



SP Transmission Ltd, SP Distribution Ltd, SP Manweb plc

Statement on linkages between Directors' Pay and Standards of Performance to 31st December 2011

The Directors participate in the group's performance related Annual Incentive Plan and receive a bonus in the year under review. Entitlement to a bonus is dependent upon achievement of objectives set at a Group, Business and Personal level. Business objectives are set annually based on what requires to be delivered by the business and progress is tracked against a scorecard. The objectives set include targets relating to service standards, which include Customer Minutes lost, Customers Interrupted and Telephone Response rate.

**2011 Personal Level Business Objectives
% link to key measurable outputs**

| Role | Customer Service | Health & Safety | Investment Delivery | Performance & Governance |
|--|------------------|-----------------|---------------------|--------------------------|
| Chief Executive Officer | 20% | 10% | 40% | 30% |
| Regulation Director | 6% | 6% | 31% | 57% |
| Operations Director | 24% | 14% | 27% | 35% |
| Customer Services Director | 38% | 6% | 19% | 37% |
| Asset Strategy & Network Programmes Director | 6% | 13% | 49% | 32% |

Each Director has an objective for customer service and the measurable outputs are weighted depending on their responsibilities. The objectives of the Customer Service Director, who has responsibility for every aspect of Customer Experience, are the highest weighted for customer service. In their case 38% of the personal element of their bonus is linked to achievement of Customer Service standards.

It is also important to note that delivery of Customer Service is underpinned significantly by investment delivery in the form of outputs which are also directly incentivised through the Price Control set by the Gas Electricity Markets Authority.

The Chief Executive Officer also participates in the Long-term Incentive Plan (LTIP), which is a performance share plan. Eligible directors are granted an award of shares expressed as a percentage of base salary. Before any amount of shares vest the Remuneration Committee must be satisfied that there has been sustained underlying financial and customer service performance. The final amount of shares, which vest, is dependent on performance over a 3-year period.

Further information:

Regulation Department: 0141 614 1972