

TERMS OF REFERENCE FOR REMUNERATION COMMITTEE

The Remuneration Committee is a Committee of the SSE Plc Board. It is responsible for setting remuneration for all Executive Directors, the Chair, the Company Secretary and the Group Executive Committee. The Committee shall also review, but not decide, the remuneration of all SSE's employees.

References to "**the Board**" shall mean the Board of the Company

References to "**the Committee**" shall mean the Remuneration Committee

References to "**the Committee Chair**" shall mean the Chair of the

Committee References to "**the Company**" shall mean SSE Plc

References to "**the Company Chair**" shall mean the Chair of the Company

References to "**the Company Secretary**" shall mean the Secretary of the

Company References to "**the Directors**" shall mean the Directors of the

Company References to "**the Group**" shall mean SSE Plc and any of its subsidiary companies

1. PURPOSE

1.1. The Committee shall keep under review the Company's remuneration framework, having regard to the following considerations:

1.1.1. The Company's culture and values.

1.1.2. The links between the remuneration framework and the Company's purpose and strategy.

1.1.3. The long-term success of the Company.

1.1.4. The interests of the company's employees and the impact of the company's operations on and dealings with other stakeholders.

1.1.5. Institutional shareholders and their representatives as appropriate.

1.1.6. The need to ensure performance-related elements are transparent, stretching and consistently applied as well as linked to the successful delivery of strategy.

2. MEMBERSHIP

2.1. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. The Committee shall have a minimum of 3 members.

2.2. It shall consist of at least three non-Executive Directors who are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. The Company Chair may also serve on the Committee as an additional member if he or she was considered independent on appointment as the Company Chair.

2.3. Only members of the Committee have the right to attend committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate.

2.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided members (other than the Company Chair, if he or she is a member of the Committee) continue to be independent.

2.5. The Board shall appoint the Committee Chair who shall be an independent

Non- Executive Director who will normally have served on a remuneration committee for at least 12 months. In the absence of the Committee Chair the remaining members present shall elect for one of themselves to chair the meeting. The Company Chair shall not be the Committee Chair.

- 2.6. The Company Secretary or their nominee shall act as secretary of the Committee but shall not be present when their own remuneration is being determined.

3. MEETINGS

3.1. Quorum

- 3.1.1. The quorum for the meetings shall be any two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

3.2. Frequency of Meetings

- 3.2.1. The Committee shall meet not less than twice a year and at such other times as the Committee Chair shall require.

3.3. Notice of Meetings

- 3.3.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Committee Chair or any of its members in consultation with the Chair.
- 3.3.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting documents, shall be forwarded to each member of the Committee, any other person required to attend and to all other Directors no fewer than 5 working days prior to the date of the meetings.

3.4. Minutes of Meeting

- 3.4.1. The Secretary shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.
- 3.4.2. Minutes of the Committee meetings shall be distributed promptly to all members of the Committee and, once agreed, should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

4. ENGAGEMENT WITH SHAREHOLDERS

- 4.1. The Committee Chair shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with the Company's largest shareholders on significant matters related to the Committee's areas of responsibility.

5. DUTIES

The Committee shall:

- 5.1. Have delegated authority from the Board to determine **and** agree the Company's framework or broad policy for executive remuneration and review the ongoing appropriateness and relevance of such policy. The Committee shall have delegated authority for determining the remuneration policy in respect of the executive directors

and for setting the remuneration of all Executive Directors, the members of the Group Executive Committee (on the recommendation of the Chief Executive), the Company Chair and the Company Secretary. The remuneration of the non- Executive Directors shall be a matter for the Company Chair and the Executive Directors of the Board, or, where required by the Articles of Association, the shareholders and be within the limits set. No Director, or senior manager shall be involved in any decisions as to their own remuneration.

- 5.2. In determining such policy, the Committee shall take into account all factors which it deems necessary including the remuneration arrangements of all the Company's employees. The objective of such policies shall be to ensure that Executive Directors and the members of the Executive Committee are provided with appropriate remuneration including incentives for retention purposes, are encouraged to enhance personal performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. In doing so the Committee shall:
 - 5.2.1. Consider such internal and external information as may be relevant and (except in their own cases) specific proposals made by the Company Chair, the Chief Executive and Director of Human Resources.
 - 5.2.2. Be sensitive to the remuneration and employment conditions throughout the Company, having particular regard to the relationship between Executive Directors' packages and those of their direct reports and the Company Secretary.
 - 5.2.3. Review the remuneration arrangements of all the Company's employees, any major changes and the alignment of pay and workforce policies with the culture and values of the Company.
 - 5.2.4. Have regard to the views of shareholders and other stakeholders.
 - 5.2.5. Ensure engagement with the Company's employees takes place on executive remuneration.
- 5.6. Ensure that the directors' remuneration policy should be transparent and takes account of the risk appetite of the Company and aligns 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.
- 5.7. Approve the design of and determine measures and targets for the performance-related pay schemes operated by the Company in respect of the Executives within its remit and approve the total annual payments made under such schemes.
- 5.8. Within the terms of the agreed policy and in consultation with the Company Chair and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director, the Company Chair, members of the Group Executive Committee and the Company Secretary including, where appropriate, bonuses, and any other incentive payments or share awards. The choice of financial, non-financial and strategic measures is important, as is the exercise of independent judgement and discretion when determining remuneration awards, taking account of company and individual performance and wider circumstances.
- 5.9. Review the design of all long-term incentive plans including all share-based plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors, Company Secretary, each member of the Group Executive Committee and the performance measures and targets to be used.

- 5.10. Determine the policy for and scope of pension arrangements, service agreements, share ownership and share retention policies, termination payments and compensation commitments for each Executive Director and each member of the Group Executive Committee. The Committee shall consider the alignment of the pension arrangements for the Executive Directors with those available to employees generally and 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. In determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the UK Corporate Governance Code as well as the UK Listing Authority's Listing Rules and associated guidance, and corporate governance guidelines generally and to ensure that all provisions regarding disclosure of remuneration including pensions are fulfilled.
- 5.12. Oversee the level and structure of the remuneration policy for senior management.
- 5.13. Work and liaise with other board committees to ensure interaction and coordination as necessary.
- 5.14. Agree the policy for authorising claims for expenses for all directors.

6. REPORTING RESPONSIBILITIES

- 6.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 6.2 The Committee shall make whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for board discussion when necessary.
- 6.3 The Committee shall ensure that provisions regarding disclosure of information are fulfilled, shall produce a Directors' Remuneration Report to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM.
- 6.4 Engage with shareholders if, 20 per cent. or more of votes have been cast by shareholders against a resolution to approve the annual remuneration report, a directors' remuneration policy or any other pay resolution and ensure that, no later than six months after the annual general meeting, a summary of the views of shareholders received and the actions taken has been published.
- 6.5 If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultant and state whether they have any other connection with the Company.

7 AUTHORITY

- 7.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 7.2 In connection with its duties the Committee is authorised by the Board to obtain, at the

Company's expense, any outside legal or other professional advice including the advice of independent remuneration consultants, to secure the attendance of external advisers at its meetings if it considers this necessary and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations.

- 7.3** Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

8. OTHER

The Committee shall

- 8.1** At least once a year, review its own performance, 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.
- 8.2** Be provided with appropriate and timely training and briefings, both in the form of an induction programme for new members and an on-going basis for all members.
- 8.3** Make publicly available its Terms of Reference explaining clearly its role and the authority delegated to it by the Board.
- 8.4** Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required.
- 8.5** Give due consideration to all relevant laws and regulation, the provision of the Code and published guidelines or recommendations regarding the remuneration of company directors and the formation and operation of share incentive plans, the requirements of the FCA's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

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