

ELECTRICITY NORTH WEST LIMITED
(the “Company” or “ENWL” registered number 2366949)
Remuneration Committee
Terms of Reference

The Remuneration Committee (the “Committee”) is a committee of the Board of the Company.

1 Membership

- 1.1 The Committee comprises four members of the Board including the Chairman nominated by the Board. The quorum shall be two to include one representative of each shareholder group,
- 1.2 The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman. Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Remuneration Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.4 The Board shall appoint the Committee Chairman. The Chairman of the Board shall not be the Chairman of the Committee.

2. Secretary

- 2.1 The Company Secretary shall be secretary of the Committee.

3. Notice of meetings

- 3.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

4. Minutes of Meetings

- 4.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 4.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

5. Duties

- 5.1 Acting within a policy and framework approved by the Board and in compliance with the provisions of the Investment Deed dated 22 November 2007 the Committee shall:

- 5.1.1 Have responsibility for setting the Remuneration Policy for all Executive Directors and the Company's Chairman, including pension rights and any compensation payments. The Board itself, or where required by the Articles of Association, the Shareholders should determine the remuneration of the Non-Executive Directors. No Director or Senior Manager shall be involved in any decisions as to their own remuneration.
- 5.1.2 Recommend and monitor the level and structure of remuneration for the Executive Leadership Team.
- 5.1.3 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to view of shareholders and other stakeholders. The remuneration Policy should have regard to the risk appetite of the Company and alignment to the Company's long term strategic goals. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long term success of the Company.
- 5.1.4 When setting Remuneration Policy for Directors, review and have regard to pay and employment conditions across the Company or group, especially when undertaking annual salary reviews.
- 5.1.5 Within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director, the Company Chairman and other designated Senior Executives including bonuses and incentive payments.
- 5.1.6 Obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.
- 5.7 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
- 5.8 Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.
- 5.9 Determine the policy for, and scope of, pension arrangements for each Executive Director and other designated Senior Executives.
- 5.10 Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

- 5.11 Oversee any major changes in employee benefits structures throughout the Company or Group.
- 5.12 Agree the policy for authorising claims for expenses from the Executive Directors.
- 5.13 Work and liaise as necessary with all other Board Committees.

6. Reporting Responsibilities

- 6.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in the UK Corporate Governance Code, are fulfilled and produce a report of the Company's Remuneration Policy and practices to be included in the Company's Annual Report. If the Committee has appointed remuneration consultants, the Annual report of the Company's Remuneration Policy should identify such consultants and state whether they have any other connection with the Company.

7. Other matters

- 7.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary as required.
- 7.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 7.3 Give due consideration to laws, regulations and any published guidelines or recommendations regarding remuneration of Directors of listed / non-listed companies, including, but not limited to, the provision of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules.
- 7.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

8. Authority

- 8.1 The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its Terms of Reference

July 2017