



Ms Katie Bickerstaffe

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Our reference:

27 April 2011

Dear Katie

The Board of Scottish and Southern Energy plc ('the Company') has appointed you as non-executive director. I am writing to set out the terms of your appointment. It is agreed that this is a contract for services and is not a contract of employment.

By accepting this appointment, you confirm that you are not subject to any restrictions that prevent you from being a director.

### **1. Appointment**

Your appointment as non-executive director will be for an initial term of three years commencing on 1 July 2011, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice. Continuation of your contract of appointment is contingent on satisfactory performance and re-election by shareholders at forthcoming AGMs. Non-executive directors are typically expected to serve two three-year terms, although the Board may invite you to serve for an additional period.

Your appointment will be subject to the Articles of Association of the Company. If, in accordance with the requirements of the Articles, your appointment should come to an end for any reason before the end of the period referred to in this clause, it is understood that you would not have any claim for loss of office.

### **2. Time Commitment**

Overall we anticipate a time commitment on average of up to one and a half days per month after the induction phase outlined in paragraph 7. This will include attendance at (normally) 6 Board meetings per annum and the AGM. In each month where there is not a Board meeting, there is a Board conference call to update the Directors on the general business of the Group. There may also be an occasional Board away day, and you will be expected to undertake separately at least one site visit per year. The regular Board meetings involve a dinner on the previous evening with an overnight stay. A copy of the schedules of Board meetings, conference calls, and committee meetings for 2011 is attached. In addition, you will be expected to devote appropriate preparation time ahead of each meeting.

By accepting this appointment, you have confirmed that you are able to allocate sufficient time to meet the expectations of your role. The agreement of the Chairman should be sought before accepting additional commitments that might affect the time you are able to devote to your role as a non-executive director of the company.

### 3. Role

Non-executive directors have the same general legal responsibilities to the company as any other director. The Board as a whole is collectively responsible for promoting the success of the company by directing and supervising the company's affairs. The Board:

- ◆ Provides entrepreneurial leadership of the company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- ◆ Sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the company to meet its objectives, and reviews management performance; and
- ◆ Sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met.

All directors must act in a way they consider, in good faith, would most likely to promote the success of the company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interest of the company's employees
- c. the need to foster the Company's business relationships with suppliers, customers and others,;
- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct;
- f. the need to act fairly as between the members of the Company.

In addition to these requirements of all directors, the role of the non-executive has the following key elements:

- ◆ **Strategy.** Non-executive directors should constructively challenge and contribute to the development of strategy;
- ◆ **Performance.** Non-executive directors should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- ◆ **Risk.** Non-executive directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and
- ◆ **People.** Non-executive directors are responsible for determining appropriate levels of remuneration of executive directors and in succession planning.

### 4. Fees

You will be paid a fee of £54,000 gross per annum which will be paid monthly in arrears, which will be subject to review by the Board during the continuance of your appointment. The company will reimburse you for all reasonable and properly documented expenses you incur in performing the duties of your office.

### 5. Outside interests

It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts or potential conflicts that are apparent at present. In the event that you become aware of any other conflicts or potential conflicts of interest, these should be disclosed to the Chairman and Company Secretary as soon as apparent. In accordance with the normal procedure, the Board will then need to consider your position and decide whether to approve any conflict and, if so, on what basis. You will not, without the prior written consent of the Company, during the period of your appointment, be engaged in or concerned with any business which conflicts with any business carried out by the Company.

The Board has determined that you are independent according to the provisions of the UK Corporate Governance Code

## **6. Confidentiality and Share Transactions**

All information acquired during your appointment is confidential to the Company and should not be released, either during your appointment or following termination (by whatever means), to third parties without prior clearance from the Chairman.

Your attention is also drawn to the requirements under both legislation and regulation as to the disclosure of price sensitive information. Consequently you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Chairman or Company Secretary.

During the appointment, you will comply with the rules adopted by the Company governing dealings by the Directors in the shares of the Company. You will receive a copy of these rules from the Company Secretary. The Board has adopted a policy on Directors' shareholdings, which provides that each non-executive director should own at least 2,000 shares in the Company.

## **7. Induction**

Immediately after appointment, the Company will provide a comprehensive, formal and tailored induction. It will also arrange for site visits and meetings with management and the Company's auditors. As a member of the Board, you will receive weekly Company updates, regular broker reports and views of major shareholders.

## **8. Review Process**

The performance of individual directors and the whole Board and its committees will be evaluated annually. If, in the interim, there are any matters which cause you concern about your role you should discuss them with the Chairman as soon as is appropriate.

## **9. Insurance**

The Company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of your appointment. The current indemnity limit is £75m and details are available from the Company Secretary.

## **10. Independent professional advice**

Occasions may arise when you consider that you need professional advice in the furtherance of your duties as a director. Circumstances may occur when it will be appropriate for you to seek advice from independent advisors at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with the policy, which is available from the Company Secretary.

## **11. Data Protection**

By signing this letter you consent to the Company holding and processing information about you for legal, personnel, administrative and management purposes and in particular to the processing of any sensitive personal data (as defined in the Data Protection Act 1998).

## **12. Committees**

This letter refers to your appointment as a non-executive director of the Company. In the event that you are also asked to serve on one or more of the Board committees this will be covered in a separate communication setting out the committee(s)'s terms of reference, any specific responsibilities and any additional fees that may be involved.


Would you please sign and return the enclosed copy of this letter to acknowledge your acceptance of the provisions in this letter.

Yours sincerely



Lord Smith of Kelvin  
Chairman

I have received the letter which this is a duplicate and confirm my acceptance of the provisions set out in it.

Signature.....

Date.....27/04/11.....