

## **Drax Group plc**

### **Nominations Committee Terms of Reference**

Approved by the Board on 21 February 2022

#### **1 Introduction**

The board of directors of Drax Group plc (the “Board”) hereby constitutes and establishes a nominations committee (the “Committee”). The purpose of the Committee is to monitor the balance of skills, knowledge, experience, independence and diversity of the Board and its Committees; to ensure appropriate procedures are in place for the nomination, selection, training and evaluation of Directors; and ensure appropriate procedures and plans are in place for succession planning for Executive Directors and senior management.

These terms of reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee for compliance with the UK guidance on corporate governance and to assist the Committee in achieving best practice in corporate governance.

#### **2 Membership**

- 2.1 Members of the Committee shall be appointed by the Board for a period determined by the Board and complying with paragraph 2.3 and shall be at least three non-executive directors in number, the majority of whom shall be independent non-executive directors.
- 2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Chief Executive, the head of human resources and external advisers, may be invited to attend for all or part of any meeting, as and when appropriate. However, an executive will not attend the part of any Committee meetings when his or her own nomination is being discussed.
- 2.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods provided that the majority of the Committee members remain independent. Any term beyond six years for a non-executive director should be subject to rigorous review, and should take into account the need for progressive refreshing of the Board.
- 2.4 The Board shall appoint the Committee Chair (who shall be either the Chair of the Board or an independent non-executive director) and may also appoint one of the members of the Committee as deputy Chair. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting. The Chair of the Board shall not chair the Committee when it is dealing with the appointment of their successor.

#### **3 Secretary**

- 3.1 The secretary of Drax Group plc, or their nominee, shall act as the secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

#### **4 Quorum**

- 4.1 The quorum necessary for the transaction of business shall be two, both of whom must be independent non-executive directors. A duly convened meeting of the Committee at which a

quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **5 Frequency of Meetings**

- 5.1 The Committee shall meet at least twice a year and at such other times as the Chair of the Committee shall require.

## **6 Notice of Meetings**

- 6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of the Chair of the Committee. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7 Minutes of Meetings**

- 7.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chair of the Board and, once agreed, to all other members of the Board unless, in the opinion of the committee Chair, it would be inappropriate to do so.

## **8 Engagement with shareholders**

- 8.1 The Chair of the Committee shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **9 Duties**

- 9.1 The Committee shall:
- 9.1.1 regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
  - 9.1.2 maintain an effective succession plan for Board and senior management based on merit and objective criteria and should promote diversity with regards to gender, social and ethnic backgrounds, cognitive and personal strengths. The succession plan should also demonstrate how it links to company strategy.
  - 9.1.3 be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
  - 9.1.4 oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;

- 9.1.5 work and liaise as necessary with all other committees of the Board;
  - 9.1.6 before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
    - (a) use open advertising or the services of external advisers to facilitate the search;
    - (b) consider candidates from a wide range of appropriate backgrounds; and
    - (c) consider candidates on merit and against objective criteria, and with due regard to the benefits of diversity on the Board, taking care that appointees have enough time available to devote to that position;
  - 9.1.7 take into account the provisions of the UK Corporate Governance Code (the "Code") and any regulatory requirements that are applicable to the company;
  - 9.1.8 keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
  - 9.1.9 keep up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it operates;
  - 9.1.10 review the time required from non-executive directors sufficiently regularly to ensure the time attributed reflects the needs of the Board and its committees. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
  - 9.1.11 before the appointment of a director, require the proposed appointee to disclose other significant time commitments and any additional future commitments should not be undertaken without prior approval of the Board. The proposed appointee should also disclose any other business interests that may result in a conflict of interest and require him or her to report any future business interests that could result in a conflict of interest. These must be authorised by the Board prior to appointment and any future business interests that could result in a conflict of interest must not be undertaken without prior authorisation of the Board;
  - 9.1.12 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings; and
  - 9.1.13 ensure that, on appointment to the Board, all directors receive an appropriate induction programme.
- 9.2 The Committee shall also make recommendations to the Board concerning:
- 9.2.1 formulating plans for succession for both executive and non-executive directors and in particular for the key roles of Chair and Chief Executive;
  - 9.2.2 suitable candidates for the role of senior independent director;
  - 9.2.3 membership of the Audit and Remuneration Committees, in consultation with the chairs of those committees;
  - 9.2.4 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

- 9.2.5 the re-election by shareholders of directors under the annual re-election provisions in the UK Corporate Governance Code (the “Code”) having due regard to their performance and ability to continue to contribute to the Board and the long-term success of the company in the light of the knowledge, skills and experience required, and the need for progressive refreshing of the Board (particularly in relation to directors being re-elected for a term beyond six years);
  - 9.2.6 any matters relating to the 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 provisions of the law and their service contract; and
  - 9.2.7 the appointment of any director to executive or other office other than to the positions of Chair and Chief Executive, the recommendation for which would be considered at a meeting of the Board. In considering the appointment of the Chair and Chief Executive the Board may have regard to, but not necessarily act in accordance with, a recommendation from the Committee.
- 9.3 The Committee shall:
- 9.3.1 arrange for periodic reviews of its own performance and, at least once a year, review its performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
  - 9.3.2 ensure that the evaluation of the Board and its effectiveness is externally facilitated at least every three years, and shall review the results of the Board performance and Board effectiveness evaluation process that relate to the composition of the Board. The external facilitator shall be identified in the annual report and a statement made confirming whether the external facilitator has any other connections with the Group.

## **10 Reporting Responsibilities**

- 10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce a report to be included in the annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used. The report should include:
  - 10.3.1 a statement of the Board’s policy on diversity and inclusion, any measurable objectives that it has set for implementing the policy, linkage to Company strategy and progress on achieving the objectives;
  - 10.3.2 the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline together with an explanation of the Board’s attention to diversity and inclusion and how this has supported and informs the delivery of the Company’s strategy and objectives;
  - 10.3.3 how Board evaluation has been conducted, the nature and extent of an external evaluator’s contact with the Board and individual directors, the outcomes and actions taken, and how it has influenced or will influence Board composition;

10.3.4 the gender balance of those in the senior management team and their direct reports;  
and

10.3.5 If an external search consultancy has been engaged, it should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors.

## **11 Other**

11.1 The Committee shall:

- 11.1.1 have access to sufficient resources to carry out its duties, including access to the company secretariat for assistance as required;
- 11.1.2 be provided with appropriate and timely training, both in the form of a thorough induction programme for new members and on an ongoing basis for all members;
- 11.1.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and any other applicable rules as appropriate.

## **12 Authority**

12.1 The Committee is authorised to seek any information it requires from any employee of the company in order to perform its duties.

12.2 The Committee is authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

## **13 General**

13.1 The Committee shall make publicly available these terms of reference, explaining its role and the authority delegated to it by the Board.