

Scotia Gas Networks

Statement on Remuneration and Service Standards

This statement is made in accordance with section 33F of the Gas Act 1986 (as amended) (the Act) on behalf of the following companies:

Scotland Gas Networks plc; and
Southern Gas Networks plc.

In the financial year ending March 2017, the members of the executive team of the above companies were remunerated under arrangements which fall under paragraph (3) of section 33F of the Act i.e. the arrangements link the remuneration of the executive team members to levels of performance under service standards in connection with activities subject to price regulation.

The executive team members' remuneration is based on their overall group responsibilities and our policy is to ensure that they are rewarded competitively by providing remuneration consisting of a basic salary, benefits and short-term incentive and long-term incentive schemes which require the achievement of demanding performance targets.

Under the short-term incentive scheme, 50% of the executive team members' maximum award depends on the achievement of personal targets, which are based on the SGN group values of safety, performance, people, customers and environment. The other 50% of their award depends on the achievement of group financial and safety targets.

The long-term incentive scheme also includes performance standards covering safety, efficiency (including customer service) and shareholder return.

These arrangements applied during the financial year 2016/17.