

Extract from the 2023 Remuneration Committee report

Directors' Remuneration Policy - approved by shareholders at the 2023 AGM

Below is the proposed Policy which, if approved by shareholders, will be effective immediately after the AGM on 26 April 2023 and will be binding until the close of the 2026 AGM.

Base salary

Base salary helps to attract, reward and retain the right calibre of Executive Director to deliver the leadership and management needed to execute the Group's strategy and business plan.

Proposed Change (for adoption in 2023)

Adopt consistent wording for the ability to move base salaries to the market rate where Executive Directors are either (i) an external appointment made on a below market base salary; or (ii) an internal promotion on a below market base salary.

Practical operation

Base salary reflects the role, the executive's skills and experience, and market level. To determine the market level, the Committee reviews remuneration data on executive positions at companies which the Committee considers to be appropriate comparators. The comparator companies are selected, with advice from the Committee's remuneration advisers, taking into account factors such as, but not limited to, sector, size, and international presence.

Where base salary on appointment is below market level to reflect experience, it will be increased over time to align with the market level, subject to performance.

Base salaries of all Executive Directors are generally reviewed once each year, with increases applying from January. Reviews cover individual performance, experience, development in the role, market comparisons and pay reviews for the wider workforce.

Maximum potential value

The base salaries of Executive Directors in post at the start of the policy period, and who remain in the same role throughout the policy period, are eligible for increases during the policy period but will not usually be increased by a higher percentage than the average annual percentage increase in salaries of all other employees in the Group at the time of increase.

Exceptions to this, subject to performance and development, are where:

- (i) An Executive Director has been appointed at below market level to reflect experience.
- (ii) An Executive Director has been promoted internally (or the scope or nature of their role has changed) and their salary is below market level.

Pension

Pension provision is one of the components to attract, reward and retain the right calibre of executive, to ensure delivery of the leadership and management needed to execute the Group's purpose and strategy.

Proposed Change (for adoption in 2023)

The policy is updated to reference that Executive Director pensions are now aligned with the rate typically provided to the UK wider workforce for new joiners of up to 10% of base salary.

Practical operation

Executive Directors are entitled to a contribution to the Group's defined contribution pension plan, a cash payment in lieu of pension (subject to normal statutory deductions), or a combination of pension contributions and cash in lieu of pension.

Maximum potential value

The contribution rates for existing Executive Directors are limited to the rate for new joiners to the UK wider workforce, which is currently 10% of base salary. This is also the most common pension contribution rate for UK-based employees.

The pension contribution rate for any new Executive Director will also be limited to the rate for new joiners to the wider workforce.

Benefits

Benefits are provided to be market competitive as an integral part of Executive Directors' total remuneration.

Practical operation

Executive Directors receive a car benefit, life assurance, income protection, the opportunity to participate in all-employee share plans on the same basis as other employees, annual private health assessment and annual private medical cover. Additional benefits may be provided if the Committee considers them appropriate (including tax equalisation expenses and benefits or allowances which are customarily provided in the country where an Executive Director resides).

Relocation expenses are paid, where appropriate, in individual cases. Executive Directors' relocation expenses are determined on a case-by-case basis. The Policy is designed to assist the Executive Director to relocate to a home of similar standing.

Maximum potential value

Benefits are set at a level appropriate to the individual's role and circumstances.

The maximum opportunity will depend on the type of benefit and cost of its provision, which will vary according to the market and individual circumstances.

Annual bonus

The award of annual bonus will be based on annual performance against financial and operational metrics linked to the business plan. The aim of the deferred portion of the annual bonus is to further align Executive Directors to shareholders' interests, by linking share-based reward to long-term sustainable performance.

Proposed Change (for adoption in 2023)

- (i) Simplification of the wording on the choice of performance metrics. The majority of the annual bonus must still be earned based on performance against financial targets.
- (ii) Simplification of current approach to that part of annual bonus which is deferred in shares. The change will specify that 40% of any annual bonus earned is deferred into Drax's shares. This approach replaces the prevailing more complex approach whereby 100% of any bonus earned against strategic targets takes place subject to 40% of the total bonus outcome being deferred.
- (ii) Removal of the two-year holding period on deferred bonus shares so that any deferred shares awarded vest after three years. These shares will need to continue to be held (as a minimum on a net of tax basis) until Drax's share ownership guidelines are met.

Practical operation

The Committee will determine the annual bonus payable after the year-end, based on performance against targets.

40% of the total bonus outcome will be deferred into shares in the form of nil cost options or conditional awards under a Deferred Share Plan (DSP). The period over which shares are deferred is normally three years. Vesting is subject to continued service or "good leaver" termination provisions.

Deferred shares vest based on continued employment and lapse other than in defined good leaver circumstances.

Dividends or dividend equivalents (which may assume notional reinvestment) are paid on DSP awards.

In certain circumstances, the Committee can apply malus and clawback to bonus awards.

Maximum potential value

Role	Maximum opportunity (% of base salary)
CEO	175%
Other Executive Directors	150%

Performance measures

The majority of the annual bonus will be based on financial metrics. The Remuneration Committee reviews and determines the metrics, weightings and calibration of targets annually taking into account business objectives and the strategic priorities of the business.

The performance metrics applicable to the annual bonus awards are split between financial and strategic metrics.

- Financial – performance measures based on annual financial and operational targets, which will be linked directly to the performance of the Group and determined by the Board.
- Strategic – performance measures based on non-financial and strategic targets, which will be determined annually by the Board and will be aligned with the business strategy.

There is no payment for below threshold performance. The outcome for threshold performance is 0% of maximum. The outcome for target performance is 50% of maximum.

Targets, outcomes and resulting payouts are published in the Annual Report on Remuneration.

The Committee will review the formulaic outcome of the bonus award and has the discretion to amend the final outcome to make sure that bonus payments reflect overall performance. The use of such discretion will be explained fully in the relevant Annual Report on Remuneration.

In exceptional circumstances such that the Committee believes the original measures and/or targets are no longer appropriate, the Committee has discretion to amend performance measures and targets during the year.

Long Term Incentive Plan (LTIP)

The Group's LTIP provides long-term alignment with shareholders based on the outcome of performance against the conditions set for each award (which for awards granted in 2023 will be Relative Total Shareholder Return and Cumulative Adjusted Earnings Per Share).

Practical operation

Under the LTIP, Executive Directors may at the discretion of the Committee receive an annual grant of shares subject to performance conditions.

Shares vest on the third anniversary of the grant, subject to continued service or in exceptional circumstances earlier subject to specified "good leaver" termination provisions, and the achievement of performance conditions over a three-year period determined by the Committee. Vested awards are then subject to a further holding period of two years for Executive Directors.

Dividends or dividend equivalents (which may assume notional reinvestment) may be paid on LTIP awards.

There is no payment for below threshold performance.

The outcome for threshold performance is 25% of maximum.

The Committee will include an override provision in each grant under the LTIP. This will give the Committee discretion to determine that no vesting shall occur, or that vesting shall be reduced, if there are circumstances (relating to the Group's overall performance or otherwise) which make vesting when calculated by reference to the performance conditions alone inappropriate.

In certain circumstances, the Committee can apply malus or clawback to unvested/vested awards.

The Committee reserves discretion to:

- (i) amend the performance conditions/targets attached to outstanding awards granted under this Policy, in the event of a major corporate event or significant change in economic circumstances, or a change in accounting standards having a material impact on outcomes; and
- (ii) adjust the vesting of LTIP awards and/or the number of shares underlying unvested LTIP awards, on the occurrence of a corporate event or other reorganisation. In the event of a change of control, the treatment of long-term incentives will be determined in accordance with the

Maximum potential value

Role	Maximum opportunity (% of base salary)
CEO	200.0%
Other Executive Directors	175.0%

In exceptional circumstances the Committee may on recruitment grant a percentage of base salary in excess of these amounts.

Performance measures

Awards will be subject to a combination of long-term measures which are aligned to the shareholder experience and may include financial metrics, shareholder value metrics, capital efficiency measures and ESG or strategic measures.

plan rules.

Shareholding requirement

The shareholding requirement aligns the interests of Executive Directors with shareholders.

Practical operation

The shareholding requirement for the CEO is 250% of salary and for the other Executive Directors is 200% of salary. This is to be achieved within a period five years after the date of the 2020 AGM (or after the date of appointment for new Executive Directors if this is later) from vested shares derived from awards under the Company's share plans.

Until this level is reached, Executive Directors who receive shares by virtue of any share plan award or who receive DSP awards are expected to retain 50% of the shares received net (i.e. after income tax and national insurance contributions). Shares which have not vested and are subject to performance conditions will not count towards the requirement. Unvested awards subject to service only (e.g. DSP awards) will count towards the guideline on a net of tax basis.

Maximum potential value

N/A

Performance measures

N/A

Post cessation shareholding requirement

The Group's post-cessation shareholding requirement aligns the interests of Executive Directors with shareholders over the longer term beyond their departure from the Group.

Practical operation

A post-cessation shareholding requirement, equal to the employment shareholding requirement (or the shareholding on departure if lower) applies for a two year period after cessation of employment. For clarity, the post cessation shareholding requirement is 250% of salary for the CEO and for the other Executive Directors is 200% of salary. In addition, shares vesting during this period will remain subject to the two-year post-vesting holding period, which may therefore extend beyond the two year period for which the post-cessation shareholding requirement applies.

Shares purchased by the Executive Director (including those from all employee share plans), will not be included.

Shares counting towards this requirement will not be released from the Employee Benefit Trust during the period in which the post-cessation shareholding requirement applies, to support enforceability. Acceptance of the post-cessation shareholding requirement will be a condition of participation in all share awards granted, and will be included in the grant documentation for awards.

Both Will Gardiner and Andy Skelton have entered into such an agreement.

Maximum potential value

N/A

Performance measures

N/A

Performance measures and approach to setting targets

The measures for elements of variable pay will be:

- In respect of the annual bonus plan, financial, strategic and operational measures consisting of targets set by the Committee each year in conjunction with the Board. The targets are aligned with key business goals determined at the start of each year
- In respect of shares awards granted under the LTIP, targets typically relate to a combination of:
 - Relative TSR, which aligns Executive Director remuneration with creation of long-term shareholder value;
 - Cumulative Adjusted EPS, which aligns Executive Director remuneration with the realisation of our earnings growth plans, which is a major determinant of shareholder value.
- The Committee sets targets for the performance measures each year, taking into account market conditions, the business plan and other circumstances as appropriate. A summary of the measures that apply for the following year are

- disclosed in the Annual Report on Remuneration.
- The Committee retains flexibility during the Policy period to change the weighting and choice of performance metrics to better align with strategy as it evolves.

Circumstances in which malus or clawback may apply

The Committee may, at any time within two years of the LTIP and DSP vesting or annual bonus payment, determine that malus and/or clawback provisions should be applied, in circumstances of:

- material financial misstatement;
- fraud or misconduct;
- material failure of risk management and corporate failure;
- if assessment of a performance condition is found to have been based on an error, inaccuracy or misleading information; and,
- in other circumstances that the Committee considers justifying the operation of the clawback provision.

Committee's judgement and discretion

In addition to assessing and making judgements on the meeting of performance targets and the appropriate incentives payable, the Committee has certain operational discretions it can exercise in relation to Executive Directors' remuneration. These include, but are not limited to the following and in all cases any use of discretion will align with the discretions afforded to the Committee in the relevant plan rules:

- reviewing the formulaic outcome of the annual bonus, DSP and LTIP awards and applying discretion to amend the final outcomes, to ensure that the outcomes reflect overall performance or an individual executive's performance;
- deciding whether to apply malus or clawback to an award;
- determining whether a leaver is a "good leaver"; and
- determining the treatment of awards in the event of a change of control.

Where such discretion is exercised, it will be explained in the relevant Annual Report on Remuneration.

Remuneration scenarios

The composition and value of the Executive Directors' remuneration packages at below threshold (minimum), target and maximum performance scenarios under the Drax Group Policy are set out in the charts below based on salary on projected earnings for 2023 based on current salary. The assumptions used in the charts are provided in the following table:

Description	Fixed remuneration	Annual bonus	Long-term incentive
Minimum	Base salary is the rate payable as determined by the Committee following the annual review. Benefits and pension entitlement remain as disclosed in the Policy.	None	None
Target		50% of the maximum opportunity.	62.5% vesting (midpoint between threshold and maximum).
Maximum		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum LTIP opportunity (200% of salary for CEO and 175% of salary for other Executive Directors) with no allowance for share price appreciation or dividend equivalents.
Maximum (with 50% share price appreciation)		Maximum cash bonus and deferred shares (175% of salary for CEO and 150% of salary for other Executive Directors).	Maximum LTIP opportunity (200% of salary for CEO and 175% of salary for other Executive Directors) with allowance for 50% share price appreciation over the three-year performance period and no allowance for dividend equivalents.

[Charts]

Approach to recruitment remuneration

The Committee will apply the components of this Policy to determine the remuneration of newly appointed Executive Directors. Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. Where this is below the market level, it will be adjusted over time to align with the market level, subject to

good performance.

A new Executive Director would be eligible to receive an annual bonus of up to 150% of salary, or 175% for a new CEO, in each case with financial and strategic elements as set out in the Policy table above. In addition, a new Executive Director would be eligible to receive an LTIP award of up to 175% of salary, or 200% in the case of a new CEO, (in exceptional circumstances the Committee may on recruitment grant a percentage of salary in excess of these amounts but in such circumstances it would be capped at 300% of salary).

The Committee may also determine it appropriate to honour prevailing contract commitments for an individual in the event they are promoted to an Executive Director position.

In relation to Executive Directors appointed from outside the Group, where the Committee considers it to be necessary to secure the appointment of the Executive Director, the Committee may:

- pay compensation for loss of benefits on resignation from a previous employer, or grant 'buyout awards' to replace awards or amounts forfeited by a previous employer (subject to the right to phase any payment to reflect performance, the requirement to mitigate loss and the Group's right to clawback any amount which is subsequently paid to the Executive Director by the former employer, and to claw back an appropriate proportion of the payment if the Executive Director leaves soon after appointment). Any compensation or buyout award made will not exceed the value of the benefits, awards or amounts lost as determined by the Committee acting fairly and reasonably. Any buyout award would have equivalent terms (including vesting dates, performance conditions and malus/clawback provisions) to the original award it replaces. Where possible, the Committee will use existing share-based plans to grant such awards. However, in the event that these are not appropriate, the Committee retains the discretion to use the exception in Listing Rule 9.4.2 for the purpose of making an award to compensate the individual for amounts forfeited upon leaving a previous employer;
- agree a rate for employer pensions contributions, or salary supplements in lieu of pension contribution, which reflects the contribution rate for the wider workforce at the date of appointment;
- make appropriate payments in circumstances where an Executive Director is relocated from outside the UK; and,
- approve the inclusion in the Executive Director's service contract of any terms required by mandatory law in the jurisdiction where the Executive Director is resident.

Service agreements and termination

Executive Directors' service agreements are of indefinite duration, terminable at any time by either party giving 12 months' notice. They are available for inspection at the Group's registered office.

Element	Details
Notice periods	<p data-bbox="383 235 1482 291">Executive Directors may be required to work during the notice period or may be provided with pay in lieu of notice if not required to work the full notice period.</p> <p data-bbox="383 302 1482 414">Under each of the Executive Directors' service agreements, the Group has the right to make a payment in lieu of notice of termination, the amount of that payment being the salary and benefits that would have accrued to the Executive Director during the contractual notice period. For the avoidance of any doubt this excludes any performance bonus (or cash equivalent) for the relevant period of unworked notice.</p>
Compensation for loss of office	<p data-bbox="383 470 1482 739">If an Executive Director's employment is brought to an end by either party, and if the Committee considers that it is necessary to pay the Executive Director a termination payment, the Committee's policy, in the absence of a breach of the service agreement by the Executive Director, is to determine an Executive Director's termination payment in accordance with his/her service agreement. The termination payment will be calculated based on the value of base salary and contractual benefits that would have accrued to the Executive Director during the contractual notice period. The Committee will seek mitigation to reduce the amount of any termination payment to a leaving Executive Director when appropriate to do so, having regard to the circumstances and the law governing the agreement. It may, for example, be appropriate to consider mitigation if the Executive Director has secured another job at a similar level. Mitigation would not apply retrospectively to a contractual payment in lieu of notice.</p> <p data-bbox="383 750 1482 1090">In addition, the Executive Director may be entitled to a payment in respect of his/her statutory rights (including, where necessary to comply with the mandatory laws of the jurisdiction in which the Executive Director is resident, a remuneration payment or payment for loss of office in excess of the Executive Director's pre-established contractual terms). The Group may pay reasonable fees for a departing Executive Director to obtain independent legal advice in relation to their termination arrangements and appropriate consideration for agreement to any contractual terms protecting the Group's rights following termination. Moreover, reasonable fees in respect of outplacement support, insurance for a period following termination of office and repatriation assistance, which may include relocation back and tax advisory support. No service agreement includes any provision for the payment of compensation upon termination. Any compensation payable in those circumstances would need to be determined at the time and in the light of the circumstances.</p>

Element	Details
<p>Treatment of annual bonus on termination</p>	<p>All bonus payments are discretionary. The Committee will consider whether a departing Executive Director should receive a cash bonus and deferred share award in respect of the financial year in which, and/or immediately preceding which, the termination occurs, pro-rated to reflect the period of the performance year completed to the date on which the Executive Director ceases active service. The Committee will take into account performance; the reason for termination; cooperation with succession; any breach of goodwill; adherence to contractual obligations/restrictions; and any other factors which they believe should be taken into account. The service contract for Will Gardiner as CEO, does not entitle him to any payment of bonus on termination of employment.</p> <p>If the employment ends in any of the following circumstances, the Executive Director will be treated as a “good leaver” and the Executive Director will be eligible for an annual bonus:</p> <ul style="list-style-type: none"> • redundancy; • retirement; • ill-health or disability, proved to the satisfaction of the Group; and, • death. <p>If the termination is for any other reason, an award will be at the Committee’s discretion and it is the Committee’s policy to ensure that any such award properly reflects the departing Executive Director’s performance and behaviour towards the Group. Therefore the amount of any such award will be determined, taking into account (i) the Executive Director’s personal performance and behaviour towards the Group and (ii) the Group’s performance.</p> <p>If an award is made, it will normally be paid/granted as soon as is reasonably practicable after the Group performance element has been determined for the relevant period. Any bonus award will be paid in such proportions of cash and shares, and subject to such deferral arrangements as the Committee may determine. There may be circumstances in which the Committee considers it appropriate for the award to be made earlier, for example, on termination due to ill-health, in which case, on-target performance shall be assumed.</p>
<p>Treatment of unvested long-term incentive and deferred share awards on termination</p>	<p>The Committee will consider the extent to which deferred and conditional share awards held by the Executive Director under the DSP and LTIP should lapse or vest. Any determination by the Committee will be in accordance with the rules of the relevant plan.</p> <p>In summary, the rules of the LTIP provide that awards will vest (pro-rated to the date of employment termination) if employment ends for any of the following reasons (“long-term good leaver reasons”):</p> <ul style="list-style-type: none"> • redundancy; • retirement; • ill-health or disability, proved to the satisfaction of the Company; • death; and, • change of control. <p>If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion. In doing so, it will take account of all relevant circumstances, in particular, the Group’s performance; the Executive Director’s performance and behaviour towards the Group during the performance cycle of the relevant awards; and other relevant factors, including the proximity of the award to its maturity date.</p> <p>Awards which vest subject to satisfaction of performance conditions, will be time pro-rated, and will ordinarily vest on the normal vesting date subject to the post-vesting shareholding period.</p> <p>The rules of the DSP provide that deferred bonus awards will vest (in full) if employment ends for any of the good leaver reasons detailed above. If employment ends for any other reason, the participant may be deemed a “good leaver” at the Committee’s discretion. In doing so it will take account of all relevant circumstances, in particular, the Group’s performance; the Executive Director’s performance and behaviour towards the Group during the performance cycle of the relevant awards, and a range of other relevant factors, including the proximity of the award to its maturity date.</p> <p>The rules of the DSP and LTIP also provide that in circumstances where awards vest, they do so at the normal vesting date, unless the Committee exercises discretion to vest awards earlier. Vested LTIP awards will remain subject to any post-vesting holding period unless the Committee exercises its discretion to allow for earlier release.</p>

Element	Details
Outside appointments	Executive Directors may accept external Board appointments, subject to the Chair's approval. Normally only one appointment to a listed company would be approved. Fees may be retained by the Executive Director.

Consideration of circumstances for leavers

The Committee will consider whether the overall value of any benefits accruing to a leaving Executive Director is fair and appropriate, taking account of all relevant circumstances. Examples of circumstances in which the Committee may be minded to award a cash bonus, DSP award and/or permit the vesting of LTIP and/or DSP awards include:

- the Executive Director's continued good performance up to and following the giving of notice; and,
- the Executive Director accommodating the Company in the timing of his/her departure and handover arrangements.

Conversely, the Committee may be minded not to allow such payments if the reason for the departure is (for example) due to poor performance or if the Executive Director does not continue to perform appropriately following notice.

Remuneration of Non-Executive Directors and Chair

Remuneration component and link to strategy	Practical operation	Maximum potential value
<p>Fees To attract a Chair and independent Non-Executive Directors who, together with the Executive Directors, form a Board with a broad range of skills and experience.</p>	<p>The Chair's remuneration is determined by the Committee whilst that of the other Non-Executive Directors is determined by the Chair and the Executive Directors. These are determined in the light of:</p> <ul style="list-style-type: none"> • fees of the Chair and Non-Executive Directors of other listed companies selected for comparator purposes, on the same basis as for Executive Directors; • the responsibilities and time commitment; and, • the need to attract and retain individuals with the necessary skills and experience. <p>Non-Executive Directors' fees may be paid in GBP or the currency of the location of the individual Non-Executive. Fees are reviewed annually and will typically be increased by up to the rate of increase awarded to the wider workforce.</p> <p>Non-Executive Directors receive an annual base fee. Additional annual fees are paid to the Senior Independent Director and Chair of any Board Committees.</p> <p>Non-Executive Directors are not entitled to participate in any pension or performance related remuneration arrangements.</p>	<p>Overall aggregate fees paid to all Non-Executive Directors will remain within the limit as stated in the Company's Articles (currently £1,000,000).</p>
<p>Benefits: Reimbursed role-based expenses incurred during performance of the duties of the role.</p>	<p>The Company will reimburse any reasonable travel and other business related expenses incurred (e.g. support with the completion of tax returns for international Non-Executive Directors) and the related tax thereon, if applicable.</p>	
<p>Travel allowance To recognise the additional time commitment associated with travel on Company business.</p>	<p>Set by reference to anticipated travel times and allowances provided by FTSE 350 companies in similar circumstances.</p> <p>A travel allowance may be structured as appropriate from time to time, taking into account market practice, the location of the Non-Executive Director and travel commitments, including but not limited to an annual allowance, an allowance per meeting and different allowances payable for Non-Executive Directors based in different countries or continents.</p> <p>Where travel allowances are paid, these will be disclosed.</p>	

The Chair's notice period is six months whilst the other Non-Executive Directors have a notice period of one month. Further information on the service agreements of the Non-Executive Directors can be found on page 152 of the Annual Report and Accounts.

Remuneration arrangements elsewhere in the Group

Wider employee population

In determining Executive Director remuneration, the Committee also takes into account the level of general pay increases within the Group. Employees are not directly consulted on the Policy, but there are a number of existing channels designed to capture the views of the workforce on remuneration, including the MyVoice forums.

The Committee's policy is that annual salary increases for Executive Directors should not exceed the average annual salary increase for the wider employee population unless there is a particular reason for a higher increase, such as a change in the nature or scope of responsibilities or if an Executive Director has been appointed at a salary below market level reflecting experience in the role.

The Committee also considers external market benchmarking to inform executive remuneration decisions. External market benchmarking is also considered in relation to remuneration decisions of the wider workforce.

Environmental, social and governance issues

The Committee is able to consider corporate performance on environmental, social and governance issues when setting

the remuneration of Executive Directors. Specific measures can be included in the strategic element of the annual bonus. The Committee is also able to consider these issues in determining whether to exercise its discretion to adjust formulaic outcomes of the annual bonus and LTIP.
