



ELEXON Limited Nomination Committee

Terms of Reference

1. Definitions

1.1 In these terms of reference:

- (a) BSC Agent, BSC Party (or Parties), the Panel and Party Agents all have the meanings given to those terms in the Code
- (b) the Code means the Balancing and Settlement Code
- (c) the Key Roles are the Company Secretary and the Head of Internal Audit
- (d) Industry Director means each director of the company who has relevant industry experience as required by Section C4.1.3(b) of the Code
- (e) Panel Advisor means a person appointed under Section C4.1.6 of the BSC
- (f) the Senior Executive Team comprises the Chief Financial Officer and all other members of the executive management group for the time being

1.2 References in these terms of reference to the chief executive, the Senior Executive Team, the Key Roles and the head of human resources shall only apply to extent that the company retains such roles.

2. Membership

2.1 The committee shall comprise at least three directors of the company being:

- (a) the chairman of the board;
- (b) an Industry Director; and
- (c) a director appointed under Section C4.1.3(c) of the Code.

2.2 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Panel Advisor (under paragraph 3 below), the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

2.3 Appointments to the committee are made by the board and shall be for a period of up to two years, which may be extended for further periods of up to two-years, provided the director still meets the criteria for membership of the committee.

2.4 The committee chairman shall be the chairman of the board. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.



3. Panel Advisor

- 3.1 Where the Panel has appointed a Panel Advisor the committee shall:
- (a) keep the Panel Advisor informed of the conduct and progress of the recruitment process in respect of any board vacancy; and
 - (b) consult with and seek the advice of the Panel Advisor at regular intervals (including before recommending an appointment to the board).
- 3.2 A consultation conducted under paragraph 3.1(b) shall provide the Panel Advisor with a reasonable time in which to respond.

4. Secretary

The company secretary or his or her nominee shall act as the secretary of the committee.

5. Quorum

- 5.1 Subject to paragraph 5.2, the quorum necessary for the transaction of business shall be three. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.
- 5.2 In order for the committee to be quorate, there must be an Industry Director and a director appointed under Section C4.1.3(c) of the Code in attendance (whether or not in person) provided that this requirement shall not apply to any part of a meeting where the business to be transacted is the re-appointment of a committee member as a director (in which case that committee member must not be present for the discussion and the meeting shall not thereby be deemed inquorate).

6. Frequency of Meetings

The committee shall meet at least twice a year and otherwise as required.

7. Notice of Meetings

- 7.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairman.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than five working days before the date of the meeting (or less with the consent of the committee members). Supporting papers shall be sent to committee members and, as appropriate, to other attendees, at the same time.

8. Minutes of Meetings

- 8.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.



- 8.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

9. Duties

The committee shall:

- 9.1 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;
- 9.2 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 chairman) who are Industry Directors (including, at all times, director(s) appointed from amongst the BSC Parties);
 - (c) includes at least two directors who are independent of industry within the meaning of Section C4.1.3(c) of the Code and paragraph 9.9;
 - (d) 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);
- 9.3 give full consideration to succession planning for directors, the chief executive, the Senior Executive Team and the Key Roles in the course of its work, taking into account the challenges and opportunities facing the company, and the skills and expertise needed on the board in the future;
- 9.4 keep under review the leadership needs of the organisation with a view to ensuring the continued ability of the organisation to operate effectively in the electricity industry;
- 9.5 keep up to date and fully informed about strategic issues and commercial changes affecting the company and the industry in which it operates;
- 9.6 be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- 9.7 before any appointment is made by the board, evaluate the balance of skills, knowledge, experience and diversity on the board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment having regard to paragraph 9.2 above. 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;



- 9.8 prior to the appointment of a director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interest and be required to report any future business interests that could result in a conflict of interest;
- 9.9 prior to the appointment or re-appointment of an independent non-industry director (within the meaning of Section C4.1.3(c) of the Code), 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 judgment. The committee should take into account whether the individual:
 - (a) has been an employee or director of any Party, Party Agent, BSC Agent, other agent of the company, industry trade association or other industry group within the last two years;
 - (b) holds a significant shareholding, either personally, or with or on behalf of the individual's spouse or partner or dependent children, in any Party, Party Agent, BSC Agent or any other company that has entered into, or is tendering for, any material contract with the company;
 - (c) holds any consultancy or advisory positions relating (either directly or indirectly) to the electricity industry;
 - (d) has been a member or associate of any other body or organisation (including the Panel) which may have an interest or influence on the work of the company within the last two years;
- 9.10 ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- 9.11 review the results of the board performance evaluation process that relate to the composition of the board;
- 9.12 review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- 9.13 review the chief executive's recommendation for appointments to the Senior Executive Team

The committee shall also make recommendations to the board concerning:

- 9.14 formulating plans for succession for the chief executive;
- 9.15 the review, by the committee, of the chief executive's recommendations for appointments to the Senior Executive Team;
- 9.16 membership of the audit and remuneration committees, and any other board committees as appropriate, in consultation with the chairmen of those committees;
- 9.17 the re-appointment of any non-executive director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the board in the light of the knowledge, skills and experience required provided that no person shall be present at any part of a meeting where their own re-appointment is to be discussed;
- 9.18 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 Senior Executive Team as an employee of the company subject to the provisions of the law and their service contract;



9.19 The appointment of the board chairman shall be a matter for the Panel, in consultation with the board, under Section B2.1 of the Code.

10. Compliance with Terms of Reference

10.1 Where, in relation to any matter set out in the Code, the committee deems it necessary to exercise any of its duties otherwise than in compliance with these terms of reference then it shall first seek the approval of the board and the Panel to such non-compliance. For the avoidance of doubt, this paragraph shall not apply where a director has been appointed under Section C4.3 of the Code.

11. Reporting Responsibilities

11.1 The committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

11.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The committee shall produce a report to be included in the company's annual report about its activities, the process used to make appointments and explain if external advice or open advertising has not been used.

11.4 The committee chairman shall keep the Panel informed, as necessary, of the recruitment process in respect of any board vacancy provided that in reporting such matters to the Panel the committee chairman shall not be required to disclose confidential information relating to any candidate.

12. Other Matters

The committee shall:

12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

12.3 give due consideration to laws and regulations, the provisions of the Code and the provisions of the UK Corporate Governance Code;

12.4 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

13. Authority

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