

Statement of compliance with Section 42(C) of the Electricity Act 1989 (as amended by Section 61 of the Utilities Act 2000).

1. As an electricity distribution network, Electricity North West Limited (“the Company” or “ENWL”) holds a licence in order to carry on activities subject to price regulation. Section 42(c) of the Electricity Act 1989 applies to any company which is authorised by a licence to carry on activities subject to price regulation. In order to comply with this, ENWL is required to disclose the level of remuneration linked to levels of performance with respect to service standards in connection with activities subject to price regulation that has been paid, or is due to be paid, to the Company directors for the year ended 31 March 2024.
2. Service standards are standards which relate to the quality of service received by customers or potential customers of the Company.
3. ENWL’s annual report and consolidated financial statements contain a corporate governance report which complies with the requirements of a quoted company as per the UK Corporate Governance Code issued by the Financial Conduct Authority. This includes the Company’s remuneration policy and details the level and structure of directors’ remuneration.
4. Levels of remuneration are reviewed and approved by a dedicated Remuneration Committee of the Board in order to attract, retain and motivate directors of sufficient quality to deliver the objectives of ENWL.
5. Performance-related elements of remuneration formed a significant portion of the total remuneration package for the executive directors of the company for the year ended 31 March 2024; these are linked to both corporate and individual performance objectives. Remuneration has been paid to the executive directors as a result of arrangements linking their remuneration to levels of performance in respect of service standards and activities subject to price regulation. Fees for non-executive directors do not comprise performance related elements of remuneration.
6. The executive incentive plan (EIP) was renewed from 1 April 2023 to reward both in-year performance and incentivise strategic and innovative behaviours over the longer term, aligned to shareholder objectives, including customer performance. The EIP is based on a balanced scorecard approach, containing short term metrics to evaluate in-year performance and longer-term measures to promote a strategic focus and sustainable performance. Partial payments are made each year based on achievement against the scorecard, with a higher payment being made in year five (year ended 31 March 2028) of the price control period. This is to ensure a balance of short and long-term incentives is attained. A single reputational gateway is in place to express clearly that should a significantly reputationally damaging event take place there is clear discretion for the Remuneration Committee to not make any bonus awards or to make awards on a reduced level of bonus.
7. The element of the executive directors’ EIP balanced scorecard applicable to Section 42(c) are those based on “customer service” (which is driven by performance against the regulatory

incentives: customer satisfaction, customer minutes lost, customer interruptions, connections time to quote and time to connect and dig, fix and go). Stakeholder engagement has also been included in the scorecard to 31 March 2024 as the performance for the last year of ED1 was not confirmed in time for inclusion in the scorecard for year ended 31 March 2023. Performance for the DSO and Vulnerability incentives will be included in next year's scorecard as performance for the year ended 31 March 2024 is not yet confirmed.

8. These incentives are assessed through performance against pre-determined internal targets which support industry benchmarks. The measures the Company uses are aligned to the regulatory incentives and therefore the data is monitored and reviewed by internal auditors and is submitted for assessment to the regulator (Ofgem) which provides confirmation of the reliability of the data. For the year ended 31 March 2024 the Remuneration Committee applied its judgement to the actual IIS incentive performance achieved for scorecard purposes due to the exceptional number of storms experienced this year.
9. The maximum in-year award relating to the customer service element is 15% of the total award for the year ended 31 March 2024. Based on performance in the year, the actual award was 11.4%.
10. The total payment earned by executive directors of ENWL in respect of service standards during the year ended 31 March 2024 was £178,302 of which £28,358 has been paid.
11. ENWL intend to continue to adopt a similar approach for the year ended 31 March 2025 with all payments being subject to the review and approval of the Remuneration Committee of the Board.