

PEPCO GROUP N.V.

Terms of Reference of the Remuneration Committee

The Remuneration Committee (the **Committee**) consists of non-executive directors. The Committee will meet as required at least three times a year. The Committee assists the Board of Directors with the preparation, implementation and development of remuneration and benefits policies, including bonuses for the Directors and provides oversight of the remuneration of senior management.

Where used, third party remuneration consultants are assessed to be independent.

1.	Constitution
	The Committee is responsible for preparing the decision-making of the board of directors on the determination of directors' remuneration. In addition, the Committee shall be responsible for reporting to the board of directors on the implementation of the remuneration in each financial year in light of corporate goals and objectives relevant to the remuneration in line with the Company's remuneration policy.
2.	Membership
2.1	The majority of the members of the Committee are independent non-executive directors.
2.2	Members of the Committee are appointed by the non-executive directors jointly.
2.3	The Committee is chaired by an independent non-executive director, who is not the chair of the board of directors or a former executive director. In the absence of the Committee chair the remaining members present shall elect one of themselves to chair the meeting.
2.4	Only members of the Committee have the right to attend committee meetings and other individuals may be invited to attend for all or part of any meetings as and when appropriate and necessary.
2.5	The company secretary or his or her nominee shall act as the secretary of the Committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
2.6	The quorum for meetings is a majority of the members present. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
3.	Frequency of meetings
3.1	The Committee shall meet at least three times a year at appropriate intervals and otherwise as required.
3.2	Meetings may be conducted by telephone or video conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
3.3	Resolutions of the Committee may also be adopted outside of a meeting in writing, provided that all members in office (in respect of whom no conflict of interest exists) have consented in writing to this manner of decision-making.
4.	Notice of Meetings
4.1	Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members if considered necessary.
4.2	Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee no later than five days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.
5.	Minutes
5.1	The secretary to the Committee shall minute the proceedings and decision of all meetings of the Committee, including recording the names of those present and in attendance.
5.2	The secretary will ascertain, at the beginning of each meeting, the existence of any conflicts of interest not previously noted and minute them accordingly.

	5.3	Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated promptly to all members of the Committee.
6.	Annual General Meeting	
	The Committee chair (or in their absence another nominee of the Committee) should attend the annual general meeting to answer shareholder questions, including any questions on the Committee's activities.	
7.	Duties	
	7.1	<p>To consult on, prepare and advise the board of directors on the remuneration policy of the directors, including pension rights and any compensation payments where applicable, and to submit this policy for adoption by the general meeting.</p> <p>To review the remuneration policy on an ongoing basis to ensure it remains, appropriate, relevant and in line with current best practice.</p> <p>The topics in Article 2:135a of the Dutch Civil Code, Dutch Corporate Governance Code, best practice provision 3.1.2. and Article 6 of the Polish Corporate Governance Code, as attached as an Annex to this policy, should be taken into consideration when formulating the remuneration policy.</p>
	7.2	To recommend to the board of directors the remuneration for all executive directors (taking into account the remuneration policy) and the remuneration of Senior Executives. The remuneration of the executive directors is a matter for the non-executive members of the board of directors. The Committee should ask the board of directors to pay attention to the aspects referred to in clause 7.1.
	7.3	To advise the general meeting on the remuneration of the non-executive directors taking into account the remuneration policy. The Committee members should not be involved in any decisions relating to their own remuneration.
	7.4	To recommend to the board of directors the total individual remuneration package of each executive director including, where appropriate, bonuses, incentive payments and performance-based incentives. In determining such packages and arrangements the committee gives due regard to relevant legal and regulatory requirements, appropriate codes of practice and associated guidance, scenario analysis, the ratio of fixed to variable pay, those executives' views on their own remuneration and pay and employment conditions across the group, including pay ratios.
	7.5	To recommend to the board of directors financial and non-financial targets and monitor performance against those targets for any performance-related pay schemes operated by the company, where the participants include the executive directors and/or senior executives ¹ .
	7.6	To approve the design of and recommend to the board of directors financial and non-financial targets for any performance-related pay schemes operated by the company and approve the total annual payments made under such schemes, where the participants include the executive directors and/or senior executives ¹ .
	7.7	To review the design of all long-term performance incentive plans (whether cash or share-based) of the Company and its subsidiaries for approval by the board of directors and where the participants may include the executive directors and/or senior executives ¹ . For any such plans, recommend to the board of directors each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other designated senior executives ¹ and the performance targets to be used. The Committee should have oversight of, but not responsibility for, any other long-term performance incentive plans.
	7.8	To ensure that contractual terms on termination, and any payments made, are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
	7.9	To receive details regarding, and consider, the levels and structure of remuneration for other senior executives ¹ .
	7.10	To oversee any major changes in employee benefit structures throughout the company or group.

	7.11	To be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.
8.	Reporting Responsibilities	
	8.1	The Committee chair shall report to the board of directors on its deliberations, findings and proceedings after each meeting on all matters within its duties and responsibilities. The reports provide the content on the main items discussed at the meetings of the Committee.
	8.2	The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in Dutch law and the Polish Corporate Governance Code, are fulfilled and produce a report of the company's remuneration policy and practices to be included in the company's annual report and accounts and put to shareholders at the annual general meeting. If remuneration consultants have been appointed, they should be identified in the annual report.
	8.3	The Committee shall ensure that the company maintains contact as required with its principal shareholders about remuneration.
9	Authority	
	The Committee is authorised to	
	9.1	appoint remuneration consultants, and be exclusively responsible for establishing the selection criteria, and to commission or purchase any reports, benchmarking or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the board of directors.
	9.2	seek any information it requires from any employee of the company in order to perform its duties;
	9.3	obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary so to do;
	9.4	call any employee to be questioned at a meeting of the Committee as and when required.
10.	Other matters	
	The Committee shall:	
	10.1	have access to sufficient resources in order to carry out its duties, including access to the company secretariat as required;
	10.2	at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board of directors.

1. The term Senior Executives is used to describe those managers below the board of directors in key leadership positions within the Company or subsidiaries as determined by the Committee from time to time.

ANNEX

Article 2:135a paragraph 6 of the Dutch Civil Code

The remuneration policy is clear and understandable and covers at least the following topics:

1. an explanation of how the remuneration policy contributes to the business strategy, the long-term interests and the sustainability of the company;
2. a description of the different components of the fixed and variable remunerations with an indication of their relative share;
3. an explanation of how the remuneration policy takes into account the pay and employment conditions of the employees of the company;
4. an explanation of how the remuneration policy takes into account:
 - a. the identity, mission and values of the company and the associated enterprise;
 - b. the remuneration ratios within the company and the associated enterprise;
 - c. the social acceptability;
5. if the company grants variable remuneration:
 - a. the financial and non-financial goals set by or on behalf of the company that the granting of the variable remuneration depends on and an explanation of how these goals contribute to the objectives, referred to under a;
 - b. the methods to be used to determine to what extent the financial and non-financial goals set by or on behalf of the company have been achieved,
 - c. the possible term on which the remuneration is payable; and
 - d. a description of the possibility to reclaim the remuneration referred to in article 135 paragraph 8;
6. if the company grants share-based remuneration:
 - a. a description of the remaining term of the rights that have not yet been exercised;
 - b. a description of the period in which the director may not transfer the acquired shares if applicable; and
 - c. an explanation of how the share-based remuneration contributes to the objective, referred to under 1;
7. a description of the duration of the agreements with directors and the applicable notice periods, the main characteristics of supplementary pension schemes and early retirement schemes, the conditions for termination, as well as the payments relating to the termination;
8. a description of the decision-making process that is followed for the determination, revision and implementation of the remuneration policy;
9. if the policy is revised:
 - a. a description and explanation of the significant changes; and
 - b. a description and explanation of how the votes and the views of the shareholders on the remuneration policy and the remuneration reports have been taken into account since the previous vote on the remuneration policy at the general meeting.

Dutch Corporate Governance Code, best practice provision 3.1.2.

The following aspects should in any event be taken into consideration when formulating the remuneration policy:

- (a) the objectives of the strategy for the implementation of sustainable long-term value creation;
- (b) the scenario analyses carried out in advance;
- (c) the pay ratios within the company and its affiliated enterprise;
- (d) the development of the market price of the shares;

- (e) an appropriate ratio between the variable and fixed remuneration components; the variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character;
- (f) if shares are being awarded, the terms and conditions governing this; shares should be held for at least five years after they are awarded; and
- (g) if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised; in any case, share options cannot be exercised during the first three years after they are awarded.

Code of Best Practice for GPW Listed Companies 2021

Article 6: Remuneration

Companies and their groups protect the stability of their management teams, among others by transparent, fair, consistent and non-discriminatory terms of remuneration, including equal pay for women and men.

Companies' remuneration policy for members of corporate bodies and key managers should in particular determine the form, structure, and method of determining and payment of the remuneration.

- 6.1 The remuneration of members of the management board and members of the supervisory board and key managers should be sufficient to attract, retain and motivate persons with skills necessary for proper management and supervision of the company. The level of remuneration should be adequate to the tasks and responsibilities delegated to individuals and their resulting accountability.
- 6.2 Incentive schemes should be constructed in a way necessary among others to tie the level of remuneration of members of the company's management board and key managers to the actual long-term standing of the company measured by its financial and non-financial results as well as long-term shareholder value creation, sustainable development and the company's stability.
- 6.3 If companies' incentive schemes include a stock option programme for managers, the implementation of the stock option programme should depend on the beneficiaries' achievement, over a period of at least three years, of pre-defined, realistic financial and non-financial targets and sustainable development goals adequate to the company, and the share price or option exercise price for the beneficiaries cannot differ from the value of the shares at the time when such programme was approved.
- 6.4 As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.
- 6.5 The level of remuneration of supervisory board members should not depend on the company's short-term results.