

Nominations Committee
(DRAFT) TERMS OF REFERENCE

1 Purpose

- 1.1 The RECCo Board shall establish a Nominations Committee (the Committee) pursuant to Paragraph 5.7 of the REC.
- 1.2 The Committee shall discharge the functions and responsibilities assigned to it by the REC, or otherwise delegated to it by the RECCo Board. In particular, it shall be responsible for overseeing the process for appointments to the Board of RECCo (the Company) and any Committee or Sub-Committee of that Board, including the Performance Assurance Board and the Change Panel.

2 Proceedings of the Committee

Members

- 2.1 The membership of the Committee should be made up of at least three members, the majority of whom should be independent non-executive directors.
- 2.2 In the absence of there being sufficient non-executive directors available, whether through circumstance or the nascent nature of the RECCo Board, temporary members may be appointed to the Committee by the Authority, and with the agreement of the RECCo Board.

Chair

- 2.7 The Committee Chair shall be a Director of RECCo who has been charged with this with this responsibility by resolution of the RECCo Board.
- 2.8 In the event that the nominated Chair is unable to attend the Committee and its business is of sufficient urgency that it cannot suitably wait for the Chair to become available, the remaining members shall elect one of their number to chair the meeting.
- 2.9 Where the Committee Chair is also the Chair of the RECCo Board and the business of the committee relates to the appointment or re-appointment of that RECCo Board Chair, the Senior Independent Director shall act as the Committee Chair for the completion of that business.

Secretary

- 2.9 The RECCo Company Secretary (or their nominee) shall act as he secretary of the Committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

Alternates

- 2.10 Unless the Nomination Committee Chair agrees otherwise to accommodate particular extenuating circumstances, no member of the Committee shall be entitled to appoint an alternate. However, should a Committee member become aware in advance of a meeting that they will be unable to attend, and/or to commit to the completion of the Nomination Committee's immediate business, the RECCo Board may appoint a substitute Committee

member, being a person who would otherwise have fulfilled the same criteria as the Committee member they are replacing.

Attendees

- 2.12 Only members of the committee have the right to attend Committee meetings, though other individuals such as the RECCo chief executive and/or external advisers may be invited to attend for all or part of any meeting, as and when appropriate.

Quorum

- 2.13 The quorum necessary for the transaction of business shall be three Committee members, including at least one industry nominee and one independent non-executive director (or Authority appointee).

Authority

- 2.14 The Committee is authorised by the RECCo Board to undertake any activity within these terms of reference. It is further authorised to obtain, at RECCo's expense, outside legal or other professional advice on any matters within its terms of reference.

Reporting

- 2.15 The Committee Chair shall report to the board after each meeting on the nature and content of its discussion, recommendations and action to be taken.
- 2.16 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be made available for board discussion when necessary.
- 2.17 The Committee shall produce a report to be included in the company's annual report describing the work of the Committee.
- 2.18 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.

3 Duties and Authority

- 3.1 The responsibilities of the Committee shall be to:

- (a) Regularly review the structure, size and composition (including the skills, knowledge, background and experience) required of the Board to fulfil the REC objectives and deliver the RECCo Strategy (to the extent that they are different), compared to its current position, and make recommendations to the Board with regard to any changes. The Committee will review the results of the Board evaluation process that relate to the composition of the Board in discharging its responsibilities.
- (b) Set and regularly review the criteria for identifying and nominating candidates based on the description of the role and capabilities required for individual appointments.
- (c) Give full consideration to succession planning for Directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed by the Board in the future.

- (d) Be responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise. In identifying suitable candidates, the Committee shall:
 - (i) use the services of external advisers to facilitate the search;
 - (ii) consider candidates from a wide range of backgrounds;
 - (iii) 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.
- (e) Prepare or approve a job specification for the appointment of a chairman, non-executive director or chief executive officer. In respect of the chairman and the non-executive directors the job specification should include the time commitment expected.
- (f) Before appointment is made to the Board, evaluate the balance of skills, knowledge and experience on the Board and, in light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.
- (f) Keep under review the leadership needs of the Company, both executive and nonexecutive, with a view to safeguarding the continued ability of the Company to discharge its obligations under the REC and fulfil its objectives.
- (g) Keep up to date and fully informed about strategic issues and commercial changes.
- (h) 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.

3.2 The Committee shall also make recommendations to the Board concerning:

- (a) Formulating plans for succession for both Executive and Non-Executive Directors and, in particular, the key roles of the Chairman, and Chief Executive.
- (b) Suitable candidates for the role of Senior Independent Director.
- (c) Membership of the Risk, Audit and Remuneration Committees (to the extent that RECCo has one), the Performance Assurance Board and the Change Panel, in consultation with the Chairs of those Committees or Sub-Committees.
- (d) The re-appointment of any Non-Executive Director at the conclusion of their specified term of office, having given due consideration to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required.
- (e) The re-election by shareholders of any Director having due regard to their performance and ability to continue to the Board in the light of the knowledge, skills and experience required.
- (f) Any matters relating to the contribution in office of any Director at any time including the suspension or termination of service of an Executive Director as an

employee of the Company subject to the provisions of the law and their service contract.

- (g) The appointment of any Director to executive or other office other than to the positions of Chairman, Vice-Chairman and Chief Executive, the recommendation for which would be considered at a meeting of the full Board.

4 Board Effectiveness

4.1 The Committee shall:

- (a) review the results of the board performance evaluation process that relate to the composition of the board; and
- (b) review annually the time required from non-executive directors.

4.2 Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties to the Company and make recommendations as to appropriate remedial actions where they are not.