

MATTERS RESERVED TO THE BOARD

The Board has delegated the day to day management of ELEXON to the Chief Executive and the executive management team. This document sets out the list of matters which are to be decided by the Board of directors as a whole.

Matters which the Board considers suitable for delegation to its committees are contained in the terms of reference of its committees. In addition, the Board will receive reports and recommendations from time to time on any matters which are significant to the company or which the Board requests due to the significance of such matters to the company or group.

The Board reserves to itself:

1. Strategy and Management

- 1.1 Responsibility for the overall leadership of the company.
- 1.2 Approval of the group's strategic aims and objectives, vision and mission and values.
- 1.3 Approval of the company's business plan and budgets and any material changes to them.
- 1.4 Oversight of the group's operations and management.
- 1.5 Review of performance in the light of the group's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
- 1.6 Extension of the group's activities into new business or geographic areas (subject to the requirements and/or constraints of the BSC).
- 1.7 Any decision to cease to operate all or any material part of the group's business that it is not required to undertake under the BSC.

2. Structure and Capital

- 2.1 Major changes to the group's corporate structure including, but not limited to, the establishment of affiliates (subject to the BSC).
- 2.2 Changes to the group's management structure.

3. Financial Reporting

- 3.1 Approval of the Annual Report and Accounts, any narrative reporting contained in the Annual Report and any other formal documents that are made publicly available and which contain financial statements.

4. Risk Management and Internal Controls

- 4.1 Responsible for a sound system of internal control and risk management and oversight and review of risk management and internal control.

5. Approvals

- 5.1 Approval of major capital projects, investments or contracts in excess of the amounts delegated under the Delegated Signing Authority Policy approved by the Board from time to time.
- 5.2 Approval of any other contracts of the company (or any subsidiary) not covered by 5.1 that is not in the ordinary course of business, for example loans and repayments outside previously agreed payment arrangements.
- 5.3 Approval of giving notice of the suspension or termination of any material arrangements, contracts or transactions.

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- 5.4 Commencement, defence or settlement of claims and/or legal proceedings (other than claims which fall within the authority of the BSC Panel) involving above £150,000 or being otherwise material to the interests of the group (subject to any other approval that may be required under the BSC).
- 5.5 Participating in any bid or tender in relation to or any new business by the company.
- 5.6 Approval of any shareholder resolution required or requested by a subsidiary of the company.

6. Communication

- 6.1 Ensuring dialogue with stakeholders occurs based on the mutual understanding of objectives.

7. Board Membership and other Appointments

- 7.1 Appointments and removals: Board membership including Senior Independent Director, membership and chairmanship of Board committees and appointment of the Chief Executive, following recommendations from the Nomination Committee (subject to the requirements and/or constraints of the BSC). The appointment and removal of the Chairman shall be a matter for the Gas and Electricity Markets Authority and the BSC Panel as set out in the BSC.
- 7.2 Ensuring that adequate succession planning is in place for the Board, the Chief Executive and the executive management team.
- 7.3 Reviewing the Chief Executive's appointments to the executive management team.
- 7.4 Approving the suspension or termination of service of the Chief Executive or any member of the executive management team as an employee of the company, subject to the law and their service contract.
- 7.5 Appointment or removal of the company secretary.
- 7.6 Appointment, reappointment or removal of the external auditor following the recommendation of the Audit Committee.
- 7.7 Appointments to the boards of subsidiaries.

8. Remuneration

- 8.1 Determining the remuneration policy and remuneration for the Chief Executive and the executive management team.
- 8.2 Determining the remuneration of the non-executive directors, subject to the BSC and Panel consultation as appropriate.
- 8.3 Determining the policy for the remuneration of employees.

9. Delegation of Authority

- 9.1 Approval of the division of responsibilities between the Chairman and the Chief Executive.
- 9.2 Approval of the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing) (the Delegated Signing Authority).
- 9.3 Approving the terms of reference of Board committees (subject to the requirements and/or constraints of the BSC).
- 9.4 Any committee whose membership is comprised for the time being of all board members shall be authorised to decide any matter that is delegated to it as if such decision was a decision of the Board.
- 9.5 The Board may instruct any Committee to undertake a detailed investigation of any matter which the Board considers significant to the company or group.

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10. Corporate Governance Matters

- 10.1 Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors.
- 10.2 Determining the independence of non-executive directors.
- 10.3 Reviewing the group's overall corporate governance arrangements.
- 10.4 Receiving reports on the views of the company's stakeholders to ensure they are communicated to the Board as a whole.

11. Policies

- 11.1 Approval of strategic or important policies, that are the responsibility of the Board, as detailed in the policy categorisation document.

12. Other

- 12.1 Approving major changes to the rules of the group's pension scheme(s), or (when this is subject to the approval of the company) changes in the fund management arrangements.
- 12.2 Any decision reasonably likely to have a material impact on the company or group from any perspective, including, but not limited to, financial, operational, strategic or reputational.
- 12.3 Approving this document of Matters Reserved for Board decision.

Approved by the Board 4 May 2016