

# ITC HOLDINGS CORP.

## COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

### CHARTER

#### I. PURPOSE

The Compensation Committee (the “Committee”) shall:

- A. Discharge the responsibilities of the Board of Directors to the Company, stockholders, potential stockholders and investment community with respect to the Company’s compensation programs and compensation of the Company’s executives; and
- B. Produce an annual report on executive compensation for inclusion in the Company’s annual proxy statement, in accordance with applicable rules and regulations of the New York Stock Exchange, Inc. (the “NYSE”), Securities and Exchange Commission (the “SEC”) and other regulatory bodies.

#### II. STRUCTURE AND OPERATIONS

##### Composition and Qualifications

The Committee shall be comprised of two or more members of the Board of Directors, each of whom is determined by the Board of Directors to be “independent” under the rules of the NYSE; *provided* that so long as the Company is a “controlled” company under the rules of the NYSE, the Committee shall be permitted to have no independent directors. Additionally, no director may serve unless he or she (i) is a “Non-employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an “outside director” for purposes of Section 162(m) of the Internal Revenue Code.

##### Appointment and Removal

The members of the Committee shall be appointed by the Board of Directors and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board of Directors.

##### Chairperson

Unless a Chairperson is elected by the full Board of Directors, the members of the Committee shall designate a Chairperson by majority vote of the full Committee membership. The Chairperson shall be entitled to cast a vote to resolve any ties. The Chairperson will chair all regular sessions of the Committee and set the agendas for Committee meetings.

##### Delegation to Subcommittees

In fulfilling its responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

### III. MEETINGS

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The Chairman of the Board or any member of the Committee may call meetings of the Committee.

As part of its review and establishment of the performance criteria and compensation of designated key executives, the Committee should meet separately at least on an annual basis with the Chief Executive Officer, the Company's principal human resources executive, and any other corporate officers, as it deems appropriate. However, the Committee should meet regularly without such officers present, and in all cases such officers shall not be present at meetings at which their performance and compensation are being discussed and determined. All meetings of the Committee may be held telephonically.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, management of the Company and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

### IV. RESPONSIBILITIES AND DUTIES

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsel or experts and any other terms of retention.

#### Setting Compensation for Executive Officers and Directors

1. Establish and review the overall compensation philosophy of the Company.
2. Review and approve corporate goals and objectives relevant to Chief Executive Officer and other executive officers' compensation, including annual performance objectives.

3. Evaluate the performance of the Chief Executive Officer and other executive officers in light of these criteria and, based on such evaluation, review and approve the annual salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer and other executive officers.
4. In connection with executive compensation programs:
  - (i) Review and recommend to the full Board of Directors, or approve, new executive compensation programs;
  - (ii) Review on a periodic basis the operations of the Company's executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s);
  - (iii) Establish and periodically review policies for the administration of executive compensation programs; and
  - (iv) Take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and corporate performance.
5. Establish and periodically review policies in the area of senior management prerequisites.
6. Consider policies and procedures pertaining to expense accounts of senior executives.
7. Review and recommend to the full Board of Directors compensation of directors as well as director's and officer's indemnification and insurance matters.
8. Review and make recommendations to the full Board of Directors, or approve, any contracts or other transactions with current or former executive officers of the Company, including consulting arrangements, employment contracts, severance or termination arrangements and loans to employees made or guaranteed by the Company.

#### Monitoring Incentive and Equity-Based Compensation Plans

9. Review and make recommendations to the Board of Directors with respect to the Company's incentive-compensation plans and equity-based plans, and oversee the activities of the individuals responsible for administering those plans.
10. Review and approve all equity compensation plans of the Company that are not otherwise subject to the approval of the Company's stockholders.
11. Review and make recommendations to the full Board of Directors, or approve, all awards of stock or stock options pursuant to the Company's equity-based plans.
12. Monitor compliance by executives with the rules and guidelines of the Company's equity-based plans.
13. Review and monitor employee pension, profit sharing and benefit plans.
14. Select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a compensation consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

### Reports

15. Prepare an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations of the NYSE, SEC and other applicable regulatory bodies.
16. Report regularly to the Board of Directors (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board of Directors may take the form of an oral report by the Chairperson or any other member of the Committee designated by the Committee to make such report.
17. Maintain minutes or other records of meetings and activities of the Committee.

### V. ANNUAL PERFORMANCE EVALUATION

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including by reviewing the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board of Directors any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.