

## Directors Remuneration Statement

**This statement is made in accordance with section 33F of the Gas Act 1986 on behalf of Cadent Gas Limited**

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.

Cadent operate two incentive plans, the Short-Term Incentive Plan (STIP) and the Long-Term Incentive Plan (LTIP). Payment under both plans are linked to performance against service standards.

The STIP is an annual plan, with performance metrics and targets agreed at the start of each financial year. During the year 1 April 2022 to 31 March 2023, we have paid the STIP award for the year 1 April 2021 – 31 March 2022 and the STIP award for the year 1 April 2022–31 March 2023 has become due (and will be paid in June 2023). 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, economic, sustainability and business metrics.

LTIP awards are earned by reference to rolling three-year financial periods. The 2020 - 2023 LTIP has become due and will be paid in June 2023. Targets under the 2020 - 2023 LTIP (set at threshold, target and stretch performance levels) are based upon customer experience, including supporting those in vulnerable situations, long term asset health, 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 one-year period for 2020–2021 aligned to RIIO-GD1 outcomes and preparation for RIIO-GD2, with measures being set in 2020. The second set of measures covered two years within RIIO-GD2 and covered the financial year 2021-2023 and were set when the RIIO-GD2 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. Governance arrangements are adhered to prior to payments being made.

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 2023-2024, which was set at the beginning of the financial year, with performance metrics and targets broadly aligned to those in the previous year. There is also an LTIP which will cover the period 1<sup>st</sup> April 2023 through to 31<sup>st</sup> March 2026, with measures set at the beginning of the financial year based upon customer strategy, economic outcomes, sustainability, resilience of network and energy and business transition.

The incentive plans set out above apply to Executive Directors - Independent Directors receive a flat monthly fee for their services. Their remuneration is not linked to performance standards. Non-executive directors are not paid by Cadent.