

INTERNATIONAL POWER PLC

Remuneration Committee Constitution and Terms of Reference

1. The Remuneration Committee (the “**Committee**”), which is a Committee of the International Power plc Board of Directors, shall be composed of three of the Independent Non-executive Directors, one of whom shall be appointed Chairman of the Committee, and two of the GDF SUEZ appointed Directors. The Human Resources Manager will be invited to attend all meetings. The Company Secretary shall be the Secretary to the Committee. The Chief Executive Officer, Chief Operating Officer, Chief Finance Officer and any other director or officer of the Company may 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 any three of its members of which at least one shall be an Independent Non-executive Director and one shall be a GDF SUEZ appointed Director, save in circumstances where no GDF SUEZ appointed Director who is a member of the Committee is entitled to vote at such meeting in which case the quorum shall be any two Independent Non-executive Directors who are members of the Committee. An Executive Director 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:
 - (a) taking proper and professional advice, to ensure that in relation to Executive Directors a remuneration policy is established and amended from time to time such that:
 - (i) salaries are maintained at a level which allows the organisation to compete effectively for good calibre executives;
 - (ii) by setting challenging personal and financial objectives, and by assessing market movement (based on data from one or more reputable sources), the Committee monitors and adjusts pay at appropriate levels (normally annually);
 - (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, including pension arrangements, is maintained on a sensible, comparative and defensible basis;

- (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; and
 - (vi) termination arrangements are maintained on a sensible, comparative and defensible basis;
- (b) 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;
 - (c) to make recommendations regarding the design of all employee share plans for approval by the Board and, where required, shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to Executive Directors and other senior management and the performance targets to be used; and
 - (d) to ensure that the Committee Chairman shall attend the Annual General Meeting and be prepared to respond to any Shareholder questions on the Committee's activities.
4. When exercising its functions, the Committee shall take account of, amongst other things, the changing nature of the business of the Group and its markets.
 5. 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