

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

Likely consequences of any decisions in the long-term

To discharge their Section 172 duties, the Company's Directors had regard to the factors set out above in making the principal decisions taken by the Company.

The Board fulfils its duties to act in good faith to promote the success of the Company through its implementation of its Strategic Plan. The Board has defined the vision of the Company as 'Clean Affordable Energy for All' with its mission to create a world class enduring enterprise to design and deploy a global fleet of standardised and investible nuclear power stations.

The Board ensures that priorities and initiatives feed directly into one or more of the following fundamental strategic goals – design the power station; grow the business; build the power station, deliver a fleet. The Board review and consider the various stakeholders when arriving at recommended business decisions consistent with the strategy.

During the year, the Directors considered the Company's strategic direction. This in turn, creates the long-term value for shareholders, recognising that the longer-term success of the business depends on the effects of the SMR business activities on a wider society. In a year marked by external shocks, both geopolitical and macro-economic, the Board discussions focused on order readiness and supply chain strategies. Examples of Board decisions during 2022 include:

- review of the Company's operational structure to ensure the organisational model remains fit for the future;
- appointment of key executives to support the business strategy;
- approval of key policies to support the GDA regulatory process; and
- approval of key contracts to support the design priorities.

The interests of the Company's employees

The Directors recognise that the success of the business depends on attracting, retaining and motivating talented people. The Directors consider and assess the implications of decisions on our people, where relevant and feasible. The Directors seek to ensure that the Company remains a responsible employer, including with respect to pay and benefits, health and safety issues and the workplace environment.

Our workforce is our most valuable asset. The Company invests in training and coaching. The personal development of our employees is a key pillar of the Company's strategy.





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Examples of the Board's engagement with employees during 2022 include:

- requesting that all employees participate in an online Culture survey in order to help in the assessment of employees' concerns and aspirations;
- reviewing feedback from the regular townhalls held with all employees; and
- reviewing salary scales and benefit provisions, to ensure that there was an agreed framework for reward and recognition for all employees.

The need to foster the Company's business relationships with suppliers, customers and others.

Delivering our strategy requires a strong, mutual and beneficial relationship with suppliers, customers, governments and joint venture partners. The Directors receive updates on engagement at Board meetings.

In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.

Examples of the Board's engagement with stakeholders during 2022 include:

- receiving regular updates and feedback from customer opportunities to assist in decision making regarding customer focussed initiatives and priorities; and
- supporting executives with Government led discussions.

The impact of the Company's operations on the community and the environment

As part of the Rolls-Royce Group, the Company has sustainability and environmental goals firmly embedded in the Company's culture and strategy. The Board recognises the relevance of leading the Company in such a way that it contributes to wider society. A key focus for the Directors during the year, was the impact of the economic climate.

During 2022 the Board:

- considered benefit initiatives, including one-off payments to employees in light of the economic climate and additional annual leave to align leave entitlement for all.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Board reviewed and approved the ethics and compliance frameworks. This, in conjunction with the Board monitoring compliance with governance standards, helps to ensure that Board-level decisions and decisions of the executive team promote high standards of business conduct. Our Code of Conduct ensure high standards are approved and communicated throughout the Company.

The need to act fairly between members of the Company.

After weighing up all relevant factors, the Directors consider which action best enables delivery of the Company strategy through the long-term, taking into consideration the effect on the Company's stakeholders.

