

Public

Effective: 24 January 2025

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# Terms of Reference

# People & Governance

# Committee

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

## Purpose

Lead the process for appointments to the Board. Satisfy itself that plans are in place for an orderly succession to the Board and NESO’s leadership team and oversee the development of a diverse pipeline of succession.

Review employee policies and practices and monitor their consistency with NESO’s purpose, strategy, values and behaviours.

Review developments in law, regulation and evolving practice relating to corporate governance.

Provide ownership of NESO’s ESG strategy, on behalf of the Board.

*NOTE: In accordance with the NESO Framework Document: The appointment of the Chair of the NESO Board and the Shareholder Representative are matters reserved for the Shareholder. The consent of the Shareholder is required for the appointment of the Chief Executive Officer and non-executive directors.*

## Membership

At least three Non-Executive Directors. The Chair of the Board, the Senior Independent Director, the Shareholder Director and such other Non-Executive Directors as may be required.

## Quorum

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

## Chair

The Chair of the Committee will be the Chair of the Board. Where the Committee meets to discuss the Chair’s succession or performance, the Senior Independent Director or their delegate will chair such meetings.

## Meetings

At least three times a year.

Attendance by invitation.

## **Responsibilities**

### **Board Composition**

1. Regularly review the structure, size and composition of the Board (taking account of the skills, experience knowledge and diversity of its members), and make recommendations to the Board with regard to any adjustments that are deemed necessary.

### **Succession**

2. Keep the executive and non-executive leadership needs of the organisation under review, with a view to ensuring the continued ability of the organisation to deliver its purpose and strategy.
3. Oversee the development of a diverse pipeline for succession to the Board (across immediate, medium, and long-term time horizons), taking into account the challenges and opportunities facing NESO the strategic priorities and the skills and expertise needed on the Board in the future.
4. Plan for the orderly succession to the Board, particularly for the roles of chair, CEO, COO and CFO.
5. Review, on behalf of the Board, succession plans for the NESO Executive and Operational Executive Committees.
6. Periodically review membership of the committees of the Board and make recommendations for any changes for approval by the Board.
7. Evaluate the balance of skills, knowledge, experience, and diversity on the Board. Before any appointment of a new director is made, prepare a description of the role and capabilities required and the expected time commitment.
8. Lead the process for Board appointments and make recommendations to the Board for the appointment of both executive and non-executive directors and the re-appointment of non-executive directors at the conclusion of their specified term (or where applicable, approve appointments for recommendation to the Shareholder, where Shareholder Consent is required). Consider candidates from a wide range of backgrounds, on merit against objective criteria, with due regard for the benefits of diversity on the Board.

9. On appointment to the Board, ensure Non-Executive Directors receive a formal letter of appointment setting out what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.
10. Ensure that any proposed appointee to the Board discloses other business interests and any potential conflict of interest, in line with the recommendations of the UK Corporate Governance Code and the Nolan principles on Standards in Public Life.
11. Review and make recommendations to the Board relating to the continuation in office of any director at any time, including the suspension or termination of service of an executive director, as an employee subject to the provisions of the law and their service contract.

## Colleagues

12. Using appropriate measures, review employee policies and practices, in particular those that have an impact on (i) talent and capability, (ii) diversity, equity and inclusion and (iii) engagement and culture (including employee wellbeing), having due regard for the Public Sector Equality Duty (PSED). Report to the Board on their alignment with NESO’s strategy and purpose, values, behaviours and culture.
13. Ownership of the employee engagement strategy on behalf of the Board, through both formal and informal channels. Review the output of this engagement and report back to the Board around colleague views and priorities.

## Governance

14. Review and develop the Board’s corporate governance framework and monitor its compliance with corporate governance standards and practices while ensuring that it remains appropriate to the size, complexity, and strategy of NESO.
15. Recommend to the Board any revisions deemed necessary, taking into account any significant developments in the law and practice of corporate governance.
16. Determine the process for the annual performance review of the Board and committees, including whether or not this should be externally facilitated. Approve the appointment of external facilitators for Board and committee evaluations.

17. Conduct an annual review of the time commitment required from Non-Executive Directors. Assess whether the Non-Executive Directors are able to dedicate appropriate time to fulfil their duties and whether they are doing so.
18. Recommend to the Board a diversity, equity and inclusion policy. Conduct periodic reviews of this policy and the effectiveness of its implementation.
19. Provide ownership of NESO’s ESG Strategy, on behalf of the Board.
20. Provide oversight of the execution of NESO’s ESG strategy and progress on the organisations’ ESG ambition and commitments.
21. Review such risks as it may determine fall within its scope from time to time consistent with its purpose.

## Reporting

22. Produce a report to be included in the Annual Report describing the work of the Committee.
23. Where an external search consultancy or board performance reviewer has been engaged, the Committee will identify such consultants in the Annual Report alongside a statement about any other connection they have with NESO or individual directors.