

National Gas Transmission

Regulatory Financial Performance
Reporting 2024/25 – TO + SO

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Executive summary

This document has been produced to accompany the Regulatory Finance Performance Reporting (RFPR) data packs for National Gas Transmission (NGT) Transmission Owner (TO) and System Operator (SO).

This report will highlight the key drivers of performance and explain Enduring Value Adjustments and their impact.

This has been a pivotal year for National Gas. Our shareholders, Macquarie Asset Management (MAM) and British Columbia Investment Management Corporation (BCI), underlined their commitment to the business by exercising the option to purchase the remaining 20% of the Group, taking their ownership of National Gas from 80% to 100%.

Following this transaction, in September 2024, Australian Retirement Trust (ART), one of the largest superannuation funds in Australia, acquired a 12.20% ownership stake in the company. The resulting company ownership is MAM 60.09%, BCI 27.71% and ART 12.20%.

Concurrently, National Gas completed the operational separation of the company from National Grid. The separation programme, which encompassed the migration of the company's systems, was completed on time and to budget.

Therefore, with the support of our shareholders, and the tireless efforts of our people, we have continued to strengthen the foundations of the company, while ensuring the delivery of safe, uninterrupted supplies of gas to our customers.

The Return on Regulated Equity (RoRE) data presented in the RFPR pack provides insight into both operational and financial performance over the RIIO-2 period. In 2024/25, the combined RoRE for TO and SO was 9.3%, with a forecast average of 7.0% across the RIIO-2 period, based on notional gearing.

Operational performance is the main driver of RoRE and includes the allowed return on equity, totex performance, incentive performance, and other factors such as innovation spend contributions and penalties. The allowed return on equity has steadily increased throughout RIIO-2 and is expected to contribute 5.1% to overall RoRE. Totex outperformance, reflecting efficient expenditure relative to allowances, is forecast to contribute 0.3% across TO and SO. Incentive performance is projected to add 0.4%, partially offset by a -0.2% impact from the business plan penalty and innovation spend contributions. All figures are based on notional gearing.

Beyond operational performance, financial performance accounts for the remaining RoRE contribution and is forecast at 1.4% for TO and SO combined over the RIIO-2 period on a notional basis.

Key financial performance measures

The key financial performance measures for the RFPR relate to RoRE performance for debt and tax. As summarised below, the combined TO and SO financial performance is forecast to perform across the RIIO-2 period by 1.4% (average RoRE based on notional gearing). This is driven by debt performance of 0.7% and tax performance of 0.7%. A key factor in our debt performance is NGT’s comparatively high proportion of RPI linked debt. We believe that the methodology for calculating the inflation component of the finance costs in the RFPR does not result in a true reflection of finance costs, and therefore may be creating an anomalous debt performance profile. Tax performance for 2024/25 is based on a forecast tax liability since actual tax liabilities are reported with a one-year lag due to the timing of submission of the company tax return. Forecast values will be replaced with actual results for 2024/25 in the 2025/26 submission.

	RIIO-2 period average
Debt performance – at notional gearing	0.7%
Tax performance – at notional gearing	0.7%
RoRE financing and tax performance	1.4%

Key operational performance measures

The key operational performance measures as drawn out through the RFPR pack are RoRE performance on:

- Allowed equity return;
- Totex outperformance; and
- Incentives, innovation and other.

Across the RIIO-2 period, RoRE operational performance is forecast to be 5.6%, 5.1% of which relates to our allowed equity return. The remaining elements that contribute to total operational performance are:

	RIIO-2 period average
Totex outperformance	0.3%
Incentives, innovation and other	0.2%
Contribution to operational RoRE	0.5%

The incentives, innovation and other component of operational performance is primarily driven from actual and forecast overperformance on our incentives, particularly in relation to our customer satisfaction performance. This overperformance is partially offset by the business plan penalty which is collected equally across the price control period.

Totex outperformance is impacted by Enduring Value Adjustments, specifically allowances and spend that has been moved between price control periods (See appendix 1 for further information

on our Enduring Value Adjustments). In addition to Enduring Value Adjustments, NGT has also forecast a modest underspend versus allowances across the RIIO-2 period.

Overview of regulatory performance

Return on Regulated Equity (RoRE)

The Return on Regulatory Equity (RoRE) figure is a key measure by which Ofgem compares operational and financing performance across Network Operators (NWOs). This encompasses the costs and allowances associated with a RIIO regulated business, including totex, financing, tax, incentive performance and company funded innovation costs. RoRE is presented at both notional and actual gearing.

TO RoRE on a notional basis

The overall TO RoRE including finance and tax for 2024/25 is 8.5%, which is 1.1% higher than the prior year, as reported in this pack. There is a higher allowed equity return by 0.3% reported in 2024/25 than 2023/24, higher totex performance (0.1% including enduring value adjustments), a lower tax performance by 0.6% and greater debt performance by 1.3%. The year-on-year improvement in allowed equity return is driven by an increase in the risk-free rate from 1.46% in 2023/24 to 2.72% in 2024/25.

The operational RoRE for 2024/25 has increased from 5.6% in the prior year to 6.0%, again mainly driven by the higher allowed equity return. The RoRE impact of debt performance in the current year is 2.5%, compared to 1.1% in the prior year, and compared to an average of 0.8% across the RIIO-2 period. This improved performance is a result of lower finance costs in 2024/25, and therefore lower real finance cost, whereas the debt return on RAV has remained static.

SO RoRE on a notional basis

The NGT SO RoRE, viewed in isolation, is not a reflective measure of network performance due the relative size of the SO Equity RAV. The operational SO RoRE for 2024/25 is 46.9%, reflecting totex outperformance and incentives. This is an increase of 8.4% from the operational RoRE reported in the prior year (38.5%). The main driver of this increase is an improvement in totex performance of 6.6%. Allowed equity return and incentive performance have also improved.

Combined TO + SO RoRE on a notional basis

The combined RoRE for both TO and SO is summarised below:

	2024/25	RIIO-2 average
Allowed equity return	5.6%	5.1%
Totex outperformance	1.1%	0.3%
Incentives, innovation and BPI penalty	0.2%	0.2%
RoRE operational performance	6.9%	5.6%
Debt performance – at notional gearing	2.4%	0.7%
Tax performance – at notional gearing	0.0%	0.7%
RoRE including financing and tax	9.3%	7.0%

Reconciliation to revenue and profit

For the purposes of reconciling the regulatory revenue and profit to the statutory accounts, we have allocated reported statutory values between the TO and SO entities, along with our non-regulated businesses (separate schedule provided alongside our RFPR submission). NGT's statutory financing costs are all aligned to NGT TO for these reconciliations, and tax charges have been allocated by applying the statutory effective tax rate to the profit before tax values for the TO and SO individual entities. Values are quoted in nominal.

Revenue

The revenue reconciliation aims to reconcile collected network revenue to the NGT TO & SO turnover, as per the statutory accounts.

NGT TO turnover for 2024/25 was £934m compared to the collected network revenue of £918m. The significant reconciling items include Directly Remunerated Services (DRS), Consented and De Minimis revenue £57m. Adjustments are also made in relation to the NIC, HyNet and Independent Systems pass through items -£38m, as the statutory turnover includes the net position (i.e. offset by cost), whilst collected revenue only captures the associated revenue items.

The increase in turnover £91m when compared to prior year;

- 2024/25 allowed revenues were £76m higher than 2023/24 because of a lower K repayment than in the previous year £259m, and a larger repayment of ADJ and smaller Tax allowances -£183m.
- Alongside this, there was a decrease in pass through costs £14m because of a reduction Net Zero and Hynet payments in line with Ofgem direction.

NGT SO turnover for 2024/25 was £403m compared to the collected network revenue of £399m. The main adjustment relates to an accrual true-up, reflecting the change from revenue reported on an accrual basis in the statutory accounts, to the actual recovered revenue for the year reported in the PCFM. There was a large decrease of £322m in turnover when compared to the prior year, primarily driven by allowed revenues. 2023/24 allowed revenues included a large repayment of 2022/23 under-collection of Shrinkage alongside higher in year shrinkage costs. There was no continuation in 2023/24 and 2024/25 respectively, which therefore resulted in a significant reduction in average prices. Year on year volumes remained stable.

Profit

The profit reconciliation compares the regulated network profit to net profit as per statutory accounts.

For the TO, net profit as per the statutory accounts was £318m versus a regulated network profit of £221m. The variances relate to operational and interest costs £37m and tax costs £59m. Interest costs are reconciled in detail in schedule RFPR table R5 - Financing, with the most significant adjustments between the statutory and regulatory views being the removal of interest income on a loan to a parent undertaking (which does not meet the definition of regulatory interest) and the adding back of capitalised interest. Both regulatory and statutory tax values are

forecast for 2024/25 and will be updated in next year's RFPR submission in line with the CT600 return.

For the SO, the net profit as per the statutory accounts was £105m versus a regulated network profit of £117m, with the variance mainly being driven by tax. As noted above, and directed by the RFPR guidance, all NGT financing costs are allocated to the TO, resulting in no statutory or regulatory interest costs being reported within the SO profit reconciliation.

Totex - reconciliation

The totex reconciliation aims to reconcile the total NGT expenditure as per the statutory accounts to the costs reported in the RRP, and then to totex reported in the Price Control Financial Model (PCFM).

For the TO, the total statutory expenditure of £1,137m is adjusted by £357m to derive the £780m total costs as reported in the RRP (all nominal). The material contributors to this adjustment are depreciation £188m, exceptional/non RIIO-T2 related costs £65m, removal of capitalised interest £37m, and costs of consented, de minimis and directly remunerated services £42m.

In addition to this, the removal of passthrough items, including prescribed rates £77m, Licence fees £34m, Policing £15m and Net Zero and Other costs £4m are all deducted from the statutory expenditure to reconcile to the PCFM/RRP reported totex of £650m.

Please note that prior year adjustments have been added this year to account for the cancellation of the Western Gas Network Upgrade project and its revised treatment under PARCA.

For the SO, total statutory expenditure of £295m is decreased by £36m (mainly £48m depreciation) to arrive at £259m total costs reported in the RRP.

In both TO and SO RFPR, there is an offsetting adjustment for totex movement between TO and SO.

In addition to this, the removal of shrinkage costs £124m and other passthrough items £26m reconciles to PCFM/RRP reported totex of £109m.

Incentives and other revenue

TO incentives

The incentives available for the TO include customer satisfaction, which attributes a financial reward/penalty based on surveying customers on their experiences of working with us, and the environmental scorecard, which includes stretching targets on specific environmental outcomes.

In 2024/25 we achieved a customer satisfaction score of 8.89 against a target of 7.80. This score represents an increase of 0.33 compared to last year's score of 8.56, which is our highest score so far in the RIIO-T2 period. Therefore, we achieved the maximum reward available (£3.65m 18/19 prices).

Our revenue for the environmental scorecard incentive was £0.11m (18/19 prices). The Environmental Scorecard includes seven sub-categories. The main category that has

generated some incentive revenue in 2024/25 is the change in environmental value. There has been a restatement for all prior year of RIIO-T2 following a detailed review of the baseline date used to look at office waste this has resulted in a marginal change in value (more detail can be found against table 8.3 in the RRP 25 narrative).

TO other revenue

Other TO revenue includes funding for the Network Innovation Allowance (NIA) and Strategic Innovation Fund (SIF). This year we have sanctioned a further 40 NIA projects, such as testing multiple gas detection systems for hydrogen and methane, bringing the RIIO-T2 total number of projects to 120. Of the 120, 36 moved into delivery this year, with 70 projects now completed throughout the RIIO-T2 period. Our 2024/25 spend was £6.6m and over the four years of the price control we have spent a total of £20.2m in delivering NIA projects.

An additional £5.1m (23/24 prices) of NIA funding was directed by Ofgem in June 2025 via the Hydrogen Innovation funding mechanism. This funding is for the project portfolio that supports the transition to hydrogen and its associated safety case. The full amount of this additional funding has been included in our NIA expenditure forecast for 2025/26.

With regards to the Strategic Innovation Fund (SIF) work, UKRI have changed their funding phases to cycles and NGT have progressed successful applications for two Round 2 Beta projects, four Round 3 Alpha projects, and two Round 4 Discovery projects with a total spend of £6.3m. Projects include developing a digital twin of the whole Welsh energy transmission and distribution systems, as well as a digital twin and data sharing platform to enhance climate resilience and investment planning. Other projects covering a range of topics including offshore energy hubs, Liquid Organic Hydrogen Carriers, hydrogen storage in depleted onshore hydrocarbon fields and the decarbonisation of the marine sector.

We make company contributions to both our NIA and SIF projects in addition to the funding that has been awarded. The company contributions are recognised as discrete elements in our RoRE operational performance.

The Business Plan Incentive is a penalty of £21.7m (18/19 prices) which is being collected equally across the RIIO-2 period.

SO incentives

Incentives available to the SO and our performance against these measures is as follows:

- Constraint management incentive – this metric is designed to incentivise NGT to maximise the available network capacity and minimise Constraint Management costs through efficient and economic planning of the national transmission system. We achieved a reward of £3.8m (18/19 prices).
- Residual balancing incentive – the aim of this incentive is to encourage NGT to minimise differences in the line pack volumes measured at the start and end of each gas day and to incentivise the SO to minimise the impact it has on market prices as a result of its balancing activities. This year we achieved both the line pack performance measure and, the price performance measure, and reward of £1.1m (18/19 prices).

- Quality of demand incentive – this incentive aims to ensure that the SO is producing accurate and timely national demand forecasts, which are a valuable tool for the gas industry. In 2024/25 we achieved a small incentive revenue of £0.2m (18/19 prices).
- Greenhouse gas emissions incentive – the aim of this incentive is to encourage NGT to reduce the amount of natural gas vented from our compressors (primarily methane), and to reduce the effect of our operational activities on the environment. Venting is performing well against the target, decreasing in 2024/25 compared to the prior year, and achieved an incentive of £1.5m (18/19 prices).
- Maintenance incentive – NGT is incentivised to minimise the use of maintenance days and changes to the maintenance plan. In 2024/25 we outperformed the target leading to an outcome of £0.5m (18/19 prices) from the incentive scheme.

Financing and net debt position

The NGT financing and debt position is reported in the TO RFPR pack. As noted in the RIGS (appendix 1), the SO element is an allocation of TO net debt and financing cost and is therefore reported in the TO & SO RFPR.

The TO real finance cost at actual gearing, calculated in accordance with the methodology contained in the RFPR, was £16.1m (18/19 prices) for the year ending 31 March 2025. Cost of debt allowance per the latest PCFM is £71m, leading to an outperformance of £58.9m at actual gearing and £55.6m at notional gearing. This compares to a performance of £25.8m (notional) in the prior year. However, the assumed regulatory finance cost at notional and actual gearing is not representative of our regulatory finance costs, which are much higher.

TO real finance costs have decreased year-on-year (£44.5m in 2023/24 vs. £20.6m in 2024/25, nominal), as has net interest, decreasing from £266.4m in 2023/24 to £152m 2024/25 (nominal).

Total TO regulated net debt has increased by £158.5m to £3,624m (nominal) in 2024/25 and is forecast to be £4,437m by the end of the current regulatory period. During the year, a £82m bond matured in December 2024. £316m of an RPI-linked bond was redeemed early, in February 2025, and a new £300m bond was issued in the same month. Statutory net debt has increased by £324m from a £3,719m to a £4,043m. The main drivers are a drop in the value of Money Market funds of £184m due to lower availability of funds to invest in the year, partly due to payment of dividends. Also there has been a reduction in accrued interest receivable from NGTH, due to deferred interest from previous periods being received in March 2025.

Statutory net finance costs have decreased by £129m from £14m net cost to a £115m net income position. The main driver is a drop in accretion on RPI linked debt of £113m from £202m in 2024 to £89m in 2025. This is a result of lower proportional increase in RPI index for FY25 (3.5%) compared to FY24 which is 9%. There has also been a one-off gain recognised relating to the partial buyback on RPI linked debt (Freshwater transaction), resulting in a £22m gain in the current year. Due to the Ofgem tables using calculations to pre-populate certain fields with assumed values (for example for debt, loans, swaps) it has been necessary to overlay adjustments into the 2024/25 columns to attain the correct actual results for the statutory figures. We have kept matured instruments in the debt dataset, in order to maintain consistency of numbers in historic financial periods with prior year submissions.

We have noted that the debt dataset does not capture zero coupon wedge IL swaps correctly. We have traded zero coupon IL swaps where NGT pays CPI and receives RPI, NGT pays a one-off balancing payment at the maturity (set upfront and calculated as the implied difference between both indices on a trade date). We have used a work around solution in the current RFPR submission – we have created an artificial third leg and solved for the fixed coupon to reflect the interest expense that goes through the P&L on an annual basis (from a cash flow point of view, there is only one payment at maturity). In addition, we would like to note that our treasury system does not generate forecasts for swap pay and receive legs, hence presented numbers are net expected cash flows.

Within the financing and debt tables we allocate a share of the net debt/finance costs to our non-regulated business, which is primarily our Metering business. We have aligned our apportionment methodology so that the debt/finance costs allocated to Metering are three times the Metering EBITDA. This is line with our financial management strategy.

Actual regulatory gearing was 47% for 2024/25 but is forecast to increase to 51% by the end of the price control period, calculated using an average RAV and average net debt.

Following the PCFM working Group 31 on 3 September 2025, we have made the amendments to RFPR F6 - Debt Dataset table as requested per the latest RFPR RIGs.

Regulatory Asset Value (RAV)

The Regulatory Asset Value (RAV) tables show the actual and forecast RAV for the RIIO-2 period using data from the latest PCFM. In addition to the opening RAV, net additions, and depreciation, which are all taken from the PCFM, RFPR table R7 - RAV also incorporates Enduring Value Adjustments. The

Enduring Value Adjustments are derived from an amended copy of the latest PCFM, which has been updated to reflect the re-profiled allowances (to better match forecast spend). Further details on our Enduring Value Adjustments have been included in appendix 1. The closing adjusted RAV values are used to calculate actual gearing and RoRE.

In the TO, the adjusted closing RAV in 2024/25 has increased by £40m compared to the 2023/24 closing balance (18/19 prices). This is due to depreciation being lower than net additions, especially once enduring value adjustments have been taken into account, which have an impact on the RAV of £19m due to allowances being reallocated to later years in line with our forecast spend profile.

For the SO, the RAV has risen by £1m to £123m (18/19 prices), as similarly, additions after enduring value adjustments have been higher than depreciation.

Taxation

Tax

The RFPR table R8 - Tax is completed a year in arrears due to the timing of submission of the CT600 company tax return, therefore data has only been populated for the regulatory years 2021/22, 2022/23 and 2023/24. It should be noted that NGT does not submit a tax return for its regulated business, but for the National Gas Transmission plc legal entity as a whole. As such, an

apportionment exercise has been undertaken to best allocate tax liability and adjustments between the regulated and non-regulated entities.

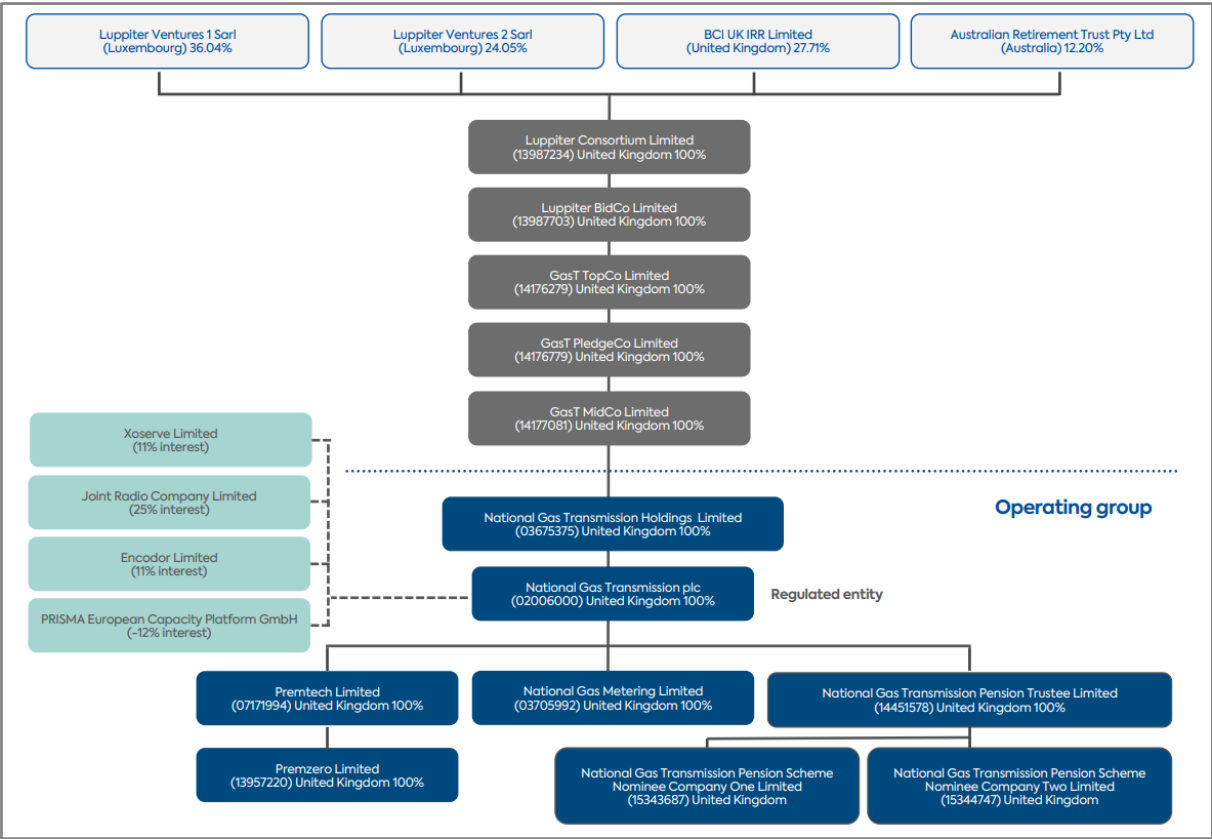
For the TO, the tax allowance per the latest PCFM is £35.9m (18/19 prices) for 2023/24. The calculated tax liability for comparison is £21.2m. For the SO, the tax allowance per the latest PCFM is £5.0m for 2023/24, which compares to a £(7.2)m adjusted regulated tax liability. The main driver of tax performance for both TO and SO for these periods is the difference in profit before taxation included in the statutory accounts compared to the PCFM equivalent, as explained below.

Corporate governance

Corporate ownership and governance framework

Group Structure

The parent company of the National Gas group is Luppiter Consortium Limited, and the chart below sets out the structure of the National Gas group of companies as at 31 March 2025. The National Gas group is owned by the shareholders of Luppiter Consortium Limited, 60.09% of which is owned by a consortium of investors led by Macquarie Asset Management (through its investments in the Luppiter Venture entities), 27.71% by British Columbia Investment Management Corporation, with the remaining 12.20% of the shares held by Australian Retirement Trust.

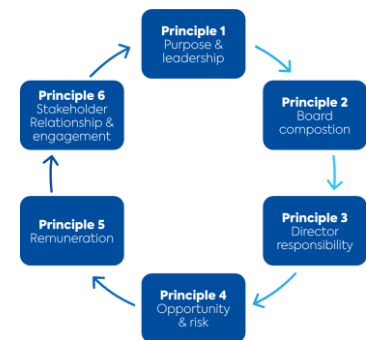


Shareholders' Agreement

National Gas is party to a private agreement between the shareholders of Luppiter Consortium Limited (the Shareholders’ Agreement), which governs how the shareholders manage their investment in the National Gas business. This includes a schedule of matters reserved for final decision by the Luppiter Consortium Limited Board of Directors and shareholders, respectively. These matters include areas such annual business plan and budget, financial and treasury related transactions and substantial changes to the business and the Group.

Governance Framework

As a large private company, we are guided in our approach to corporate governance by the application of the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles). For the year ended 31 March 2025, the Board is satisfied that it considered and effectively applied the six Wates Principles throughout its business and conduct.



Composition of the Board

The composition of the Board is essential to its success in providing strong and effective leadership. The size and structure of the Board is determined by the Shareholders’ Agreement and affords the necessary skillset required to meet the strategic needs and challenges of the organisation. It ensures that the Board is also not overly large, thereby retaining the agility required to enable effective decision-making.

During the year, there have been a number of changes to the composition of the Board, largely due to the completion of the sale of the final 20% of the business to the consortium of investors. Notwithstanding the changes that have taken place throughout the year, our directors at any one time collectively brought a wide range of experience, skills and perspectives to the Board and Board Committee deliberations.

At the date of publishing this report, our Board is made up of three Sufficiently Independent Directors (SIDs), one of whom is the Chair, seven Shareholder Nominated Directors and two executive directors. From a governance perspective, the Sufficiently Independent Directors and the Shareholder Nominated Directors are non-executive directors. Together their roles are to support executives, while providing constructive challenge and rigour. They bring sound judgement and objectivity to the Board’s and the Board Committees’ decision-making processes. The Chief Executive Officer and the Chief Financial Officer are the executive directors on the Board.

The Chair and non-executive directors provide oversight and constructive challenge to the executives, where appropriate. The strong mix of experience and knowledge amongst our Board members and the clear division of responsibilities between executive and non-executive roles provides accountability and outside perspective. The Board and Board Committee culture is one of openness and collaboration and the Chair ensures that all directors have an opportunity to contribute to discussions.

Name	Position	Appointment date
Dr Phil Nolan**	Chair & Sufficiently Independent Director	31 January 2023

	Committee: Remuneration and Nominations	
Jon Butterworth*	Chief Executive Officer	1 May 2021
Jenny Lyn Dela Cruz	Shareholder Nominated Director Committee: Safety and Sustainability and Audit and Risk	21 March 2025
Jerry Divoky	Shareholder Nominated Director Committee: Regulation and Strategy and Remuneration and Nominations	31 January 2023
Howard Higgins	Shareholder Nominated Director Committee: Chair of the Safety and Sustainability	31 January 2023
Nick Hooper*	Chief Financial Officer	1 August 2021
Mark Mathieson	Shareholder Nominated Director	31 January 2023
William Price	Shareholder Nominated Director Committee: Chair of the Remuneration and Nominations	31 January 2023
Cathryn Ross	Sufficiently Independent Director Committee: Chair of the Regulation and Strategy and Chair of the Audit and Risk to 19 July 2024	June 2019
Mark Russell	Sufficiently Independent Director Committee: Chair of the Audit and Risk	1 July 2024
Liam Auer	Shareholder Nominated Director Committee: Regulation and Strategy	6 January 2025
Robin Watson	Shareholder Nominated Director Committee: Audit and Risk	5 February 2025

* Non-voting Board member

** Dr Phil Nolan will stand down from the role of Chair of the Board at the end of December 2025 and Mark Russell has been appointed to succeed Dr Phil Nolan as Chair of the Board, with effect from 1st January 2026.

Balance and diversity

The composition of the Board is determined by the Shareholders' Agreement. Whilst the Board recognises the importance of diversity, and the investors and the Board are encouraged to consider diversity when nominating directors to the Board, the Board has not adopted a formal Board Diversity Policy. The composition of the Board is such that the directors collectively bring a wealth of experience, knowledge and expertise from a broad range of backgrounds, including from the energy sector and related industries. This depth and breadth of experience enables the Board to engage in constructive and challenging discussions, ensures a collective high-level understanding relevant to the business, and considers not only the interests of the shareholders but also those of the wider stakeholders.

Board Activities

The Board had six scheduled meetings during the year, which included two longer strategy sessions. A number of informal deep dive sessions were also held, focusing mainly on the RIIO-GT3 assurance framework and the development of the business plan submission. In addition, there is a regular cadence of Committee meetings.

Accountability

Our governance framework and clear delineation of Board roles enables the Chair, SIDs and Shareholder Nominated Directors to provide oversight and appropriate constructive challenge and support to management in delivering our strategy. The roles and responsibilities of Dr Phil Nolan, as our Chair, and Jon Butterworth, as our Chief Executive, are separate. Phil is responsible for the leadership of the Board and Jon is responsible for the day-to-day management of the business.

The Shareholder Nominated Directors are appointed in accordance with the Shareholders' Agreement and their role is that of a non-executive director. They, together with the SIDs, are responsible for assisting in the development of the strategy, for providing constructive challenge and holding the executives to account for their performance in the delivery of the agreed strategy. Their role is also to provide strategic guidance and specialist advice and support.

The Board delegates all day-to-day operational matters to the Chief Executive, except for matters set out in the Shareholders' Agreement that are specifically reserved to the Board of Luppiter Consortium Limited or require approval by the shareholders of Luppiter Consortium Limited. Jon is also responsible for overseeing the development of business strategies for approval by the Board, and achieving timely and effective implementation of the approved strategies.

The Board is supported by the General Counsel and Company Secretary, who provide advice on legal and corporate governance matters.

Board roles and responsibilities

Chair

Dr Phil Nolan was appointed non-executive Chair and a Sufficiently Independent Director on 31 January 2023. He is responsible for the effective running and management of our Board and is assisted by the General Counsel and Company Secretary in ensuring adherence to high standards of corporate governance. Phil was viewed as independent upon his appointment. He is not a director of, nor otherwise involved in, any other company within the National Gas group, and the Board is satisfied that Phil remains independent in his role as Chair. Phil will stand down from the role at the end of December 2025 and Mark Russell has been appointed to succeed Phil, with effect from 1st January 2026.

Sufficiently Independent Directors (SIDs)

Our Gas Transporter Licence requires us to have at least two SIDs. Cathryn Ross was appointed in June 2019, Dr Phil Nolan, our Chair, was appointed in January 2023 and, in July 2024, Mark Russell joined the Board as our third SID. Together they provide independent challenge and input into decision-making processes. Their letter of appointment sets out their duties and each of our SIDs confirmed that they are able to devote sufficient time to their role.

Shareholder Nominated Directors

Under the Shareholders' Agreement, the shareholders have the right to nominate directors to the Board. Our Board currently comprises seven Shareholder Nominated Directors, representing members of the consortium of investors in Luppiter Consortium Limited. The Shareholder Nominated Directors have the same powers, duties and liabilities as the other directors to act in accordance with the directors' duties and promote the long-term success of the business as per the Companies Act 2006.

As per the Shareholders' Agreement, each Shareholder Nominated Director can appoint an Alternate Director to participate in meetings in the event of their absence.

Neither the Shareholder Nominated Directors, or their alternates, are remunerated for their services to the Board, or any of the other group entity Boards of which they are a member.

Committees

The Board has overall responsibility for ensuring the long-term success of the business. Collectively, the Board is responsible for its governance and providing effective oversight of the performance of the business, the implementation of the strategy and ensuring compliance with its obligations under its Gas Transporter Licence and other legal and regulatory obligations. In its rigorous oversight of the business, the Board ensures that appropriate systems and processes are in place to monitor and manage the strategic risks and the internal controls. To support it discharging its responsibilities, the Board has delegated certain responsibilities to a number of Board Committees. These committees are:

- Safety and Sustainability Committee
- Audit and Risk Committee
- Remuneration & Nominations Committee
- Regulation and Strategy Committee

The remit of each committee has been approved by the Board and each committee reports to the Board on matters discussed, decisions taken and makes recommendations to the Board on matters requiring Board approval. With the successful conclusion of the separation from National Grid, the Board agreed in January 2025 to disband the Transition and Separation Steering Group, the informal group which had supported management in overseeing the delivery of the separation and transition plan.

Decision making

Below is a list of specific matters and the body with decision-making responsibility for these matters:

- a. purpose, values and strategy - GasT TopCo Limited
- b. board director nominations – All ultimate Controllers
- c. board director evaluation - National Gas Transmission plc
- d. executive remuneration - National Gas Transmission plc
- e. dividend policy - GasT TopCo Limited

For more details, please see **National Gas Transmission plc Annual Report and Accounts 2024/25** pages 75-102.

Executive remuneration policies

National Gas Transmission plc is the main operating company for the National Gas Transmission group of companies. The National Gas Transmission Board decides on the strategic direction, oversight of safety, approach to risk and setting values and standards for the group. A Remuneration and Nominations Committee, appointed by the Board of Directors of National Gas Transmission plc assist the Board in fulfilling its oversight responsibilities in determining the Executive remuneration policy, approving total individual remuneration packages for Executive Committee members as well as overseeing the remuneration arrangements for the wider

workforce. The Remuneration and Nomination Committee, led by a shareholder nominated director, provide regular assurance to the Board and, by exception, they can escalate issues that merit full board discussion and decision.

The aim remains to align the remuneration policy to the company values, business strategy and key business objectives and to ensure it reflects our shareholders', customers', and regulators' interests. Consistent with the UK Corporate Governance Code, two members of the remuneration committee are independent non-executive directors who do not receive any variable remuneration and do not participate in decisions about their own remuneration.

The Committee receives information on policy implementation within the wider workforce before reaching decisions on matters such as salary increases and annual incentive pay-outs. The remuneration structure for National Gas senior leaders is generally consistent with the remuneration structure for the executive team. This consistency builds a culture of alignment with a common purpose and approach to sharing in the success of the Company. The Remuneration and Nomination Committee closely review the appropriateness of pay positioning by reference to external measures (benchmarking remuneration packages) and internal review of performance and pay gaps.

The aim of National Gas Transmission's remuneration principles is to ensure that remuneration, and decisions on annual and long-term reward plans, are compatible with, and fully support:

- attracting, motivating, and retaining employees, whilst not over-paying; the key elements of remuneration are targeted broadly at mid-market of other companies in our peer group and industrial sector of comparable scale and complexity.
- ensuring we pay our employees in a way that incentivises stretching financial and operational performance, within the risk appetite set by the NGT Board/Audit and Risk Committee
- being fully aligned to the fact that we are a Regulated company and the impact we have on the cost to the consumer; and
- actively supporting our strategy, ethics, values, and contribution to society in the areas where we operate.

From time to time, the NGT Executive Committee, may consider it appropriate to apply some judgement and discretion in respect of the policy. Use of discretion will always be in the spirit of the policy.

Leadership Remuneration Framework

Band	Target STIP (% of salary)	Target LTIP* (% of salary)	Pension contribution**	Car Allowance	PMI	Holiday	Flexible Benefits
CEO	75%	120%	12%	£15,000	Family	28 days annually (plus public holidays)	We offer a range of benefits, employee assistance programme and flex benefits scheme
CFO	60%	90%	12%	£12,000	Family		
ExCo members	50%	60%	12%	£12,000	Family		

**Externally hired employees will participate in a Defined Contribution (DC) arrangement with a maximum of 12% employer contributions.*

Annual Remuneration Increases

Base salary increases are reviewed annually and are targeted broadly at mid-market of our peer group. In addition, a number of other factors are considered:

- business performance and individual contribution;
- the individual's skills and experience;
- scope of the role, including any changes in responsibility; and
- market data, including base pay and total remuneration opportunity in the relevant comparator group.

The Remuneration and Nominations Committee review and approve annually remuneration of the National Gas Executive Committee. The budget for annual salary increases for senior managers and managers is set slightly above the National Gas Executive Committee level and allocated to individuals with reference to factors outlined above.

Performance Related Remuneration

Performance based elements of remuneration form a significant portion of the total remuneration package for the executive directors of NGT. Typically, performance-based elements account for 50-60% of the total remuneration opportunity. These are cash-based schemes linked to both business performance measures and individual performance and typically comprise an annual element (the Short-Term Incentive Plan, STIP) and a longer-term element - a 3-year performance period rolling scheme with annual "grant" (the Long-Term Incentive Plan, LTIP). There is adequate provision for the withholding and recovery of awards to protect against rewarding poor performance or failure.

The Manager STIP and Staff Performance Bonus comprise reward for achievement against NGT business scorecard measures and achievement against individual objectives. Performance measures and targets are normally agreed at the start of each financial year and are aligned with NGT strategic business priorities. Targets are reviewed and approved annually by the Remuneration and Nominations Committee and are set with an emphasis on providing sustainable, positive outcomes for our stakeholders and by reference to the budget.

Individual performance will be determined by an assessment of the achievement of objectives set at the start of the financial year and their demonstration of leadership behaviours and National Gas values.

Operational performance of NGT during the year will be assessed against business measures and targets set at the start of the financial year.

The achievement of stretch performance across all measures will result in the maximum STIP award of 100% of target at managerial levels. Performance against measures will also determine the level of Staff Performance Bonuses paid to our Staff population; maximum awards are subject to collective agreements in place at the time as per the national collective bargaining framework.

In March 2023, the Remuneration and Nominations Committee agreed a one-off two-year cash LTIP covering the FY24-FY25 performance years for members of the Executive Committee and senior leadership as an interim retention measure in the absence of a 2022 LTIP arrangement.

2024/2025 Executive Remuneration

NGT has two executive directors, Jonathan Butterworth (CEO) and Nick Hooper (CFO), whose corresponding remuneration has been declared in RFPR table R9 - Corporate Governance.

Both executive directors oversee the running of National Gas Transmission as well as the non-regulated National Gas Metering. This has been reflected by allocating 90% of their total remuneration to the regulated businesses, in line with current General Service Agreement (GSA) cost assumptions.

The National Gas group is now wholly owned by its institutional shareholders and therefore the directors do not hold any shares in the National Gas group nor are directors or employees offered shares or share options as part of their reward.

CEO pay ratio

The CEO pay ratio regulations provide three options to calculate the CEO pay ratio. National Gas have, again, opted to use option B, which allows the company to use its most recent, National Gas Transmission gender pay gap information from 2025 as the base data for the calculations.

Ratio

Therefore, the table below shows how the CEO’s total remuneration (as taken from the directors’ emoluments information for FY25) compares to remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile in the National Gas Transmission Gender Pay Gap 2025 data. This is described in ratio format.

	Method	25th percentile pay ratio	50 th percentile (median) pay ratio	75th percentile pay ratio
2024/25	B	57:01	48:01	40:01

Hourly Pay

As described above, the CEO’s pay in this calculation is taken from the total remuneration set out in the directors’ emoluments of this report. The total annual pay and benefits and the hourly pay rates for employees used in this calculation is also taken from the National Gas Transmission gender pay gap data for FY25. The table below shows those at each of the 25th percentile, the 50th percentile (median) and the 75th percentile:

2024/25	25th percentile pay ratio	50 th percentile (median) pay ratio	75th percentile pay ratio
Annual pay	£42,241	£50,121	£60,011
Hourly pay	£21.95	£26.05	£31.71

The data reported here shows that the CEO pay ratio has gone down, compared to 2023/24. This is mainly due to the CEO’s total pay arrangements for 2024/25 increasing proportionately less compared to employee pay over the same period. This means that this year, National Gas Transmission have slightly closed the gap between the CEO pay and that of colleagues across the organisation.

Dividend policies

The Board considers that dividends should reflect the holistic performance of the Company. In determining the level of dividend, the performance of the regulated business and unregulated businesses are assessed separately. The Policy aims to strike a balance between the interests of the Company, financial creditors and the Company's shareholders by seeking to pay appropriate, attractive and sustainable returns for the investment in the Company, whilst not impairing the Company's longer term financial resilience.

In respect of unregulated businesses, the Policy is to pay dividends reflecting the profitability and cash generation of the businesses during the interim period, where an interim dividend is declared, and, during the full year, for final dividends. The Policy returns cash from operations of the unregulated businesses that is in excess of its immediate and foreseeable needs back to the shareholders.

In 2024/25 there were four distributions totalling £330.9m made: The net amount leaving regulatory ringfence was a total of £384.9m, being £330.9m NGT dividends as reported in RFPR and £54m tax loss surrender payments to NGTH by NGT. An interim dividend of £111.4m was paid in April 2024, followed by a payment of £79.7m in July 2024 and £89m in Jan 2025. A final interim dividend of £50.8m was paid in March 2025.

It is to be noted that this dividend includes the contribution from both regulated and non-regulated business within the National Gas group. The schedule in R9 of the RFPR data pack provides a breakdown of the allocation of the dividend between our regulated and non-regulated businesses, with approximately £124m attributed to our non-regulated entities.

Pensions and other activities

Ofgem have previously acknowledged that pension costs, particularly deficit costs disclosed in RFPR table R10 - Pensions & Oth Activities are largely outside of the direct control of network operators. Nevertheless, where some element of pension cost mitigation is possible, NGT has consistently sought to reasonably reduce pension costs associated with its defined benefit pension schemes, as detailed in the 2023 submission to Ofgem's Reasonableness Review which formed part of the 2023 PDAM exercise.

The pension scheme valuation is performed triennially, and the valuation data presented in the 2024/25 RFPR reflects the finalised results of the most recently signed (at disclosure date of 31 March 2025) triennial actuarial valuation at 31 March 2022.

The established deficit and pension payment history allowances reported in R10 reflect the most recent final pension allowances published by Ofgem on 24 November 2023 following Ofgem's decision outcome from the 2023 PDAM exercise.

As part of the demerger from National Grid, National Gas set up a new pension scheme, with two sections, one section with 3 members accruing nominal benefits, and the other section to receive the assets and liabilities covered in the R10 disclosure as part of a transfer from a National Grid Scheme. This transfer involved the one for one movement of all the assets and liabilities of the

relevant section of the National Grid Scheme into the new National Gas Scheme. The new National Gas Scheme has not yet carried out a triennial actuarial valuation following the transfer into this section and as such the figures included represent the assets and liabilities from the most recent triennial valuation of the relevant section of the National Grid Scheme. The section with 3 members accruing nominal benefits did undergo a valuation which is now complete, and this section has a total deficit of £18,000, all of which relates to post cut-off date liabilities. These have been excluded from the results on the grounds of materiality, given the size; no contributions are due to this section until the 2027/28 financial year.

Data assurance statement

Our RFPR submissions have been completed in line with Ofgem Data Assurance Guidelines (DAG). This mandates a fully documented two-level review process. The overall submissions and have been signed off at Director level.

Appendix 1

Enduring value adjustments

As noted in the RIGs, Enduring Value Adjustments are made to a licensee's financial or operational performance and are used where the standard data inputs e.g. from the RRP and PCFM, may not give a fully accurate view of performance. Enduring Value Adjustments should be reported at the highest reasonable level.

Enduring Value adjustments have been applied to the performance from our 2025 RRP to give a more accurate view of RIIO-2 performance. The methodologies are as follows:

1. TO - Peterborough and Huntingdon Allowance Deferral

This adjustment has been added in 2021/22 and 2022/23 (£52.5m) to better reflect performance associated to Peterborough and Huntingdon. During RIIO-1, an allowance was agreed for the Peterborough and Huntingdon Compressor Project. However, due to unexpected delays, a portion of the spend has been deferred to RIIO-2. As a result, an enduring value adjustment is required to reflect the 'deferred' T1 allowance, in line with the delayed spend, and providing a more accurate view of performance. These are the same adjustments as were reported in the prior year RFPR pack. The carried forward allowances have been included by increasing allowances in the PCFM over the first two years of RIIO-2.

2. TO – Delayed T2 spend moved to T3

An adjustment for £27m has been made in 2025/26 relating to spend for decommissioning, MERC and GRAID which is due to take place during T3.

3. TO & SO - T3 spend incurred in T2

We have made an adjustment in TO of £40m over 2024/25 and 2025/26 for spend related to T3 which we have incurred in T2, which relates to £25m for Asset Health and £15m for IT. In SO we have made an adjustment of £6m over 2024/25 and 2025/26 for IT related spend for T3.

4. TO & SO - Rephasing of Allowances (Capitalisation Rates 1 and 2)

We have rephased allowances compared to those in the PCFM. This better matches allowances to the level of incurred or forecasted expenditure, providing a more accurate view of in-year performance. This is appropriate as rephasing does not affect the overall level of allowances recognised over the RIIO-2 period, thus does not materially impact the RIIO-2 RoRE. Our approach for SO and TO capitalisation rate 1 has been to recognise the performance impact of any T1 carry-over spend or opex performance in the year in which it occurs (a separate adjustment has been made for Peterborough and Huntingdon, T2 spend moving to T3 and T3 spend pulled forward to T2 as noted above). For TO capitalisation rate 2, the under-

performance has been recognised in the final year of RIIO-2. The changes in allowances required to present this performance profile are our enduring value adjustments.

This methodology is in line with our approach last year and is more reflective of our true performance profile.

The tables below summarises the totex, allowance and performance position before and after enduring value adjustments for TO and SO.

Cap rate 1		2021/22	2022/23	2023/24	2024/25	2025/26	Total RIIO -2
TO totex before enduring value adjustment							
Latest Totex actuals/forecast	£m 18/19	274.2	322.2	368.2	421.7	511.5	1897.7
Totex allowance	£m 18/19	337.4	400.0	422.6	363.5	337.4	1860.9
Performance	£m 18/19	63.2	77.8	54.4	-58.2	-174.1	-36.8
TO totex after enduring value adjustment (inc. Peterborough & Huntingdon, T2 to T3 spend and T£ to T2 adjustment)							
Latest Totex actuals/forecast	£m 18/19	274.2	322.2	368.2	421.7	511.5	1897.7
Totex allowance	£m 18/19	299.0	328.4	388.5	445.6	464.8	1926.2
Performance	£m 18/19	24.8	6.2	20.3	23.9	-46.7	28.6

Cap rate 2		2021/22	2022/23	2023/24	2024/25	2025/26	Total RIIO -2
TO totex before enduring value adjustment							
Latest Totex actuals/forecast	£m 18/19	16.4	16.4	26.5	84.1	224.3	367.7
Totex allowance	£m 18/19	10.5	7.5	24.2	128.9	208.6	379.7
Performance	£m 18/19	-6.0	-8.9	-2.3	44.8	-15.7	11.9
TO totex after enduring value adjustment							
Latest Totex actuals/forecast	£m 18/19	16.4	16.4	26.5	84.1	224.3	367.7
Totex allowance	£m 18/19	17.0	18.9	30.1	87.8	225.9	379.7
Performance	£m 18/19	0.6	2.5	3.6	3.8	1.6	11.9

		2021/22	2022/23	2023/24	2024/25	2025/26	Total RIIO -2
SO totex before enduring value adjustment							
Latest Totex actuals/forecast	£m 18/19	71.4	66.0	80.1	84.7	114.1	416.3
Totex allowance	£m 18/19	91.5	91.0	105.2	108.6	94.1	490.3
Performance	£m 18/19	20.0	25.0	25.1	23.9	-20.1	74.0
SO totex after enduring value adjustments (inc. T3 Spend moved to T2)							
Latest Totex actuals/forecast	£m 18/19	71.4	66.0	80.1	84.7	114.1	416.3
Totex allowance	£m 18/19	81.4	78.0	105.1	117.7	114.4	496.6
Performance	£m 18/19	10.0	12.0	25.1	33.0	0.3	80.3

Basis of any estimates or allocations

Where allocations between NGT (TO) and NGT (SO) have been required, details of the applied methodology have been given within the corresponding section of this narrative.

Other relevant information

NGT has been granted consent to no longer produce regulatory accounts, and therefore the procedures relating to regulatory accounts have not been completed.

Statutory account values used in reconciliations in the RFPR pack for years 2021/22-2024/25 are audited values.

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