

**TERMS OF REFERENCE  
OF THE BOARD OF  
DIRECTORS OF SCOTTISH  
POWER ENERGY  
NETWORKS HOLDINGS  
LIMITED**

**08/03/11**

1. Purpose	3
2. Scope	3
3. Priority & Interpretation	3
4. Powers of the Board of Directors	3
Financial Management and Reporting	3
Investments	3
Procurement/Purchasing	4
Operation & Maintenance (O&M)	4
Quality Assurance and Improvement Initiatives	4
Contracts and other commitments	4
Other Operational Matters	4





## 1. Purpose

The principal responsibility of the Board of Directors of Scottish Power Energy Networks Holdings Limited (the “Company”) is to facilitate the effective management of the regulated business within the Scottish Power Group (“Scottish Power Networks Business”) in accordance with the strategy set by Scottish Power Limited Board of Directors.

The Terms of Reference of the Board of Directors of the Company contain the guidelines that are to govern all action taken by the Board of Directors of the Company, the basic rules for the organisation and operation thereof and the rules of conduct to be observed by its members, in order to achieve the greatest degree of transparency, effectiveness, dynamism, supervision and control in the performance of its management and duties and representation of the corporate interest.

These Terms of Reference further develop and supplement the legal provisions applicable to the Board of Directors of the Company and form part of the Corporate Governance System thereof. The Company’s Corporate Governance System is the set of documents made up of the Corporate Policies, the Internal Corporate Governance Rules, and the other Internal Codes and Procedures approved by the appropriate bodies of the Company.

These Terms of Reference have been prepared taking into account the good governance recommendations generally recognized in international markets.

The guidelines for action and the rules for organization and operation of the management decision-making bodies within the subsidiary companies within the group whose controlling entity, within the meaning established by Law, is the Company (hereinafter, the “Group”) shall be governed by their respective terms of reference.

Such terms of reference shall conform to the principles set forth in these Terms of Reference, without prejudice to any adjustments that may be required based on the circumstances of each company, and shall, in all cases, abide by the guarantees required by the Company’s Corporate Governance System and the principles of coordination and information that must govern the relations among the management decision-making bodies of the various subsidiary companies of the Group in order for them to fully comply with their respective duties.

## 2. Scope

The Terms of Reference apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person) and its internal committees (if any).

The persons to whom these Regulations apply shall have the duty to be apprised of them, to comply with them and to enforce them, for which purpose the Secretary of the Board of Directors shall provide them with a copy to be acknowledged by means of a signed receipt, include it within the Directors’ website, and publish it on the Company’s corporate website.

The Directors shall comply with and enforce the provisions of the Company’s Corporate Governance System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the Secretary of the Board of Directors.

## 3. Priority & Interpretation

The Terms of Reference of the Board of Directors established from time to time further develop and supplement the Law and the provisions set out in the Articles of Association of the Company.

In the event of a conflict between the Terms of Reference, the Law and Articles of Association, the Law and Articles of Association shall prevail.

The Terms of Reference shall be interpreted in accordance with the Company’s Corporate Governance System.

The principal responsibility of the Board of Directors (subject to their fiduciary duties) is the effective management and day to day operation of the Scottish Power Networks Business in accordance with the Scottish Power Limited Strategy.

## 4. Powers of the Board of Directors

The effective management and operation of the Company will be administered by the Board of Directors.

In addition, without prejudice to the power of the shareholder(s) of the Company (in such capacity) to take shareholder type decisions in relation to the Company, there are a number of matters reserved exclusively the Board of Directors or to any Committee of the Board duly authorised in this regard (subject to their fiduciary duties). These are as follows:

- The making of any proposal to the shareholder(s) of the Company in relation to the alteration to the Memorandum or Articles of Association of the Company.
- The making of any proposal to the shareholder(s) of the Company in relation to the appointment or termination or appointment of the Company’s Auditors or its lead advisors.

### Financial Management and Reporting

- The approval of the statutory accounts and financial statements of the Company and its subsidiary companies with the Scottish Power Networks Business.
- The declaration of any dividend payable to the immediate parent company.

### Investments

- Approval of investment proposals and investment plans for the Scottish Power Networks Business in accordance with Scottish Power and group investment policy, parameters and criteria exceeding €6 million.



**Procurement/Purchasing**

- Approval of procurement/purchasing proposals for the Scottish Power Networks Business in accordance with Scottish Power and group purchasing policy, parameters and criteria exceeding €1 million.

**Operation & Maintenance (O&M)**

- Approval, identification and implementation of operation & maintenance proposals and operational efficiency initiatives for the Scottish Power Networks Business all in accordance with Scottish Power Limited Operation & Maintenance Policy, and parameters and criteria.

**Quality Assurance and Improvement Initiatives**

- Approval of quality assurance and improvement initiatives including those relating to customer relations for the Scottish Power Networks Business in accordance with relevant Scottish Power Limited policies, parameters and criteria.

**Contracts and other commitments**

- Approval of any contract awards, items of operational expenditure or items of capital expenditure for the Scottish Power Networks Business exceeding € 6million.

**Other Operational Matters**

- All other decisions related to the effective management of the Scottish Power Networks Business in accordance with Scottish Power Limited business policies, parameters and criteria.