

**Statement of compliance with Section 42(C) of the Electricity Act 1989
(as amended by Section 61 of the Utilities Act 2000).**

1. As an electricity distribution network, Electricity North West Limited (“the Company” or “ENWL”) holds a licence in order to carry on activities subject to price regulation. Section 42(c) of the Electricity Act 1989 applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, ENWL is required to disclose the level of remuneration linked to levels of performance with respect to service standards in connection with activities subject to price regulation that has been paid, or is due to be paid, to the Company directors for the year ended 31 March 2023.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the Company.
3. ENWL’s annual report and consolidated financial statements contain a corporate governance report which complies with the requirements of a quoted company as per the UK Corporate Governance Code issued by the Financial Conduct Authority. This includes the Company’s remuneration policy and details the level and structure of directors’ remuneration.
4. Levels of remuneration are reviewed and approved by a dedicated Remuneration Committee of the Board in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of ENWL.
5. Performance-related elements of remuneration formed a significant portion of the total remuneration package for the executive directors of the company for the year ended 31 March 2023; these are linked to both corporate and individual performance objectives. Remuneration has been paid to the executive directors as a result of arrangements linking their remuneration to levels of performance in respect of service standards and activities subject to price regulation. Fees for non-executive directors do not comprise performance related elements of remuneration.
6. An executive incentive plan (EIP) was introduced on 1 April 2015 to reward both in-year performance and incentivise strategic and innovative behaviours over the longer term, aligned to shareholder objectives. The EIP is based on a balanced scorecard approach, containing short term metrics to evaluate in-year performance and longer-term measures to promote a strategic focus and sustainable performance. Partial payments are made each year based on achievement against the scorecard, with higher payments being made in years four (year ended 31 March 2019) and eight (year ended 31 March 2023) of the price control period. This is to ensure a balance of short and long-term incentives is attained. Due to the significant importance of health and safety in the activities that ENWL carry out, this is not included on the balanced scorecard and instead acts as a gateway to earn bonus, i.e. if health and safety gates are not met there will be no bonus payments in that year.

7. The element of the executive directors' EIP balanced scorecard applicable to Section 42(c) are those based on "customer service" (which is driven by performance against the regulatory incentives: customer satisfaction, customer minutes lost, customer interruptions, connections time to quote and time to connect and stakeholder engagement).
8. These are assessed through performance against pre-determined internal targets which support industry benchmarks. The measures the Company uses are aligned to the regulatory incentives and therefore the data is monitored and reviewed by internal auditors and is submitted for assessment to the regulator (Ofgem) which provides confirmation of the reliability of the data.
9. The maximum in-year award relating to the customer service element is 20% of the total award for the year ended 31 March 2023. Based on performance in the year, the actual award was 13.2%.
10. The total payment earned by executive directors of ENWL in respect of service standards during the year ended 31 March 2023 was £248,069 of which £248,069 has been paid.
11. ENWL intend to continue to adopt a similar approach for the year ended 31 March 2024 with all payments being subject to the review and approval of the Remuneration Committee of the Board.