

Elexon Nominations Committee Terms of Reference

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1. Purpose

- 1.1 The Nominations Committee is responsible for overseeing the process for appointments to the Board.
- 1.2 In fulfilling its duties, the committee is authorised by the Board to carry out the duties set in these Terms of Reference.

2. Proceedings of the Committee

Chair	The committee Chair shall be the Chair of the Board. In the absence of the Chair, the remaining members present shall elect one of themselves to chair the meeting. Where the business of the committee relates to the appointment or re-appointment of the Chair of the Board, the Senior Independent Director shall be the committee Chair.
Secretary	The company secretary or their nominee shall act as the secretary of the committee. Minutes of each meeting will be kept and filed by the secretary.
Membership	The membership shall comprise of all Non-Executive Directors.
Quorum	Three directors including at least one industry director and one non-industry director.
Attendees	The committee may invite other non-members to attend.
Frequency	Once each year and otherwise as required.
Notice	Unless otherwise agreed, the agenda and papers should be circulated at least five days prior to the meeting.
Authority	The committee is authorised by the Board to undertake any activity within these Terms of Reference. It is further authorised to obtain, at the company's expense, outside legal or other professional advice on any matters within its Terms of Reference.
Reporting	<p>The Chair of the committee will provide a verbal report on the activities of the committee to the Board following each meeting of the committee.</p> <p>The committee shall compile a report on its activities to be included in the company's Annual Report. The committee shall, at least once a year, review its own performance and regularly review its terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.</p>
Documentation	Minutes to be kept and filed by the secretary to the Committee.

3. Duties

3.1 **Composition of the Board and its Committees**

The committee shall:

- 3.1.1 regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- 3.1.2 ensure that the structure, size and composition of the Board:
 - a) reflects different classes of, or categories of, industry participants;
 - b) includes a majority of directors (excluding the Chair and any executive directors but including a director appointed under Section C4.1.3(e) of the Code if such person is different from the Board Chair¹) who have relevant electricity industry experience;
 - c) with respect to those directors appointed under paragraph 3.2(b) above, such group shall include, at all times, a director (or directors) appointed from amongst the BSC Parties;
 - d) includes at least two directors who are independent of industry within the meaning of Section C4.1.3(c) of the Code and paragraph 3.11;
 - e) reflects the needs of the company based on its role and function as specified in the Code (which may include appointing non-executive directors with skill, knowledge and experience in areas including finance and IT);

3.2 **Succession Planning**

- 3.2.1 formulate plans for succession for the Chair, the Chief Executive Officer and Non-Executive Directors taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the Board in the future;
- 3.2.2 satisfy itself that there are appropriate succession plans for the Executive Team;
- 3.2.3 keep under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to operate effectively including whether to:
 - a) appoint a Chair independently from the Panel or agree joint arrangements with the Panel for the appointment of a shared Chair;
 - b) appoint the Chief Executive Officer as a director; and
 - c) upon recommendation of the Chief Executive, consider, and where appropriate, approve any structural changes to the Executive Team.

3.3 **Appointments to the Board**

- 3.3.1 be responsible for identifying and nominating, for the approval of the Board, candidates to fill non-executive Board vacancies as and when they arise;
- 3.3.2 be responsible for identifying and appointing the Chief Executive Officer as and when a vacancy arises;
- 3.3.3 Consider any proposal to appoint any Executive Director to the Board and make an appropriate recommendation to the Board;
- 3.3.4 before the appointment of any non-Executive Director to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board. In identifying suitable candidates the committee shall:
 - a) use open advertising or the services of external advisers to facilitate the search;
 - b) consider candidates proposed by BSC Parties;
 - c) consider candidates from a wide range of backgrounds;
 - d) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;

¹ If the Board and Panel Chair are not the same person then the Panel Chair shall be appointed to the Board or, if the Panel Chair has been voted off the Board then the Panel may recommend an alternative Panel Member.

3.3.5 prepare a job specification for the appointment of a Chair, Non-Executive Director or Chief Executive Officer. In respect of the Chair and the Non-Executive Directors the job specification should include the time commitment expected.

3.4 Conflicts and Independence

3.4.1 ensure that, prior to the appointment of a director, the proposed appointee discloses any other interests that may result in a conflict of interest;

3.4.2 prior to the appointment or re-appointment of a non-industry director, determine whether the individual is independent from industry in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the individual's judgment². The committee should take into account whether the individual:

- a) has, within the last two years, been an employee or director of any BSC Interested Party³, other agent of the company or electricity industry trade association;
- b) holds a significant shareholding (either personally, or with or on behalf of the individual's spouse or partner or dependent children) in any BSC Interested Party or any other company that has entered into, or is tendering for, any material contract with the company;
- c) has, within the last two years, represented the interests of a BSC Interested Party in relation to matters arising under, or in relation to, the BSC;
- d) has held, within the last two years, any other employment, office or membership at any body or organisation which forms part of the electricity industry during which time such individual has performed a role which has had a direct impact on the company;

3.5 Other Appointments

3.5.1 make recommendations to the Board concerning:

- a) suitable candidates for the role of senior independent director;
- b) membership of Board committees, in consultation with the Chairs of those committees;
- c) the re-appointment of any Non-Executive Director at the conclusion of their specified term of office;
- d) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of a member of the Executive Team as an employee of the company subject to the provisions of the law and their service contract.

4. Efficient Decision Making

4.1 Any matter that these Terms of Reference require to be recommended to the Board for its approval may be decided by a meeting of the committee where any remaining directors of the company are in attendance and are invited to vote on such matter.

² The independence requirements were incorporated into these Terms of Reference as a result of Modification P303.

³ A BSC Interested Party means a BSC Party, a Party Agent, a BSC Agent or any other entity that participates in, or seeks to participate in, the GB balancing and settlement arrangements.