

TERMS OF REFERENCE

FINANCE AND INVESTMENT COMMITTEE ("THE COMMITTEE")

1. MEMBERSHIP

The Board shall appoint the members of the Committee on the recommendation of the Chairman of the Board. The Committee shall consist of not less than three members. A quorum shall be two members.

2. SECRETARY

The Secretary of the Company shall be the Secretary of the Committee.

3. FREQUENCY OF MEETINGS

- 3.1 Meetings shall be held not less than four times a year unless otherwise agreed by the Committee.
- 3.2 Unless otherwise agreed, the meeting agenda shall be forwarded to each member of the Committee and any other person required to attend no later than one week prior to the date of the meeting. Supporting papers (and presentations if required) shall be sent to Committee members at the same time as the agenda.

4. MINUTES OF MEETINGS

- 4.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- 4.2 Minutes of Committee meetings shall be circulated to all members of the Board.

5. AUTHORITY

- 5.1 The Committee authorities are set out in these Terms of Reference and such other authority as is from time to time delegated to it by the Board.
- 5.2 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or its subsidiaries in order to perform its duties
- 5.3 Obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference

6. DUTIES

The duties of the Committee shall be as follows:

6.1 Investments and Capital Expenditure

- 6.1.1 Review, challenge and approve, as delegated by the Board from time to time, investment and divestment proposals/business cases to ensure consistency with the strategy and risk appetite approved by the Board.
- 6.1.2 Review and challenge Networks Price Review submissions prior to submission to the Board.
- 6.1.3 Review procedures for investment appraisal, including the setting of appropriate hurdle rates, to confirm that they are fit for purpose and sufficient to support a robust investment appraisal process.
- 6.1.4 Review progress on a quarterly basis against Board capital approvals.
- 6.1.5 Review achievement of approved business case for significant investments.
- 6.1.6 Support the Board in carrying out their responsibilities for ensuring that a robust process is in place to ensure that risks in relation to investment proposals are properly identified, assessed, reported and controlled.

6.2 Funding

- 6.2.1 Consider the financial requirements of the Group and the appropriate funding arrangements to meet these requirements.
- 6.2.2 Consider, and if deemed appropriate, recommend to the Board acceptance by the company of any bank facility, or the issuance of any guarantee or indemnity in respect of the liabilities of any subsidiary.
- 6.2.3 Examine key policy issues concerning the financial requirements of (and related risks to) the company including credit ratings, borrowings, financial instruments and debt management.

6.3 Financial Performance

- 6.3.1 Review and challenge the Integrated Business Plan prior to submission to the Board.
- 6.3.2 Review business plans/financial performance on a quarterly basis.

6.4 Energy Markets & Trading

- 6.4.1 Review Business Unit Trading Strategies (as approved by relevant Group Trading Committee (GTC)) in context of Group's Risk Appetite and Business Plans.
- 6.4.2 Review and challenge the Risk Management and Compliance Frameworks in place to manage trading risks and compliance with energy market and financial regulations.
- 6.4.3 Taking account of overall Enterprise Risk Appetite, set / approve appetite for Group Trading Risks.
- 6.4.4 Delegate (or recommend to the Board delegation of) certain activities and powers to the Business Unit Trading Committee and Management.
- 6.4.5 Monitor emerging risks and trends in energy markets.

6.5 General

- 6.5.1 Review insurable risks for the Group and appropriateness of Group insurance programmes.
- 6.5.2 Review and recommend to the Board for approval the Group Tax Policy and monitor ongoing compliance.
- 6.5.3 Review and recommend to the Board for approval the Market Abuse & Insider Trading Policy and monitor its ongoing implementation.

7. OTHER

The Committee shall:

- 7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 7.2 be provided with appropriate and timely training both in the form of an induction programme for new members and on an ongoing basis for all members;
- 7.3 give due consideration to the law and regulations, including the provisions of the Code of Practice for the Governance of State Bodies, the UK Corporate Governance Code (and related guidance) and the requirements of the Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules as appropriate;
- 7.4 at least once a year review its own performance and this Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
- 7.5 deal with any matters which the Board may refer to the Committee.

8. REPORTING

- 8.1 The Committee Chairman should meet regularly with the Chairman of the Audit and Risk Committee to agree and update as appropriate the specific risk responsibilities of the Committee.
- 8.2 The Committee shall periodically review ongoing reporting provided to the Committee to ensure continued relevance and to confirm reporting frequency and detail are appropriate and support the Committee with its oversight responsibilities.