

Directors Remuneration Statement

This statement is made in accordance with section 33F of the Gas Act 1986 (as amended) on behalf of Cadent Gas Limited (Cadent).

Under Section 33F of the Gas Act 1986, Cadent is required to make a statement disclosing whether the remuneration of its directors is linked to performance against service standards.

There is no direct link between performance against service standards in respect of basic salary or pension benefits. However, Cadent operate two incentive plans the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP) which are linked. Payment under both of these plans is linked to performance against service standards as described below.

The STIP is an annual plan, with performance metrics and targets agreed at the start of each financial year. During the year 1 April 2021 to 31 March 2022, we have paid the STIP award for the year 1 April 2020 – 31 March 2021 and the STIP award for the year 1 April 2021 – 31 March 2022 has become due (and was paid in July 2022). The performance metrics and targets for both years (set at a threshold, target and stretch levels) are based on a scorecard of measures including customer satisfaction, complaints handling, safety, environmental sustainability, as well as links to our cost efficiency.

LTIP awards are earned by reference to rolling three-year financial periods. The 2018 - 2022 LTIP has become due and was paid in July 2022. Targets under the LTIP (set at threshold, target and stretch performance levels) are based upon customer experience, including supporting those in vulnerable situations, long term asset health, environmental sustainability and supporting the energy system transition. As this LTIP crossed over two regulatory periods, there were two sets of measures in place, the first was for a two year period for 2018 – 2020 aligned to RIIO-1 outcomes and preparation for RIIO-2, with measures being set in 2018. The second set of measures covered one year within RIIO-2 and covered the financial year 2021-2022 and were set when the RIIO-2 regulatory settlement was agreed.

Performance against the targets set out in the STIP and LTIP is measured in accordance with pre-defined criteria. Many of the targets, including customer satisfaction and complaints handling, are measured and assessed using verified regulatory reporting data that is provided to Ofgem. Performance against financial targets is derived from the statutory accounts of the group which are subject to external audit. No payments are made under the plans until this assessment process has been completed.

Any payment under the plans, and the level of any payment, is determined by the company's performance against each of the performance metrics. No payment is made where the performance is below or does not exceed the threshold level. Achievement of target and stretch performance levels result in payment of 50% or 100% of the available award respectively. Payment for performance between the three levels (threshold, target and stretch) is calculated on a straight line basis.

There is an STIP in place for 2022-2023, which was set at the beginning of the financial year, with performance metrics and targets aligned to those in the previous year. There is also an LTIP which will cover the period 1st April 2022 through to 31st March 2025, with measures set at the beginning of the financial year based upon customer strategy, economic outcomes, sustainability, resilience of network and the energy system transition.

In relation to our directors the above incentive schemes apply to Executive Directors only. Investor nominated directors are not remunerated by Cadent. Independent Directors receive a flat monthly fee for their services. Their remuneration is not linked to performance standards.