

P303 - BOARD MEMBERS' RESPONSES TO QUESTIONS ON THE OPTION OF REMUNERATION

Industry Directors

1) Would having the option to be remunerated have affected your decision to apply for the BSCCo Board and why (noting the Workgroup's concerns that some employers may not wish their employees to take up other paid roles)?

- Being remunerated or not was not an important consideration for me on applying for the role.
- Any further non-exec roles I seek will have to be remunerated as I will have to negotiate reduced hours with my employer in order to accommodate the time required for non-exec duties - or even make the leap into a full-time non-exec portfolio.
- All Industry Directors have joined the ELEXON Board despite the lack of compensation in the first place but different expectations in the short-term.

2) Do you have any comments on the Workgroup's views of why Non-Executive Directors join the BSCCo Board?

- Giving something back is a strong potential motivation for many as is the opportunity for personal development; but this has to be balanced with what is realistic and feasible - and also with what is on offer elsewhere.
- For potential non-execs with strong CVs (especially those with a track record as executive directors) there are plenty of opportunities out there to give back to the industry and to be paid for doing so; so why would they choose ELEXON in that situation?
- In relation to serial NEDs I am also sure that a history of success as an NED was a major reason why our non-industry NEDs were appointed.

3) What is your view of the proposal to remunerate all Directors?

- Whilst it may be true that companies may not want employees to be paid for other jobs undertaken in hours they are already paid for, I think there is a big issue here that the time demand for ELEXON is beyond the boundaries for which one is likely to be given leave.
- I was originally told it would be circa 10 days per year (Board Meetings) plus a bit of time to read papers. That is what I explained to my employer, who agreed that circa 1 day per month for such a good personal development opportunity was just about acceptable. However, in practice it has become much more time-consuming both in terms of physical presence and preparation. I feel that I am currently overstretching the boundaries of what my employer consented to by more than 50%, and also eating into weekends and free time substantially.
- If P303 is approved, my intention would be to negotiate with my employer for a flexible working arrangement which would formally free me for 1 - 2 days per month, reducing my salary accordingly, but relying on the ELEXON fee to make up the shortfall. If the role remains unremunerated I will have a problem. I will have to seek employer consent to renew if I am offered the opportunity so I will either have to be less than honest about my time commitment to ELEXON or hope that they are prepared to stretch matters still further.
- There is no reason to differentiate compensation between non-Executives in my view. This discrimination could also lead to unhelpful discussions between non-Executives.
- I believe the time commitment is too great to be allowed as personal development within the bounds of a standard contract.

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- Current remuneration policy leads to potential governance issues (who should Chair Remuneration Committee – remunerated or not remunerated non-Executive? What is the right benchmark for Executives in a non-for-profit organization where some non-Executives are not remunerated? etc.)
- As time has elapsed since privatisation and deregulation, the major energy companies have had to cut cost and trim overheads as they simply do not have good people who can easily be freed up for a substantial amount of time to undertake something from which the company derives no direct benefit. I agree that it is potentially difficult to arrange an adjustment to working and pay arrangements in order to accommodate a paid NED role; but for the nature of the commitment that is required for the ELEXON Board that is really the only arrangement that an employer is likely to be happy with.
- I do not think that it would be good for ELEXON to have a Board consisting entirely of first-timers who are sufficiently unimportant to their employers that they can easily be freed up for 2 days per month for a role which brings no direct benefit to the employer - however much those individuals may feel personally motivated to 'give something back'.

Non-Industry Directors

1) Do you have any comments on the Workgroup's views of why Non-Executive Directors join the BSCCo Board?

- My approach was to look at the specific skills that I had and match those to potential opportunities. When the ELEXON opportunity arose the job specification matched my skills and I felt that it was fairly irrelevant that I had no specific Electricity industry experience.
- One of the advantages of "serial NEDs" is that they can bring learnings from other NED roles. Despite the disparate nature of the sectors they all have similar issues with their own nuances.

2) What is your view of the proposal to remunerate all Directors?

- I am 100% in favour. The value that the current incumbents bring to the table is every bit as important as anything that the non-industry NEDs bring. They give considerable time and as such should receive the same remuneration.
- I feel we have been lucky to date to attract the candidates we have without remuneration.
- In relation to the Workgroup's view that payment of industry NEDs might cause employment issues at their parent company, I don't think this is a valid issue. In a previous industry role which was remunerated I had the choice to either take the money or donate to a specific charity. I chose the latter route but it was very much a personal choice. Many organisations now encourage their Senior Executives to look at NED opportunities as a personal development route.

Chairman's views

- I strongly believe that remuneration of all NEDs is desirable because: it is consistent with good corporate governance, the numbers show what a major effect there is on applications, the industry directors would be more likely to take up additional roles within the Board and it avoids a two tier Board; the NEDs are equals and should be remunerated as such.
- Believe there are a few misconceptions: the role of the Board v the Panel - it is inappropriate to characterise the Board as less important, that remuneration would be a barrier to entry (if it were so it would be waived), that the best candidates will typically serve for the kudos and to reward the industry.

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Any other comments?

- There is reference to the Board not being a normal Board in terms of its function. I don't agree with this and as a Director I have exactly the same legal responsibilities as I would have as a NED for any company.
- "industry independent directors" is very misleading, since it should be understood that all NEDs are independent. Similarly the industry directors are independent and are not present to represent anybody else, e.g. parts of, or indeed the whole "industry".
- I do not agree that any decision to remunerate in the future should not benefit any existing directors, especially if reappointed, providing this only operates in the future and not retrospectively.