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NESO Board Division of Responsibilities

Introduction

At NESO, we maintain a clear division of responsibilities between the Chair, Chief Executive Officer, Board and Executive Committee.

The Board governs our organisation and is expected to ensure our long-term success. Activities include setting strategy and direction, overseeing performance and reviewing risks.

Day-to-day operations are delegated to the Chief Executive Officer, supported by Executive Committee who lead the delivery of our strategic goals, as set out in our corporate and regulatory business plans. They implement the Board's strategic decisions and are committed to doing this responsibly.

All Directors must act in what they consider to be the best interests of the Company, consistent with their statutory duties under the Companies Act 2006, sections 170 to 177. In addition to these statutory duties, below are the main responsibilities of the Chair, Chief Executive Officer and Senior Independent Director.

Chair – managing and leading the Board

The Chair leads the Board and is responsible for its overall effectiveness. Ensuring that NESO acts with openness, transparency, and integrity, providing direction for the Chief Executive and Executive Committee within a framework of prudent and effective control. The Chair assures that the Board plays a full and constructive part in the development, determination and approval of NESO's values and strategy.

The Chair is accountable to the Shareholder and responsible for leading the Board to provide support and challenge to NESO's Chief Executive Officer and the Executive Committee. The Chair's role is non-executive.

Chair's Responsibilities

Board

- Lead and chair the Board and ensure its effectiveness on all aspects of its role.
- With support of the Chief Executive Officer, ensure effective implementation of Board decisions.

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- Demonstrate objective judgement and develop an active, challenging and committed Board and oversee its composition, including that the Board has a balance of skills, knowledge experience and diversity appropriate for the needs of the business.
- Regularly review the performance of the Board, its committees and individuals to address strengths and weaknesses and act on the results.
- Manage and review regularly the Board composition and succession planning.
- Promote the highest standards of integrity, probity and corporate governance throughout the company and, in particular, at Board level.

Directors

- Promote a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and ensuring constructive relations between the Executive Committee and Non-Executive Directors.
- Encourage active engagement by all members of the Board.
- Where appropriate, holding meetings with the Non-Executive Directors without the Executive Directors present.
- Provide support and advice to the Chief Executive Officer.
- Liaise with the Senior Independent Director.
- Ensure appropriate delegation of authority from the Board to the Chief Executive Officer and Executive Committee.
- Ensure that new Directors participate in a full, formal and tailored induction programme.
- Ensure that the Directors continually update their skills and their knowledge and familiarity with the Company required to fulfil their role both on the Board and on the Board committees.
- Ensure Directors are aware of and able to discharge their statutory duties.
- Ensure that the development needs of Directors and the Board as a whole are identified and that these needs are met.

Stakeholders

- Together with the Chief Executive Officer, ensure effective communication and regular engagement with the Shareholder and key stakeholders to represent the Board's views and understand their views and concerns.

Meetings

- Chair Board meetings and, where appointed to chair a committee, chairing meetings of such Committee. [The Chair of the Board cannot chair the Audit & Risk or Remuneration Committees in accordance with the requirements set out in the UK Corporate Governance Code 2024.]
- Ensure the appropriate regularity and frequency of Board meetings.

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- Manage the Board to ensure enough time is allowed for discussion of complex or contentious issues.
- Set the Board’s agenda, focusing on strategy, performance, value creation, culture and stakeholders, and to ensure sufficient time for discussions and effective decision-making.
- Ensure Directors receive timely, accurate and clear information on NESO’s performance, the issues, challenges and opportunities facing the Company to enable the Board to make effective and well considered decisions.
- Establish processes that enable the Board to understand the views of the Company’s Shareholder, workforce, customers and other key stakeholders to be considered in Board discussions and decision making

Senior Independent Director – ensuring effective communication

The Senior Independent Director’s role is to provide a sounding board for the Chair and to serve as an intermediary for the other Directors when necessary. Particularly in times of conflict or uncertainty. The Senior Independent Director is also available to our Shareholder if they have a concern that contact through the normal channels of Chair or Chief Executive Officer has failed to resolve, or for which such contact is inappropriate.

Senior Independent Director’s Responsibilities:

- Be independent, in accordance with the criteria set out in the UK Corporate Governance Code.
- Support and act as a sounding board for the Chair.
- Act as an intermediary for the other Directors and Shareholder when necessary.
- Hold an annual meeting with Non-Executive Directors to appraise the Chair’s performance.
- Chair the People & Governance Committee when it is considering succession to the role of Chair of the Board;
- Chair a Board meeting, in the first instance, if the Board Chair is unable to act.

Chief Executive Officer (CEO) – managing the company

The Chief Executive Officer has day to day responsibility for the Company’s performance, leading the Executive Committee and overseeing all of our operations and steering the development of strategy and making recommendations, as appropriate, to the Board. The Chief Executive Officer’s leadership promotes our culture and standards.

In compliance with Government requirements, the Chief Executive Officer is also the Accounting Officer, responsible to Parliament running NESO.

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The Chief Executive Officer reports to the Chair, is accountable to the Board and is responsible for leading the company within the authority delegated by the Board. All members of the Executive Committee report to the CEO.

Chief Executive Officer’s Responsibilities:

Business strategy and management

- Day-to-day operations and the performance of the business.
- Provide clear and visible leadership, promoting the desired culture and communicate to NESO’s employees the expectations of the Board in relation to the NESO’s culture, values and behaviour.
- Propose and develop NESO’s strategy, objectives and business plans, whilst considering responsibilities to the Shareholder and wider stakeholders.
- Effective implementation of Board decisions and successful execution of strategy following approval by the Board.
- Recommend to the Board an annual budget.
- Optimise, as far as is reasonably possible, the use and adequacy of NESO’s resources.
- Ensure the company’s compliance with the requirements of its governance documents and relevant legislation, including the NESO Framework Document.
- Promote NESO’s long-term sustainability and ensure all policies and procedures align with high standards of integrity and corporate governance.
- Manage and supervise interactions with regulatory agencies.
- Review the performance of the Executive Committee, allocating responsibilities to individuals and making recommendations to the Remuneration Committee regarding individual pay and long-term performance incentives.

Risk management and controls

- Manage NESO’s risk profile and ensure appropriate internal controls are in place.

Communications

- Keep the Chair informed on all important matters.
- Ensure the Board receives accurate, timely and clear information to enable it to discharge its duties.
- Input into the Board agenda and ensuring the Board is aware, where appropriate, of the views of NESO’s Executive Committee, wider Executive Leadership Team and employees on issues of relevance to the business.
- Together with the Chair, ensure effective communication and regular engagement with the Shareholder

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- Lead effective engagement and communication with government, the regulator, stakeholders, customers and the media.