £2,081 million).

Financial reports

Copies of all financial reports published by the Group are available from the date of publication and can be downloaded from the Company's website. Printed copies of reports can be requested by writing to the Company Secretary at the registered office, by clicking on Contact Us on the website, or direct by e-mail to Drax.Enq@drax.com.

Drax shareholder queries

The Company's share register is maintained by Equiniti Limited (Equiniti), who are primarily responsible for updating the share register and for dividend payments.

Shareholders should contact Equiniti directly if they have a query relating to their Drax shareholding, in particular queries regarding:

- transfer of shares;
- change of name or address;
- lost share certificates;
- lost or out-of-date dividend cheques;
- payment of dividends direct to a bank or building society account; and
- death of a registered shareholder.

Equiniti can be contacted as follows:

- Call Equiniti on +44 (0)371 384 2030 from within the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday, (excluding Bank Holidays)
- Write to Equiniti at Equiniti Limited, Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH.

When contacting Equiniti by telephone or in writing it is advisable to have your shareholder reference to hand and quote Drax Group plc, as well as the name and address in which the shares are held.

Online communications

Registering for online communications allows you to have more control over the administration of your shareholding. The registration process is easy via Equiniti's secure website shareview.co.uk.

Once registered with Shareview you are able to:

- elect how Drax communicates with you;
- amend some of your personal details;
- amend the way you receive dividends; and
- buy or sell shares online.

Registering for electronic communications does not mean that you can no longer receive paper copies of documents. Equiniti are able to offer a range of services and tailor the communications to meet your needs.

A range of frequently asked shareholder questions can also be found on the Company's website at drax.com/investors/investor-resources/equity-investors-faq/.

Tax on dividends

Below is a brief summary of the guidance provided by HMRC as it relates to the current tax year. If you are in any doubt as to the impact on your personal circumstances, you are recommended to seek your own financial advice from a professional adviser authorised under the Financial Services and Markets Act 2000.

There is a tax-free Dividend Allowance of £500 per annum in the 2024–2025 tax year (2023–2024: £1,000) This means that there is no tax to pay on the first £500 of dividend income, no matter what non-dividend income a shareholder may have. Dividends paid on shares held within pensions and ISAs are tax-free.

Non-taxpayers and basic rate taxpayers who receive dividend income of more than £500 but less than £10,000 are required to notify HMRC that they have this source of income.

Non-taxpayers and basic rate taxpayers who receive dividend income of more than £10,000 are required to file a self-assessment return with HMRC.

The above requirements apply to Share Incentive Plan participants receiving cash dividends on their plan shares.

Further information and updates on tax on dividends can be found at gov.uk/tax-on-dividends.

Beneficial owners and information rights

If your shares are registered in the name of a third party (i.e. an ISA provider or other nominee company) you may, if you wish, receive information rights under Section 146 of the Companies Act 2006. In order for this to happen, you must contact the third-party registered holder, who will then nominate you. All communications by beneficial owners of shares where the shares are held by third-party registered holders must be directed to that registered holder and not to Drax or Equiniti.

ShareGift

ShareGift (registered charity No. 1052686) is an independent charity which provides a free service for shareholders wishing to dispose charitably of small parcels of shares, which would most likely cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is possible to obtain income tax relief. Further information can be obtained directly from the charity at sharegift.org.

Shareholder information continued

Share frauds (boiler room scams)

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence offering to purchase their shares at apparently inflated prices. It is often the case that the caller, or message in the correspondence, claims that they represent a majority shareholder who is looking to take over the Company. At the time of this report, the Company was not the subject of a take-over attempt, hostile or otherwise, and approaches such as those outlined are usually made by unauthorised companies and individuals. Shareholders should be very wary of any unsolicited advice, offers to buy shares at a premium or offers of free reports into the Company. Below is the advice from the Financial Conduct Authority (FCA).

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud:

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register from fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
- Use the firm's contact details listed on the Register if you want to call them back.
- Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
- Search the list of unauthorised firms to avoid at fca.org.uk/scams.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent financial and professional advice before you hand over any money.

Remember, if it sounds too good to be true, it probably is!

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at fca.org.uk/scams, where you can find out more about investment scams.

You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Alternative performance measures (APMs) glossary table

The alternative performance measures (APMs) described below are used throughout the Annual report and accounts and are measures that are not defined within IFRS but provide additional information about financial performance and position that is used by the Board to evaluate the Group's trading performance. These APMs have been defined internally and may therefore not be comparable to APMs presented by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself a measure defined under IFRS. Such measures should not be viewed in isolation or as an alternative to the equivalent IFRS measure.

APM	Closest IFRS equivalent measure	Purpose	Definition
Adjusted results	Total results	The Group's Adjusted results are consistent with the way the Board and executive management assess the performance of the Group. Adjusted results are intended to reflect the underlying trading performance of the Group's businesses and are presented to assist users of the Consolidated financial statements in evaluating the Group's trading performance and performance against strategic objectives on a consistent basis. Adjusted results excludes exceptional items and certain remeasurements. Exceptional items are those transactions that, by their nature, do not reflect the trading performance of the Group in the period. Certain remeasurements comprise fair value gains and losses that do not qualify for hedge accounting (or hedge accounting is not effective). The Group regards all of its forward contracting activity to represent economic hedges and therefore by excluding the volatility caused by recognising fair value gains and losses prior to maturity of the contracts, the Group can reflect these contracts at the contracted prices on maturity, reflecting the intended purpose of entering these contracts and the Group's underlying performance. Adjusted results are the metrics used in the calculation of Adjusted basic EPS and Adjusted diluted EPS.	Total results measured in accordance with IFRS excluding the impact of exceptional items and certain remeasurements. Exceptional items and certain remeasurements are defined in note 2.7.
Adjusted EBITDA	Operating profit[1]	Adjusted EBITDA is the primary measure used by the Board and executive management to assess the financial performance of the Group as it provides a more comparable assessment of the Group's year-on-year trading performance. It is also a key metric used by the investor community to assess the performance of the Group's operations.	Earnings before interest, tax, depreciation, amortisation, other gains and losses and impairment of non-current assets, excluding the impact of exceptional items and certain remeasurements (defined in note 2.7). Adjusted EBITDA excludes any earnings from associates or attributable to non-controlling interests.
Adjusted basic EPS	Basic EPS	Adjusted basic EPS represents the amount of Adjusted earnings (Adjusted post-tax earnings) attributable to each ordinary share.	Adjusted basic EPS is calculated by dividing the Group's Adjusted earnings attributable to owners of the parent company (Adjusted profit after tax) by the weighted average number of ordinary shares outstanding during the period.
Adjusted diluted EPS	Diluted EPS	Adjusted diluted EPS demonstrates the impact upon the Adjusted basic EPS if all outstanding share options, that are expected to vest on their future maturity dates and where the shares are considered to be dilutive, were exercised and treated as ordinary shares as at the reporting date.	Adjusted diluted EPS is calculated by dividing the Group's Adjusted earnings attributable to owners of the parent company (Adjusted profit after tax) by the weighted average number of ordinary shares outstanding during the period and dilutive potential ordinary shares outstanding under share plans during the period.

Alternative performance measures (APMs) glossary table continued

APM	Closest IFRS equivalent measure	Purpose	Definition
Borrowings	n/a(2)	Borrowings provides information relating to the Group's use of debt. It is a key measure of leverage and provides information on the sources of liquidity for the Group.	Borrowings includes external financial debt, such as loan notes, term loans and amounts drawn in cash under revolving credit facilities (RCFs) (see note 4.2). Borrowings does not include other financial liabilities such as pension obligations (see note 6.3), trade and other payables (see note 3.7) and working capital facilities linked directly to specific payables (such as credit cards and deferred letters of credit) that provide a short extension of payment terms of less than 12 months (see note 4.3).
Net debt(3)	Borrowings and lease liabilities less cash and cash equivalents	Net debt is a key measure of the Group's liquidity and its ability to manage its financial obligations. Net debt is used as a basis by debt rating agencies to assess credit risk, and in the calculation of the Group's financial covenant requirements. The impact of hedging instruments included within Net debt shows the economic substance of the Net debt position, in terms of actual expected future cash flows to settle that debt.	Borrowings (as defined above) including the impact of hedging instruments, and lease liabilities calculated in accordance with IFRS 16 less cash and cash equivalents. Net debt excludes the proportion of cash, lease liabilities and borrowings in non-wholly owned entities that would be attributable to the non-controlling interests. Net debt includes the impact of foreign currency hedging instruments, meaning that any borrowings that have associated hedging instruments in place are adjusted to reflect those borrowings at the hedged rate. Net debt includes the impact of any cash collateral receipts from counterparties or cash collateral posted to counterparties.
Net debt to Adjusted EBITDA	Borrowings and lease liabilities less cash and cash equivalents divided by operating profit(1)	The Net debt to Adjusted EBITDA ratio is a debt ratio that gives an indication of how many years it would take the Group to pay back its debt if Net debt and Adjusted EBITDA are held constant. The Group has a long-term target for Net debt to Adjusted EBITDA of around 2.0 times.	Net debt divided by Adjusted EBITDA expressed as a multiple.
Cash and committed facilities	Cash and cash equivalents	This is a key measure of the Group's available liquidity and the Group's ability to manage its current obligations. It shows the value of cash available to the Group in a short period of time.	Total cash and cash equivalents plus the value of the Group's committed but undrawn facilities (including the Group's RCF, loan facilities and the Energy Solutions non-recourse trade receivables monetisation facility).
Capital expenditure	Property, plant and equipment (PPE) additions and intangible asset additions	Used to show the Group's total spend on PPE and intangible assets in a year.	PPE additions plus intangible asset additions.

(1) Operating profit is presented in the Group's Consolidated income statement; however, it is not defined per IFRS. It is a generally accepted measure of profit.
(2) Borrowings are presented in the Group's Consolidated balance sheet; they are a commonly used balance sheet line item heading; however, borrowings are not defined by IFRS, therefore the Group's borrowings may not be comparable to borrowings presented by other companies.
(3) During 2024, the Group updated its definition of Net debt to include lease liabilities, see note 2.7 for more information.

Glossary

Ancillary services
Services provided to National Grid used for balancing supply and demand or maintaining secure electricity supplies within acceptable limits. They are described in Connection Condition 8 of the Grid Code.

Availability
Average percentage of time the units were available for generation.

BECCS
Bioenergy with carbon capture and storage, with carbon resulting from power generation captured and stored.

Biogenic carbon cycle
Biogenic refers to something that is produced by, or originates from, a living organism. The biogenic carbon cycle is the natural process of plants and animals releasing CO_2 into the atmosphere through respiration and decomposition, and plants absorbing CO_2 via photosynthesis.

Biomass
Organic material of non-fossil origin, including organic waste, that can be converted into bioenergy through combustion. The Group uses sawmill and other wood industry residues and forest residuals (which includes low-grade roundwood, thinnings, branches and tops) in the form of compressed wood pellets, to generate electricity at Drax Power Station or sell the pellets to third parties.

Capacity Market
Part of the UK Government's Electricity Market Reform, the Capacity Market is intended to ensure security of electricity supply by providing a payment for reliable sources of capacity.

Carbon capture and storage (CCS)
The process of trapping or collecting carbon emissions from a large-scale source and then permanently storing them.

CCC
The UK's Climate Change Committee.

CDR
Carbon dioxide removal.

Contracts for Difference (CfD)
A mechanism to support investment in low-carbon electricity generation. The CfD works by stabilising revenues for generators at a fixed price level known as the "strike price". Generators will receive revenue from selling their electricity into the market as usual; however, when the market reference price is below the strike price, they also receive a top-up payment for the additional amount. Conversely, if the reference price is above the strike price, the generator must pay back the difference.

Combined Cycle Gas Turbines (CCGT)
A form of highly efficient energy generation technology that combines a gas-fired turbine with a steam turbine.

Department for Energy Security and Net Zero (DESNZ)
The UK Government Department that provides dedicated leadership focused on delivering security of energy supply, ensuring properly functioning markets, greater energy efficiency and seizing the opportunities of net zero to lead the world in new green industries.

Dispatchable power
An electricity generator produces dispatchable power when the power can be ramped up and down, or switched on or off, at short notice to provide (or dispatch) a flexible response to changes in electricity demand. Biomass, pumped storage, coal, oil, and gas electricity generation can meet these criteria and hence can be dispatchable power sources. Nuclear can be dispatched against an agreed schedule but is not flexible. Wind and solar electricity cannot be scheduled and hence are not dispatchable. An electricity system requires sufficient dispatchable power to operate and remain safe.

EBDS
The UK Government's Energy Bills Discount Scheme.

EBRS
The UK Government's Energy Bill Relief Scheme.

ENGO
Environmental NGO.

ESG
Environmental, Social and Governance.

First Nations
Any of the groups of indigenous peoples in Canada.

Forced outage/Unplanned outage
Any reduction in plant availability, excluding planned outages.

FSC®
Forest Stewardship Council: an international NGO which promotes responsible management of the world's forests.

Frequency response
The automatic change in generation output, or in demand, to maintain a system frequency of 50Hz.

GHG
Greenhouse gas.

Grid charges
Includes transmission network use of system charges (TNUoS), balancing services use of system charges (BSUoS) and distribution use of system charges (DUoS).

IAB
Independent Advisory Board, comprising scientists, academics, and forestry experts who provide independent challenge, insight and advice into the Group's activities.

IFRS
International Financial Reporting Standards.

Lost Time Incident Rate (LTIR)
The frequency rate is calculated on the following basis: (fatalities and lost time injuries)/hours worked x 100,000. Lost time injuries are defined as occurrences where the injured party is absent from work for more than 24 hours.

NGO
Non-governmental organisation.

Near Miss and Hazard Identification Rate (NMHIR)
NMHIR is the total number of near miss and hazard identification reports logged per 100,000 hours worked.

Open Cycle Gas Turbine (OCGT)
A free-standing gas turbine, using compressed air, to generate electricity.

Planned outage
A period during which scheduled maintenance is executed according to the plan set at the outset of the year.

PEFC
Programme for the Endorsement of Forest Certification: an independent, non-profit, non-governmental organisation that promotes sustainable forest management through independent third-party certification.

Pulp wood
A low value and bulky product, generally produced from the top of trees or from production thinnings, with the principal use of making wood pulp for paper production.

Glossary continued

REGO
The Renewable Energy Guarantees of Origin (REGO) scheme provides certificates called REGOs which demonstrate electricity has been generated from renewable sources.

Reserve
Generation or demand available to be dispatched by the System Operator to correct a generation/demand imbalance, normally at two or more minutes' notice.

ROC
A Renewables Obligation Certificate (ROC) is a certificate issued to an accredited generator for electricity generated from eligible renewable sources.

Sawlog
A felled tree trunk suitable for being processed at a sawmill for cutting up into lumber.

SBP
Sustainable Biomass Program: a certification system designed for woody biomass used in industrial energy production.

Summer
The calendar months April to September.

Sustainable biomass
Biomass which complies with the definition of "sustainable source", Schedule 3, Land Criteria, UK Renewables Obligation Order 2015.

System operator
National Grid Electricity Transmission. Responsible for the co-ordination of electricity flows onto and over the transmission system, balancing generation supply and user demand.

TCFD
Task Force on Climate-related Financial Disclosures.

Thinning
Thinning operations correct overcrowding, and improve the health and vigour of those trees which remain. Thinning targets small, malformed, and diseased trees for removal, allowing the healthier trees the space, light, and soil to reach maturity sooner. Thinning also mitigates the risk of pest infestation and wildfire, while speeding the development of a more mature forest with increased plant diversity.

TNFD
Taskforce on Nature-related Financial Disclosures.

Total Recordable Incident Rate (TRIR)
The frequency rate is calculated on the following basis: (fatalities, lost time injuries and worse than first aid injuries)/hours worked x 100,000.

Total results
Financial performance measures prefixed with "Total" are calculated in accordance with IFRS.

Total shareholder return (TSR)
A measure of the performance of a company's shares over time. It combines the rise or fall of the share price and dividends paid to shareholders to show the total return to shareholders over a particular period.

UK ETS
The UK Emissions Trading Scheme is a mechanism introduced across the UK to reduce carbon emissions; the scheme is capable of being extended to cover all greenhouse gas emissions.

Winter
The calendar months October to March.

Company information

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Drax Power Station, Selby,
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T +44 (0)1757 618381
drax.com

Registration details

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Company Number: 5562053

Group Company Secretary

Brett Gladden

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Cautionary note regarding forward-looking statements
This Annual Report and Accounts may contain certain statements, expectations, statistics, projections and other information that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans, beliefs, and objectives for the management of future operations of Drax Group plc ("Drax") and its subsidiaries (the "Group"), are not warranted or guaranteed. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Although Drax believes that the statements, expectations, statistics and projections and other information reflected in such statements are reasonable, they reflect the Company's current view and no assurance can be given that they will prove to be correct. Such events and statements involve risks and uncertainties. Actual results and outcomes may differ materially from those expressed or implied by those forward-looking statements.

There are a number of factors, many of which are beyond the control of the Group, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These include, but are not limited to, factors such as: delays in the process for finalising the proposed Low-carbon, Dispatchable CfD agreement with the UK Government; future revenues or earnings being lower than expected; increasing competitive pressures in the industry; uncertainty as to future investment and support achieved in enabling the realisation of strategic aims and objectives; and/or general economic conditions or conditions affecting the relevant industry, both domestically and internationally, being less favourable than expected, including the impact of prevailing economic and political uncertainty, the impact of conflict including those in the Middle East and Ukraine, the impact of cyber attacks on IT and systems infrastructure (whether operated directly by Drax or through third parties), the impact of strikes, the impact of adverse weather conditions or events such as wildfires, changes to the regulatory and compliance environment within which the Group operates, changes in policy and commitment by governments to addressing the impacts of climate change. We do not intend to publicly update or revise these projections or other forward-looking statements to reflect events or circumstances after the date hereof, and we do not assume any responsibility for doing so.

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Drax Group plc Annual report and accounts 2024