

Statement on Directors' Remuneration and Service Standards

This statement is made in accordance with Section 42C of the Electricity Act 1989 (the Act) on behalf of the following companies:

Scottish Hydro Electric Power Distribution plc;
Scottish Hydro Electric Transmission plc; and
Southern Electric Power Distribution plc.

In the financial year ending March 2016 and for the financial year ending March 2017, where appropriate the main directors of the above companies are remunerated under arrangements which fall under paragraph 3 of Section 42C of the Act, i.e. the arrangements link the remuneration of the Directors as respects service standards in connection with activities subject to price regulation.

Scottish and Southern Energy plc must ensure that it has remuneration policies in place that are competitive within the utilities sector. The main Directors' remuneration packages are based on their overall Group responsibilities and include a basic salary, Annual Incentive Plan, pension arrangements, benefits and where appropriate a Long Term Performance Share Plan. Under the Annual Incentive Plan scheme, up to 35% of a Director's maximum bonus depends on the achievement of personal targets, which may include performance in relation to the Electricity (Standards of Performance) Regulations 2015 and Quality of Service targets.

At year end, annual targets are reviewed against outcomes and the actual award made is in relation to achievement versus target performance. Where relevant the award is reviewed and approved by the Remuneration Committee.