

ELEXON REMUNERATION COMMITTEE TERMS OF REFERENCE

1. Purpose

- 1.1 The committee is appointed to lead the process for remuneration of the Company Chairman, the Chief Executive and the Executive Team

2. Proceedings of the Committee

Chair	The Board shall appoint the committee chairman. In the absence of the committee chairman the remaining members present shall elect one of themselves to chair the meeting.
Membership	The membership is made up of at least three non-executive directors and the chairman of the Board.
Secretary	The company secretary or his or her nominee shall act as the secretary of the committee. Minutes of each meeting will be kept and filed by the secretary.
Attendees	The committee may invite other non-members to attend.
Quorum	Three directors including at least one industry director and one non-industry director.
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 committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.</p> <p>The committee shall produce a report to be included in the company's annual report about its activities.</p> <p>The committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the board for approval.</p>

3. Duties of Committee

3.1 The committee shall:

- 3.1.1 make recommendations to the board on the remuneration policy for the Company's Chief Executive, Chairman 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:

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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- any relevant legal requirements and recommendations in the UK Corporate Governance Code;
- pay and employment conditions across the Company, especially when considering annual salary increases.

The objective of each policy shall be to attract, retain and motivate a Chairman, Chief Executive and Executive Team of the quality required to run the Company successfully without paying more than is necessary;

- 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 Chairman and/or Chief Executive (as appropriate) determine the total individual remuneration package for the Company Chairman, the Chief Executive and the Executive Team;
- 3.1.5 review the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 3.1.6 where the Company Chairman is also chairman of the BSC Panel, be responsible for liaising with the Panel on the total remuneration package for the Company Chairman;
- 3.1.7 determine the policy for, and scope of, pensions arrangements for the Chief Executive, the Company Chairman² 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 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.
- 3.2 The remuneration of the non-executive directors shall be a matter for the Chairman and the executive director(s) and shall not form part of the duties of the Remuneration Committee.

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.

² The current Company Chairman is entitled to a pension as a result of the legacy arrangements in place notwithstanding his change of role from employee to non-executive chairman

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MATRIX OF COMMITTEE MATTERS

Month	Matters	Committee Decision or Recommendation to Board
May	CEO and Executive Team Bonus Awards for preceding year	Committee*
	CEO and Executive Team Objectives and Bonus Structure	Committee*
July	CEO Salary Review	Committee*
	Executive Team Salary Review	Committee*
	Review of Chairman's Remuneration	Committee*
October	Review of Executive Team Remuneration Policy	Recommendation
	Review of Staff Remuneration Policy	Recommendation

* these decisions should be made having consulted with the Board Chairman (as regards the Chairman's remuneration) and/or Chief Executive (as regards CEO and Executive Team remuneration)