

Public

Effective: 24 January 2025

Terms of Reference

Remuneration Committee

**These terms of reference should be read in conjunction with the terms
applicable to all Board committees**

Public – Terms of Reference: Remuneration Committee (the “Committee”)

Purpose

Determine a remuneration policy for NESO and set Chief Executive Officer and NESO Executive Committee member remuneration, in accordance with NESO’s licence obligations.

Review NESO’s employee remuneration framework and monitor related policies, satisfying itself that incentives and rewards are aligned with the Company’s purpose, strategy, values, behaviours, and culture.

NOTE: The Committee shall have regard to applicable public sector pay controls and remuneration reporting and approval requirements, as well as NESO’s licence obligations with respect to determining a remuneration policy, as set out in the NESO Framework Document.

Membership

At least three Non-Executive Directors. The Shareholder Representative shall be a member.

The Chair of the Board may also serve on the Committee as an additional member if they were considered independent on appointment. The Chair of the Board shall not be Chair of the Committee.

The Chair of the Committee should have at least 12 months experience as a member of a remuneration committee.

Quorum

Two members, one of whom must include the Shareholder Director or their alternate.

Meetings

At least three times a year.

Attendance by invitation.

Responsibilities

Remuneration

1. Determine and propose to the Board, a NESO Remuneration Policy (the “Policy”) in accordance with NESO’s licence obligations and the criteria that remuneration levels:
 - I. are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and objectives of NESO;
 - II. are structured to link remuneration of all employees to organisational performance;
 - III. are aligned with the objectives set out in the NESO Framework Document;
 - IV. deliver value for money; and
 - V. take account of remuneration levels within comparable private and public institutions and are set with wider public sector pay policy in mind.
2. Recommend to the Board the remuneration principles for the Chief Executive Officer. Set and approve the terms of appointment, remuneration, benefits and termination of employment of each executive director and member of the NESO Executive Committee team in accordance with the Policy, as applicable. Provide oversight for the remuneration of other individuals, as agreed with management from time to time. Whilst having regard to employee remuneration principles and related policies.
3. Receive regular implementation reports from management and review for alignment and proportionality. Monitor the alignment of incentives, remuneration and related policies with, and evaluate for their support of, NESO’s purpose, strategy, values, behaviours, culture and long-term sustainable success.
4. Review the ongoing appropriateness and relevance of the Policy having regard to remuneration trends externally and employment conditions across NESO.
5. Review and satisfy itself that executive director and other Executive Committee member remuneration is aligned with NESO’s purpose, strategy, values, behaviours and culture.
6. Apply judgement and discretion (including override, where appropriate) when determining performance and remuneration outcomes, taking account of overall NESO and individual performance, and wider considerations.
7. Review and approve the committee’s malus and clawback policy. Exercise the right to recover and/or withhold sums or share awards under the committee’s malus and clawback policy.
8. Engage independent remuneration consultants and commission or purchase any reports, surveys or information which it deems necessary, at the expense of NESO.
9. Review and satisfy itself that contractual terms on termination, and any exit payments made to executive directors and Executive Committee members are fair to the individual and the organisation, that failure is not rewarded and that the duty to mitigate loss is fully

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recognised. Where any exit package for any Executive Director or Executive Committee Member is in excess of contractual or statutory obligations, the exit package must be approved by the Committee for recommendation to the Shareholder.

10. Establish a framework and determine criteria by which the performance of the Chief Executive Officer and Executive Committee Members is measured.
11. Review and approve the principles and design of all performance related bonus and incentive plans that require Shareholder approval.
12. Receive information on the total outturn of performance related pay arrangements across NESO for information.
13. Receive updates on employee views and other engagement initiatives related to remuneration, using both existing processes and methods as determined by the Board. Take employee views into account, as appropriate, when making executive remuneration decisions and outcomes.
14. Receive insights and data on pay ratios, potential pay gaps and workforce remuneration and take these into account as appropriate when making executive remuneration decisions and outcomes.
15. Review such risks as it may determine which fall within its scope from time to time consistent with its purpose.
16. Maintain effective engagement with the Shareholder on remuneration matters.

Reporting

17. Submit for approval by the Board a Director’s Remuneration Report, setting out a description of its work, remuneration practices and implementation of the policy for inclusion in the Annual Report. The Annual Report should provide full details of the remuneration of Board members, information in bands for Executive Committee members paid above the remuneration threshold (*in accordance with the NESO Framework Document*) and report the numbers of other staff (without names) paid above the remuneration threshold, together with the number of bonuses paid above the remuneration threshold.
18. Where consultants have been appointed, identify such consultants in the Annual Report alongside a statement about any other connection they have with NESO or individual directors.