

Ofgem People and Remuneration Committee terms of reference

December 2025

1. Status

- 1.1 The People and Remuneration Committee (the Committee) is constituted as a committee of the Gas and Electricity Markets Authority (the Board), under paragraph 6 of Schedule 1 to the Utilities Act 2000.

2. Purpose

- 2.1 The purpose of the Committee is set out in section 16A of the Board's Rules of Procedure. The Committee will provide assurance to the Board on Ofgem's Workforce Strategy and plans for talent management; succession planning; capability building; and executive performance management, incentives and rewards.

3. Membership

- 3.1 The Committee shall have a minimum of two members. The Chair of the Board will be a member. The Board shall appoint the Chair and the other members, all of whom shall be non-executive members of the Board.
- 3.2 Save where the Chair of the Committee considers it inappropriate or there is any conflict of interest, the following shall normally be invited to attend meetings:
 - The Chief Executive Officer (CEO)
 - The Chief Operating Officer (COO)
 - The Chief People Officer (CPO)
 - Executive Director of Communications and Engagement
- 3.3 The Committee may invite any other individuals to attend all or part of any meeting as it considers appropriate.
- 3.4 The Committee will be provided with a secretariat function by Ofgem's Governance and Secretariat Team.

- 3.5 The quorum for any meeting of the Committee shall be any two members.
- 3.6 In the absence of the Chair of the Committee, and providing that the meeting is quorate one of the other members will chair the meeting.

4. Responsibilities

- 4.1 The Committee shall make any decisions as required under paragraph 4.2, consider any of the matters under paragraph 4.3 and undertake reviews or provide other assurance as set out in paragraph 4.4.

4.2 Decisions

- a) Approve the remuneration and other contractual arrangements of the CEO and other members of the Senior Executive Committee (SEC).
- b) Approve the process for evaluating performance of the CEO and members of the SEC, including annual objectives; ensuring this process is used by the Chair in relation to the CEO and the CEO in relation to members of the SEC for the purpose of annual performance ratings, performance pay and bonus payments.
- c) Approve the Workforce Strategy, other significant people strategies, action plans and measures developed for the purpose of implementing those strategies, and any amendments made to those strategies and action plans.
- d) Approve ahead of it going to the Board for sign off, the Remuneration Report and Staff Report elements of the annual report and accounts.
- e) Approve:
 - i. New, or changes to existing, policies on Board member expenses.
 - ii. Any applications made under the Business Appointment Rules, by SCS2 or SCS3 staff, or any other application from a Senior Civil Servant where there is a significant potential for a real or perceived conflict of interest, or any other application the Committee wishes to consider.

4.3 Considerations

- a) Consider proposals and give a view on proposed major changes to the employee benefit or reward structure.
- b) Consider proposals and give a view on proposed new or major changes to people policies which are not within a) above.
- c) Consider development and succession planning of the CEO, members of SEC, other senior civil servants and key roles, as appropriate.

- d) Consider development and succession planning of members of the Board.
- e) Consider and give recommendations to the Chair on the balance of skills, knowledge, experience, and competencies of members of the Board.
- f) Consider in draft the annual pay gap report and give a view on proposals for dealing with any concerns raised in the report (eg, gender, ethnicity, or disability pay gap issues).
- g) Consider the management of any conflicts of interest regarding Board members.
- h) Consider the HR lead indicators and ED&I report on a quarterly basis.
- i) Consider and give a view on any other matter that the CEO and SEC bring to the Committee.

When considering and giving a view on the matters in paragraphs a) to h) above, the Committee should take into account the Boards commitment to equity, diversity and inclusion, purpose and values, strategic objectives, the challenges and opportunities facing the Board and the skills and expertise required in the future to meet its objectives.

In addition, when considering and giving a view on the matters in paragraph e) above, the Committee should also take into account any relevant recommendations from the Board effectiveness review.

4.4 Assurance

- a) Undertake an annual review of:
 - i. The Ofgem Workforce Strategy - see Annex A for further detail as to the format and purpose of this review.
 - ii. the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board required for a successful Ofgem, to include a bi-annual discussion on Board shape and size and planning of non-executive directors' terms and succession planning.
 - iii. the skills, knowledge, experience and attributes considered desirable for any Board vacancy that is expected to arise before the next annual review, or which arises ad-hoc including whether or not to recommend the extension of any existing Board member appointment which is capable of renewal.
 - iv. membership of the Audit and Risk Assurance Committee, the Committee and any other Board committees as appropriate, in consultation with the Chairs of those committees.

- v. Ofgem's work on Health, Safety and Wellbeing.
- b) Undertake such other reviews, at the discretion of the Chair, of Ofgem's people and remuneration policies and practices generally.
- c) Provide oversight to the Board on how the CEO and SEC are addressing people matters, for example in relation to staff engagement, recruitment and retention, and in relation to any significant organisational restructuring.

In undertaking the reviews set out in this section, the Committee must take account of any relevant feedback from the annual Board effectiveness review.

The outcome of a review carried out under this paragraph shall be reported to the Board in accordance with paragraph 7 below and include recommendations to address any issues identified.

5. Meetings

- 5.1 The Committee shall meet at least four times a year and otherwise as required.
- 5.2 The Committee meetings will be convened by the Secretariat at the request of any of its members.
- 5.3 The procedures set out in Annex B shall be followed for meetings of the Committee.

6. Authority

- 6.1 The Committee may seek such information as it requires and may employ legal or other professional advisers to inform the exercise of its functions and duties.

7. Reporting procedures

- 7.1 As soon as practicable after each meeting of the Committee and at such other times as the Committee may consider appropriate or as required above, the Chair of the Committee shall report to the Board so far as the requirement for confidentiality permits. Executive members of the Board may be asked to leave the Board meeting while this report is being given.
- 7.2 The Committee will review its terms of reference and effectiveness annually and recommend any changes it considers necessary to the Board for approval.

Annex A

1. The Ofgem Workforce Strategy annual review should be presented to the Committee for discussion in a single session.
2. Prior to the review, the Committee shall agree defined key metrics that the Committee can monitor, scrutinise and challenge across the year. These metrics must include:
 - effective measurements for diversity and inclusion, recruitment and retention, SCS performance and People Survey.
 - the size and composition of the workforce at the time of the report plus proposals for change to match the strategic needs of Ofgem as it goes forward in particular to monitor government mandated net zero targets.
 - plans to develop Ofgem staff so that they have the skills and capabilities needed.
3. The Committee will report to the Board on the likely success of the workforce strategy to deliver the overarching Ofgem strategy.

Annex B

Procedures for Meetings of the Committee

1. A minimum of fourteen days' notice for a meeting, shall be given to each member of the Committee by electronic mail and shall specify the time and place of the meeting. A meeting called on shorter notice will nonetheless be valid.
2. Failure of a member to receive notice of a meeting does not invalidate that meeting or any business transacted at it.
3. An agenda of business to be discussed and papers, shall as far as possible be sent to each member no later than five working days before the meeting.
4. Committee meetings shall be held – and members may attend its meetings – in person, or via telephone, video link or online platform.
5. The Governance and Secretariat team (Secretariat) shall maintain a written record of the proceedings, including actions and decisions made.

Consideration by electronic communications

6. With the prior approval of the Committee Chair, urgent matters, where expedient, can be considered by way of electronic communications.
7. Matters to be considered in this way shall be circulated to all Committee members by email and comments or opinions of members may be provided by email or other electronic means and shall be provided to the Secretariat and all the Committee members. Comments and opinions made by any Committee member(s) on any matter in accordance with this paragraph shall not be

invalidated due to the failure of any other Committee member(s) to provide any comment or opinion in respect of that same matter. For such matters, the Secretariat will maintain a written record of the consideration and any decision made.

Conflicts of interest

8. It is the responsibility of each Committee member to review papers before each meeting and notify the GST if there are any interests which may conflict with their duties as members of the Committee.
9. Members should not participate in any activity of the Committee in relation to which they believe they have a possible conflict of interest without the consent of the Chair of the Committee.
10. At the start of each Committee meeting, the Chair will ask members to confirm if they have any conflicts in relation to agenda items.