

DRAX GROUP PLC

DRAX POLICY

DP/CORP/014

SCHEDULE OF MATTERS RESERVED FOR THE BOARD

Responsible Manager: Philip Hudson
Responsible Person: Phil White

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DRAX GROUP PLC

Schedule of Matters Reserved to the Board

Approved by the Board on 30 November 2005
Amended by the Board on 19 June 2006, 17 July 2006,
23 October 2006, 29 June 2010, 28 June 2011, 17 January 2012
25 September 2012, 22 January 2014, 7 February 2015
and 17 March 2015

Preliminary

In essence, the role of the Board of Drax Group plc (the “**Company**”), the parent company of the subsidiaries of the Company (the “**Group**”), is to provide oversight of the overall management of the Group’s businesses, to secure the effective management of relationships with the Group’s stakeholders, to set the strategic direction and aims of the Group, to set the framework within which its operating subsidiaries are to conduct the Group’s businesses in ordinary course and to ensure there is established and maintained for the Group an effective system of internal control.

The following paragraphs are a statement of the matters reserved to the Board for its collective decision. Certain of the matters stand referred for consideration and recommendation by the Nominations, Audit, Remuneration and Health & Safety Committees of the Board, according to the terms of reference of each of those Committees.

This statement does not preclude:

- (a) the delegation of authority to a committee of the board or to an individual director to approve a matter within such limits as is set by the Board when it makes the decision to delegate;
- (b) the Board from calling for reports and recommendations from time to time on any matter it considers of Group-wide significance; or
- (c) amendment of this schedule from time to time as the Board may determine.

1 Strategy and Management

- 1.1 The strategic development plan for the Group (including the appetite for risk): its production, approval and arrangements for its implementation.
- 1.2 Approval of business plans setting out the annual operating and capital expenditure budgets and any material changes to them.
- 1.3 Oversight of the Group's operations ensuring:
 - competent and prudent management
 - sound planning
 - an adequate system of internal control
 - adequate accounting and other records
 - compliance with statutory and regulatory obligations
- 1.4 Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.5 Extension of the Group's activities into new business or geographic areas.
- 1.6 Any decision to cease to operate all or any material part of the Group's business.

2 Structure and capital

- 2.1 Changes relating to the Group's capital structure including reduction of capital, share issues (except under employee share plans), share buy backs and refinancing debt.
- 2.2 Significant changes to the Group's corporate structure.
- 2.3 Significant changes to the Group's management and control structure.
- 2.4 Any changes to the Company's listing or its status as a plc.

3 Financial reporting and controls

- 3.1 Approval of the half-yearly report, interim management statements and any preliminary announcements of final results.
- 3.2 Approval of the annual report and accounts, including the corporate governance statement and remuneration report.
- 3.3 Approval of the dividend policy.
- 3.4 Declaration of any interim dividend and recommendation of the final dividend.
- 3.5 Approval of any significant changes in accounting policies or practices.
- 3.6 Approval of treasury policies, including foreign currency exposure and the use of financial derivatives.

4 Internal controls

- 4.1 Ensuring maintenance of a sound system of internal control and risk management including:
- receiving reports on, and reviewing the effectiveness of, the Group's risk and control processes
 - undertaking an annual assessment of these processes
 - approving an appropriate statement for inclusion in the annual report.

5 Contracts and Expenditure

- 5.1 Contracts which are material strategically or by reason of size and which are not entered into the by the Company or any subsidiary of the Company in the ordinary course of business.
- 5.2 Capital expenditure, contractual commitments and anticipated contractual income in the normal course of existing business operations (whether capital or operating costs or revenue) and the assumption of liabilities, incurred by any subsidiary of the Company which fall within any of the following paragraphs:
- 5.2.1 Non-biomass fuel or CO₂ allowance purchase where either:-
- (1) the duration of the agreement is longer than 5 years; or
 - (2) the quantity of the commodity purchased in the agreement exceeds 3m tonnes in the aggregate.
- 5.2.2 Biomass purchases or sales where either:-
- (1) the agreement will terminate after 31 March 2027 ; or
 - (2) the quantity of the commodity purchased or sold in the agreement exceeds 7.5 million tonnes.
- 5.2.3 Wholesale electricity sales where either:
- (1) the duration of the agreement is longer than 5 years; or
 - (2) the aggregate volume sold in the agreement exceeds 2.5TWh per annum, or a total of 12.5TWh.
- 5.2.4 Retail electricity sales where:
- (1) the duration of the agreement is longer than 8 years;
 - (2) the supply period is longer than 5 years; or
 - (2) the aggregate volume sold in the agreement exceeds 10TWh.
- 5.2.5 Any agreement for the sales or purchase of Renewable Obligation Certificates ("ROCs"), Levy Exemption Certificates ("LECs") or other certificates in relation to trading renewable energy where the
- (1) the agreement terminates after 31 March 2027:
 - (2) the supply period is longer than 5 years; or

- (3) the number of such certificates exceeds 2 million ROCs per annum up to a total of 5 million ROCs or 20 million LECs (or a number equivalent in value of other certificates in relation to trading renewable energy).

5.2.6 Any agreement for transport of fuel where either:

- (1) the agreement will terminate after 31 March 2027; or
- (2) the quantity of fuel to be transported exceeds 7.5 million tonnes.

5.2.7 Capital expenditure or other contractual commitments and anticipated contractual income not within paragraph 5.2.1, 5.2.2, 5.2.3, 5.2.4 5.2.5 or 5.2.6:

- (1) for which provision has been made in the current Budget (which term includes a financial plan covering more than one year) approved by the Board and which are expected to result in aggregate expenditure or income in excess of £15m;
- (2) for which provision has been made in the current Budget approved by the Board where the contractual commitment or anticipated contractual income is expected to exceed the budget provision by more than £10m;
- (3) for which no provision has been made by the current Budget approved by the Board and where the contractual commitment or anticipated contractual income is expected to exceed £10m.
- (4) asset disposals (including scrap disposals) where either the expected proceeds of sale or the original cost of the asset exceeds £5m.

5.3 Investments by any Group company:

- 5.3.1 the acquisition or disposal of an interest in the voting shares of any company or the making of any takeover offer; ;
- 5.3.2 any investment in any joint venture company and the terms of any joint venture agreement, shareholders' agreement or similar agreement governing the operation of any joint venture company: and
- 5.3.3 development costs for such investments (including legal and professional fees and costs of undertaking due diligence) for which no provision has been made by the current Budget approved by the Board of more than £2m.

5.4 The Board may from time to time delegate authority to enter into such agreements subject to such limits and conditions as it may stipulate at the time of such delegation.

5.5 Any joint venture company in which the Company participates will be governed by its constitution. This may preclude the reservation to the Board of the

Company of matters set out in sections 5.1 and 5.2. The terms governing the operation of any such joint venture company are reserved to the Board pursuant to paragraphs 5.3.2. Those terms will include reservation of matters to shareholders. For example, a change in the nature or scope of the business of the joint venture will typically be a matter reserved to shareholders. Accordingly, the Company and the Board will retain control of key matters relating to the operation of the joint venture.

6 Communication

- 6.1 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.2 Approval of all circulars, prospectuses and listing particulars.
- 6.3 Approval of press releases concerning matters decided by the Board.

7 Board membership and other appointments

- 7.1 Changes to the structure, size and composition of the Board, following recommendations from the Nominations committee.
- 7.2 Appointments to the Board, following recommendations by the Nominations committee.
- 7.3 Selection of the Chairman of the Board and the Chief Executive having regard to, but not necessarily acting in accordance with, a recommendation from the Nominations committee.
- 7.4 Appointment of the Senior Independent Director.
- 7.5 Membership and Chairmanship of Board committees.
- 7.6 Continuation in office of directors at the end of their term of office, when they are due to be re-elected by shareholders at the AGM and otherwise as appropriate.
- 7.7 Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the company, subject to the law and their service contract.
- 7.8 Appointment or removal of the Company Secretary.
- 7.9 Appointment, reappointment or removal of the external auditor to be put to shareholders for approval, following the recommendation of the Audit Committee.
- 7.10 Authorising appointments to boards of subsidiaries.

8 Remuneration

- 8.1 Determining the remuneration policy for the directors, senior management and employees.

8.2 Determining the remuneration of the non-executive directors, subject to the articles of association and shareholder approval as appropriate.

8.3 The introduction of new share incentive plans or major changes to existing share plans, to be put to shareholders for approval.

9 Delegation of Authority

9.1 The division of responsibilities between the Chairman, the Chief Executive and other executive directors.

9.2 Approval of terms of reference of Board committees.

9.3 Receiving reports from Board committees on their activities.

10 Corporate governance matters

10.1 Undertaking a formal and rigorous review periodically of its own performance, that of its committees and individual directors.

10.2 Determining the independence of directors.

10.3 Considering the balance of interests between shareholders, employees, customers and the community.

10.4 Review of the Group's overall corporate governance arrangements.

10.5 Receiving reports on the views of the Company's shareholders.

11 Policies

11.1 Approval of policies, including:

- Health and Safety Policy
- Environmental policy
- Communications policy including procedures for the release of price sensitive information.

12 Other

12.1 The making of political donations.

12.2 Approval of the appointment of the Group's principal professional advisers.

12.3 Prosecution, defence or settlement of litigation involving £100,000 or being otherwise material to the interests of the group.

12.4 Major changes to the rules of the Group's pension schemes, or changes of trustees or changes in the fund management arrangements.

12.5 This schedule of matters reserved to the board.

Matters which the Board considers suitable for delegation are contained in the terms of reference of its Committees and in its schedule of delegated authorities.

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group. This shall include an annual review of the Group's main insurance policies including the Directors' and Officers' insurance policy.