

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 advisor 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 THURSDAY 13 APRIL 2017  
AT THE THE GRAND HOTEL & SPA, STATION RISE, YORK YO1 6GD**

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 11 April 2017.

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 11 April 2017.

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, if used, 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 10 April 2017. As a participant in the SIP you are unable to attend the meeting unless you hold shares registered in your own name.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS 2017

Latest time for receipt of Forms of Direction from SIP participants to be valid at the AGM	11.30am on 10 April
Latest time for receipt of Forms of Proxy and CREST proxy instructions to be valid at the AGM	11.30am on 11 April
AGM	11.30am on 13 April
Ordinary shares marked ex-final dividend	20 April
Record date for entitlement to the final dividend	21 April
Despatch of the final dividend warrants and tax vouchers	11 May
Payment date for the final dividend	12 May

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# PART A

## LETTER FROM THE CHAIRMAN



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

### Directors

Philip Cox CBE (Chairman)  
 Dorothy Thompson CBE (Group Chief Executive)  
 Tim Cobbold  
 Will Gardiner  
 Andy Koss  
 David Lindsell  
 Tony Thorne

9 March 2017

### To: Shareholders and participants in the Drax Group plc Approved Share Incentive Plan

For information only to: Participants in the Drax Group plc Sharesave Plan and the Drax Bonus Matching Plan.

Dear Shareholder,

### ANNUAL GENERAL MEETING ("AGM") AND ANNUAL REPORT AND ACCOUNTS

I am pleased to enclose the Notice of the AGM of Drax Group plc (the "Company" or "Drax"). A copy of the Company's Annual report and accounts for the year ended 31 December 2016 is enclosed, if you have requested to receive it, and is available on the Company's website at [www.drax.com](http://www.drax.com). The AGM will be held at 11.30am on Thursday 13 April 2017 at The Grand Hotel & Spa, Station Rise, York YO1 6GD.

### Notice of the AGM

The Notice of the AGM is set out in Part B on pages 3 to 5 of this document.

### 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 of this document. There will also be an opportunity for shareholders to ask questions appropriate to the business of the AGM at the meeting.

### Final dividend

The Board is proposing the payment of a final dividend of 0.4 pence per ordinary share.

### 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 11 April 2017; or
- (b) register the appointment of your proxy electronically via the internet at [www.sharevote.co.uk](http://www.sharevote.co.uk), where full instructions are given. Please note that the personalised numbers printed at the top of the Form of Proxy will be required and instructions must be received by no later than 11.30am on 11 April 2017.

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 11 April 2017.

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.

**LETTER FROM THE CHAIRMAN CONTINUED****LETTER FROM THE CHAIRMAN CONTINUED****SIP participants**

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

SIP participants are 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 10 April 2017, or
- (b) register their votes electronically via the internet 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 10 April 2017.

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.

**Voting arrangements**

Voting on each of the Resolutions to be put to the AGM will be by poll, rather than on a show of hands, so that all votes are included whether or not the shareholder is able to attend the meeting. The Board believes this to be the most democratic procedure for voting on the Resolutions as member votes will be counted according to the number of shares held.

The results of the voting at the meeting and the number of proxy votes cast for and against and the number of votes actively withheld 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 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 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**  
Chairman  
9 March 2017

# 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 Thursday 13 April 2017 at the The Grand Hotel & Spa, Station Rise, York YO1 6GD.

### Ordinary business

To consider and, if thought fit, pass Resolutions 1 to 15 as ordinary resolutions.

1. To receive the Annual report and the audited accounts of the Company for the year ended 31 December 2016, including (i) the directors' report; (ii) the directors' remuneration report (iii) the strategic report; and (iv) 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 Directors' Remuneration Policy set out on pages 86 to 95 of the Annual report and accounts.
3. To approve the Annual statement to shareholders by the Chairman of the Remuneration Committee and the Annual report on remuneration for the year ended 31 December 2016 set out on pages 82 to 85 and 96 to 107, respectively, of the Annual report and accounts.
4. To declare the final dividend of 0.4 pence per share for the year ended 31 December 2016.
5. To re-elect Tim Cobbold 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 Andy Koss as a director of the Company.
9. To re-elect David Lindsell as a director of the Company.
10. To re-elect Dorothy Thompson as a director of the Company.
11. To re-elect Tony Thorne as a director of the Company.
12. To reappoint Deloitte LLP as auditor of the Company to hold office from the conclusion of the meeting until the conclusion of the next meeting at which accounts are laid before the meeting.
13. To authorise the directors to determine the auditor's remuneration.

### Special business

To consider and, if thought fit, pass Resolutions 14 and 15 as ordinary resolutions and Resolutions 16 to 20 as special resolutions.

14. That in accordance with Sections 366 and 367 of the 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, in aggregate:
  - a. to make political donations to political parties and/or independent election candidates, as defined in Sections 363 and 364 CA 2006, not exceeding £50,000 in total; and/or
  - b. to make political donations to political organisations other than political parties, as defined in Sections 363 and 364 CA 2006, not exceeding £50,000 in total; and/or
  - c. to incur political expenditure, as defined in Section 365 CA 2006, not exceeding £100,000 in total, and in each case during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the next AGM of the Company or, if earlier, on 13 April 2018.

## NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

## NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

15. 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 £15,660,352 (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 £15,660,352); and
  - b. comprising equity securities (within the meaning of Section 560 CA 2006) up to an aggregate nominal amount of £31,320,705 (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 on 30 June 2018, 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.

16. That subject to the passing of Resolution 15 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 15 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 15, 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 15 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 16) of equity securities up to an aggregate nominal amount of £2,349,053.

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 2018, 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.

## NOTICE OF THE ANNUAL GENERAL MEETING CONTINUED

17. 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 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 40,670,254;
  - b. the minimum price (exclusive of expenses) which may be paid for an ordinary share is its nominal value;
  - 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 11 October 2018 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.
18. That:
- a. the Drax Group plc Performance Share Plan (the "PSP"), 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 Chairman, 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 PSP into effect; and
  - b. the directors be and are hereby authorised to establish such further plans based on the PSP 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 PSP.
19. That:
- a. the Drax Group plc Deferred Share Plan (the "DSP"), 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 Chairman, 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 DSP into effect; and
  - b. the directors be and are hereby authorised to establish such further plans based on the DSP 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 DSP.
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



**DAVID MCCALLUM**

Group Company Secretary

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

9 March 2017

# 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 2016. This includes (i) the audited accounts (ii) the directors' report; (iii) the directors' remuneration report; (iv) the strategic report; and (v) the report of the auditor of the Company on the audited accounts and the auditable part of the directors' remuneration report. Resolution 1 seeks shareholder approval to receive and adopt the Company's Annual report and accounts.

### Resolutions 2 and 3

#### Directors' remuneration report

These resolutions seek shareholder approval for the Directors' Remuneration Policy, the Annual report on remuneration and Annual statement to shareholders by the Chairman of the Remuneration Committee, which together form the directors' remuneration report. The directors' remuneration report can be found on pages 82 to 107 of the Annual report and accounts.

The existing Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting of the Company in April 2014. The relevant regulations require a binding vote on the Directors' Remuneration Policy at least every three years and therefore Resolution 2 seeks shareholder approval for the new Directors' Remuneration Policy, which can be found on pages 86 to 95 of the Annual report and accounts. The Directors' Remuneration Policy sets out the Company's future policy on directors' remuneration, including the setting of the directors' pay and the granting of share awards. Details on how the policy will be applied in practice following the 2017 AGM are set out in the Annual report on remuneration on pages 90 to 93 of the Annual report and accounts.

The existing Directors' Remuneration Policy and its implementation have consistently received high levels of shareholder support. Following an in-depth review by the Remuneration Committee of the Board, a small number of key changes are proposed to the existing Directors' Remuneration Policy which primarily target simplification and further strengthening the alignment of executive pay with the interests of the Company's shareholders, while reflecting emerging good practice for executive remuneration.

The key changes to the existing Directors' Remuneration Policy which are proposed are:

- decoupling the annual bonus and the Company's Bonus Matching Plan and introducing a new long term incentive plan, the Drax Group plc Performance Share Plan ("PSP", for which shareholder approval is sought under Resolution 18) and a new deferred bonus plan (the Drax Group plc Deferred Share Plan, for which shareholder approval is sought under Resolution 19), along with a reduction in the maximum individual limit which can be granted under the PSP from 225% to 175% of an executive's salary;
- adjusting the long term incentive vesting schedule to give a better balance between performance and reward, while introducing a two-year holding period after the three year vesting of PSP awards;
- increasing the shareholding requirement for executive directors to 200% of salary; and
- changing the vesting arrangements for deferred share bonus awards on cessation of employment by removing any pro-rating for time, but retaining the normal vesting date, rather than vesting taking place immediately on leaving.

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

If Resolution 2 is approved the effective date of the Directors' Remuneration Policy will be 13 April 2017 ie immediately following the 2017 AGM. If shareholders do not approve the proposed Directors' Remuneration Policy for any reason, the Company will, to the extent permitted by the Companies Act 2006, continue to make payments to directors and former directors (in their capacity as directors) under the existing Directors' Remuneration Policy approved on 23 April 2014 and will seek shareholder approval for a revised policy by the 2018 AGM.

If the Directors' Remuneration Policy is approved (and once it commences), all payments by the Company to directors and any former directors (in their capacity as directors) will be made in accordance with the policy (unless a payment has separately been approved by a shareholder resolution). Payments will continue to be made to directors and former directors (in their capacity as directors) pursuant to commitments under the existing Directors' Remuneration Policy approved at the 2014 AGM (as well as commitments made before that date). Additionally, if the Directors' Remuneration Policy is approved and remains unchanged, it will be valid for up to three financial years without new shareholder approval being required. If the Company wished to change the Directors' Remuneration Policy, it would need to put the revised policy to a vote again, before it could implement that new policy.

Resolution 3 seeks shareholder approval for the Annual statement to shareholders by the Chairman of the Remuneration Committee and the Annual report on remuneration which can be found on pages 82 to 107 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 2016. 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 112 to 116 of the Annual report and accounts.



## EXPLANATORY NOTES TO THE NOTICE OF THE AGM CONTINUED

### Resolution 4

#### To approve the final dividend

Resolution 4 seeks shareholder approval to declare the final dividend of 0.4 pence per ordinary share, which is recommended by the directors for payment to shareholders on the register of members of the Company at 4.30pm on 21 April 2017. If approved by shareholders at the AGM, the final dividend will be paid on 12 May 2017.

### Resolutions 5 to 11

#### To re-elect the directors

The Company's Articles of Association require that all directors retire at least every three years and that all newly-appointed directors retire at the first AGM following their appointment. However, and in accordance with the recommendations of the UK Corporate Governance Code, the directors have resolved that they will all retire and that those wishing to serve again shall submit themselves for re-election by the shareholders. Accordingly, each of the directors will retire at the forthcoming AGM and, being eligible, each will offer themselves for re-election through separate Resolutions numbered 5 to 11. Each of the director's biographical notes are set out on pages 68 to 70 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 meet the independence criteria prescribed in the UK Corporate Governance Code as all 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. In addition, the Board is of the view that their continued service is critical in ensuring that the Group benefits from the right blend of expertise and continuity of experience in its senior leadership.

During the year, the Board completed an annual evaluation of its performance and that of its Committees and individual directors. Following that evaluation (which included an externally facilitated evaluation exercise), the Chairman is satisfied that the performance of each director standing for re-election continues to be effective and that each director continues to demonstrate commitment to the role. More information about these matters can be found on page 76 of the Annual report and accounts.

### Resolutions 12 and 13

#### Reappointment of auditor and determination of their remuneration

The Company must appoint or re-appoint the 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 14

#### To give authority to make certain expenditure in accordance with the Political Parties, Elections and Referendums Act 2000

The Political Parties, Elections and Referendums Act 2000 (the "2000 Act") imposed restrictions on companies making donations to EU political organisations or incurring EU political expenditure without shareholders' consent. 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, it is possible that normal business activities and certain types of expenditure, which might not be thought to be political expenditure in the usual sense, could require shareholders' consent under the 2000 Act. For example, activities such as communicating with government and political parties at local, national and European level, expenditure on organisations concerned with policy review, law reform and representation of the business community and making provisions for employees to take time off work to campaign for and hold public office could fall within the wide definition of EU political expenditure. In view of the broad wording adopted in the 2000 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 of not more than £200,000 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.

### Resolution 15

#### 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 Companies Act 2006. Upon the passing of Resolution 15 the directors will have authority (pursuant to paragraph (a) of the Resolution) to allot shares up to an aggregate nominal value of £15,660,352, which is approximately one-third of the current issued ordinary share capital as at 9 March 2017 (being the latest practicable date before the publication of this Notice). This authority will expire immediately following the AGM in 2018 or on 30 June 2018, 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 15, 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 £31,320,705, as reduced by the nominal amount of any shares issued under paragraph (a) of Resolution 15.

## EXPLANATORY NOTES TO THE NOTICE OF THE AGM CONTINUED

This amount (before any reduction) represents approximately two-thirds of the Company's current issued ordinary share capital as at 9 March 2017 (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 2018, whichever is the earlier. As a result, if Resolution 15 is passed, the directors could allot shares representing up to two-thirds of its 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 9 March 2017, being the latest practicable date before publication of this Notice, the Company held no equity securities in treasury.

### Resolution 16

#### Disapplication of pre-emption rights

If the directors wish to exercise the authority under Resolution 15 and offer shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 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 16 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 to their shareholdings (subject to certain exclusions) and (iii) otherwise than under (i) or (ii), up to an aggregate nominal value of £2,349,053 which is equivalent to approximately 5% of the issued ordinary share capital of the company on 9 March 2017 (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 16 will expire on the earlier of the conclusion of the next AGM or on 30 June 2018. 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 and any scrip dividend plan (but they consider its grant 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 9 March 2017, being the latest practicable date before the publication of this Notice, the Company held no equity securities in treasury.

### Resolution 17

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

This Resolution is to authorise the Company to buy back up to 40,670,254 ordinary shares. The authority would expire at the conclusion of the 2018 AGM or, if earlier, on 20 October 2018. The directors intend to seek renewal of this power at subsequent AGMs in accordance with current best practice.

The Resolution specifies the maximum number of ordinary shares which may be purchased (representing 10% of the Company's issued ordinary share capital as at 9 March 2017) and the maximum and minimum prices at which they may be bought, exclusive of expenses, reflecting the requirements of the Companies Act 2006 and the Listing Rules.

The directors have no present intention of exercising this power other than with a view for use in relation to the Company's share plans and the granting of this authority should not be taken to imply that any ordinary shares will be purchased, other than in relation to share plans. Except in relation to share plans, 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 all shareholders.

Under the Companies Act 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.

## EXPLANATORY NOTES TO THE NOTICE OF THE AGM CONTINUED

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 17, 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 9 March 2017, being the latest practicable date before the publication of this Notice, was 7,502,843. This represents approximately 1.84% 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 9 March 2017, would represent approximately 2.05% of the reduced issued share capital.

### Resolutions 18 and 19

#### To approve the new Performance Share Plan and Deferred Share Plan

A significant element of the Remuneration Committee's review of the Company's Directors' Remuneration Policy has been its proposal to change the way the Company provides share based incentives to its directors and senior executives. Currently, these are provided through the Company's Bonus Matching Plan (adopted in 2009) which links share awards to participants' annual bonuses. For the future, the Remuneration Committee proposes that share awards in line with the proposed Directors' Remuneration Policy will be provided under two separate plans, the Drax Group plc Performance Share Plan ("PSP") and the Drax Group plc Deferred Share Plan ("DSP").

The PSP is the long term incentive plan under which it is intended that awards of nil-cost awards will be made annually to directors and selected senior executives. The maximum value of shares that can be awarded to a participant in any financial year is 175% of the individual's salary. Under the proposed new Directors' Remuneration Policy, the existing total shareholder return and corporate scorecard performance metrics will be retained for PSP awards. The Remuneration Committee believes that this combination continues to provide a comprehensive evaluation of the execution of the Company's business strategy and the shareholder experience. A two-year holding period will apply to vested awards granted to directors of the Company under the PSP, which will align their remuneration with shareholder value over a longer period than is currently the case.

The DSP is a new plan under which a portion of annual bonus earned will be deferred into awards over shares. Unlike the current Bonus Matching Plan, awards of shares granted under the DSP will not attract a match.

Resolution 18 seeks shareholder approval for the PSP and Resolution 19 seeks shareholder approval of the DSP. The principal terms of the PSP and DSP are summarised in the appendix to this Notice of AGM.

### 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.

Note that the Companies Act 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 11 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 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. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK.

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 Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman 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.

## ADMINISTRATIVE NOTES RELATING TO THE AGM CONTINUED

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 the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
10. 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

11. 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) where full details of the procedure are given. This website is 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. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK.

### Website giving information regarding the meeting

12. 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

13. 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. Lines are open from 8.30am to 5.30pm, Monday to Friday – excluding Bank Holidays; or +44 121 415 7047 from outside the UK. 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.
14. 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.

### Nominated persons

15. 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 Companies Act 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

## ADMINISTRATIVE NOTES RELATING TO THE AGM CONTINUED

# ADMINISTRATIVE NOTES RELATING TO THE AGM CONTINUED

- 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

16. Voting on each of the Resolutions to be put to the AGM will be by poll, rather than a show of hands, so that all shares voted are included, whether or not the shareholder is able to attend the meeting. The Board believes this to be the most democratic procedure for voting on resolutions as member votes will be counted according to the number of shares held.

The results of the voting at the meeting and the number of proxy votes cast for and against and the number of votes actively 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

17. As at 9 March 2017, being the latest practicable date prior to the publication of this Notice, the Company's issued share capital comprised 406,702,537 ordinary shares of 11<sup>16/29</sup> pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company is the same as the number of shares in issue. The Company does not hold any shares in treasury.
18. 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 9 March 2017, 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

19. 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.

### Corporate representatives

20. 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

21. 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

22. 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.

**ADMINISTRATIVE NOTES RELATING TO THE AGM CONTINUED****Meeting arrangements**

23. The doors of the AGM venue will open at 10.30am 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.
24. You may be asked to provide proof of identity, 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**

25. A copy of each of the executive directors' service contracts and the non-executive directors' appointment letters will be available for inspection at the Company's registered office and at the AGM venue for at least 15 minutes before the AGM. The draft rules of the Drax Group plc Performance Share Plan and the Drax Group plc Deferred Share Plan will be available for inspection at 41 Moorgate, London EC2R 6PP and at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice of AGM until the AGM and at the AGM venue for at least 15 minutes before the AGM until its conclusion.

**General enquiries**

26. 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.
- 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 Bank Holidays.

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 13 April 2017 (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" 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
"LTIP"	Long Term Incentive Plan
"Official List"	the official list of the UK Listing Authority
"ordinary shares"	ordinary shares of 11 <sup>16/29</sup> 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
"share plans"	the SIP, the Drax Group plc Sharesave Plan, the Drax Bonus Matching Plan and the Drax Group plc US Employee Stock Purchase Plan
"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



## APPENDIX

### Appendix – The Drax Group plc Performance Share Plan and the Drax Group plc Deferred Share Plan

This appendix sets out the principal terms of the Drax Group plc Performance Share Plan (“PSP”) and the Drax Group plc Deferred Share Plan (“DSP”) which are being put to shareholders at the AGM for approval by resolutions 18 and 19 respectively. Part 1 relates to the PSP, Part 2 to the DSP and Part 3 relates to provisions applying to both the PSP and the DSP.

#### Part 1 – the PSP

The PSP is a discretionary executive share plan and is intended to be operated for selected directors and executives of the Company and its subsidiaries (the “Group”). The Remuneration Committee will supervise the operation of the PSP. PSP awards may be granted in the form of conditional rights to acquire shares, nil cost 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 PSP at the discretion of the Remuneration Committee.

**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 175% of the relevant individual's annual base salary.

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

Any performance conditions applying to PSP 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:** PSP 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. PSP awards granted as options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from grant.

**Cessation of employment:** Except in certain circumstances, set out below, a PSP 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 his ill-health, disability, redundancy, retirement with the agreement of his employer, 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”), his PSP award will ordinarily vest on the date when it would have vested if he 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 his PSP award will vest early when he leaves. If a participant dies, a proportion of his PSP award will normally vest on the date of his death. The extent to which a PSP 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 PSP 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.

PSP 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. PSP 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.

## APPENDIX

**Corporate events:** In the event of a takeover, scheme of arrangement, or winding-up of the Company, PSP awards will vest early. The proportion of a PSP award which vests shall be determined by the Board taking into account, among other factors, the period of time the PSP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. PSP 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 PSP awards shall vest. The proportion of a PSP award which vests will be determined by the Board taking into account, among other factors, the period of time the PSP award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. PSP 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 (with the consent of the acquiring company) alternatively decide that PSP awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

### Part 2 – the DSP

The DSP is a discretionary executive share plan and is intended to be operated for selected directors and executives of the Group. The DSP provides a mechanism for the deferral of a proportion of a participant's bonus into awards over shares. The Remuneration Committee will supervise the operation of the DSP. DSP awards may be granted in the form of conditional rights to acquire shares, nil cost 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 DSP at the discretion of the Remuneration Committee.

**Individual limit:** The Board may determine that up to 50% of a participant's annual bonus will be deferred into a DSP award over ordinary shares of the Company. The number of shares will be determined by reference to their market value at grant of the DSP award.

**Vesting and exercise:** DSP awards will normally vest on the third anniversary of the date of grant of the award to the extent permitted following any operation of malus or clawback. DSP awards granted as options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from grant.

**Cessation of employment:** Except in certain circumstances, set out below, a DSP 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 a Good Leaver Reason, his DSP Award will ordinarily vest in full on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the operation of malus or clawback.

If a participant ceases to be a Group employee or director for a Good Leaver Reason, the Board can alternatively decide that his DSP award will vest early when he leaves. If an employee dies, a proportion of his DSP award will vest on the date of his death. The extent to which a DSP 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 DSP award has been held 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.

DSP 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. DSP options which have vested may be exercised for a period of 12 months following death and will otherwise lapse at the end of that period.

**Corporate events:** In the event of a takeover, scheme of arrangement, or winding-up of the Company, the DSP Awards will vest early in full. DSP 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 DSP awards shall vest. The proportion of a DSP award which vests will be determined by the Board taking into account, among other factors, the period of time the DSP award has been held by the participant. DSP 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 (with the consent of the acquiring company) alternatively decide that DSP awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

### **Part 3 – provisions relating to both the PSP and the DSP**

**Timing of grants:** Awards may be granted under either or both of the PSP or the DSP during the 42 days beginning on: (i) the date of shareholder approval of the PSP and DSP; (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 PSP or DSP awards may be granted more than 10 years from the date when the relevant plan was approved by shareholders.

**Overall plan limits:** The PSP and DSP may operate over new issue shares, treasury shares or shares purchased in the market. The rules of both the PSP and DSP 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 relevant plan and under any other employees' share scheme operated by the Company. In addition, the rules of the PSP and DSP 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 relevant plan and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the PSP and DSP 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.

**Malus and clawback:** The Board may decide, at the vesting of a PSP or DSP award or at any time before, that the number of shares subject to the award shall be reduced (including to nil) 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 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 (or in the case of the DSP, any condition imposed on the bonus related to the award) was based on an error, or on inaccurate or misleading information or assumptions;
- a participant engages in misconduct (as determined by the Board); or
- any other circumstances arise which the Board, acting fairly and reasonably, considers justify the reduction of the award (for example, but without limitation to, a participant has by act or omission contributed to serious reputational damage to the Group).

In addition, if such an event occurs for a PSP award in the two years following vesting or for a DSP award in the three years following determination of the related bonus, 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 awards.

## APPENDIX CONTINUED

**Holding period:** The Board may impose a holding period in respect of shares which have vested under the PSP or DSP for up to two years following vesting.

**Dividend equivalents:** The Board has discretion to award dividend equivalents on awards granted under the PSP or DSP in respect of shares which vest.

**Awards not transferable:** Awards granted under the PSP and DSP are not transferable other than to the participant's personal representatives in the event of his 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 each of the PSP and the DSP including the number of shares subject to awards and the option exercise price (if any), as it considers to be fair and reasonable.

**Dividend equivalents:** In respect of any award granted under the PSP or DSP, 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.

**Alternative settlement:** At its discretion, the Board may decide to satisfy awards granted under the PSP or the DSP 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 PSP or DSP 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 PSP or DSP 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 relevant plan, 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 PSP or DSP, 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 PSP or the DSP for overseas territories. Any such plan shall be similar to the PSP or DSP, 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 relevant plan.

**Benefits not pensionable:** Benefits received under the PSP and DSP are not pensionable.

## NOTES

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