

## INTERNATIONAL POWER PLC

### Remuneration Committee Constitution and Terms of Reference

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- 1 The Remuneration Committee (the “Committee”), which is a Committee of the International Power plc Board of Directors, shall be composed of all the independent Non-executive Directors of the Board, one of whom shall be appointed Chairman, and the Chairman. The Human Resources Manager will be invited to attend all meetings in the capacity of Secretary to the Committee. The Chief Executive Officer may be invited to attend the meetings of the Committee.
- 2 The Committee shall meet as appropriate, but at least twice each financial year and a quorum shall be two members. The Chief Executive shall not, in any circumstances, be present for or entitled to vote in any matter relating to his or her own performance or remuneration. The Chairman of the Committee shall report to the Board after each Committee meeting and shall, once a year, report to the Board in writing on the issues arising from its work in the preceding financial year.
- 3 The Committee shall have the following functions:
  - FIRST, taking proper and professional advice, to ensure that in relation to Executive Directors:
    - (i) salaries are maintained at a level which allows the organisation to compete effectively for good calibre executives;
    - (ii) pay is adjusted at appropriate intervals (normally annually) both in relation to performance and to an assessment of market movement based on data from one or more reputable sources;
    - (iii) the basis, targets and rewards of both long and short term executive incentive schemes (e.g. cash bonuses, stock option plans etc.) serve the needs of the business;
    - (iv) the balance of pay and benefits is maintained on a sensible, comparative and defensible basis; and that
    - (v) contractual obligations to individual Executive Directors are honoured and the contracts themselves are reviewed from time to time to ensure they remain up to date and defensible.

SECOND, to ensure that the Chief Executive discharges his or her delegated authority in establishing the basis for terms and conditions of employment (remuneration and other conditions e.g. notice periods, severance, short and long term incentive entitlements) in respect of senior executive appointments below Board level, in order to consider the cost implications for the Company and to provide the Chief Executive with appropriate guidance.

THIRD, to ensure that the Committee Chairman and the appointed deputy (who shall be a member of the Committee) shall attend the Annual General Meeting and be prepared to respond to any Shareholder questions on the Committee's activities.

FOURTH, in order to fulfil its duties, the Committee shall have authority to obtain any external legal or other professional advice, or information, including the advice of independent remuneration consultants, at the company's expense and to secure the attendance at meetings of outsiders with relevant experience and expertise if considered necessary.

## **CYCLE OF COMMITTEE MEETINGS AND CORE AGENDA ITEMS**

The following Meetings will be scheduled to coincide with the Board Meetings to be held in these months.

### **February**

- Executive Director Bonuses
  - Review of Previous Year
  - Targets for Current Year
- Employee Bonuses
  - Review of Previous Year
- Employee 1st April Salary Review
- Employee Stock Option Grant

### **December**

- Executive Director 1st January Salary Review
- Senior Employee Remuneration Report