

Terms of Reference of the Ofgem People and Remuneration Committee

Updated: February 2024

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:

- a) To determine the matters set out in paragraph 4.1 below,
- b) To consider and give a view on the matters set out in paragraph 4.2 below, and
- c) To carry out the reviews as set out in paragraph 4.3, to report to the Board in accordance with paragraph 6 and to provide such other assurance as the Board may request.

3. Membership

3.1 The Committee shall have a minimum of two members. 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 Chair of the Board (the Chair)
- The Chief Executive Officer (CEO)
- The Chief Operating Officer (COO)
- The Chief People Officer (CPO)

- 3.3 The Committee may invite any other individuals to attend all or part of any meeting as it considers appropriate.
- 3.4 Ofgem shall provide a Secretary to the Committee.
- 3.4 The quorum for any meeting of the Committee shall be any two members.

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 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 g) above, the Committee should take into account the Boards commitment to equality, 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.
- b) Undertake an annual review of the Professional Development Leads (PDL) role in performance management with Heads of Professions, moderation and performance distribution trends,
- c) Undertake such other reviews, at the discretion of the Chair, of Ofgem's people and remuneration policies and practices generally,
- d) 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.

In undertaking these reviews 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.

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.

Annex A

The Ofgem workforce strategy annual review should be presented to the Committee for discussion in a single session.

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.

The Committee will report to the Board on the likely success of the workforce strategy to deliver the overarching Ofgem strategy.