

RIO-GD2 Regulatory Financial Performance Reporting (“RFPR”)

Commentary

Year ended: 31 March 2026



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Executive Summary

Regulatory Financial Performance Reporting ("RFPR") is a regulatory licence requirement pursuant to Standard Special Condition A40.¹

This report, in respect of the year ended 31 March 2026, should be read in conjunction with WWU's Strategic Performance Overview for the year ended 31 March 2026 and WWU's audited statutory accounts for the same period.²

A key measure of performance required by Ofgem is "RoRE" (Return on Regulated Equity). This measure is calibrated by Ofgem for two different levels of performance, one for operating performance which excludes debt financing and tax and is referred to as "Operational RoRE" and the other measure which includes debt financing and tax. Each of these two measures is then calibrated for notional regulated equity and actual regulated equity. "Regulated equity" is the portion of Regulated Asset Value ("RAV") attributed to equity.

RoRE Performance

RoRE based on Notional Regulated Equity of 40% of RAV						
	2021/22	2022/23	2023/24	2024/25	2025/26	GD2 Average
Allowed cost of equity	4.5%	4.6%	5.3%	5.6%	5.4%	5.1%
Totex performance, net of customer share	2.5%	0.9%	-0.7%	0.2%	-0.3%	0.5%
Incentives, penalties, other items	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%
Operational RoRE	7.1%	5.5%	4.7%	5.9%	5.2%	5.7%
Cost of debt performance	-1.5%	-6.0%	-8.7%	1.7%	-1.9%	-3.3%
Tax	1.8%	0.7%	1.5%	1.2%	2.6%	1.6%
RoRE including debt financing and tax	7.4%	0.2%	-2.5%	8.8%	5.9%	4.0%

1 The RFPR submission can be located on WWU's website, as required by paragraph 1.26 of the RFPR Regulatory Instructions and Guidance (RIGs), by following the link below in the "Regulatory Financial Performance Reporting" folder of the "Our Performance" section:

<https://www.wwuutilities.co.uk/about-us/publications/>

2 For further information, please refer to WWU's RIIO-GD2 Year Five Strategic Performance Overview, which was submitted to Ofgem on 31 July 2026 together with the Regulatory Reporting Pack (RRP). The link to this report on the WWU website is as follows:

<https://www.wwuutilities.co.uk/media/ykxlbde/wwu-riio-gd2-year-five-strategic-performance-overview.pdf>

WWU's audited financial statements for the year ended 31 March 2026 provide further information throughout, and are available using the link below:

<https://beta.companieshouse.gov.uk/company/05046791/filing-history>

Key remarks:

- Operational RoRE projected across RIIO-GD2 at 5.7% is slightly higher than the average allowed cost of equity of 5.1%, due to an average 0.5% Totex outperformance (see 'R3 – Totex reconciliation' section below) for the five years of RIIO-GD2 and 0.1% from incentives, penalties and other items.
- The cost of debt performance, which includes derivatives (as required by Ofgem for RoRE performance assessment, but Ofgem excludes all derivatives except currency swaps when setting its allowed cost of debt) is significantly adverse over RIIO-GD2, representing a reduction of 3.3% to the allowed RoRE. This is due to an inadequate allowance for WWU's efficiently and prudently incurred cost of debt including derivatives.
- The tax component shows a positive contribution to RoRE over RIIO-GD2 of 1.6%, largely a function of the significant underperformance on cost of debt of 3.3%.
- WWU reports an average RoRE, including financing and tax, of 4.0% for RIIO-GD2 against an average allowed cost of equity of 5.1%. This is largely due to inadequate allowances for cost of debt including derivatives. This adverse position impairs shareholder value, WWU's financeability and investment grade credit profile.

When RoRE is evaluated using actual regulated equity, the position across RIIO-GD2 is a RoRE average of 3.9% p.a., not materially different to the 4.0% average above.

Key Financial and Operational Performance Measures

For further key financial and operational performance measures, please refer to pages 10 – 25 of WWU's RIIO-GD2 Year Five Strategic Performance Overview submitted to Ofgem on 31 July 2026, for which a link is provided in footnote 2 in the Executive Summary.

Overview of Regulatory Performance

This section provides commentary for each of the tables within the RFPR submission to Ofgem in accordance with paragraph 4.3 of the RFPR RIGs.

R1 – RoRE

For information on RoRE, please refer to the Executive Summary section of this report.

R2 – Reconciliation of regulated revenue and profit to statutory revenue and profit

This table reports allowed regulated revenues per the Latest Published PCFM and reconciles collected regulated revenues to revenues in the statutory audited financial statements. Per correspondence with Stephanie Fernandes in Ofgem on 25 June 2026, Ofgem have confirmed the 'Latest Published PCFM' for this report is the PCFM published in January 2025 which reflects charge setting for the 2025/26 regulatory year.

As required by the RIGs, the reconciliation to revenue on tab R2 of the RFPR excel file from Ofgem (all references to tabs are to this workbook provided by Ofgem) uses the Latest Published PCFM as noted above for Allowed Revenue from row 11. However, and as required by Ofgem, this reconciliation also uses the most recent, but unpublished, PCFM (the 'Latest PCFM' i.e., the Legacy GD2 PCFM updated to reflect the 2025/26 RRP submitted to Ofgem in July 2026 which will accompany Dry Run 1 of the 2026 AIP) solely for Collected Regulated Network Revenue (RRt) on row 25. As a result of using two different PCFM's, which are at different points in time, RRt reconciling items arise on rows 40, 42, 44, 46 and 48, of tab R2 respectively.

Further annual reconciling items are included in respect of are Supplier of Last Resort (SoLR) revenues which in 2024/25 and 2025/26 are -£0.7m and £0.9m, respectively. SoLR revenue constitutes a reconciling item because it is included gross within allowed/collected regulated revenues in the PCFM but for statutory reporting purposes SoLR revenues and costs are required to be presented net within turnover.

The R2 reconciliation tab in RIIO-GD1 was limited to revenue. In RIIO-GD2 the R2 reconciliation tab extends to profits after tax, though this does not actually represent a "Reconciliation: Regulated Network Profit to Statutory Accounts" and is a simple comparison between the two. Statutory audited EBITDA figures have been linked to the revenue and Totex reconciliations within tab R2 and tab R3, respectively.

In 2024/25, following review of the Directly Remunerated Services (DRS) definitions, we updated DRS using our interpretation of the definitions. This has been completed in line with the licence conditions, and this has been acknowledged in communication with the regulatory finance team at Ofgem in 2025. We have continued to apply this methodology in 2026 which can be seen in the tab R2 reconciliation. The remaining reconciling items on row 36 "Non-Regulated Revenues (excluding Directly Remunerated Services and De Minimis above)" primarily relates to metering services, connections and diversions.

Overview of Regulatory Performance

R3 – Totex reconciliation

The 'Totex per the latest PCFM' section of tab R3 has been taken from the Latest PCFM, which will accompany this RFPR to be submitted to Ofgem by 30 September 2026, based on the Variable Values included within table 3.01 of the submitted 2025/26 RRP.

There has been a material improvement in Totex performance compared with the 2025 RFPR submission largely due to the resolution of reopener items in 2025/26, with efficient costs incurred in earlier years as well as in 2025/26, summarised as follows :

Totex out/(under)performance within RoRE	2021/22	2022/23	2023/24	2024/25	2025/26	GD2 Avg.
Per the 2025 RFPR Submission	2.5%	0.9%	-0.7%	0.0%	-1.8%	0.1%
Per the 2026 RFPR Submission	2.5%	0.9%	-0.7%	0.2%	-0.3%	0.5%
Improved Totex performance	0.0%	0.0%	-0.1%	0.2%	1.6%	0.3%

In relation to costs:

Opex costs are £9.3m lower mainly due to the following:

- A reduction in reopener related spend of £3.1m.
- Increased workloads in mains replacement resulting in costs moving to Repex.
- We sourced further non-regulated work which has reduced our Totex cost base, along with further utilisation of our skilled workforce instead of contractors. We also saw a warmer winter than expected, resulting in lower premium time work in the year.

Capex costs are £28.4m lower mainly due to the following:

- A reduction in reopener related spend of £16.8m.
- HN039 pipeline delivery was £1.5m lower than forecast as we completed our PCD project replacing a high-pressure pipeline.
- Continued reduction in the cost of delivering capital projects through our insourcing strategy reducing external costs.

Repex costs are £4.2m higher mainly due to the following:

- We overdelivered our Tier 1 mains and services PCD by 28km resulting in an increase in cost which is partially offset by an increased allowance.

Within allowances:

Reopeners:

- Reopener allowances totalling £162m in 18/19 prices are included with the status tables detailed on pages 22 and 23 within our Strategic Performance Overview³ published on the 31 July 2026 and separately in individual reports sent to Ofgem as part of our annual reporting returns.

³ Strategic Performance Overview 25-26: see link in footnote 2

Overview of Regulatory Performance

Volume drivers / PCDs:

- We over-delivered on both Mains and Services within the Mains replacement PCD, increasing allowances by £3.2m.
- Fuel Poor allowances were reduced by £2.0m due to the end of the Fuel Poor scheme and repurposing by Ofgem to the Vulnerability and Carbon Monoxide Allowance in GD2.
- Domestic Connections allowances were reduced by £23.7m following a decrease in workload volume.
- We completed our PCD requirements on the HN039 LTS project delivery 13km of pipeline in North Wales.

The second half of the tab R3 table reflects the data from the financial statements of WWU for the year ended 31 March 2026 (and earlier years) reconciled to reported Totex costs for the regulatory year per the respective RRP. The reconciliation is summarised in the table below:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'m	£'m	£'m	£'m	£'m
Total expenditure per Statutory Accounts	435.3	471.5	535.6	551.3	610.4
Less: Depreciation and amortisations	(84.1)	(83.7)	(94.7)	(102.3)	(108.4)
Less: Non cash provisions and pension	(8.1)	13.5	16.7	(10.4)	(3.1)
Less: Pass through costs	(121.3)	(112.3)	(93.0)	(102.3)	(122.7)
Less: Compensation payments	(0.4)	(0.4)	(0.4)	(0.4)	(1.4)
Less: Non formula costs	(5.4)	(4.7)	(5.6)	(5.4)	(3.5)
Less: Non cash development claims	(4.3)	2.1	0.0	0.5	(0.1)
Add: Voluntary redundancy costs	19.0	0.1	0.0	0.0	0.0
Other adjustments	0.5	(5.8)	(5.8)	2.2	(3.3)
Totex as reported	231.1	280.3	352.8	333.4	367.9

All £m values in nominal prices

Enduring Value Adjustments (EVAs)

As in prior years, no EVA's have been identified in tab R3. As per the RFPR RIGs Glossary, EVAs are defined as the 'true value of the regulated business over the course of the price control.' The enduring value of the business factors in the financial impact of any decisions or future events, which have yet to be reflected in Revenue and RAV but are known at the time of estimation. The enduring value represents the 'establishment of sustained long-term value to the regulatory network or to its operation.' Because of the introduction by Ofgem of a significant number of additional Variable Values in RIIO-GD2, particularly variant Totex allowances, and the AIP allowing for these PCFM Variable Values to be updated during the course of the price control for outturn actual data as well as forecast data, WWU does not consider any EVAs currently exist. As in prior years, we would however welcome further guidance from Ofgem in this area.

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R4 – Incentives and Other Revenue

This table reports annual actual performance against the RIIO-GD2 price control incentives as well as Other Revenue Allowances (ORAs). Data included within tab R4 – Incentives and other revenue was also included within the 2025/26 RRP.

Company Compulsory Contribution (including % contribution funded by the licensee) towards “Strategic Innovation Fund” funding on row 57 for forecast years is assumed to be 10% in line with the contributions for other innovation allowances and as previously noted to Ofgem, consistent with prior years RFPR submissions.

For the first four years of RIIO-GD2, Network Innovation Allowance (NIA) and Carry Over RIIO-1 Network Innovation Allowance (CNIA) are consistent with the allowances reported in the 2025 RFPR submission. Our NIA expenditure in 2025/26 was marginally higher than originally forecast.

R5/R6 - Financing and Net Debt position

Regulatory Net Interest including forecast new financing/refinancing costs

Per the 2023/24, 2024/25 and 2025/26 RFPR RIG's, page 17, we understand row 31 of tab R5 – Financing “Regulatory Net Interest including forecast new financing/refinancing costs” will form the input for Tax Deductible Net interest (TDNI) for the Tax Clawback calculation in the PCFM. We have therefore included the accrual for inflation accretion on RPI index-linked swaps, RPI-index-linked swaps net swap expense / (income) and Interest rate swaps net swap income in rows 22-24, so that it forms part of the total in row 31. In the RIIO-GD2 RFPR submissions prior to 2023/24 these three components had been included in rows 50-52 forming part of the “Adjustments to be applied to Assumed Finance cost for performance assessment” section of tab R5. There is no impact on RoRE arising from the change in approach.

Cost of Debt

We continue to have a significant shortfall against the Cost of Debt allowance for RIIO- GD2 due to insufficient allowances for efficiently incurred debt and derivative costs. Our cost of debt and derivatives have been efficiently and prudently incurred but is not fully compensated for by the methodology used by Ofgem for calculating Allowed Cost of Debt. As noted in the Executive Summary, this reduces RoRE by 3.3%, and is the main reason overall RoRE, based on notional gearing, is 4.0% compared to an allowed cost of equity of 5.1%.

Other comments on R5/R6 tables

Accretion cashflows on RPI index-linked swaps is included within row 34 of tab R5a – Financing Input, “Other”.

Row 69 of tab R5a – Financing Input is an adjustment line to balance back RFPR calculated accrual costs in row 47 for derivative interest and accretion charges, to internally calculated accruals for derivative interest and accretion charges. Differences arise predominantly due to

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differences RPI inflation forecast assumptions for the remainder of RIIO-GD3 and in timing of weighted floating rates in columns CN to DE of tab F4 – Floating Rate Debt.

F Series tabs

As raised in prior years, the formula in cells LH11:LY610 have been amended to accommodate in year principal accretion charge where derivative trades are split to show forecast restructures.

Original Formula:

```
=IF($K11 = 0, 0, $K11 * ($I11 >= LH$8) * ($F11 <= LH$9) *
(INDEX('I2 - Monthly Inflation'!$G$6:$H$413, MATCH(EDATE(MIN(LH$9, $I11), -$O11 + 1),
'I2 - Monthly Inflation'!$A$6:$A$413, 1), 1 + ($N11 = "RPI")*1) -
((KN11 <> 0) * $Q11 + (KN11 = 0) * INDEX('I2 - Monthly Inflation'!$G$6:$H$413,
MATCH(EDATE(LH$8, -$O11 + 1), 'I2 - Monthly Inflation'!$A$6:$A$413, 1), 1 + ($N11 =
"RPI")*1)))/ $Q11)
```

Revised Formula:

```
=IF($K11=0,0,$K11*($I11>=LH$8)*($F11<=LH$9)*
(INDEX('I2 - Monthly Inflation'!$I$6:$J$413,MATCH(EDATE(MIN(LH$9,$I11),-$O11+1),'I2 -
Monthly Inflation'!$A$6:$A$413,1),1+($N11="RPI")*1) - ((KN11<>0) * INDEX('I2 - Monthly
Inflation'!$I$6:$J$413,MATCH(EDATE($F11,-$O11+1),'I2 - Monthly
Inflation'!$A$6:$A$413,1), 1 + ($N11="RPI")*1) + (KN11=0)*INDEX('I2-Monthly
Inflation'!$I$6:$J$413,MATCH(EDATE(LH$8,-$O11+1),'I2 - Monthly
Inflation'!$A$6:$A$413,1), 1 + ($N11="RPI")*1)))/$Q11)
```

Inflation update

Inflation has been updated within WWU's RFPR excel document as per instructions by Ofgem (i.e. Anakha Nizam Khan's emails on 7, 17 and 25 August 2026). WWU note that inflation forecasts could be updated in RIIO-GD3 using the index data provided by Ofgem's Alaba Kolajo on 22 July 2026 however we haven't subsequently updated these as instructed by Anakha Nizam Khan on 19 August 2026.

R7 – RAV

Data reported within tab R7 in respect of RAV reflects the Latest PCFM.

R8 – Tax

The tax allowance included within tab R8 has been taken from the Latest PCFM. That PCFM includes adjustments to outturn Variable Values which have been updated following the 2025/26 RRP submission as explained in the RRP RIIO-GD2 Year Five Strategic Performance Overview and in 2026 AIP PCFM Supporting Commentary.

The Adjusted/forecast regulated tax liability for 2025/26 is materially higher than previous forecast for 2025/26 included in the 2025 RFPR due to higher actual profits before tax than previously forecast giving rise to higher Adjusted/forecast regulated tax liability.

The tax performance in the RoRE calculation compares WWU's adjusted forecast CT600 tax liability against the tax allowance set as part of the RII0-2 price control including the impact of deviating from notional levels of gearing in the form of tax clawback.

R9 – Corporate Governance (including commentary on Financial Resilience)

Financial Resilience (RIGs paragraphs 4.13 – 4.17)

With regard to paragraphs 4.14 and 4.15 :

1. The following key financial ratio covenants are contained within the Common Terms Agreement (CTA) applicable to all lender and derivative counterparties with WWU and Wales & West Utilities Finance plc ("WWUF"), its wholly owned financing subsidiary.

	Restricted Payments	Trigger	Default
Class A RAR %	> 70%	> 75%	N/A
Senior RAR %	> 77.5%	> 90%	> 95%
Class A ICR	N/A	N/A	< 1.6x
Class A Adjusted ICR	N/A	< 1.3x	< 1.0x
Senior Adjusted ICR	N/A	<1.1x	N/A
Class A Average Adjusted ICR	N/A	<1.4x	N/A
Senior Average Adjusted ICR	N/A	<1.2x	N/A

2. The above key financial ratio thresholds have not changed since the prior year RFPR submitted in 2025.
3. The above table shows the financial ratio thresholds currently considered most important to WWU. There are additional ratio thresholds and financial limits that apply in various contexts. In this regard, Ofgem has been provided with a copy of the CTA which contains the full set of undertakings with all lenders and we do not repeat those here. With respect to distributions, clause 34, General Covenants, Part III of Schedule 4, sets out circumstances where these are not permitted. A full understanding of the CTA is required to appreciate the wider context of contractual restrictions on distributions. For example, distributions are not permitted where a Default persists and therefore Defaults and Events of Default need to be understood.
4. The CTA also includes the remedies for breaches of contractual undertakings. For example, Trigger event remedies are documented in Schedule 5, Part 3 of the CTA. In the event of a default, remedies are documented in Schedule 6 of the CTA and covered by certain arrangements under the Security Trust and Inter Creditor Deed (STID).

5. Various other lending agreements (including revolving credit facilities, term loans and private placement agreements) contain undertakings by WWU which, if breached, may trigger termination rights or restrictions on distributions. However, these lenders have acceded to the CTA and STID and so must exercise their rights in accordance with those documents and are not able to accelerate their debt in circumstances not permitted by the CTA or the STID.

In relation to paragraphs 4.16 and 4.17, for background information and context, a diagrammatic structure chart of the UK group companies is included in Appendix 1.

With regard to paragraph 4.17.i :

1. On 14 November 2023, West & Western Midco Finance plc issued a private placement of Class A loan notes to a debt investor. These loan notes have a nominal value of £50m maturing 14 November 2033, £50m maturing 14 November 2034 and £100m maturing 14 November 2035 and carry a weighted average fixed coupon of 6.79% payable semi-annually. The £200m proceeds of this private placement issuance was advanced to Wales & West Gas Networks (Holdings) Limited, the immediate parent company of West & Western Midco Finance plc on identical terms. The proceeds, net of costs, were onward invested into Wales & West Utilities Limited through equity issuance.

Summary of debt issued by Midco:

Amount (£m)	Issue Date	Maturity Date	Fixed interest rate
£50	14 November 2023	14 November 2033	6.73%
£50	14 November 2023	14 November 2034	6.78%
£100	14 November 2023	14 November 2035	6.83%

The above instruments have been swapped to floating interest rate through use of interest rate swaps.

Midco financial covenants:

	Restricted Payments	Default
Midco RAR %	> 75%	> 90%
Midco Adjusted ICR	N/A	< 1.0x

As required by paragraphs 4.17.ii-iii, Midco's total finance costs covered by distributions from WWU are :

	Amount (£m)	Percentage paid by distributions from the licensee
2025/2026 (actual)	£13.9	99%
2026/2027 (forecast)	£13.1	99%

As required by paragraph 4.17.iv, in the absence of distributions from the licenced entity, funds to service debt at the Midco level could be sourced by raising additional debt in the Midco entity and/or equity contributions to Midco. Debt Service Reserve facilities do not currently exist at Midco.

Corporate Ownership and Governance Framework (RIGs paragraphs 4.18 - 4.21)

Corporate ownership structure

A diagrammatic structure chart of the UK group companies is included in Appendix 1.

The section below on UK group structure and ultimate ownership is taken from page 100 of the annual financial statements of Wales & West Utilities Ltd as at 31 March 2026:

The immediate parent company is Wales & West Utilities Holdings Limited (WWUH), a private company limited by shares and registered in England and Wales with registered number 07092596. WWUH is the parent undertaking of the smallest group of undertakings to consolidate these financial statements. The Company's ultimate parent Company, and the largest undertaking to consolidate these financial statements, is Wales & West Gas Networks (Holdings) Limited, a private company limited by shares and registered in England and Wales with registered number 05095454.

Wales & West Gas Networks (Holdings) Limited, the Group, has no controlling party as it is immediately owned by consortium members. Copies of the annual consolidated financial statements of Wales & West Gas Network (Holdings) Limited and Wales & West Utilities Holdings Limited may be obtained from their registered office, The Company Secretary, Wales & West Gas Networks (Holdings) Limited, Wales & West House, Spooner Close, Celtic Springs, Coedkernew, Newport, NP10 8FZ.

The shares in the ultimate parent company, Wales & West Gas Networks (Holdings) Limited, are owned equally by West Gas Networks Limited and Western Gas Networks Limited. These two companies are ultimately owned by a consortium comprising Cheung Kong (Holdings) Limited (3%), CK Infrastructure Holdings Limited ("CKIH") (39%), Power Assets Holdings Limited (36%) and CK Asset Holdings Limited (22%).

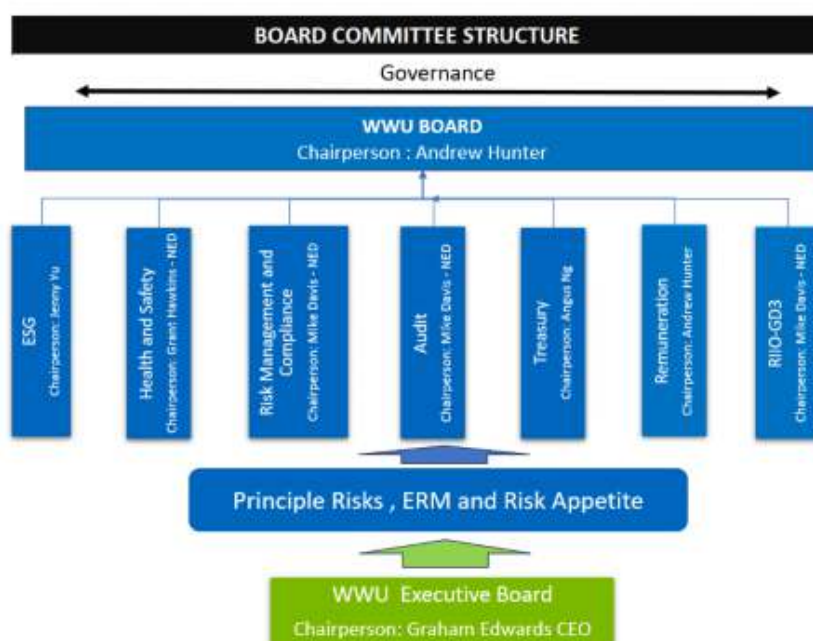
No decision-making responsibilities within WWU in respect of the matters listed in paragraph 4.20.iv of the RFPR RIGs are reserved for any parent or group company.

Overview of Regulatory Performance

Directors and Committees

More information on the role of the Directors and Corporate Governance Framework can be found on pages 32 to 36 of WWU's statutory accounts for the year ended 31 March 2026.

The Board committee governance structure, as found on page 34 of WWU's statutory accounts, is shown below:



All statutory corporate filings can be obtained from Companies House:

<https://find-and-update.company-information.service.gov.uk/company/05046791/filing-history>

Details of the Directors, roles and appointment dates are shown in the table below:

Name	Role	Classification	Committee					
			(A)	(R)	(H)	(T)	(E)	(RC)
Andrew Hunter (appointed 10 Oct 2012)	Chair	Non-Executive Director		X				
Graham Edwards (appointed 1 June 2005)	Chief Executive Officer	Executive Director			X		X	
Loi Shun (Dominic) Chan (appointed 10 Oct 2012)		Non-Executive Director		X				
Hing Lam Kam (appointed 10 Oct 2012)		Non-Executive Director		X				

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Duncan Macrae (appointed 10 Oct 2012)		Non-Executive Director	X	X	X	X	X	X
Charles Tsai (appointed 10 Oct 2012)		Non-Executive Director	X		X		X	X
Grant Hawkins (appointed 27 Mar 2014)	SID	Independent Non Executive Director	X	X	X	X	X	X
Mike Davis* (appointed 1 April 2023)	SID	Independent Non Executive Director	X	X	X	X	X	X
Neil Henson (appointed 10 June 2013)	Alternate to Graham Edwards	Executive Director						
Neil McGee (appointed 10 Oct 2012)	Alternate Director to Dominic Chan	Non-Executive Director						
Chui (Angus) Ng (appointed 18 April 2024)	Alternate Director to Hing Lam Kam	Non-Executive Director	X			X		X
Jenny Yu (appointed 18 April 2024)	Alternate Director to Charles Tsai	Non-Executive Director				X	X	
Kim Slaminka (appointed 18 July 2024)	Alternate Director to Duncan Macrae	Non-Executive Director						

(A) Member of the Audit Committee

(T) Member of the Treasury Committee

(R) Member of the Remuneration Committee

(E) Member of the ESG Committee

(H) Member of the Health & Safety Committee

(RC) Member of the Risk Management and Compliance Committee

* We are saddened to report that Mike Davis ceased to be a director on 1 September 2026 following his passing. We have separately notified this news to the Ofgem team. WWU's replacement SID will be notified to Ofgem in due course in accordance with the provisions of Standard Special Condition A42: Requirement for sufficiently independent directors.

Executive Remuneration Policies (RIGs paragraphs 4.22 - 4.27)

Executive Directors' remuneration (including members of the Executive Team) are based on overall company responsibilities and the policy is to ensure that they are rewarded competitively by providing remuneration consisting of a basic salary, benefits and annual performance related bonus, part of which is deferred, which require the achievement of demanding performance targets designed to deliver regulatory requirements. These targets are listed below and include safety, standards of service, customer satisfaction, environmental and financial and are weighted 50% based on personal targets and 50% based on corporate targets. Remuneration is at risk if deliverables are not achieved on an annual basis.

Overview of Regulatory Performance

Bonuses are reviewed and approved by the Remuneration Committee (RemCo) and paid in respect of a calendar year. The performance bonus is apportioned between an amount due as a lump sum payable after the year end (STIP), and the balance payable under a long term incentive plan (LTIP). The amount due under the long term incentive plan is payable three years after the year in which the award arose. The payment of the performance bonus is conditional on the director remaining in office on the payment date.

STIP bonus performance measures included the following (and maximum weightings): EBIT (20%), net cash from operating activities post capex and interest (20%), lost time injuries (2%), injuries to members of the public (2%), gas escapes (uncontrolled 1 hour: 2%), Ofgem customer satisfaction scores (2%) and environmental business carbon footprint (2%). The remaining 50% is based upon personal objectives as set at the discretion of the Board (for the CEO) and at the discretion of the CEO (for the Executive management team).

LTIP bonus performance measures (and maximum weightings) included Profit after Tax (CEO 25.0% / Executive team 12.5%), and Distributions Paid in the year (CEO 25.0% / Executive team 12.5%).

The CEO is responsible for ensuring leadership through effective oversight and review, setting the strategic direction of the business (as part of the Board). From an operational performance perspective, constantly striving to ensure the committed Price Control Deliverables within the current control period are met, whilst aiming to deliver sustainable shareholder value over the longer term.

Because executive remuneration policies are based on delivering the regulatory requirements for the year through setting safety, standards of service, customer satisfaction and financial targets, this ensures alignment with customer and stakeholder interests, the purpose, culture, and values of the organisation; and long-term delivery of the licensee's strategy.

The RFPR RIGs paragraph 4.26 refers to "reported CEO pay ratios", however as a private limited company, there is no company law requirement for WWU to report the CEO pay ratios, as also referred to in its published audited financial statements. They do not therefore form part of WWU's remuneration policies and accordingly no comment is made as to whether CEO pay ratios, reported for RFPR purposes only, are consistent with policies on remuneration.

The role of the RemCo is to consider and determine the terms and conditions of employment of senior management, including salary, bonus, and pension entitlements. The activities of the RemCo meetings are reported to the Board at least annually. The composition of the RemCo (R) is outlined in the Directors section above. The RemCo sets the performance targets at the start of the year and assesses performance against those targets on an annual basis both for personal and for corporate targets. The RemCo has the discretion to override the formulaic outcome of the annual performance targets in the event these are not seen as representative of the overall performance of the company.

Dividend Policy (RIGs paragraphs 4.28 - 4.31)

With regard to paragraph 4.29, the Company instituted a dividend policy following approval by the Board on 17 July 2024 which reflects the following principles:

1. The need for a reasonable and fair cash return to our equity investors, to maintain their ongoing support for this investment intensive business and investment grade capital structure
2. Regulatory compliance across all licence requirements, including requirements for safety, reliability and customer service
3. Compliance with lender terms and conditions and maintaining their support to provide debt capital at efficient cost to support financing of future investment
4. The need for ongoing investment grade status with our rating agencies, to support access to cost efficient debt finance
5. Recent, current and projected financial and other corporate performance to the end of the current regulatory control period
6. Adequacy of distributable reserves
7. Compliance with 2006 UK Companies Act, 1986 Insolvency Act and common law duty to act prudently

The above policy is stated in the Company's audited financial statements for the year ended 31 March 2026 on pages 6 and 7.

Overall, WWU's dividend policy aims to sustain support from its investors whilst maintaining financial resilience and access to cost efficient capital. Regulatory compliance, including requirements relating to customer service, are a core element. This policy is therefore in the consumer interest and helps to promote the success of the Company, in accordance with Section 172 of the 2006 Companies Act.

With regard to paragraph 4.30:

During the year total dividends of £47.2m (2024/25: £47.0m) were paid relating to the Regulated Business (of which £13.8m (2024/25: £13.6m) was paid to cover Midco finance interest). The Board approved the 2025/26 distributions during two Board meetings held on 10 April 2025 and 23 September 2025. The Chair of each meeting declared the meeting to be quorate, that due notice of the meeting had been given to all directors and that the meeting was duly constituted and convened. The members who attended each of the Board meetings are set out below :

1. *10 April 2025* - Andrew Hunter (Chair), Grant Hawkins (INED), Mike Davis (INED), Duncan Macrae, Loi Shun (Dominic) Chan, Charles Tsai, Graham Edwards, Hing Lam Kam together with the alternate directors also in attendance namely Neil McGee, Kim Slaminka, Chui (Angus) Ng, Jenny Yu and Neil Henson.

2. 23 September 2025 - Andrew Hunter (Chair), Grant Hawkins (INED), Mike Davis (INED), Duncan Macrae, Loi Shun (Dominic) Chan, Charles Tsai, Graham Edwards, Chui (Angus Ng) (alternate for Hing Lam Kam) together with alternate directors also in attendance namely Neil McGee, Kim Slaminka, Jenny Yu and Neil Henson.

The rationale for the level of the distribution was determined pursuant to the dividend policy outlined above, and included matters such as regulatory compliance relating to safety, reliability, customer service, financial resilience and totex performance. The dividend yield was compared to the allowed cost of equity and the levels paid in prior years. There was no formal internal or external benchmarking used to determine the level of distribution.

With regard to paragraph 4.31, the only distribution made in 2025/26 was in the form of a dividend, as noted above.

R10 – Pensions & other activities

Pensions

The Established deficit (EDE) allowance as per latest PCFM for 2025/26 was set at £12.0m (18/19 prices) following the conclusion of Ofgem's triennial review of pension scheme established deficits in November 2023. The next update to the EDE allowance, following submission of the latest PDAM, is currently expected to be in the 2027/28 price setting PCFM due to be published in January 2027.

A full actuarial valuation as at 31 March 2025 was completed by Lane Clark & Peacock, showing a deficit, on a technical provisions' basis, of £32.4m (31 March 2022: £49.4m). The calculations conducted to produce the results of that valuation were updated to the accounting date by an independent qualified actuary in accordance with FRS 102. As required by FRS 102, the value of the defined benefit liabilities were measured using the projected unit method.

The Company agreed and currently maintains a revised 9 year deficit recovery plan following the 31 March 2022 actuarial valuation, with contributions of £9.0m due for the year ended 31 March 2023 (2021/22 - £9.0m agreed per the 31 March 2019 valuation), £7.5m for the year ended 31 March 2024, £6.5m per annum until 31 March 2028 and £6.0m per annum until 31 March 2031. Following the 31 March 2025 valuation, no additional recovery plan payments were required, and the initial plan remains in place.

The split of these repair payments into those amounts funded via specific allowances (pre 2013 deficit ~ the established deficit) and those funded through Totex (post 2013 deficit ~ the incremental deficit) has been consistently applied based on those valuations on a 75.7% to 24.3% split.

Other activities

Guaranteed Standards of Performance payments (GSoP) are statutory payments at rates set by Ofgem. WWU paid £1.2m for the year ended 31 March 2026 excluding ex-gratia and

voluntary GSoP payments (2025: £0.3m). This has been included within the RFPR and the increase compared to the prior year was due to the impact of third party damage to the network.

Data Assurance Statement

The 2025/26 RFPR has been completed in line with the RIGs and on this basis a full Data Assurance Guidance (DAG) process has been conducted.

Management prepared methodology statements and completed risk assessments for each RFPR table. All tables were subject to the requisite first line assurance i.e., data preparer, second person review, business lead sign-off and executive sign-off, and these review stages included the following checks:

- Agreeing data to already published information where possible, including the RRP, and statutory financial statements, where such information has already been subject to varying levels of validation and data assurance;
- Agreeing data to the underlying workbooks;
- Reperforming calculations to ensure the correct results within the tables; and
- Ensuring the commentary is aligned with the tables.

A final review has been undertaken by the Chief Financial Officer.

UK Group Companies

All companies shown below are registered in the UK

