

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you are recommended to seek your own financial advice from your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your holding of ordinary shares in Drax Group plc please forward this document and the accompanying documents (but not the personalised Form of Proxy or Form of Direction), as soon as possible, to the purchaser or the transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



## DRAX GROUP PLC NOTICE OF THE ANNUAL GENERAL MEETING (AGM)

TO BE HELD AT 11.30AM ON WEDNESDAY 22 APRIL 2020  
AT GROCERS' HALL, PRINCES STREET, LONDON EC2R 8AD

For shareholders, a Form of Proxy is enclosed with this document. Whether or not you propose to attend the AGM, you are requested to complete and submit a Form of Proxy to the Company's Registrars, Equiniti Limited, Proxy Department, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.30am on Monday 20 April 2020.

If you hold shares in CREST you may appoint a proxy by completing and transmitting a CREST proxy instruction to Equiniti Limited (CREST participant ID RA19) so that it is received by no later than 11.30am on Monday 20 April 2020.

The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

For Share Incentive Plan (SIP) participants, a Form of Direction is enclosed with this document and should be sent to the Trustee, Equiniti Share Plan Trustees Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA to arrive by no later than 11.30am on Friday 17 April 2020. As a participant in the SIP you are unable to attend the meeting unless you hold shares registered in your own name.

# Contents and expected timetable of principal events 2020

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## Expected timetable of principal events 2020

Latest time for receipt of Forms of Direction from SIP participants to be valid at the AGM	11.30am on 17 April
Latest time for receipt of Forms of Proxy and CREST proxy instructions to be valid at the AGM	11.30am on 20 April
AGM	11.30am on 22 April
Ordinary shares marked ex-final dividend	23 April
Record date for entitlement to the final dividend	24 April
Dispatch of the final dividend warrants and tax vouchers	14 May
Payment date for the final dividend	15 May

# Part A

## Letter from the Chair

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Registered Office:  
Drax Power Station  
Selby  
North Yorkshire  
YO8 8PH  
Registered in England and Wales  
Number 5562053

### Directors

Philip Cox CBE (Chair)  
Will Gardiner (Group CEO)  
John Baxter CBE  
Nicola Hodson  
Andy Koss  
David Nussbaum  
Vanessa Simms  
Andy Skelton

6 March 2020

Dear Shareholder,

### Annual General Meeting (AGM)

I am pleased to enclose the Notice of the AGM of Drax Group plc (the Company or Drax), which will be held at 11.30am on Wednesday 22 April 2020 at Grocers' Hall, Princes Street, London EC2R 8AD. The Notice of the AGM is set out in Part B on pages 3 and 4.

Your vote is important to us and, if you are unable to attend the meeting, we would encourage you to vote either by submitting your enclosed proxy form or electronically as explained on pages 10 to 13.

### Explanatory notes

The explanatory notes to the Resolutions set out in the Notice of the AGM are in Part C on pages 6 to 9. There will also be an opportunity for shareholders to ask questions at the meeting, appropriate to the business of the AGM.

### Annual Report and Accounts

A copy of the Company's Annual Report and Accounts for the year ended 31 December 2019 is now available on our website at [www.drax.com](http://www.drax.com). Our website is the principal means by which we communicate with our shareholders. As well as the Annual Report and Accounts, you can find further information including the latest news, press releases, investor presentations and dividend history. You can sign up for news alerts about Drax on our website [www.drax.com](http://www.drax.com), by selecting 'Subscribe'.

If you have requested to receive a hard copy of the Annual Report and Accounts, this is enclosed. If you no longer wish to receive a hard copy, and instead wish to receive communications electronically, please contact our registrars, Equiniti, on 0371 384 2030 from within the UK or +44 121 415 7047 from outside the UK.

### Proposed new Directors' Remuneration Policy (Policy)

The Policy sets out the Company's forward-looking policy on Directors' remuneration and is subject to a binding shareholder vote by ordinary resolution at least once every three years. Drax has continued to evolve since the last full review of the Directors' Remuneration Policy in 2017. The Group has a broader position in the energy market following the biomass conversion programme and the acquisitions in the Customers business and, more recently, in Generation.

To ensure that our approach to remuneration supports the strategy, in 2019 the Remuneration Committee undertook a full review of the existing policy, taking into account the Group's strategy, shareholder feedback and the new provisions in the Corporate Governance Code. Our principal aims are to ensure that executive pay is closely linked to Group performance, underpins our purpose of enabling a zero carbon, lower cost energy future, and better aligns reward with delivering the strategy.

Following this review, we are inviting you to approve our proposed new Policy this year, further details of which can be found on pages 91 to 102 of the Annual Report and Accounts.

# Letter from the Chair continued

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## Action to be taken

### Ordinary shareholders

Whether or not you propose to attend the AGM, you are requested to:

- (a) complete and sign the enclosed Form of Proxy in accordance with the instructions printed thereon. Completed Forms of Proxy should be returned to Equiniti Limited, Proxy Department, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and in any event so as to be received by Equiniti Limited no later than 11.30am on Monday 20 April 2020; or
- (b) register the appointment of your proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk). You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed on your Proxy Form). Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your Proxy Form at [www.shareview.co.uk](http://www.shareview.co.uk) using your usual user ID and password. Full instructions are given on both websites and instructions must be received by no later than 11.30am on Monday 20 April 2020.

If you hold shares in CREST you may appoint a proxy by completing and transmitting a CREST proxy instruction to Equiniti Limited (CREST participant ID RA19) so that it is received by no later than 11.30am on Monday 20 April 2020.

The return of a completed Form of Proxy or CREST proxy instruction will not prevent you from attending the AGM and voting in person if you wish to do so.

### SIP participants

You are unable to attend the meeting unless you hold shares registered in your own name.

SIP participants are therefore requested to:

- (a) complete and sign the enclosed Form of Direction in order to instruct Equiniti Share Plan Trustees Limited how you would like them to vote on your behalf. Completed Forms of Direction should be returned to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and in any event so as to be received by Equiniti Limited no later than 11.30am on Friday 17 April 2020; or
- (b) register your votes electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk). Please note that the personalised numbers printed at the top of the Form of Direction will be required to register your vote online and instructions must be received by no later than 11.30am on Friday 17 April 2020.

If you are a SIP participant and you also own shares in your own right, then you will need to complete both the Form of Direction and the Form of Proxy and submit them both, either online or by post, in order for your total holding to be registered for voting.

## Voting arrangements

Voting on each of the Resolutions to be put to the AGM will be by poll so that all votes are included whether or not the shareholder is able to attend the meeting.

The results of the voting at the meeting will be announced to the London Stock Exchange as soon as practicable following the meeting and will also appear on the Company's website [www.drax.com](http://www.drax.com).

The Company has included on the Form of Proxy, and the Form of Direction, a "Vote withheld" option in order for shareholders to abstain from voting on any particular Resolution. However, an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "For" or "Against" the relevant Resolution.

## Recommendation

The Directors of the Company consider that the Resolutions to be put to shareholders at the AGM are in the best interests of the Company and its members as a whole.

Accordingly, the Directors unanimously recommend that you vote in favour of all the proposed Resolutions as they intend to do so in respect of their own beneficial interests.

Yours sincerely

**Philip Cox CBE**

Chair

6 March 2020

# Part B

## Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Drax Group plc (the Company) will be held at 11.30am on Wednesday 22 April 2020 at Grocers' Hall, Princes Street, London EC2R 8AD.

To consider and, if thought fit, pass Resolutions 1 to 16 and resolution 19 as ordinary resolutions, and to consider and, if thought fit, pass Resolutions 17, 18 and 20 as special resolutions.

1. To receive the Annual Report and the Audited Accounts of the Company for the year ended 31 December 2019, including (i) the Directors' Report; (ii) the strategic report; and (iii) the report of the auditor of the Company on those audited accounts and the auditable part of the Directors' Remuneration Report.
2. To approve the annual statement to shareholders by the Chair of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2019 set out on pages 86 to 114 respectively, of the Annual Report and Accounts.
3. To approve the Directors' Remuneration Policy set out on pages 91 to 102 of the Annual Report and Accounts.
4. To approve the final dividend of 9.5 pence per share for the year ended 31 December 2019.
5. To elect John Baxter as a Director of the Company.
6. To re-elect Philip Cox as a Director of the Company.
7. To re-elect Will Gardiner as a Director of the Company.
8. To re-elect Nicola Hodson as a Director of the Company.
9. To re-elect Andy Koss as a Director of the Company.
10. To re-elect David Nussbaum as a Director of the Company.
11. To re-elect Vanessa Simms as a Director of the Company.
12. To re-elect Andy Skelton as a Director of the Company.
13. To re-appoint Deloitte LLP as auditor of the Company to hold office from the conclusion of the 2020 AGM until the conclusion of the next meeting at which accounts are laid before the Company.
14. To authorise the Directors to determine the auditor's remuneration.
15. That in accordance with Sections 366 and 367 of the Companies Act 2006 (CA 2006), the Company and all of the companies that are or become subsidiaries of the Company from time to time during the period for which this Resolution is effective are authorised to:
  - a. make political donations to political parties and/or independent election candidates, as defined in Sections 363 and 364 CA 2006, not exceeding £100,000 in total; and/or
  - b. make political donations to political organisations other than political parties, as defined in Sections 363 and 364 CA 2006, not exceeding £100,000 in total; and/or

- c. incur political expenditure, as defined in Section 365 CA 2006, not exceeding £100,000 in total.

In each case provided that the aggregate amount of any such donations and expenditure shall not exceed £125,000.

This authority shall commence on the date of the passing of this resolution and remain in force until the conclusion of the 2021 AGM (or, if earlier, until the close of business on 30 June 2021).

16. That in substitution for all subsisting authorities, to the extent unused, the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 CA 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:
  - a. up to an aggregate nominal amount of £15,805,697 (such amount to be reduced by the nominal amount of any equity securities (as defined in Section 560 CA 2006) allotted or granted under paragraph (b) of this Resolution in excess of £15,805,697); and
  - b. comprising equity securities (within the meaning of Section 560 CA 2006) up to an aggregate nominal amount of £31,611,394 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted under paragraph (a) of this Resolution) in connection with an offer by way of a rights issue:
    - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter.

The authorities conferred on the Directors under paragraphs (a) and (b) above shall expire at the conclusion of the next AGM of the Company after the passing of this Resolution or 30 June 2021, whichever is the earlier, save that under each authority the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the relevant authority conferred hereby had not expired.

# Notice of the Annual General Meeting continued

17. That subject to the passing of Resolution 16 above and in substitution for all subsisting authorities, to the extent unused, the Directors be and they are hereby empowered pursuant to Section 570 and Section 573 CA 2006 to allot equity securities (within the meaning of Section 560 CA 2006) for cash either pursuant to the authority conferred by Resolution 16 or by way of a sale of treasury shares, as if Section 561(1) CA 2006 did not apply to any such allotment, provided that this power:
- a. shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 16, by way of a rights issue only):
    - i. to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and
  - b. in the case of the authority granted under paragraph (a) of Resolution 16 and/or in the case of any sale or transfer of treasury shares which is treated as an allotment of equity securities under Section 560(3) CA 2006, shall be limited to the allotment (otherwise than under paragraph (a) of this Resolution 17) of equity securities up to an aggregate nominal amount of £2,370,855.
- c. the maximum price (exclusive of expenses) which may be paid for an ordinary share is not more than the higher of:
    - i. an amount equal to 105% of the average of the middle market quotations of an ordinary share (as derived from the London Stock Exchange Daily Official List) for the five business days immediately preceding the date on which that ordinary share is contracted to be purchased; and
    - ii. the amount stipulated by Article 5(6) of the Market Abuse Regulation (EU) No 596/2014.
  - d. the authority hereby conferred shall expire on 30 June 2021 or, if earlier, at the conclusion of the next AGM of the Company following the passing of this Resolution, unless previously revoked, varied or renewed by the Company in general meeting; and
  - e. the Company may at any time prior to the expiry of such authority enter into a contract or contracts under which a purchase of ordinary shares under such authority will or might be completed or executed wholly or partly after the expiration of such authority and the Company may purchase ordinary shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.
19. That:
- a. the Drax Group plc Long Term Incentive Plan 2020 (the LTIP), the principal terms of which are summarised in the Appendix to this Notice of AGM and the rules of which are produced at the AGM and, for the purposes of identification, initialled by the Chair, be and is hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to carry the LTIP into effect; and
  - b. the Directors be and are hereby authorised to establish such further plans based on the LTIP as they consider necessary or desirable but which have been modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the LTIP.

The powers conferred under paragraphs (a) and (b) above shall expire at the conclusion of the next AGM of the Company after the passing of this Resolution or 30 June 2021, whichever is the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

18. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 CA 2006, to make market purchases (within the meaning of Section 693(4) CA 2006) of ordinary shares with nominal value of 11 16/29 pence each in the capital of the Company (ordinary shares) on such terms and in such manner as the Directors of the Company shall from time to time determine, provided that:
- a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 41,047,718;
  - b. the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value;

20. That a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

**Brett Gladden**

Group Company Secretary  
Drax Group plc, Drax Power Station, Selby,  
North Yorkshire YO8 8PH

6 March 2020

# Part C

## Explanatory notes to the Notice of the AGM

### Resolution 1

#### To receive and adopt the Company's Annual Report and Accounts

The directors are required to present to the meeting the Annual Report and Accounts for the financial year ended 31 December 2019. This includes (i) the audited accounts; (ii) the Directors' report; (iii) the strategic report; and (iv) the report of the auditor of the Company on the audited accounts and the auditable part of the Directors' Remuneration Report. A separate resolution seeks approval by the shareholders of the Directors' Remuneration Report, which vote is advisory in nature.

### Resolution 2

#### Directors' Remuneration Report

Resolution 2 seeks shareholder approval for the annual statement to shareholders by the Chair of the Remuneration Committee and the Annual Report on Remuneration which can be found on pages 86 to 114 of the Annual Report and Accounts. The Annual Report on Remuneration gives details of the implementation of the Company's existing Directors' Remuneration Policy in terms of the payments and share awards made to the Directors in connection with their performance and that of the Company during the year ended 31 December 2019. This vote is advisory and will not affect the way in which the Directors' Remuneration Policy has been implemented.

The Company's auditor during the year, Deloitte LLP, has audited those parts of the Directors' Remuneration Report that are required to be audited and their report may be found on pages 121 to 128 of the Annual Report and Accounts.

### Resolution 3

#### Directors' Remuneration Policy

Resolution 3 seeks shareholder approval for the Directors' Remuneration Policy.

The Remuneration Committee believes that the proposed changes strengthen the alignment of executive remuneration with delivery of the business strategy and shareholder value.

A summary of the key changes to the Policy are highlighted below. For further information on the proposed Policy, please see pages 91 to 102 of the Annual Report and Accounts.

Element	Change	Rationale
Salary	No proposed changes to existing approach.	N/A
Pension	The incumbent Executive Directors have voluntarily agreed to a reduction in their pension contributions to align with the contribution of new joiners to the wider workforce (currently 10% of salary) from 1 January 2023.  Pension contributions for new Executive Directors will be aligned with those available to other new joiners in the wider workforce on appointment.	Alignment of pensions with the wider workforce is in line with the provisions of the UK Corporate Governance Code (the Code).
Annual Bonus	The maximum bonus opportunity for the Group CEO will increase from 150% to 175% of salary and for other Executive Directors from 140% to 150% of salary.  Split between:  1. Financial element (105% of salary for Group CEO, 90% of salary for other Executive Directors) – performance based on a smaller number of financial and operational metrics, paid in cash; and  2. Strategic element (70% of salary for Group CEO, 60% of salary for other Executive Directors) – performance based on a smaller number of strategic and other non-financial metrics, paid in shares.  At least 40% of the bonus will be deferred into shares (currently 35%), vesting after three years and subject to a two-year holding period. If 40% deferral is not attained by the strategic element, a proportion of the financial element will be deferred into shares in order to achieve this minimum level of deferral.	The proposed structure simplifies the bonus plan by reducing the number of performance metrics. Splitting the bonus into a financial cash element and a strategic deferred shares element responds to shareholder concerns on the existing structure and clarifies the role each component plays in supporting the business strategy, whilst also providing a deferral in shares which contributes to a philosophy of driving long-term performance and growth in returns to shareholders.  The maximum annual bonus opportunity will increase by 25% of salary for the Group CEO and by 10% for other Executive Directors to reflect the increased level of deferral, as well as the longer vesting and holding period applicable to this deferred element. For example, the level of maximum deferral for the Group CEO has increased from 52.5% of salary under the current Policy to 75% of salary under the proposed Policy, and therefore the vast majority (22.5% of salary) of the increase in maximum opportunity is delivered in shares which are subject to a five year combined vesting and holding period. The maximum cash bonus is broadly unchanged. This change places a greater emphasis on alignment with long-term shareholder value.  Malus and clawback provisions are in line with corporate governance best practice.

## Explanatory notes to the Notice of the AGM continued

Element	Change	Rationale
LTIP	<p>The maximum opportunity to be increased from 175% to 200% of salary for the Group CEO only. The maximum opportunity for other Executive Directors will remain at 175% of salary.</p> <p>The Group Scorecard element is removed from the LTIP.</p> <p>Performance will be measured against the following metrics:</p> <ol style="list-style-type: none"> <li>1. Cumulative Adjusted EPS* – 50% weighting</li> <li>2. Relative TSR (FTSE 350) – 50% weighting</li> </ol> <p>The two-year post vesting holding period will be retained.</p> <p>*Details of the EPS target for the proposed grants in 2020 will be notified to shareholders via RNS in March 2020, ahead of the 2020 AGM, and will be applicable in the event that the new Policy is approved by shareholders.</p>	<p>The increase in the Group CEO's opportunity ensures that where Group performance is strong then total remuneration levels will be competitive against the market.</p> <p>At the 2017 Policy review, some shareholders expressed concern at the use of the Group Scorecard in both the annual bonus and LTIP. We have responded to that feedback. The proposed structure removes this duplication, replacing the current 50% weighting on the Group Scorecard with Cumulative Adjusted EPS. This aligns with the general shareholder preference for financial-only metrics on long-term incentives.</p> <p>Introducing a Cumulative Adjusted EPS measure with 50% weighting ensures Executive Directors are focused on driving earnings performance of the business, which is a major factor in delivering value to shareholders. The Committee is confident that the introduction of this metric provides a greater link between reward outcomes and the shareholder experience over the longer term.</p>
Shareholding requirement	<p>The shareholding requirement for the Group CEO will increase from 200% to 250% of salary, and will be 200% for the other Executive Directors. A post-cessation shareholding requirement, equal to the in employment shareholding requirement (or the shareholding on departure if lower) will be introduced for Executive Directors and will apply for two years after cessation of employment.</p>	<p>Increased shareholding requirement for the Group CEO achieves greater alignment with shareholders.</p> <p>Ensures that Executive Directors' interests remain aligned with shareholders to implement a strategy which delivers value for the longer term beyond their departure, in line with the requirements of the Code. It also facilitates implementation of clawback.</p>

If resolution 3 is approved, the Directors' Remuneration Policy will be effectively immediately following the 2020 AGM. If shareholders do not approve the revised Remuneration Policy for any reason, the Company will continue to make payments to Directors and former Directors (in their capacity as Directors) under the existing Directors' Remuneration Policy approved on the 25 April 2018 and will seek shareholder approval for a revised policy at the 2021 AGM.

### Resolution 4

#### To approve the final dividend

Resolution 4 seeks shareholder approval to pay the final dividend of 9.5 pence per ordinary share, which is recommended by the Directors for payment to those shareholders who are on the register of members of the Company at 4.30pm on 24 April 2020. If approved by shareholders at the AGM, the final dividend will be paid on 15 May 2020.

### Resolutions 5 to 12

#### To elect and re-elect the directors

In accordance with the recommendations of the UK Corporate Governance Code, each of the Directors will retire and offer themselves for re-election by shareholders.

John Baxter, who was appointed to the Board following the 2019 AGM on 17 April 2019, will offer himself for election by shareholders.

The skills and experience for each of the Directors are set out in Part F of this Notice (and on pages 64 to 65 of the Annual Report and Accounts).

The Board has determined that, in its judgement, all of the Non-Executive Directors being proposed for election or re-election are independent in character and judgement, and there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

During the year, the Board completed an externally-led evaluation of its performance and individual Directors. Following that evaluation, the Chair is satisfied that the performance of each Director standing for election or re-election continues to be effective and that each Director continues to demonstrate commitment to the role. A separate assessment of the performance of the Chair was conducted, led by the Senior Independent Director, which concluded that the performance of the Chair continues to be effective, and the Chair continues to demonstrate commitment to the role and has the time required to devote to the performance of the function of Chair. More information about this can be found on page 74 of the Annual Report and Accounts.



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## Resolutions 13 and 14

### Reappointment of auditor and determination of their remuneration

The Company must appoint or re-appoint an auditor at every general meeting at which accounts are presented and it is normal practice for the Company's Directors, acting through the Audit Committee, to be authorised to determine the auditor's remuneration. Deloitte LLP has advised its willingness to continue in office as auditor of the Company.

## Resolution 15

### Political donations and expenditure

Part 14 of the Companies Act 2006 (the Act) contains restrictions on companies making political donations or incurring political expenditure.

Drax is a politically neutral organisation and did not make any political donations in 2019.

It is not the policy of the Company to make donations to political parties, and the Directors have no intention of changing that policy. However, the Act defines political donations and political expenditure terms very widely. This means that activities that form part of the normal relationship between the Company and bodies concerned with policy review, law reform and other business matters affecting the Company, which might not be thought to be political expenditure in the usual sense, could require shareholders' consent under the Act.

In view of the broad wording adopted in the Act, and the Board's wish to avoid any inadvertent infringement of it, it is seeking shareholders' consent for the Company, and any wholly owned subsidiary company, to incur total annual expenditure for such purposes, in order that the Company may continue to engage with regulators and policymakers without inadvertently breaching the applicable legislation. Further information on how the Company engaged with political parties in 2019 can be found on pages 27 and 117 of our Annual Report and Accounts.

At the 2019 AGM there were significant votes against the resolution to make political donations. In response to this, and after consulting with our larger shareholders, we published our Political Engagement Policy, which is available on our website at [www.drax.com](http://www.drax.com).

We will also be reducing the aggregate limit from £300,000 to £125,000 in the 12-month period ending on the anniversary of the conclusion of the AGM. This authority will not be used to make political donations as they are normally understood, including contributions towards any general political party expenses or in connection with general election campaigns.

It is the intention that the Company will seek to renew this authority, if appropriate, at each subsequent AGM.

Further information on our stakeholder engagement relating to political donations can be found on page 27 of our Annual Report and Accounts.

## Resolution 16

### Authority of directors to allot shares

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under Section 551 CA 2006. Upon the passing of Resolution 16 the Directors will have authority (pursuant to paragraph (a) of the Resolution) to allot shares up to an aggregate nominal value of £15,805,697, which is approximately one-third of the issued ordinary share capital as at 6 March 2020 (being the latest practicable date before the publication of this Notice). This authority will expire immediately following the AGM in 2021 or on 30 June 2021, whichever is the earlier.

In addition, in accordance with the Investment Association Share Capital Management Guidelines (which set out the expectations of institutional investors in relation to, among other things, the authority of directors to allot shares), upon the passing of Resolution 16, the Directors will have authority (pursuant to paragraph (b) of the Resolution) to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to a maximum nominal value of £31,611,394, as reduced by the nominal amount of any shares issued under paragraph (a) of Resolution 16.

This amount (before any reduction) represents approximately two-thirds of the Company's issued ordinary share capital as at 6 March 2020 (being the latest practicable date before the publication of this Notice). This authority will also expire immediately following the next AGM or on 30 June 2021, whichever is the earlier. As a result, if Resolution 16 is passed, the directors could allot shares representing up to two-thirds of the Company's current issued share capital pursuant to a rights issue.

The Directors will continue to seek to renew these authorities at each AGM, in accordance with current best practice from time to time. The Directors have no current plans to exercise this authority except in connection with employee share plans.

As at 6 March 2020, being the latest practicable date before publication of this Notice, the Company held 13,841,295 equity securities in treasury.

# Explanatory notes to the Notice of the AGM continued

## Resolution 17

### Disapplication of pre-emption rights

If the Directors wish to exercise the authority under Resolution 16 and offer shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the CA 2006 requires that, unless shareholders have given specific authority for the waiver of their statutory pre-emption rights, the new shares must be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 17 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportion (as nearly as may be) to their shareholdings (subject to certain exclusions) and (iii) otherwise than under (i) or (ii), up to an aggregate nominal value of £2,370,855 which is equivalent to approximately 5% of the issued ordinary share capital of the Company on 6 March 2020 (being the latest practicable date prior to the publication of this Notice). The Resolution also applies to the sale and re-issue of ordinary shares held as treasury shares by the Company.

If approved by the shareholders, the authority contained in Resolution 17 will expire on the earlier of the conclusion of the next AGM or on 30 June 2021. The Directors intend to renew such power at successive AGMs in accordance with current best practice.

The Directors have no current plans to exercise this authority except in connection with employee share plans (but they consider its approval to be appropriate in order to preserve maximum flexibility for the future).

In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pre-emptive basis over the last three years. In accordance with the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities, the Directors do not intend to issue more than 7.5% of the issued ordinary share capital of the Company (excluding treasury shares) for cash on a non-pre-emptive basis in any rolling three-year period without prior consultation with shareholders.

As at 6 March 2020, being the latest practicable date before the publication of this Notice, the Company held 13,841,295 equity securities in treasury.

## Resolution 18

### To authorise the Company to purchase its own shares

Resolution 18 is to authorise the Company to buy back up to 41,047,718 ordinary shares. The authority would expire at the conclusion of the 2021 AGM or, if earlier, on 30 June 2021. The directors intend to seek renewal of this power at subsequent AGMs in accordance with current best practice.

Resolution 18 specifies the maximum number of ordinary shares which may be purchased (representing 10% of the Company's issued ordinary share capital as at 6 March 2020) and the maximum and minimum prices at which they may be bought, exclusive of expenses, reflecting the requirements of the CA 2006 and the Listing Rules.

The Directors have no present intention of exercising this authority other than with a view for use in relation to the Company's share plans or where it is appropriate to conduct buy backs to return value to shareholders. The granting of this authority should not be taken to imply that any ordinary shares will be purchased, other than in relation to the above. Except in relation to the above, no purchase of ordinary shares will be made unless it is expected that the effect will be to increase earnings per share and the Directors consider it to be in the best interests of shareholders.

Under the CA 2006, the Company is allowed to hold its own shares in treasury following a buy back, instead of having to cancel them. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively (including pursuant to the authority under Resolution 16 above) and provides the Company with additional flexibility in the management of its capital base.

Such shares may be re-sold for cash but all rights attaching to them, including voting rights and any right to receive dividends, are suspended whilst they are held in treasury. If the Directors exercise the authority conferred by Resolution 18, the Company will have the option of either holding in treasury or of cancelling any of its own shares purchased pursuant to this authority and will decide at the time of purchase which option to pursue.

The total number of options to subscribe for, and awards over, shares, outstanding at 6 March 2020, being the last practicable date before the publication of this Notice was 7,925,293. This represents approximately 1.93% of the issued share capital at that date. If the Company was to buy back the maximum number of ordinary shares permitted pursuant to this Resolution then the total number of options to subscribe for ordinary shares, outstanding at 6 March 2020, would represent approximately 2.15% of the reduced share capital.

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## **Resolution 19**

### **To approve the new 2020 Long Term Incentive Plan (LTIP)**

Resolution 19 seeks shareholder approval for the LTIP. The principal terms of the LTIP are summarised in the appendix to this Notice of AGM.

If approved, the LTIP will replace the current Performance Share Plan and will be the long-term incentive plan under which it is intended that awards of shares will be made annually to Executive Directors and selected senior executives.

The maximum value of shares that can be awarded to a participant in any financial year is 200% of the individual's salary, or in exceptional circumstances on recruitment 300%. As explained in the notes to Resolution 3, on page 6, the performance metrics will be relative TSR (FTSE-350) and Cumulative Adjusted EPS.

The Remuneration Committee believes that this combination will provide a greater link between reward outcomes and the shareholder value over the longer term. A two-year holding period will continue to apply to vested awards granted to Executive Directors under the LTIP.

## **Resolution 20**

### **To allow general meetings to be held on 14 clear days' notice in certain circumstances**

Resolution 20 is a resolution to allow the Company to hold general meetings (other than AGMs) on 14 clear days' notice. The Shareholders' Rights Regulations state that the notice period required for general meetings of the Company is 21 days, unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

In order to preserve the Company's ability to call general meetings (other than an AGM) on 14 clear days' notice, Resolution 20 seeks such approval. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

The CA 2006 requires that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting. The Company provides this facility (see paragraph 10 of Part D on page 11 of this document for the Company's arrangements for electronic proxy appointments).

# Part D

## Administrative notes relating to the AGM

### Entitlement to attend and vote

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of Section 360B CA 2006, the Company specifies that only those shareholders registered on the register of members at 6.30pm on the day two business days before the date of the meeting (the Specified Time) (or if the meeting is adjourned to a time more than 48 hours after the Specified Time, by 6.30pm on the day which is two business days prior to the time of the adjourned meeting) shall be entitled to attend and vote thereat in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the Register after the relevant deadline shall be disregarded in determining rights to attend and vote.
2. If you have sold or transferred all your shares, this booklet and any accompanying documents (but not the personalised Form of Proxy or Form of Direction) should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

### Appointment of proxies

3. If you are a member of the Company, at the time set out in note 1 above, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. Completion and return of a Form of Proxy will not prevent a member from attending in person and voting at the meeting. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.

If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact the Company's Registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by using their telephone helpline service on 0371 384 2030 from within the UK or +44 121 415 7047 from outside the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding public holidays in England and Wales.

4. A proxy does not need to be a shareholder of the Company but must attend the meeting for the member's vote to be counted. Your proxy could be the Chair, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chair or another person (or persons) as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. Appointing a proxy does not preclude you from attending the meeting and voting in person.
5. You can only appoint a proxy using the procedures set out in these notes and the notes on the Form of Proxy. A Form of Proxy is enclosed. To be effective, the Form of Proxy must be completed and signed and, together with the power of attorney or authority, if any, under which it is signed (or a duly certified copy of any such power or authority) must be lodged with the Company's Registrars not later than 48 hours, excluding non-business days, before the time of the meeting or must be lodged using the CREST proxy voting services (see note 7 below). Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.
6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register in respect of the joint holding (the first-named being deemed the most senior).
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof utilising the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (Equiniti Limited CREST participant ID RA19) by the latest time(s) for receipt of proxy appointments specified in note 5 above. For this purpose the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings [www.euroclear.com](http://www.euroclear.com).

The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

8. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If you either select the "discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
9. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.

### Appointment of proxy electronically

10. Alternatively, members may register the appointment of a proxy for the meeting electronically by accessing the website [www.sharevote.co.uk](http://www.sharevote.co.uk). **You will need your Voting ID, Task ID and Shareholder Reference Number (this is the series of numbers printed on your Proxy Form). Alternatively, if you have already registered with Company's Registrar's online portfolio service, Shareview, you can submit your Proxy Form at [www.shareview.co.uk](http://www.shareview.co.uk) using your usual user ID and password.** Full instructions are given on both websites, which are operated by the Company's Registrars.

The proxy appointment and any power of attorney or other authority under which the proxy appointment is made must be received by the Company's Registrars not less than 48 hours, excluding non-business days, before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. Please note that any electronic communication sent to the Company or to the Company's Registrars that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the AGM is governed by the Company's Registrars' conditions of use set out on the Sharevote website, [www.sharevote.co.uk](http://www.sharevote.co.uk), and may be read by logging on to that site. If you want to appoint more than one proxy electronically, please contact the Company's Registrars on 0371 384 2030 from within the UK or +44 121 415 7047 from outside the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding public holidays in England and Wales.

### Website giving information regarding the meeting

11. A copy of this Notice and other information required by Section 311A CA 2006 can be found on the Company's website [www.drax.com](http://www.drax.com).

### Changing proxy instructions

12. To change your proxy instructions simply submit a new proxy appointment. You will need to request a new Form of Proxy from the Company's Registrars, Equiniti Limited, by contacting them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by using their telephone helpline service on 0371 384 2030 from within the UK or +44 121 415 7047 from outside the UK. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding public holidays in England and Wales. Note that the cut-off time for receipt of Forms of Proxy (see note 5 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded and you will be required to vote at the meeting, if you wish to change your vote.
13. If you submit more than one valid proxy appointment in respect of a single share, the appointment received last before the latest time for the receipt of proxies will take precedence.

# Administrative notes relating to the AGM continued

## Nominated persons

14. Any person receiving a copy of this Notice of Meeting as a person nominated by a member to enjoy information rights under Section 146 of the CA 2006 (CA 2006) (a Nominated Person) should note that the provisions in this Notice concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right, or does not wish to exercise it, he or she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting. If you are a person who has been nominated under Section 146 of CA 2006 to enjoy information rights:

- you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting; and
- if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

## Voting

15. Voting on each of the Resolutions to be put to the AGM will be by poll, so that all shares voted are included, whether or not the shareholder is able to attend the meeting. The results of the voting at the meeting and the number of proxy votes cast for and against and the number of votes abstained in respect of each of the Resolutions proposed at the meeting will be announced to the London Stock Exchange as soon as practicable following the meeting and also will be published on the Company's website [www.drax.com](http://www.drax.com).

## Issued shares and total voting rights

16. As at 6 March 2020, being the latest practicable date prior to the publication of this Notice, the Company's issued share capital comprised 410,477,184 ordinary shares of 11 16/29 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. The Company holds 13,841,295 shares in treasury, therefore the total number of voting rights in the Company is the 396,635,889.

17. This Notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 6 March 2020, being the latest practicable date prior to the publication of this Notice and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice, will be available on the Company's website [www.drax.com](http://www.drax.com).

## Website publication of audit concerns

18. Under Section 527 CA 2006, members meeting the threshold requirements set out in that Section have the right to require the Company to publish on a website a statement setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 CA 2006.

The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 CA 2006. Where the Company is required to place a statement on a website under Section 527 CA 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 CA 2006 to publish on a website.

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### Corporate representatives

19. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that it does not do so in relation to the same shares.

### Questions at the meeting

20. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
- if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
  - if the answer has already been given on a website in the form of an answer to a question; or
  - if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### Electronic address

21. Any electronic address provided either in this Notice or in any related documents (including the Form of Proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

### Meeting arrangements

22. The doors of the AGM venue will open at 11.00am and the AGM will start promptly at 11.30am. Please bring the Attendance Card which is attached to the Form of Proxy with you if you attend the meeting. It will authenticate your right to attend, speak and vote and will speed up your admission to the meeting.
23. You may be asked to provide proof of identity (such as a current driving licence or passport), as well as your attendance card from your Form of Proxy. If you do not have your attendance card, you may be asked to provide two forms of identity (which may require photo identity and verification of your address). If you have been appointed as proxy for a shareholder entitled to vote, please let the admission staff know. You should bring proof of identity with you and you will be asked to confirm the details of the shareholder you are representing.

### Documents available for inspection

24. A copy of each of the executive directors' service contracts and the non-executive directors' appointment letters and conditions of appointment will be available for inspection at the Company's registered office and at the AGM venue for at least 15 minutes before the AGM.

### General enquiries

25. If you have any queries about voting or about your shareholding you can contact Equiniti Limited, who maintain the Register as follows:
- by using their telephone helpline service:
  - from within the UK on 0371 384 2030; or
  - from outside the UK on +44 121 415 7047; or
  - by writing to them at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or
  - the helpline for SIP participants is UK 0871 384 2040, Overseas +44 121 415 7161.

The telephone helpline service will be available between 8.30am and 5.30pm Monday to Friday – excluding public holidays in England and Wales.

The telephone helpline service will not be able to provide legal, financial or personal taxation advice. Calls may be recorded and randomly monitored for security and training purposes.

## Part E

# Definitions

The following definitions apply throughout this document and in the accompanying Form of Proxy (or in the case of SIP participants, the Form of Direction), unless the context requires otherwise:

"Annual General Meeting" or "AGM" or "meeting"	the Annual General Meeting of the Company to be held at 11.30am on 22 April 2020 (and any adjournment thereof)
"Articles of Association"	the current Articles of Association of the Company as at the date of this Notice
"Board" or "directors"	the directors of Drax Group plc
"CA 2006"	Companies Act 2006
"Company" "Drax Group" or "Drax"	Drax Group plc
"Company's Registrars"	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
"CREST"	the relevant systems (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
"Form of Direction"	the form enclosed with this document specifically for SIP participants, who may then use it to instruct the Trustee how to vote on resolutions to be put to the AGM
"Form of Proxy"	the proxy form enclosed with this document for use by shareholders to vote on resolutions to be put to the AGM
"London Stock Exchange"	London Stock Exchange plc
"Official List"	the official list of the UK Listing Authority
"ordinary shares"	ordinary shares with nominal value of 11 16/29 pence each in the capital of the Company
"Register"	the register of members of the Company
"Resolutions"	the resolutions set out in the notice convening the AGM
"shareholders"	holders of ordinary shares
"SIP"	the Drax Group Approved Share Incentive Plan
"Trustee"	Equiniti Share Plan Trustees Limited as trustee of the SIP
"UK Listing Authority"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"UK"	the United Kingdom of Great Britain and Northern Ireland



# Part F

## Skills and experience of the Board

### **Philip Cox CBE, Chair**

Philip has extensive experience in both executive and non-executive roles, and in the energy sector. His responsibilities at Drax include Board composition and succession, Board governance and stakeholder engagement. Philip has a strong track record of leadership and has an open, collegiate style, ensuring that all voices are heard, and all Board members contribute fully. He was previously Chair of Kier Group plc and CEO and formerly CFO of International Power plc. Prior to this he held a senior operational position at Invensys plc and was CFO at Siebe plc. As a non-executive he was previously the Senior Independent Director at Wm Morrison Supermarkets plc, Chair of Global Power Generation and a member of the boards of Talen Energy Corporation, PPL, Meggitt plc and Wincanton plc. Appointment to the Board: January 2015. Appointment as Chair: April 2015.

### **Will Gardiner, Group CEO**

Will joined Drax in 2015 as CFO and was appointed as CEO in January 2018. He has a wealth of experience in finance and technology, having held CFO and divisional Finance Director roles at a number of major companies. Will has been a key architect of our purpose and strategy, driving the sustainability agenda from the top, driving Drax's response to the climate change crisis and ensuring that we are delivering for shareholders as well as other stakeholders. He provides leadership of the executive team and takes responsibility for important external relationships and stakeholder management. Will is also a non-executive board member of the Sustainable Biomass Program.

Appointment to the Board: November 2015.

### **Andy Skelton, Chief Financial Officer**

Andy joined Drax as CFO in January 2019, bringing strong finance and commercial skills, alongside substantial experience in the technology sector. He has played a major role in developing the new "Fit for the Future" strategy, driving efficiency and operational excellence across the Group. Andy was previously 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. Andy is responsible for financial control and planning, corporate finance, investor relations, tax, IT, procurement, risk and internal audit and is Chair of the Group Ethics and Business Conduct Committee (EBCC).

Appointment to the Board: January 2019.

### **Andy Koss, CEO, Drax Power**

Andy has a wealth of experience of the business. He joined Drax in 2005 and has held a number of senior roles including Director of Strategy, Head of Investor Relations, Group Treasurer and Head of Risk. He has also held several senior treasury and investment banking roles with various major institutions. Andy is responsible for the safety, sustainability, operational excellence and expertise within Drax's power generation sites in the UK. Andy is a board member of the Northern Powerhouse Partnership and Regional Councillor for the CBI, Yorkshire and Humber region.

Appointment to the Board: January 2016.

### **David Nussbaum, Senior Independent non-executive director**

David's wealth of experience in international development and environmental matters, as well as his experience as Finance Director of a listed industrial company is of huge value to Drax and contributes significantly to the Board's discussion, and understanding, of the stakeholder landscape. David is CEO of The Elders, a group of independent global leaders working to promote peace and human rights, Deputy Chair of the International Integrated Reporting Council, and Member of The Ethical Investment Advisory Group of the Church of England. He was previously CEO of WWF-UK, CEO of Transparency International, Finance Director and Deputy CEO of Oxfam and Finance Director of Field Group plc. In a non-executive capacity, David was Vice-Chair of Shared Interest Society, Chair of Traidcraft plc and a non-executive director of Low Carbon Accelerator Limited.

Appointment to the Board: August 2017.

### **Vanessa Simms, Independent non-executive director**

Vanessa has extensive experience in senior finance roles across several different industries, including real estate, telecommunications and medical devices. She is currently CFO of Grainger plc and has worked in finance for 20 years, holding a number of senior positions within Unite Group plc, including deputy chief financial officer. Prior to that Vanessa was UK finance director at SEGRO plc. Vanessa is a Fellow Member of the Association of Chartered Certified Accountants. Her broad and varied experience in finance is invaluable in her role as Chair of the Audit Committee.

Appointment to the Board: June 2018.

### **Nicola Hodson, Independent non-executive director**

Nicola brings valuable technology expertise, as well as having extensive digital transformation, sales and IT experience in leading global companies. She is currently Vice-President, Global Sales and Marketing, Field Transformation at Microsoft, and was Chief Operating Officer of Microsoft UK. Previously she had P&L and sales roles at Siemens, CSC (now DXC) and Ernst & Young. Nicola is Chair of the Remuneration Committee and brings to the role a wide range of experience of international business, government organisations, and dealing with a variety of stakeholders. Nicola is a Non-Executive Director of Beazley plc,

Appointment to the Board: January 2018.

### **John Baxter CBE, Independent non-executive director**

John brings to Drax highly valuable engineering and safety experience, with over 45 years working across the nuclear, electricity and latterly 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 Director of Nirex Ltd. He is a Chartered Engineer, Fellow of both the Royal Academy of Engineering and the Royal Society of Edinburgh, Non-Executive Director of Sellafeld Ltd and chairs the Sellafeld Board Committee on Environment, Health, Safety & Security.

Appointment to the Board: April 2019.

# Appendix

## The Drax Group plc Long-term Incentive Plan 2020

This appendix sets out the principal terms of the Drax Group plc Long Term Incentive Plan 2020 (LTIP) which is being put to shareholders at the AGM for approval by resolution 19. The rules of the Plan are broadly consistent with those under the Drax Group plc Performance Share Plan but have been revised to reflect developments in governance, to accord with the remuneration policy which is separately being voted on by shareholders at the AGM and feedback from shareholders during the initial consultation process.

The LTIP is a discretionary executive share plan and is intended to be operated for selected directors and senior employees of the Company and its subsidiaries (the Group). The Board of directors of the Company or a duly authorised committee, normally the Remuneration Committee, (the Board) will supervise the operation of the LTIP. LTIP awards may be granted in such form as determined by the Board including conditional rights to acquire shares, options or forfeitable shares which are subject to restrictions.

**Eligibility:** All employees (including executive directors) of the Group are eligible for selection to participate in the LTIP at the discretion of the Board.

**Timing of grants:** Awards may be granted under the LTIP during the 42 days beginning on: (i) the date of shareholder approval of the LTIP; (ii) the day after the announcement of the Company's results, including a preliminary announcement, for any period; (iii) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant of the award at that time; or (iv) the day after the lifting of any dealing restrictions which prevented the grant of awards at any of the other times described. No LTIP awards may be granted more than 10 years from the date when the LTIP was approved by shareholders.

**Individual limit:** The Board may grant awards over ordinary shares of the Company to eligible employees with a maximum total market value in any financial year of up to 200% of the relevant individual's annual base salary. This limit does not apply to awards granted under the LTIP to facilitate the recruitment of participants, for which a separate limit of up to 300% of the relevant individual's annual salary applies, while neither limit applies to buy-out awards (as permitted for Executive Directors under the Directors' Remuneration Policy).

**Overall plan limits:** The LTIP may operate over new issue shares, treasury shares or shares purchased in the market. The rules of the LTIP provide that, in any period of 10 calendar years, not more than 10% of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme operated by the Company. In addition, the rules of the LTIP provide that, in any period of 10 calendar years, not more than 5% of the Company's issued ordinary share capital may be issued under the LTIP and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the LTIP will count towards these limits for so long as this is required under institutional shareholder guidelines. Awards which are renounced or lapse shall be disregarded for the purposes of these limits.

**Performance conditions:** The Board may impose performance conditions on the vesting of LTIP awards. Where performance conditions are specified for LTIP awards, the underlying measurement period for such conditions will ordinarily be three financial years. The proposed performance conditions for the first grant of LTIP awards are set out in the Directors' Remuneration Policy which is being put to shareholders for approval at the AGM and shall be 50% cumulative adjusted EPS based and 50% TSR based.

Any performance conditions applying to LTIP awards may be varied, substituted or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonable and (except in the case of waiver) are not materially less difficult to satisfy than the original conditions.

**Vesting:** LTIP awards will normally vest on the third anniversary of the date of grant of the award to the extent that any applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback, provided that the participant remains employed by the Group. The Board has discretion to adjust the level of vesting upwards or downwards from the level achieved under the performance conditions. LTIP awards granted as options will normally remain exercisable for a period determined by the Board at the date of grant which shall not exceed 10 years from grant.

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**Malus and clawback:** The Board may decide, at the vesting of an LTIP award or at any time before, that the number of shares subject to the award shall be cancelled or reduced (including to nil) or additional conditions may be imposed on the award on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances:

- the Board forms the view that the Company or a Group company materially misstated its financial results for whatever reason;
- the Board forms the view that in assessing any performance target and/ or any other condition imposed on an award was based on an error, or on inaccurate or misleading information or assumptions;
- a participant acts in a way that amounts to fraud or misconduct (as determined by the Board);
- a material failure of risk management of the Company, a Group company or a business unit of the Group;
- the Company or any Group company or business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of the Company's shares is materially reduced provided that the Board determines following an appropriate review of accountability that the participant should be held responsible (in whole or in part) for that insolvency or corporate failure; or
- any other circumstances arise which the Board, acting fairly and reasonably, considers justify the reduction of the award (for example, a participant has by act or omission contributed to serious reputational damage to the Group).

In addition, if such an event occurs for an LTIP award in the two years following the vesting, the Board may apply clawback to the relevant vested award in the circumstances set out above. Clawback may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of LTIP awards or awards under other incentive plans operated by the Company.

**Dividend equivalents:** In respect of any award granted under the LTIP, the Board may decide that participants will receive a payment (in cash and/or additional shares) equal in value to any dividends that would have been paid on the shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

**Holding period:** The Board may at the date of grant impose a holding period in respect of shares which have vested under the LTIP (and normally also to any cash or assets (other than ordinary dividends) deriving from them) for up to two years following the vesting period. Ordinarily such holding period will only apply to executive directors, but may in the discretion of the Board apply to other participants. The duration of such holding period in respect of executive directors will be determined by reference to the Remuneration Policy in place from time to time.

**Cessation of employment:** Except in certain circumstances, set out below, an LTIP award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

If a participant so ceases because of their ill-health, disability, retirement with the agreement of their employer, redundancy, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances at the discretion of the Board (each a Good Leaver Reason), their LTIP award will ordinarily vest on the date when it would have vested if they had not so ceased to be a Group employee or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant ceases to be a Group employee or director for a Good Leaver Reason, the Board can alternatively decide that their LTIP award will vest early when they leave. If a participant dies, a proportion of their LTIP award will normally vest on the date of their death. The extent to which a LTIP award will vest in these situations will be determined by the Board at its absolute discretion taking into account, among other factors, the period of time the LTIP award has been held and the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

LTIP awards of Good Leavers which are in the form of options and which have vested may be exercised for a period of 6 months following vesting (or such longer period as the Board determines) and will otherwise lapse at the end of that period. LTIP options which have vested may normally be exercised for a period of 12 months following death and will otherwise lapse at the end of that period.

# The Drax Group plc Long-term Incentive Plan 2020 continued

**Corporate events:** In the event of a takeover, scheme of arrangement, or winding-up of the Company, LTIP awards will vest early. The proportion of a LTIP award which vests shall be determined by the Board taking into account, among other factors, the period of time the LTIP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. LTIP awards which are in the form of options and which have vested may be exercised for a period of 6 months measured from the relevant event (or in the case of takeover such longer period as the Board determines) and will otherwise lapse at the end of that period.

In the event of a demerger, distribution or any other corporate event, the Board may determine that LTIP awards shall vest. The proportion of a LTIP award which vests will be determined by the Board taking into account, among other factors, the period of time the LTIP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. LTIP awards which are in the form of options that vest in these circumstances may be exercised during such period as the Board determines and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may alternatively decide that LTIP awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

**Awards not transferable:** Awards granted under the LTIP are not transferable other than to the participant's personal representatives in the event of their death.

**Variation of capital:** If there is a variation of the Company's share capital or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to awards granted under the LTIP including the number of shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

**Alternative settlement:** At its discretion, the Board may decide to satisfy awards granted under the LTIP with a payment in cash or shares equal to any gain that a participant would have made had the relevant award been satisfied with shares.

**Rights attaching to shares:** Except in relation to the award of forfeitable restricted shares, shares issued and/or transferred under the LTIP will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised and the participant in question has received the underlying shares. Any shares allotted when an option is exercised or an award vests will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their issue). A participant awarded forfeitable shares subject to restrictions will have the same rights as a holder of shares in issue at the time that the participant acquires the shares, except to the extent set out in the agreement with the participant relating to those shares.

**Amendments:** The Board may, at any time, amend the provisions of the LTIP in any respect. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom an award can be made under the LTIP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval.

However, shareholder approval is not required for any minor amendment to benefit the administration of the LTIP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its other Group companies. Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants approve such amendment.

**Overseas plans:** The Board may, at any time, establish further plans based on the LTIP for overseas territories. Any such plan shall be similar to the LTIP, as relevant, but modified to take account of local tax, exchange control or securities laws. Any shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the LTIP.

**Benefits not pensionable:** Benefits received under the LTIP are not pensionable.