

DRAX GROUP PLC

Schedule of Matters Reserved to the Board

Preliminary

The role of the Board of Drax Group plc (the “**Company**”), the parent company of the subsidiaries of the Company (the “**Group**”), is to promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society.

The Board should establish the Group’s purpose, values and strategy, and satisfy itself that these and its culture are aligned, 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, 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 will be submitted to the Board following consideration and supported by recommendation respectively from the Nominations, Audit and Remuneration 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 (provided this is within the Company’s Articles of Association);
- (b) the Board from calling for reports and recommendations from time to time on any matter it considers of significance; or
- (c) amendment of this schedule from time to time as the Board may determine.

For the avoidance of doubt the Executive Committee, or equivalent body from time to time which is chaired by the CEO shall determine the delegation of authorities below the levels stipulated in this Schedule of Matters.

The Board however reserves the right to require any matter pertaining to the business of the Group to be discussed and considered by the Board.

1 Strategy and Management

- 1.1 Responsible for setting the purpose, values, strategy and culture of the Group.
- 1.2 The strategic development plan for the Group (including the appetite for risk): its production, approval and arrangements for its implementation.
- 1.3 Approval of business plans setting out the annual operating and capital expenditure budgets and any material changes to them.
- 1.4 Review of operational and financial 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, any preliminary announcements of final results and any other periodic disclosures on the performance, prospects or results of the Group and any part thereof.
- 3.2 Approval of the annual report and accounts, including the corporate governance statement and remuneration report.
- 3.3 Approval of the dividend policy and any capital allocation policy (including buy backs).
- 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. For the avoidance of doubt, any commitment, investment, outlay of funds exceeding £5m will be considered material and require prior approval of the Board.

- 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:

Unless specifically referenced, activity in paragraphs 5.2.1 to 5.2.10 beyond 31st March 2027 requires Board approval.

- 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 3 million tonnes in aggregate.
- 5.2.2 Biomass purchases or sales where :
- (1) the quantity of the commodity purchased or sold in the agreement exceeds 7.5 million tonnes
- 5.2.3 Wholesale electricity sales or purchases 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 Customers electricity sales where either :
- (1) the committed supply period is longer than 5 years; or
 - (2) the aggregate volume sold in the agreement exceeds 10TWh.
- 5.2.5 Customers electricity purchases, where either :
- (1) the committed contractual period is longer than 5 years; or
 - (2) for PPAs, the aggregate volume bought in the agreement exceeds 1TWh.
- 5.2.6 Wholesale gas sales and purchases where either :
- (1) the duration or supply period of the agreement is longer than 5 years; or
 - (2) the aggregate value of the agreement exceeds £50m.
- 5.2.7 Customers gas sales and purchases where either :

- (1) Customers gas sales where the committed supply period is longer than 5 years; or
- (2) the aggregate volume sold in the agreement exceeds 4 million therms.

5.2.8 Any agreement for the sales or purchase of Renewable Obligation Certificates (“ROCs”), EU Guarantees of Origin (‘GOOs’), Renewable Energy Guarantees of Origin (‘REGOs’) or other certificates in relation to trading renewable energy where the

- (1) the certificate purchasing period is longer than 5 years; or
- (2) the number of such certificates exceeds 2 million ROCs per annum from any individual compliance period year, or a total of 5 million ROCs; or
- (3) the number of such certificates exceeds 10 million REGOs per annum from any individual compliance period year, or to a total of 40 million REGOs; or
- (4) the number of such certificates exceeds 3 million GoOs per annum up from any individual compliance period year, or a total of 5 million GoOs.

5.2.9 Any agreement for transport of fuel where :

- (1) the quantity of fuel to be transported exceeds 7.5 million tonnes.

5.2.10 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, 5.2.6, 5.2.7, 5.2.8 or 5.2.9:

- (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 £5m;
- (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 £5m;
- (4) asset disposals (including scrap disposals) where either the expected proceeds of sale or the carrying value of the asset at the point of disposal exceeds £15m; or where the disposal may result in a loss exceeding £5m.

- 5.3 Investments proposed to be made by any Group company:
- 5.3.1 the acquisition or disposal of any 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 £3m.
 - 5.3.4 whether in any new business venture; in projects evaluating new technologies (including any alternative fuels); in any territory outside the United Kingdom (each of the foregoing in this subsection whether under consideration individually OR together to require referral to the Board).
- 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 Activity in new tradeable instruments and commodities where the turnover or value exceeds £5m or where the activity extends beyond 31st March 2027.

6 Communication

- 6.1 Ensuring a satisfactory dialogue with shareholders based on the mutual understanding of objectives.
- 6.2 Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- 6.3 Approval of all circulars, prospectuses and listing particulars.
- 6.4 Approval of press releases concerning matters decided by the Board.
- 6.5 Consider the outcome of engagement with shareholders (including reports from Brokers and advisers).

7 Board membership and other appointments

- 7.1 Changes to the structure, size and composition of the Board, following recommendations from the Nominations committee, and effective succession planning.
- 7.2 Appointments to the Board, following recommendations by the Nominations committee.
- 7.3 Selection of the Chair of the Board and the Chief Executive.
- 7.4 Appointment of the Senior Independent Director.

- 7.5 Membership and Chairship 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.
- 7.11 Approval of Board Diversity Policy

8 Remuneration and Pension arrangements

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

9 Delegation of Authority

- 9.1 The division of responsibilities between the Chair, 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 Undertake a formal and rigorous review periodically of its own performance, that of its committees and individual directors.
- 10.2 Determine the independence of directors and consider any areas for potential or actual conflicts of interest.

- 10.3 Understand the views of stakeholders by conducting appropriate engagement and consider such views and the interests of stakeholders in decision-making (including employees and others identified from time to time in reports to the Board on the Group's key stakeholders).
- 10.4 Review of the Group's overall corporate governance arrangements.
- 10.5 Approve procedures for the disclosure of inside information.

11 Policies

- 11.1 Approval of policies, material to the business conduct, affairs and reputation of the Group including:
- Health and Safety Policy
 - Environmental policy
 - Anti-Bribery and Corruption
 - Whistleblowing (Speak Up)
 - Political Engagement
 - Share dealing and inside 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 where the potential liability exceeds £5m or being otherwise material to the interests of the Group.
- 12.4 This schedule of matters reserved to the Board.
- 12.5 An annual review of the Group's main insurance policies including the Directors' and Officers' insurance policy

In addition, the Board will receive reports and recommendations from time to time on any matter which it considers significant to the Group.

Adopted by the Board on 4 December 2020