

Elexon People and Remuneration Committee Terms of Reference

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1. Purpose

- 1.1 The People and Remuneration Committee is appointed to lead the process for remuneration of the Company Chair, the Chief Executive Officer and the Executive Team, and for monitoring matters concerning Culture particularly in respect of Health, Safety and Wellbeing (H,S&WB) and Equality, Diversity and Inclusion (EDI).
- 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 Board shall appoint the Chair of the committee. In the absence of the committee Chair the remaining members present shall elect one of themselves to chair the meeting.
Secretary	The company secretary or their nominee shall act as the secretary of the committee.
Membership	The membership shall comprise at least three Non-Executive Directors and the Chair of the Board.
Quorum	Three directors including at least one industry director and one non-industry director.
Attendees	Regular attendees include the Chief People Officer (CPO). The committee may invite other non-members to attend.
Frequency	Four times 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>Formal Minutes of each meeting will be kept and filed by the secretary. Any conflicts of interest will be recorded and disclosed at a committee meeting.</p> <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 produce a report of its activities to be included in the Company's Annual Report.</p> <p>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.

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3. Duties of the committee

3.1 The committee shall:

Remuneration

- 3.1.1 make recommendations to the Board on the remuneration policy for the Company's Chief Executive Officer, Chair and the Executive Team¹, including pension rights and any compensation payments. No director or member of the Executive Team shall be involved in any votes relating to their own remuneration;
- 3.1.2 in determining such remuneration policies, take into account all factors which it deems necessary, including:
- a) any relevant legal requirements and recommendations in the UK Corporate Governance Code;
 - b) pay and employment conditions across the Company, especially when considering annual salary increases;
- The objective of the policies and practices shall include supporting the strategy and to promote long term sustainable success, to align Executive remuneration to company purpose and values linked to the successful delivery of the company's long-term strategy. In addition, to enable the use of discretion to override formulaic outcomes and to recover and/or withhold sums under appropriate specified circumstances;
- 3.1.3 review the on-going appropriateness and relevance of each remuneration policy;
- 3.1.4 within the terms of the agreed remuneration policy and in consultation with the Board Chair and/or Chief Executive Officer (as appropriate) determine the total individual remuneration package for the Company Chair, the Chief Executive Officer and the Executive Team including bonuses and incentive payments;
- 3.1.5 review and approve the design of any performance related incentive schemes operated by the Company. For any such schemes, determine corporate objectives and measures, determine longer term incentive awards and determine the total payments made under such schemes;
- 3.1.6 where the Company Chair is also Chair of the BSC Panel, be responsible for liaising with the Panel on the total remuneration package for the Company Chair;
- 3.1.7 determine the policy for, and scope of, pensions arrangements for the Chief Executive Officer and the Executive Team;
- 3.1.8 agree the policy for authorising claims for expenses from directors and the policy on related party transactions with directors;
- 3.1.9 obtain reliable, up-to-date information about remuneration in other relevant companies and organisations. To help fulfil its obligations the committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
- 3.1.10 in respect of the Chief Executive Officer and the Executive Team, ensure that contractual terms on termination, and any payments made on termination, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 3.1.11 have responsibility for approving the framework or broad policy for the remuneration of the Company's employees;
- 3.1.12 review, and make recommendations to the Board, on the annual all staff pay increment; and
- 3.1.13 review workforce remuneration in order to:
- (a) take workforce remuneration into account when setting executive remuneration;

¹ The Executive Team comprises the Chief Financial Officer and all other members of the executive management group for the time being.

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- (b) ensure that the framework or broad policy for the remuneration of the Company's employees can deliver the Company's objectives (for example where derogations are required to deliver critical business outcomes);

Culture and strategy

- 3.1.14 in consultation with the Chief Executive Officer and Chief People Officer, consider whether the culture of the organisation is aligned to its purpose, values and strategy, and make recommendations to the Board as appropriate;
- 3.1.15 have oversight of the People Strategy (including in relation to the Company's ability to attract, retain and develop the talent and skills it needs to deliver its strategy);
- 3.1.16 in relation to health, safety and wellbeing, review the Company's policies and relevant key performance indicators;
- 3.1.17 in relation to Equality, Diversity and Inclusion:
- support the delivery of the Company's Equality, Diversity and Inclusion Strategy; and
 - monitor and review performance against the Equality, Diversity and Inclusion Strategy, ensuring that objectives and associated action plans are implemented and effective.

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 (non-conflicted) directors of the Company are in attendance and are invited to vote on such matter.

Month	Matters	Committee Decision or Recommendation to the Board
February	Chief Executive Officer and Executive Team SIP sign off	Committee
	Chief Executive Officer and Executive Team remuneration benchmarking (biennial)	Committee
April	Chief Executive Officer and Executive Team Performance Objectives and Bonus Structure sign off	Committee
	Chief Executive Officer and Executive Team Bonus Awards for preceding year	Committee
	Colleague Bonus Proposals	Recommendation
June	Chief Executive Officer and Executive Team Pay Increment	Committee
	Colleague Pay Increment	Recommendation
	Review of Chair's Remuneration	Committee
	Executive Team SIP Assessments	Committee
	Review of Gender Pay Gap (GPG)	Committee
	Review of Ethnicity Pay Gap (EPG)	Committee
November	Review of Executive Team Remuneration Policy	Recommendation
	Review of Colleague Remuneration Policy	Recommendation

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	Review of Gender Pay Gap (GPG)	Committee
	Review of Ethnicity Pay Gap (EPG)	Committee
December	Committee Effectiveness Review	Committee