

National Gas Transmission

Regulatory Financial Performance
Reporting 2025/26 – 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.

2025/26 marked both the end of the RIIO-2 Price Control period spanning April 2021 to March 2026, and the completion of a significant transformation of our organisation.

Throughout this transition, we remained focused on delivering the commitments set out in our RIIO-2 business plan and the outputs funded by consumers.

National Gas Transmission began the price control period as National Grid Gas plc as part of the National Grid group. Following the successful divestment and separation from National Grid in 2023 it was renamed National Gas Transmission plc for the final 3 years of the price control.

Throughout RIIO-2 we delivered the vast majority of our funded outputs and RIIO-2 commitments while adapting to significant internal and external challenges, including the COVID-19 pandemic, volatility in global gas markets, and the separation from National Grid. We maintained exceptional levels of network reliability, delivered substantial long-term reductions in network risk, improved customer and stakeholder satisfaction, reduced the environmental impact of our operations, and returned funding to consumers where delivery was no longer required or in their interests. We also maintained strong financial discipline throughout the price control, delivering efficiencies and ensuring consumers only funded investments that continued to represent value.

RIIO-2 has also been characterised by significant political change at home. Within the price control period, there have been four prime ministers, bringing evolving energy policy priorities into the public eye and requiring us to continuously adapt while maintaining a relentless focus on our three consumer priorities.

The COVID-19 pandemic, Russia's invasion of Ukraine and wider geopolitical developments have driven volatility in energy markets, changing customer behaviour and creating unprecedented gas flow patterns across Great Britain and Europe. These events have fundamentally reshaped European gas markets and have required continuous operational adaptation to maintain security of supply.

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 2025/26, the combined RoRE for TO and SO was 7.0%, with an average of 7.7% 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 generally increased throughout RIIO-2 and has contributed 5.1% to the overall RoRE. Totex outperformance, reflecting efficient expenditure relative to allowances, has contributed 0.6% across TO and SO. Incentive performance

has added 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 at 1.8% 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 across the RIIO-2 period is 1.8% (average RoRE based on notional gearing). This is driven by debt performance of 1.2% 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 2025/26 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.

	RIIO-2 period average
Debt performance – at notional gearing	1.2%
Tax performance – at notional gearing	0.7%
RoRE financing and tax performance	1.8%

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 5.9%, 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	0.6%
Incentives, innovation and other	0.2%
Contribution to operational RoRE	0.8%

The incentives, innovation and other component of operational performance is primarily driven from actual 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).

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 2025/26 is 6.3%, which is 0.9% lower than the prior year, as reported in this pack. There is a lower allowed equity return by 0.1% reported in 2025/26 than 2024/25 driven by a decrease in the risk-free rate from 2.72% in 2024/25 to 2.14% in 2025/26, a lower totex performance (0.7% including enduring value adjustments), a higher tax performance by 0.2% and a lower debt performance by 0.2%.

The operational RoRE for 2025/26 has decreased from 4.9% in the prior year to 4.0%, again mainly driven by the lower allowed equity return. The RoRE impact of debt performance in the current year is 2.3%, compared to 2.5% in the prior year, and compared to an average of 1.1% across the RIIO-2 period. This small decrease in performance is a result of slightly higher finance costs in 2025/26, and therefore higher real finance cost, whereas the debt return on RAV has remained fairly 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 2025/26 is 39.6%, reflecting totex outperformance and incentives. This is an increase of 3.2% from the operational RoRE reported in the prior year (36.4%). The main driver of this increase is an improvement in totex performance of 3.6%. Allowed equity return and incentive performance have declined by 0.4%.

Combined TO + SO RoRE on a notional basis

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

	2025/26	RIIO-2 average
Allowed equity return	5.4%	5.1%
Totex outperformance	-0.9%	0.6%
Incentives, innovation and BPI penalty	0.2%	0.2%
RoRE operational performance	4.7%	5.9%
Debt performance – at notional gearing	2.3%	1.2%
Tax performance – at notional gearing	0.0%	0.7%
RoRE including financing and tax	7.0%	7.7%

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 2025/26 was £1,177m compared to the collected network revenue of £1,154m. The significant reconciling items include Directly Remunerated Services (DRS), Consented and De Minimis revenue £46m. Adjustments are also made in relation to the NIC, HyNet and Independent Systems pass through items -£14m, as the statutory turnover includes the net position (i.e. offset by cost), whilst collected revenue only captures the associated revenue items. When compared to prior year, NGT TO turnover for 2025/26 has increased by £243m.

Allowed revenues for 2025/26 were £236m higher than in 2024/25, primarily due to a £133m ADJ repayment in 2024/25, largely driven by updates to tax full expensing (tax trigger event values) and revised totex and pass-through cost forecasts. The remaining increase was driven by a lower K repayment than in the previous year (£46m) and an increase in calculated revenue £39m. The increase in pass through costs is mainly driven by PARCA termination £10m and higher licence fees £9m and increased policing costs £10m.

NGT SO turnover and collected network revenue were both £249m in 2025/26. Compared with the prior year, turnover decreased by £154m and collected network revenue decreased by £150m. Allowed revenues for 2025/26 were £79m lower than in 2024/25, primarily due to a significant £211m over-collection in 2024/25, driven by higher shrinkage costs. This resulted in a year-on-year movement of £273m. The year-on-year movement in ADJ was £175m, largely attributable to a £172m prior year ADJ relating to shrinkage costs.

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 £430m versus a regulated network profit of £358m. The variances relate to operational and interest costs £222m and tax costs -£138m. 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 2025/26.

For the SO, the net loss as per the statutory accounts was £5m versus a regulated network loss of £2m, 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.

Following the RFPR consultation and as agreed with Ofgem, we have populated the two new rows in R2 table to adjust for the SO and non-reg business interest aligning with the adjustments in table R5. However, as these 2 additional rows do not flow into Net Profit as per Statutory Accounts, we have added a formula in the supporting comments/narrative on row 118 to take into account the two new rows into Net Profit as per Statutory Accounts which matches to the document 'FY26 RIIO-2 Rec to Stats' included within this submission.

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 £1,231m is adjusted by £274m to derive the £957m total costs as reported in the RRP (all nominal). The material contributors to this adjustment are depreciation £212m, removal of capitalised interest £51m, and costs of consented, de minimis and directly remunerated services £29m.

In addition to this, the removal of passthrough items, including prescribed rates £81m, Licence fees £42m, and Policing £25m are all deducted from the statutory expenditure to reconcile to the PCFM/RRP reported totex of £798m.

For the SO, total statutory expenditure of £296m is decreased by £55m (mainly £39m depreciation) to arrive at £241m 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 £102m, NESO gas planning activities £28m and other passthrough items £21m reconciles to PCFM/RRP reported totex of £89m.

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 2025/26 we achieved a customer satisfaction score of 9.00 against a target of 7.80. This score represents an increase of 0.11 compared to last year's score of 8.89, which is our highest score in the RIIO-2 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 2025/26 is the change in environmental value.

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 20 NIA projects, bringing the RIIO-2 total number of projects to 140. Of the 140, 126 projects now completed throughout the RIIO-2 period. Our 2025/26 spend was £9.9m and over the RIIO-2 period we have spent a total of £30.2m in delivering NIA projects.

With regards to the Strategic Innovation Fund (SIF) work, NGT have progressed successful applications this year for two Cycle 2 Alpha projects, one Cycle 2 Beta project, one Cycle 2 Discovery project, two Cycle 3 Discovery and one Cycle 4 Discovery project with a total spend of £5.8m for all projects in 2025/26. Projects include HyNTS Compression and Deblending and B-Linepack+. Other projects covering a range of activities including Future Grid: Carbon, Future Operability of Gas for System Integration (FOGSI), AI Opportunities for Consumer Centric Engagement, Project RemO2val and Quantum optimisation for future gas network design.

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 £3.7m (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 £1.0m (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 2025/26 we achieved a small incentive revenue of £0.1m (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 with a slight increase in 2025/26 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 2025/26 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 £35.1m (18/19 prices) for the year ending 31 March 2026. Cost of debt allowance per the latest PCFM is £78.7m, leading to an outperformance of £58.5m at actual gearing and £53.5m at notional gearing. This compares to a performance of £57.6m (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 higher.

TO real finance costs have increased year-on-year (£20.6m in 2024/25 vs. £46.9m in 2025/26, nominal), as has net interest, increasing from £152m in 2024/25 to £204.2m 2025/26 (nominal).

Total TO regulated net debt has increased by £302m to £3,926m (nominal) in 2025/26. Statutory net debt has increased by £291m from £4,043m to £4,334m. The main driver is a drop in the value of Money Market funds of £179m due to continuing investment throughout RIIO-2. Interest receivable on an intercompany loan has decreased by £17m due to a drop in SONIA rate. Borrowings have increased by £94m, the main drivers are £104m of accretion on RPI-linked bonds and £10m due to unfavourable foreign exchange movements on EUR and HKD denominated bonds. This is partly offset by a £16m bond that matured in June 2025.

Statutory net finance income has decreased by £97m from £115m net income to a £18m net income position. The main driver is a £47m reduction in intercompany interest on a loan, due to falling SONIA rate. The prior year also included a one-off gain that related to the partial buyback on RPI linked debt (Freshwater transaction), resulting in an additional £22m of finance income being recognised. There has been a £13m reduction in income from Money Market funds due to a lower average balance held and a decreased SONIA rate. An additional £5m expense has been recognised in remeasurements relating to mark to market movements in unhedged inflation-linked swaps. 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 inflation-linked swaps correctly. We have traded zero coupon inflation-linked 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). Cash flows for debt are presented on a post-swap basis, reflecting both cross-currency and interest rate swaps, as this is the format in which the treasury system generates forecasts. As a result, cash flows relating to swaps only capture inflation-linked swaps, with the effects of cross-currency and interest rate swaps already incorporated into the debt 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 consistently applied 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 47.9% for 2025/26, calculated using year-end RAV and year-end closing net debt.

As agreed with Ofgem, we have added two lines in the R5a table to correct prior year variances relating to a change in methodology for the treatment of cross-currency debt instruments and a change from CPIH to CPI indices.

Regulatory Asset Value (RAV)

The Regulatory Asset Value (RAV) tables show the actual 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 spend and allowance profile in line across price control periods. 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 2025/26 has increased by £73m compared to the 2024/25 closing balance (18/19 prices) in line with actuals for the RIIO-2 period.

For the SO, the RAV has fallen by £6.5m to £116.6m (18/19 prices), additions after enduring value adjustments have been lower 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 to 2024/25. 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.

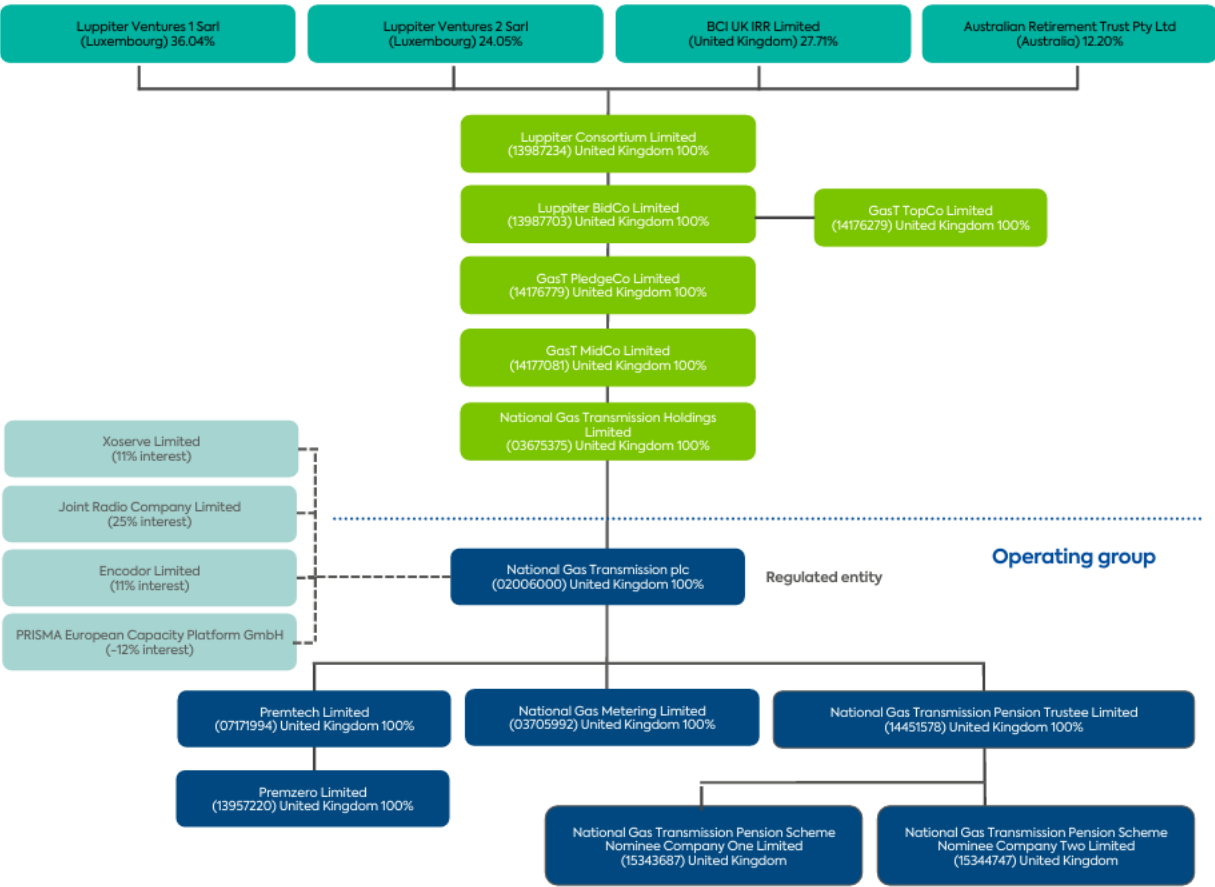
For the TO, the tax allowance per the latest PCFM is £35.8m (18/19 prices) for 2024/25. The calculated tax liability for comparison is £42.5m. For the SO, the tax allowance per the latest PCFM is £10.3m for 2024/25, which compares to a £4.4m adjusted regulated tax liability. These minor variances are predominantly driven by differences in the capital allowance deduction, as well as additional capital costs disallowed in the tax return. See below for further detail.

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 2026. During the year, GasT TopCo Limited was placed into members’ voluntary liquidation (MVL). 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 investments in the Luppiter Venture entities), 27.71% by British Columbia Investment Management Corporation, with the remaining 12.20% of 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) and each of the Group entities, 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 Board of Luppiter Consortium Limited and shareholders, respectively. These matters include areas such as the annual business plan and budget, financial and treasury-related transactions and substantial changes to the business and the National Gas 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 2026, the Board is satisfied that it considered and effectively applied the six Wates Principles throughout its business and conduct. An overview of the Wates Principles is provided below.

Wates principles

- 1 Purpose and leadership
- 2 Board composition
- 3 Director responsibility
- 4 Opportunity and risk
- 5 Remuneration
- 6 Stakeholder relationship

Board composition

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 our Gas Transporter licence and affords the necessary skillset required to meet the strategic needs and challenges of the business. It ensures that the Board is also not overly large, thereby retaining the agility required to enable effective decision-making.

In December 2025, Dr Phil Nolan stepped down as the Chair of the Board, with Mark Russell succeeding him from 1 January 2026.

As at 31 March 2026, our Board is made up of two 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 the Executives, while providing constructive challenge and rigour. The directors collectively bring a wide range of experience, skills and perspectives to the Board and Board Committee deliberations. They also lend 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.

Robin Watson assumed the role of Chair of the Audit and Risk Committee in January 2026. The Board has determined that Robin is an independent non-executive director, notwithstanding that he is appointed by a significant shareholder. The Board is satisfied that Robin acts with independence of character and judgement, as evidenced by the way in which he is discharging his duties as a director. The Board is therefore satisfied that the company is compliant with the FCA's Disclosure Guidance and Transparency Rule (DTR) 7.1.

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 culture is one of openness and

collaboration. The Chair ensures that all directors have an opportunity to contribute to discussions.

Name	Position	Appointment date
Mark Russell	Chair & Sufficiently Independent Director Committees: Remuneration and Nominations Committee and Audit and Risk Committee	1 July 2024
Jon Butterworth	Chief Executive Officer	1 May 2021
Nick Hooper	Chief Financial Officer	1 August 2021
Cathryn Ross	Sufficiently Independent Director Committee: Chair of the Regulation Committee	June 2019
Liam Auer	Shareholder Nominated Director Committees: Chair of the Remuneration and Nominations Committee and a member of the Regulation Committee	6 January 2025
Will Price	Shareholder Nominated Director	16 May 2022
Howard Higgins	Shareholder Nominated Director Committee: Chair of the Safety, Security and Sustainability Committee	31 January 2023
Mark Mathieson*	Shareholder Nominated Director	31 January 2023
Robin Watson	Shareholder Nominated Director Committee: Chair of the Audit and Risk Committee	5 February 2025
Jerry Divoky	Shareholder Nominated Director Committees: Regulation Committee and Remuneration and Nominations Committee	31 January 2023
Jenny Lyn Dela Cruz*	Shareholder Nominated Director Committees: Safety, Security and Sustainability Committee and Audit and Risk Committee	21 March 2025
Dr Phil Nolan (Former Director)*	Chair & Sufficiently Independent Director	31 January 2023

* Phil Nolan stepped down as Chair of the Board and Sufficiently Independent Director on 31 December 2025. Mark Mathieson stepped down as a Shareholder Nominated Director on 15 May 2026 and Jenny Lyn Dela stepped down as a formal Shareholder Nominated Director on 16 July 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 held six scheduled meetings during the year, as well as a dedicated strategy day to consider the strategic direction of the company for the short, medium and long term. Additional ad-hoc meetings were held throughout the year, primarily to provide oversight and guidance to

the company's response to RIIO-3 Draft and Final Determinations. The Board also participated in a number of informal teach-in sessions. There was also 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 the Executives in delivering our strategy. The roles and responsibilities of Mark Russell, as our Chair, and Jon Butterworth, as our Chief Executive, are separate. The Chair is responsible for the leadership of the Board and the Chief Executive 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 day-to-day operational performance and delivery of the agreed strategy. Their role is also to provide strategic guidance, advice and support.

The Board delegates all day-to-day operational matters to the Chief Executive, Jon Butterworth. However, there are matters set out in the Shareholders' Agreement that are specifically reserved to the Board of Luppiter Consortium Limited, the ultimate parent company of the Group, or matters that 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 the 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

Mark Russell was appointed as a SID in July 2024 and subsequently assumed the role of Chair in January 2026. He is responsible for the leadership of the Board and ensuring its effectiveness. He is assisted by the General Counsel and Company Secretary in ensuring adherence to high standards of corporate governance, setting the Board's agenda and encouraging constructive debate and effective decision-making.

The Chair 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 he remains independent in his role as Chair.

Sufficiently Independent Directors (SIDs)

Our Gas Transporter Licence requires us to have at least two SIDs. Cathryn Ross was appointed in June 2019 and, together with Mark Russell, provides independent challenge and input into decision-making processes. Their letters of appointment set out their duties and our SIDs confirmed that they were able to devote sufficient time to their role upon appointment.

Shareholder Nominated Directors

Under the Shareholders' Agreement, the shareholders have the right to nominate directors to the Board. Our Board currently comprises five Shareholder Nominated Directors, representing members of the consortium of investors in Luppiter Consortium Limited. As per the Shareholders' Agreement, each Shareholder Nominated Director can appoint an Alternate Director to participate in meetings in the event of their absence.

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.

Neither the Shareholder Nominated Directors, nor 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. To support it discharging its responsibilities, the Board has delegated certain responsibilities to a number of principal Committees. They are:

- Audit and Risk Committee
- Remuneration and Nominations Committee
- Safety, Security and Sustainability Committee
- Regulation Committee

The remit of each Committee is approved by the Board. During the year, the remits of each Committee were reviewed and updated where appropriate to ensure that the delegated authorities remain appropriate, effective and aligned with the business's strategic goals. Each Committee reports to the Board on matters discussed, decisions taken and makes recommendations to the Board where Board approval is required. During the year, the Board established an additional informal steering group, the Capex Steering Group. The Capex Steering Group and the Finance and Treasury Steering Group do not have delegated decision-making authority, rather, each provides strategic oversight within their respective remits. The Board also established an ad hoc Board Emergency Committee, which will convene in the event of a company-wide emergency incident.

Decision making

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

- a. purpose, values and strategy - Luppiter Consortium Limited
- b. board director nominations – each shareholder are entitled to nominate directors to the boards of each entity (other than the pension related entities) in proportion to their respective shareholding. NGT's Board appoint the SIDs. The appointments of the Chief Executive and the Chief Financial Officer is approved by the NGT Board and the Board of Luppiter Consortium Limited.
- c. board director evaluation - National Gas Transmission plc
- d. executive remuneration - National Gas Transmission plc

For more details, please see **National Gas Transmission plc Annual Report and Accounts 2025/26** pages 65-91.

Executive remuneration policies

NGT is the main operating company for the National Gas Group of companies. The NGT Board decides on the strategic direction, oversight of safety, approach to risk and setting values and standards for the company. The Remuneration and Nominations Committee, established by the NGT Board, 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 the regulator's interests.

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 Committee members. 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 NGT's remuneration policy 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 Remuneration and Nominations 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 Executive Committee members. The budget for annual salary increases for senior managers and managers is set broadly at the 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.

2025/2026 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 wholly owned by its institutional shareholders, and the therefore the directors do not hold any shares in NGT nor are directors or employees offered shares or share options as part of their reward incentives.

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 2026 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 FY26) compares to remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile in the NGT’s 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
2025/26	B	63:01	53:01	44:01

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 NGT’s gender pay gap data for FY26. The table below shows those at each of the 25th percentile, the 50th percentile (median) and the 75th percentile:

2025/26	25th percentile pay ratio	50 th percentile (median) pay ratio	75th percentile pay ratio
Annual pay	£43,967	£51,857	£63,000
Hourly pay	£22.85	£26.95	£32.74

The data reported here shows that the CEO pay ratio has gone up, compared to 2024/25. This is due to the CEO's total pay arrangements for 2025/26 increasing proportionately more compared to employee pay over the same period. This means that this year, National Gas Transmission have slightly widened 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.

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 2026 submission to Ofgem's Reasonableness Review which formed part of the 2026 PDAM exercise.

The pension scheme valuation is performed triennially, and the valuation data presented in the 2025/26 RFPR reflects the finalised results of the most recently signed (at disclosure date of 31 March 2025) triennial actuarial valuation at 31 March 2022. We are currently working on the next triennial actuarial valuation.

Apportionments between Established and Incremental Deficit and apportionments between GTO and GSO are driven by the outcome of the 2023 Pension Deficit Allocation Methodology (PDAM) exercise. However, as there were no deficit contributions into the scheme, there is no need to provide the split between these contributions in rows 14 and 15.

As part of the demerger from National Grid, National Gas's new pension scheme has two sections, one section with 3 members accruing nominal benefits, and the other section with the remaining assets and liabilities. 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.

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 2021/22-2025/26 are audited values.

The RFPR has been completed as per July 2026 RRP however, we are mindful that the RIIO-2 close-out process has not been completed.

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 2026 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 & SO – Delayed T2 spend moved to T3

An adjustment for £46m has been made in 2025/26 relating to spend for Asset Health, MERC and Cyber which is due to take place during T3.

3. TO - T3 spend incurred in T2

We have made an adjustment in TO of £71m over 2023/24, 2024/25 and 2025/26 for spend related to T3 which we have incurred in T2. This relates to £47m for Asset Health, £16m for IT and £9m for WIRP.

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	322.8	372.8	430.6	430.9	1831.3
Totex allowance	£m 18/19	300.8	397.0	412.4	359.3	321.9	1791.4
Performance	£m 18/19	26.6	74.2	39.6	-71.3	-109.0	-39.8
TO totex after enduring value adjustment (inc. Peterborough & Huntingdon, T2 to T3 spend and T3 to T2 adjustment)							
Latest Totex actuals/forecast	£m 18/19	274.2	322.8	372.8	430.6	430.9	1831.3
Totex allowance	£m 18/19	326.6	423.7	418.4	368.2	333.0	1869.9
Performance	£m 18/19	52.4	100.9	45.6	-62.3	-97.9	38.7

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	15.9	27.5	76.4	167.6	303.7
Totex allowance	£m 18/19	10.0	4.2	23.6	103.9	186.6	328.3
Performance	£m 18/19	-6.5	-11.6	-3.9	27.6	19.0	24.6
TO totex after enduring value adjustment							
Latest Totex actuals/forecast	£m 18/19	16.4	15.9	27.5	76.4	167.6	303.7
Totex allowance	£m 18/19	10.0	4.2	23.6	103.9	186.6	328.3
Performance	£m 18/19	-6.5	-11.6	-3.9	27.6	19.0	24.6

		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	83.5	66.9	367.8
Totex allowance	£m 18/19	91.5	91.1	105.2	103.8	91.9	483.5
Performance	£m 18/19	20.1	25.1	25.1	20.3	25.0	115.6
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	83.5	66.9	367.8
Totex allowance	£m 18/19	91.5	91.1	105.2	103.8	90.9	482.5
Performance	£m 18/19	20.1	25.1	25.1	20.3	24.0	114.7

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