Data Communications Company

Annual Report

2026

Smart DCC Limited
Annual Report including the Regulatory Financial Statements
Year ended 31 March 2026
Registration number 08641679

Smart DCC is making Britain more connected so we can all lead smarter, greener lives. Here at the DCC, together with our customers we connect homes and businesses to a single, secure, smart metering network.

Connected Meters	21.9m Electric and 15.3m Gas	**37.2m** +9.2%
Connected Premises	22m homes and 0.9m Small Businesses	**22.9m** +8.5%
Customer Effort Score		**6.2** +1.6%
Service Availability		**99.95%** -0.02%

Contents

DCC Public

Chairman's foreword

Welcome to Smart DCC's (DCC) Annual Report and Accounts for the year ended 31 March 2026.

When I was first appointed to the DCC Board in October 2013, the energy landscape looked very different. Low carbon generation provided less than 13% of UK energy, fuel accounted for approximately 5% of total household expenditure, and the Energy Act 2013 was beginning to establish the framework for decarbonisation targets and long-term, fixed-price low carbon contracts.

Today, energy dominates headlines and policymaking. This past year has seen renewables generate approximately 50% of UK energy, alongside multi-billion-pound investment in offshore wind and transmission infrastructure. Pressure on consumer bills persists, with energy debt reaching a record £4.5 billion at the end of 2025.

Over that period, DCC has moved from concept to essential digital infrastructure—scaling from early rollout to a system that now underpins Britain's modern energy market. It has been a privilege to play a part in that journey.

Over recent years, I have consistently called for greater focus on the digital infrastructure required for Clean Power. Over the past year, the pace and focus in this area have been unprecedented. In September 2025, NESO published its Sector Digitalisation Plan, outlining the actions required to ensure digitalisation supports delivery of the Clean Power mission.

Within this plan, smart meters were recognised as critical enablers of a flexible, efficient and data-driven system. In collaboration with customers, Government and the wider industry, DCC has developed the smart metering network into a unique national asset at the heart of Britain's transition to a more secure, affordable and low-carbon energy system. As the Plan highlights, its importance will only increase as the system evolves towards and beyond 2030.

Against this backdrop, I am pleased to report another year of strong operational performance. At the end of March, there were 37.2m meters installed across 22.9m homes and small businesses, with service availability sustained at 99.95%. Operating at this scale brings both responsibility and complexity, and I am proud of the organisation's ability to maintain such high levels of reliability across our services.

Our systems continue to process billions of messages each month, enabling accurate billing, faster switching, and increasingly sophisticated consumer services. Our switching service, operational since 2022, has maintained outstanding performance, achieving a 100% success rate throughout 2025/26.

Under the leadership of Chris Lovatt, our CEO appointed in March 2025, we have continued our transition to a more customer-centric organisation—listening closely to customer needs and ensuring their priorities are acted upon.

In May 2025, we began the nationwide implementation of 4G communications hubs. Delivery was accelerated to meet both immediate customer needs and long-term system requirements. 4G technology enhances coverage and connectivity, reduces reliance on legacy infrastructure, and ensures the network remains fit for purpose well into the next decade. Within less than a year, we have surpassed one million installations and, most importantly, received overwhelmingly positive customer feedback.

Building on this progress, we introduced Virtual Wide Area Network (VWAN) capability in early 2026, providing customers with greater flexibility and optionality in how devices connect—and remain connected—across the network.

As noted earlier, energy affordability remains one of the sector's most pressing challenges. For too many consumers, energy costs are still too high, and there is little sign of this pressure easing. We are acutely aware of our responsibility to help reduce system costs and ensure consumers see clear value from the infrastructure they fund.

Accordingly, the Board set an ambitious efficiency target for the organisation. I am pleased to confirm that we exceeded this target, delivering £36.2 million of enduring efficiencies. These savings have been achieved through stronger governance, more disciplined cost management, and a continued shift towards building internal capability.

This commitment to value for money is not a one-off effort, but a fundamental part of our culture. As we transition to a new regulatory framework, the ability to demonstrate sustained cost discipline will be increasingly important. We remain focused on ensuring that every pound spent delivers tangible value for our customers, their consumers, and the wider energy system.

This year also marked a significant milestone in the evolution of governance for Britain's smart metering programme. Ofgem announced that DCC2 Ltd, a subsidiary of the Smart Energy Code Company (SECCo), has been formally awarded the next Smart Metering Communication Licence. This new framework introduces a not-for-profit model with independent governance, focused on maximising value for consumers across Great Britain.

I am confident this represents a positive outcome for consumers and a natural evolution of the foundations established over the past decade. I am encouraged by the collaboration and determination across all parties to ensure continuity of service, operational stability, and a seamless transition to the new arrangements.

As we begin the process of handover to a new Board, we are clear on the opportunities ahead. We will continue to modernise the platform—simplifying architecture, reducing costs, and increasing flexibility for customers. We see significant opportunity to embed advanced data capabilities, including artificial intelligence, to enable smarter, swifter system optimisation, richer insights, and cost effectiveness. There is significant potential to expand the impact of our services by enabling new use cases, enhancing data access and exchange, and supporting innovation across the energy ecosystem.

If the first decade of smart metering was about building and scaling the network, then the next must be focused on unlocking its full impact for consumers and the country. This will only be achieved if the unique capabilities of smart metering services, and DCC, are understood and complemented by genuine collaboration from all participants across what remains a complex energy system.

This progress is only possible because of the expertise and commitment of our people and partners. I would like to thank the Board, the Executive Committee, and all our colleagues for their continued commitment and professionalism. Their focus on delivery, collaboration and continuous improvement underpins our success.

As I reflect on my time on the Board, and the changes across the energy landscape I am proud of the role DCC has played in transforming Britain's energy system. Today, strong operational performance and ongoing programme of infrastructure upgrades give me great confidence in the future. The digital energy services we provide will continue to play a vital role in the transition to Clean Power—supporting consumers, enabling innovation, and providing the trusted digital foundation for a cleaner, smarter and fairer energy system.

Richard McCarthy CBE
Chairman Smart DCC

Our business model and strategy

DCC, together with its customers, connects homes and businesses to a single, secure, smart metering network.

Smart metering is now essential national infrastructure. In 2025/26, our strategy has been focused on delivering strong operational performance today while preparing the organisation, systems and culture for DCC2 and our transition to a not-for-profit model.

Purpose

At DCC, we are driven by our purpose.

Our Purpose:

We believe in making Britain more connected, so we can all lead smarter, greener lives.

Values

How we achieve these is guided by our three core values. They help us to work consistently and collaboratively, both internally and with our diverse set of external stakeholders.

Our three core values are:

Strategic context

As a regulated monopoly, we operate critical national infrastructure on behalf of government and the energy market. We are accountable to Ofgem and DESNZ, while meeting the needs of our customers.

We operate at the heart of the UK's energy transition. Our network supports tens of millions of smart meters and underpins progress towards Clean Power 2030 by enabling flexibility, real time balancing, renewable integration and consumer protection.

To focus delivery in 2025/26, our strategy is anchored around three strategic priorities:

- Customer centred delivery – listening to and acting on customer needs, recognising the impact our performance has on consumers and the wider energy system;
- Value for money – improving efficiency and productivity across our cost base to support affordability and public value; and
- Seamless transition – preparing the organisation, customers and market for a smooth transition to DCC2.

These priorities guide decision making across the business and shape how we deliver our strategic outcomes.

Our strategic outcomes

Our strategic outcomes guide our mission and track progress as we help shape the UK's energy future. They reflect our Horizon 1 focus on strengthening core services, delivery discipline and organisational readiness.

Secure and stable	Delivering reliable network performance, nationwide, while maintaining a security posture and resilience expected of an asset deemed 'Critical National Infrastructure'
A responsible and efficient business	Operating efficiently and responsibly in a manner that recognises our obligations to our people, our customers and ultimately consumers
Flexible and fast	Delivering an accessible and flexible platform, enhancing our capabilities to provide a swift and seamless experience for current and future customers
Right first time	Delivering our services to the time, cost and quality expectations of our customers and wider stakeholders

Together, these outcomes provide a clear framework for delivery, ensuring that operational decisions, investment choices and risk management remain aligned to our Horizon 1 priorities and the needs of consumers and the wider energy system.

What we operate

We operate and maintain the national smart metering network on a 24/7 basis, securely transferring energy data between homes, businesses and authorised parties.

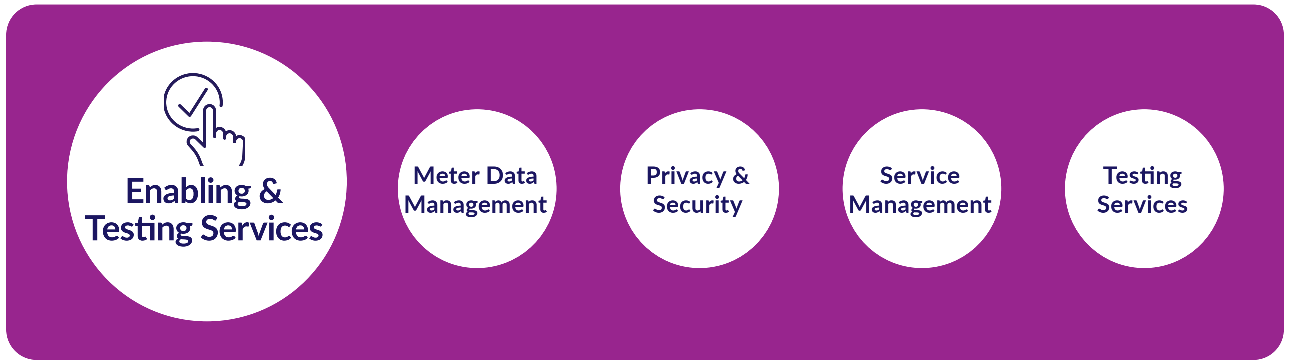
Our customers include energy suppliers, distribution network operators, managed service providers and other authorised market participants.

Our services are grouped into two integrated families:

Smart Energy

- Secure operation of SMETS1 and SMETS2 meters
- Central Switching Service, enabling consumers to change supplier without disrupting smart services
- Supporting billing, settlement, flexibility and innovation

These services underpin the energy retail market and increasingly enable system efficiency, decarbonisation and consumer choice.



Enabling and testing services

- Meter data management and message routing
- Privacy, security and identity management
- Service management, monitoring and incident response
- Testing and assurance for change, compliance and interoperability

Together, these capabilities protect live operations while enabling safe, controlled evolution of the platform.

How we deliver

Operating the smart metering network requires an end to end set of activities, from stakeholder engagement and solution design to procurement, assurance and live operation.

We manage service change through an integrated lifecycle management approach:

- a single Front Door for all change;
- early assessment of risk, cost and customer impact;
- proportionate governance and quality gates to protect live services; and
- ongoing engagement with customers, regulators and code bodies

In 2025/26, we simplified governance, increased reuse of standard solutions and improved transparency on cost, risk and delivery trade-offs.

Technology, commercial and security foundations

Technology

- Operate a secure, scalable smart metering network at national scale
- Simplify architecture to reduce cost, improve resilience and speed up change
- Prepare the platform for future policy, data access and interoperability needs

Commercial

- Use procurement and contract management to deliver value for money for consumers
- Strengthen supplier performance, resilience and accountability
- Embed responsible business and ESG principles across the supply chain

Security

- Maintain CNI level security across network and corporate services
- Address emerging risks, including AI, cloud concentration and post quantum threats
- Invest in people, tooling and monitoring to protect the system and maintain trust

Looking ahead (2026/27)

In 2026/27, our focus moves from readiness to delivery at scale. Building on the foundations put in place, we will:

- sustain secure, stable national operations while absorbing change;
- deliver faster, more predictable service integration for customers; and
- operate fully within the DCC2 and not for profit operating model.

We will enter next phase positioned to transition services with confidence — protecting consumers, maintaining trust across the market and continuing to deliver value for money for Great Britain's energy system.

Our strategy in action

Smart meter roll-out

Our primary responsibility remains the continued delivery of a stable, reliable, and secure smart metering platform with a coverage level and capacity that enables our customers to meet and exceed their roll-out targets. We have continued to scale and evolve our operations to ensure we provide the best service and have focused this year on improving core elements of our live service.

- **Customer Team** – are at the forefront of all service-related customer engagements and are accountable for driving customer experience / service improvement, customer advocacy, and strategic customer engagement.
- **Products and Networks** – work closely with energy suppliers and our service providers to ensure continuity of the communication hubs (CH) supply chain, ensure that DCC has an optimal level network capacity to meet the growing demand from users, provides a Testing Service for our customers to use with their own infrastructure including physical Test Labs, and provides assurance of the CH firmware, hardware and Wide Areas Network (4G) supporting the introduction of new products and changes in-life.
- **Service Operations** –accountable for ensuring the SMETS and Switching service is available and reliable by monitoring the network 24/7; managing change, incident and problem using Information Technology Infrastructure Library (ITIL) frameworks; transitioning new services into Business As Usual (BAU); engaging directly with our suppliers in managing and optimising customer journeys; and generating performance reporting and insight through our Data Science and Analytics capability.
- **Business Operations** – supporting pan-operational business management, financial, and risk related governance and controls.
- **The Lifecycle Management function** – leads the development of DCC's service strategy and oversees the full service lifecycle from concept through to retirement. This includes development of business cases, gathering requirements and planning for end-of-life decisions and transition activities across all Service Families.
- **Change and Delivery Office (CDO)** – is accountable for: the delivery of DCC's portfolio of major change programmes, our Enterprise Programme Management Office (EPMO), Test Assurance Teams, and In Life Change (ILC) which supports all smaller in-life projects and programmes. Operating within a robust governance framework, CDO ensures that all changes are implemented in line with regulatory, operational, and quality standards, supporting successful transition into in-life operation.
- **Contract and Supplier Management (C&SM)** – accountable for the end-to-end commercial stewardship of contracts and supplier performance, setting commercial strategy, forecasting and controlling budgets, leading change, and rigorously challenging costs to protect value, manage risk, and secure optimal outcomes through robust contract, commercial, and supplier relationship management.

SMETS1

Approximately 11 million SMETS1 meters are connected to the network, ensuring that consumers can continue to benefit from interoperable smart metering services, such as accurate billing and real-time energy usage insights. We continue to migrate these first-generation smart meters onto our secure network, enabling seamless interoperability and maintaining smart functionality for both domestic and small business consumers.

Looking ahead, we are committed to delivering a carefully managed end-of-life process for SMETS1 meters. This will involve a clear and collaborative approach to transition planning, giving customers and industry stakeholders the time and support needed to prepare effectively. Our long-term goal is to ensure a smooth migration to SMETS2 meters, minimising disruption for consumers and maintaining the reliability of smart metering across Great Britain.

SMETS1 enrolment and adoption

The SMETS1 Enrolment and Adoption Programme successfully concluded in December 2025, enabling the migration of over 11 million first-generation SMETS1 smart meters onto the DCC network.

This programme was both complex and technically challenging, involving a wide range of hardware and software configurations operating within a live environment.

All cohort migration capabilities were deployed between August 2019 and February 2021. The programme subsequently achieved key operational milestones, including the closure of Initial Operating Capability (IOC) in 2023, Final Operating Capability (FOC) in 2024, and Middle Operating Capability (MOC) in 2025.

2025/26 Highlights

- Established a strong partnership with Utilita throughout 2025, successfully migrating 933k meters by the final migration week in September 2025.
- Successfully delivered Requesting Party (RP) closure with Secure, with the MOC cohort formally concluding in December 2025.

SMETS2

The SMETS2 service underpins Great Britain's national, secure, and interoperable smart metering network, facilitating seamless communication between smart meters and DCC's infrastructure. This service enables energy suppliers and network operators to access meters securely and remotely, supporting essential functions such as accurate billing, real-time energy monitoring, and firmware updates, while maintaining interoperability across all energy suppliers.

At the core of SMETS2 are the Wide Area Network (WAN), communications hubs, and Device Manager (DM) service, all of which make smart metering reliable, secure, and scalable.

Over 26.2 million SMETS2 meters are currently in operation, playing a crucial role in Great Britain's energy infrastructure. The SMETS2 service will lead the transformation of 2G and Long Range Radio Wide Area Network technologies to 4G, with the roll-out of dual-band 4G communications hubs enhancing network coverage and performance. Over 1 million premises now benefit from the latest 4G technology. This will also drive the evolution towards next-generation connectivity solutions, ensuring the long-term stability and resilience of Great Britain's smart metering network.

Looking further ahead, SMETS2 will continue to shape the future of smart metering by enabling advanced connectivity solutions that drive innovation and support the evolving needs of the energy sector.

Faster and More Reliable Switching

The delivery of faster, more reliable switching was a significant milestone in the transformation of the retail energy market. It delivered a foundation for increased competition and innovation, leading to improved consumer value, experience, and engagement with the market.

As Ofgem's key delivery partner, we designed and built the Central Switching Service (CSS), which has been in operation since July 2022. DCC managed the consolidation of 28 new and existing systems and the integration of around 200 licensed parties into the CSS. Since then, we have facilitated over 50 million switches, allowing consumers to access lower bills and improved service quality. With a 100% availability rate in 2025, the CSS continues to ensure reliable, efficient switching services across the market.

Following Ofgem's decision to keep the switching service within DCC, we are now focused on delivering enhancements that maintain the high standards of performance demonstrated since the go-live phase.

Centralised Registration Services (CRS) Improvements

The following section outlines the CRS Improvements Programme, which drives ongoing enhancements to the Switching service.

DCC and Retail Energy Code Company (RECCo) are working together to scope, build, and deliver a CRS improvement plan that aligns with customer needs and tangibly enhances the service. The plan is centred on five key areas: incident management, change management, engagement and communications, reporting, and data quality.

The improvement plan will enhance the service to continue meeting evolving customer needs and support more effective use of the switching platform. It will build on what already works well, while refining elements of the service that have not kept pace with how customers now wish to use it. Ultimately, it will ensure DCC continues to deliver an effective and efficient service which provides value for money for its customers.

The improvement plan is currently in development. We are engaging with customers around its content and intent to ensure it effectively meets their expectations. DCC and Retail Energy Code Company shared the plan with Ofgem in mid-April, aiming to deliver improvements throughout 2025/26.

Network Growth

- Our network has grown from 3.1 million meters in 2019 to over 37.2 million meters on our network today.
- As a result of this growth, the volume of messages over our network has increased significantly – from 115 million messages per month in 2019 to more than 4.25 billion messages per month for FY25/26. This marks an increase of 59% from messages observed at the end of FY24/25.
- The demand has also continued to increase, largely due to new activity by Distribution Network Operators (DNOs), increasingly using smart meter voltage data to drive energy network efficiency and for proactive fault detection. Their share of demand increased from 12% at the end of FY24/25 to 16% at the end of FY25/26 and is forecast to grow to 24% by end of FY26/27.
- We've continued to support quarterly price changes, with the April 2026 representing 32.8M devices successfully changing tariff, with a success rate of 97%
- Whilst managing extra demand, we had 6739 changes introduced to maintain service reliability across SMETS1 and SMETS2 in 2025/26 which were completed with a success rate of 99.02%.
- We continue to achieve high success rates for firmware downloads with over 98% of the 4G estate on the latest version of firmware with the remaining 2% expected to be updated as part of our BAU process. We continue to see comparable achievement of firmware downloads across the three Communication Service Provider (CSP) regions.

Other key activities and initiatives

DCC produces an Annual Business & Development plan[1] which sets out our service families and their key activities and initiatives. These reflect the services we deliver for customers and consumers across the energy market. Within this document we also outline the programmes and internal initiatives underway to strengthen our capability – helping us operate more efficiently, respond to change, and continuously improve. Together, these activities support our strategic outcomes and ensure we can meet the evolving needs of our stakeholders.

1 Our Business & Development Plan | Moving forward, together | Smart DCC

Measuring performance

As a monopoly provider, it is essential that DCC faces appropriate incentives to deliver high-quality services and value for money in support of the smart metering programme. This ensures consumers can fully benefit from the smart meter roll-out. DCC's performance and financial incentives are assessed by Ofgem through our annual price control submission and OPR.

This ensures consumers can fully benefit from the smart meter rollout. DCC's performance and financial incentives are assessed by Ofgem through our annual price control submission and the OPR.

The Operating Performance Regimes incentivises DCC performance across three key areas:

1

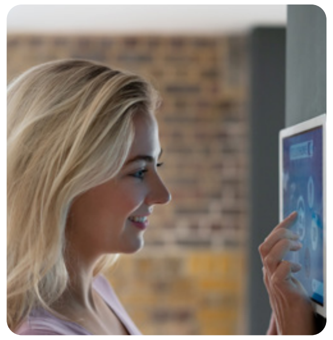
System performance

It evaluates the relaibility of DCC systems, which is critical for both the smart meter roll-out and ongoing operations

2

Customer engagement

It assess how well DCC understands and incorporates customer needs into its decision-making



3

Contract management

It reviews how effectively DCC manages its contracts with smart metering service providers, from procurement through to closure

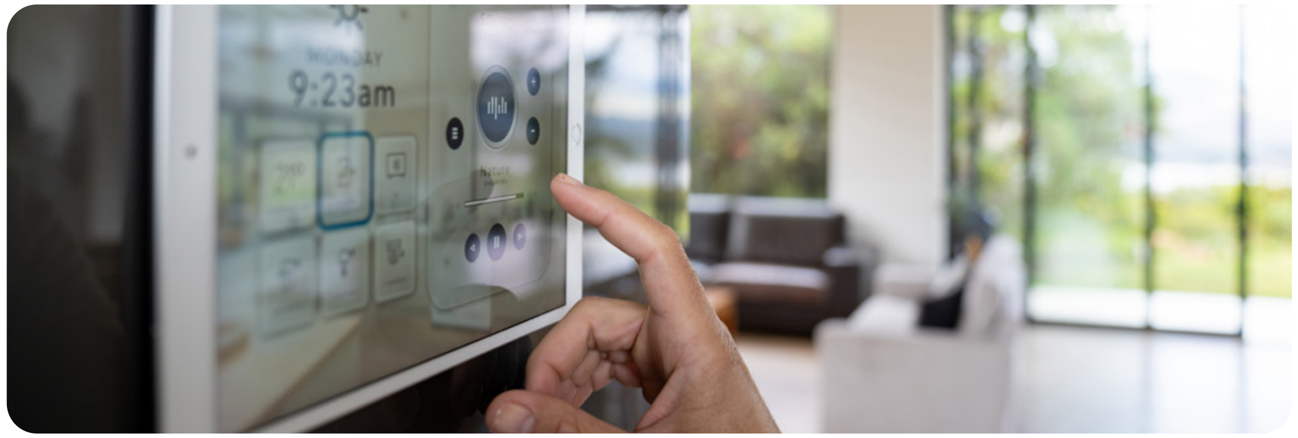
The following reflects our reported performance in the financial year for service provision OPR performance indicators:

	Operational Performance Regime		
Assessment Metric	Service Availability	Install & Commission	Prepayment
Target	99.50%	99.00%	99.00%
Financial Year 25/26	99.95%	99.74%	99.83%
Financial Year 24/25	99.97%	99.67%	99.83%

All OPR targets were met for FY25/26, demonstrating strong and consistent performance. We have sustained a proactive and collaborative approach to industry engagement throughout the year and will continue to build on these partnerships to drive further performance improvements, innovation, and long-term value delivery.

The following unique Key Performance Indicators (KPIs) are measured and tracked alongside Operational Performance Regimes – all measures out turned above target performance:

	Key Performance Indicators		
Assessment Metric	Customer Effort	I&C within 60 minutes	Non-Communicating Meters
Target	6.1	93.00%	2.20%
Financial Year 25/26	6.2	94.09%	2.00%
Financial Year 24/25	6.1	92.03%	2.54%



Maximising value of a unique national asset

We also continue to support opportunities to help our stakeholders and industry players understand the potential of the system to viably contribute to key policy priorities, while remaining cognisant of the absolute priority of focusing on our mandated obligations.

This includes enabling DCC to explore improvements to services and deliver greater value to consumers, industry, and government. We outline a summary of the key policy areas we are supporting below.

Vulnerable customers, in particular those experiencing fuel poverty	Ofgem's permitted purpose is set to expire in August 2025; nonetheless, in alignment with customers, DCC is working on extending and expanding this permitted purpose to unlock greater impact through collaborative data exchange. DCC is continuing to engage with energy suppliers to increase participation, while also collaborating with organisations who are interested in receiving the data. DCC is developing a plan to ensure the organisations receiving the data can use it to support specific projects; we are also considering how we can measure the impacts of the projects. As demand increases and benefits from this initiative materialise, DCC will continue working with Ofgem to ensure that the permitted purpose is extended and expanded.	Timescales: • Ofgem permitted purpose set to expire August 2025 • DCC workstream underway to extend the permitted purpose so data sharing can continue; DCC is also considering how the permitted purpose can be expanded to reach more targeted organisations (that have shown interest in receiving the data) • Verify (formally VIVID) combines data on networks, properties, consumer demographics, and smart meters to help electricity networks tailor investments to local needs. It will use anonymised smart meter system data to support fuel poverty modelling, vulnerability identification, and network planning. Verify is a BETA phase project which builds on project 'Vivid' - an 'alpha' phase project that finished in early 2024. Led by SSEN, the Verify consortium was notified that its bid was successful in May 2025, with a formal start date in October 2025.
Flexibility	We will continue to support DESNZ with proposals on the potential use of 'Common Systems' in the realm of cybersecurity to ensure secure uptake of DSR services and enable wider system benefits. Furthermore, following conclusion of the government-funded Interoperable Demand Side Response programme and the AAR/Central Asset Register programme, we will continue to share learnings and support industry, as requested, to unlock the value of these initiatives in aligned flexibility workstreams. Finally, we will continue to engage government on how DCC and the smart metering network could support key data and digitalisation programmes which will reinforce consumer centricity in the upcoming Low Carbon Flexibility Roadmap.	Timescales: • Working groups expected throughout 2025 to discuss the need for Common Systems; if agreed, implementation is expected in 2027/28, at the earliest • Government's Low Carbon Flexibility Roadmap to be published in summer 2025, alongside a consultation on consumer engagement with the energy system, including opportunities to amplify messaging on consumer-led flexibility

Energy efficiency	We continue to explore opportunities to maximise the impact of smart meter data and capabilities to enhance and accelerate the delivery of domestic energy efficiency retrofit programmes across Great Britain in alignment with the government's Warm Homes Plan. We also continue to establish data-driven opportunities at every stage of the retrofit lifecycle – enabling better targeted planning, more accurate specification, and streamlined monitoring and reporting. This includes advocating for smart meter technologies to be included in the energy performance assessment framework for buildings, among other key policy-driven applications, to support the reform of energy efficiency methodologies. The system's ability to retrieve temperature and humidity data securely at scale represents a major opportunity to improve the targeting, delivery, and monitoring of fuel efficiency programmes, building on the DESNZ-funded SMIoT programme. Combined, these activities hold significant potential to deliver improvements for industry and help government realise key policy objectives, including the Warm Homes Plan and reform of the Energy Performance Certificate (EPC) framework.	Timescales: • Initial EPC framework consultation response late May/ early June 2025 • DCC workstream underway to publish a position paper on how smart metering capabilities can be used to improve retrofit across the whole delivery cycle (Q1 2026) • The 2nd phase of SMIOT project to identify priority uses cases and demonstrate how temperature and humidity sensor data can be retrieved at scale through the smart meter network (Q4 2025 / Q1 2026) • National Energy Environment Data Specification project that will provide tool to support the use of smart meter data in Local Area Energy Plans (Q4 2025)
Data policy and services	Secure, controlled data access and exchange is critical for delivering better consumer outcomes, achieving net zero, and enabling broader economic growth. Multiple digitalisation initiatives seek to realise these objectives – DCC will continue to support this trajectory. Key activities include: supporting Ofgem's Consumer Consent Solution, with DCC contributing to two working groups focused on technical design, security, and implementation; contributing to the formation of smart data schemes within the sector and beyond; and continuing to champion the broadening of Data Sharing Infrastructure. Regarding activities that are specific to smart metering, we are continuing to prepare for the expansion of the EDBPG and exploring opportunities to increase access to smart meter system data. This will support a broad range of use cases, including accelerated smart meter roll-out and deployment of LCT.	Timescales: • Consumer consent Minimum Viable Product (MVP)2025–2027 • Government decision on Smart Data Schemes expected late 2025 • The consultation on the expansion of the EDBPG has now been published.

Culture and Capability

Our people

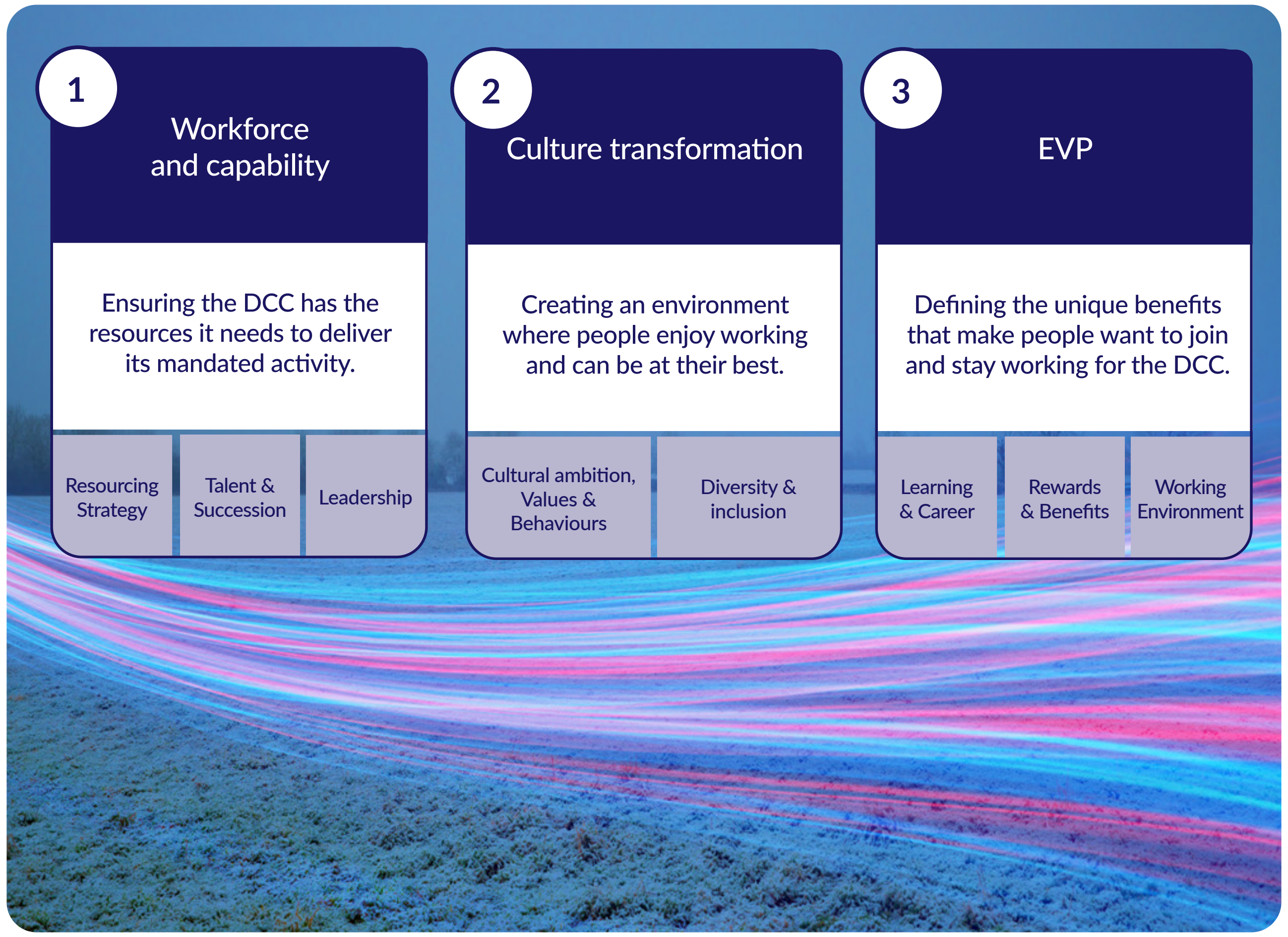
Our People Strategy continues to support DCC through a period of significant change while ensuring we maintain the capability, culture and stability needed to deliver for customers and stakeholders.

During the year, our focus has been on balancing the demands of transition with the ongoing needs of the business. Alongside supporting delivery of the successor licence programme, we have continued to strengthen our workforce capability, leadership effectiveness and colleague experience, while laying the foundations for the future skills and capabilities the organisation will require. As DCC prepares for the transition to the successor licence, we have remained focused not only on maintaining organisational stability and delivery today, but also on building the capability and culture required to support the organisation's longer-term future.

Our strategy remains structured around 3 core pillars:

- Workforce and Capability
- Culture Transformation
- Employee Value Proposition

Together, these pillars support our ambition to build a skilled, engaged and adaptable workforce capable of delivering both today's priorities and the opportunities of the future.



1. Workforce and Capability

As DCC continues to evolve, ensuring we have the right skills, capability and workforce structure remains a key priority. During the year, we have continued to strengthen our understanding of the skills and capabilities that exist across the organisation, creating a more consistent foundation for talent, development and career planning.

A significant milestone has been the continued development of our Skills Framework and Skills Database, providing greater visibility of the capabilities we have today and supporting a more consistent approach to skills management across DCC. This work is helping colleagues better understand career opportunities, supporting internal mobility and creating a stronger foundation for future capability planning.

We have continued to invest in learning and development, including the appointment of a strategic learning partner to help modernise our approach and ensure investment is focused on areas that deliver the greatest value. Alongside this, we have maintained our commitment to early careers, recognising the importance of building a sustainable talent pipeline for the future.

Internal mobility has remained an important focus area. During the year, more than 146 colleagues moved into new roles across the organisation, including a number of individuals who secured alternative opportunities through organisational change programmes. These moves demonstrate the value of investing in internal talent, retaining organisational knowledge and creating opportunities for colleagues to develop new skills and build long-term careers within DCC.

As we look ahead, we will continue to strengthen the foundations that support capability development, career growth and organisational resilience, ensuring DCC remains well positioned to meet future organisational needs.

2. Culture Transformation

As DCC has matured, our cultural focus has continued to evolve. While our values remain central to how we work, this year has seen a greater emphasis on accountability, customer focus and value for money, reflecting both our strategic priorities and the expectations of our stakeholders.

Colleague engagement remains a priority. During the year, we continued to listen to colleagues through engagement surveys, colleague representative forums and ongoing dialogue across the business. DCC maintained a colleague engagement score of 68% and an Employee Net Promoter Score (eNPS) of +14, reflecting continued colleague commitment and advocacy during a period of significant organisational change. This feedback continues to shape our priorities and helps ensure that interventions remain aligned to colleague needs and organisational objectives.

During the year, we also completed a refresh of our behavioural framework, creating greater clarity around the behaviours, leadership expectations and ways of working that will support DCC's future success. This work will help embed a common language across recruitment, performance, development and leadership, supporting greater consistency and accountability across the colleague experience.

As we prepare for the next phase of DCC's evolution, our focus remains on creating a culture that enables high performance, adaptability and continuous improvement. The capabilities that have made DCC successful to date will remain important, but the future will require us to think differently about how work is delivered, how talent is developed and how technology, data and automation can support better outcomes for customers, consumers and stakeholders.

3. Employee Value Proposition (EVP)

During the year, we continued to embed our Employee Value Proposition, Today. Tomorrow. Together., across the colleague lifecycle. The EVP provides a clear articulation of what colleagues can expect from DCC and what DCC expects in return, helping create a more consistent and connected employee experience.

The EVP is increasingly informing our recruitment, onboarding, communications, talent and development activity, ensuring greater alignment between our culture, people practices and employer brand. As our Skills Framework and internal mobility approach continue to mature, the EVP is also helping to support career development and provide greater visibility of opportunities across the organisation. It has provided an important platform for supporting colleagues through a period of continued change, reinforcing trust, transparency and connection.

Alongside this, we have continued to evolve the colleague experience through improvements to key people processes, learning opportunities and career development initiatives. Our focus has been on ensuring colleagues can see opportunities to grow and develop within DCC while maintaining the support and flexibility needed to perform at their best.

As we look ahead, we will continue to evolve our people proposition to support a changing workforce, recognising the importance of career development, flexibility, wellbeing and meaningful work in attracting, retaining and developing talent.

Gender pay

Hourly pay	2026	2025
Mean pay differential (average)	6.8%	11.9%
Median pay differential (mid-point)	4.0%	7.5%

Bonus pay	2026	2025
Mean pay differential (average)	11.5%	16.5%
Median pay differential (mid-point)	9.5%	17.2%

Proportion of employees receiving a bonus	2026	2025
Men	78.3%	72.1%
Women	80.2%	69.2%

DCC has demonstrated an improvement to its gender pay equity throughout the organisation in 2026, but particularly with female employees in senior roles. This year has also seen further improvements with colleagues aligning to their salary ranges, ensuring that pay equity is maintained across all levels of the organisation. Notably, the reduction of our median pay gap from 7.5% to 4% moves us well ahead of the 12.8% UK average. Alongside this, we've seen similar movements with our median bonus pay gap reducing from 17.2% to 9.5%, and more female employees receiving a bonus in 2026. This further emphasises our commitment to ensure female employees are placed into more senior positions, and consequently higher discretionary bonus plans.

Ethnicity pay

Hourly pay	2026	2025
Mean pay differential (average)	13.4%	N/A
Median pay differential (mid-point)	16.5%	N/A

Bonus pay	2026	2025
Mean pay differential (average)	19.8%	N/A
Median pay differential (mid-point)	12.7%	N/A
Proportion Receiving a Bonus	75.1%	N/A

From 2026 onwards, companies in the UK are legally required to report ethnicity pay gap data and it will become a central focus for us in the next financial year. As we have no reference data from previous years, we will gain more meaningful insights in 2027, but the data available shows there is scope for improvement. The median pay gap of 16.5% does show we have a discrepancy that we need to identify and address, but this figure is still below the UK average of 29.7% for black employees and 21.1% for Asian employees. Our current data shows that this gap is primarily due to the number of ethnic minorities in senior roles. Congruently, we do see a median bonus pay gap of 12.7%, with only 75.1% of ethnic minorities receiving a bonus, which we would expect when we consider the median pay gap previously outlined.

The proportion of employees of receiving a bonus excludes employees who were ineligible based on tenure with DCC and other factors.

Responsible Business Framework

The Responsible Business Framework focuses on delivering positive impact through responsible, inclusive, and sustainable practices. As well as individuals from across the organisation contributing to delivering our responsible business agenda, DCC has a Responsible Business team which sits in the Corporate Management function.

Responsible

Holding ourselves and our partners to the highest levels of integrity, governance and performance is a core part of DCC's Responsible Business strategy. Throughout FY26, DCC has focussed on strengthening its procurement and supplier management processes to engage suppliers on Environmental, Social and Governance (ESG) topics and keeping them accountable to delivering services to the highest standards of responsible business. To achieve this DCC has:

- Maintained weighted ESG questions as a standard requirement in procurements over £1m in value;
- Continued to embed ESG terms into contracts over £1m in value;
- Integrated ESG criteria into our Enterprise Third Party Risk Management tool;
- Finalised a draft Supplier Code of Conduct outlining responsible business expectations (to be implemented in FY27)
- Hosted a Sustainability Supplier Forum as an opportunity to share best practices, collectively raise ambition and identify collaboration areas; and
- Celebrated collaborative efforts at our Annual Supplier Conference in October, with a dedicated Responsible Business Award.

Innovation

DCC is committed to leveraging our technology and data for public good. To catalyse our impact in this area, DCC is enabling smart meter system innovation through grant-funded activity. DCC is involved in a range of projects including:

- Vulnerability Identification Via Informative Data (VIVID) - aiming to test and unlock replicable approaches to identifying consumers in various vulnerable situations;
- Vulnerability Evaluation for Resilience Investment and Flexibility (VERIFY) – which builds on VIVID's success, expanding the scope and ambition. VERIFY integrates data from networks, properties, consumer demographics, and smart meters to create a scalable, refined dataset;
- Smart Meter Enabled Environmental Sensing (SMEES) - DCC has been working closely with sector stakeholders to explore the potential of retrieving temperature and humidity data through the smart meter network for a range of use cases, such as improving building performance, tackling damp and mould, and supporting more data-driven retrofit and asset management;
- Improved smart meter data access – in line with Ofgem's mandate for DCC to operate under energy data best practice and DESNZ's ongoing development of a Smart Meter Energy Data Repository, DCC is developing a data platform to enable secure, controlled access to smart meter data at multiple levels of granularity, supporting a broader range of new users and innovative use cases.

These innovations could play an important role in supporting Britain to reach its Net Zero targets, and tackle some of the other societal challenges the country faces, such as fuel poverty.

Inclusive

Community Engagement

DCC continues to play an active role in supporting local communities, working closely with organisations that share our purpose and values. Our employees have shown outstanding commitment by volunteering their time and applying their professional skills to initiatives focused on fuel poverty, environmental sustainability, and STEM (Science, Technology, Engineering, and Mathematics) education. This included volunteering with foodbanks in London and Manchester, partnering with our suppliers to support young people, and participating in skills-based volunteering events. These efforts reflect our broader commitment to creating lasting, positive change within the communities where we operate.

Key achievements in FY26:

- 1001 volunteering hours completed by DCC employees;
- £1,690 raised for National Energy Action, helping to tackle fuel poverty across the UK;
- 48 hours of skills-based volunteering delivered, providing strategic and operational support to grassroots charities in London - including 24 hours to a dedicated climate change themed event;
- Partnered with our suppliers on a range of community projects, including tackling Digital Inclusion with VMO2's Connect More project, supporting young people in STEM through DXC's Future Academy programme, and NetCompany's innovation project with the University of Westminster; and
- Ran Christmas and Easter collection campaigns to support local foodbanks in both London and Manchester

Equity, Diversity and Inclusion

This year, we continued to progress the second year of our Equity, Diversity & Inclusion Strategy - focussing our efforts on three areas: Internal (empowering employees to demonstrate inclusive behaviours), Structural (embedding inclusive processes into DCC) and External (engaging with our suppliers to develop an inclusive industry). Across all three pillars we've achieved measurable progress and are proud to have improved our Inclusion Index (benchmarked by CultureAmp) by 6% since the launch of the strategy. Headline achievements in 2025/26 include the launch of our psychological safety leadership programme, new diversity data dashboard, further expansion of our Employee Resource Groups, and the formation of a new Senior Leadership EDI Sponsors Group.

Sustainable

Embedding Sustainable Behaviours

DCC is committed to ensuring its operations align to its clear purpose. It's imperative DCC manages and reduces carbon emissions in its rollout to ensure it delivers a decarbonisation solution to the UK in a sustainable way.

Throughout 2026, DCC has focussed on strengthening understanding of our end-to-end carbon footprint and embedding sustainability throughout the organisation. Key achievements include:

- Completed our first full carbon baseline, expanding measurement scope from 4 to 14 categories;
- Modelled our pathway to Net Zero, facilitating workshops with key strategic and operational stakeholders to understand our biggest opportunities for emissions reduction;
- Designed a 3-year strategic approach to guide our sustainability actions; and
- Implemented Ecosia as our default search engine.

Reducing Carbon Emissions

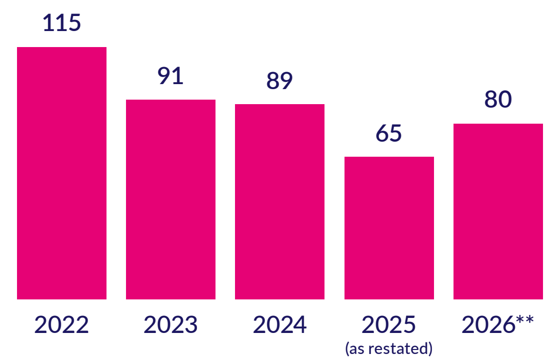
In FY26, DCC continued to focus on reducing its direct carbon emissions and achieved an absolute emissions reduction of 15% compared with FY25. This decrease includes the use of updated DEFRA conversion factors and DCC initiatives:

1. The closure of our Ruddington office;
2. Our London office move to a more energy efficient building; and
3. Reduced travel emissions, including our All-Colleague Conferences which were held locally in both Manchester and London instead of one centralised location.

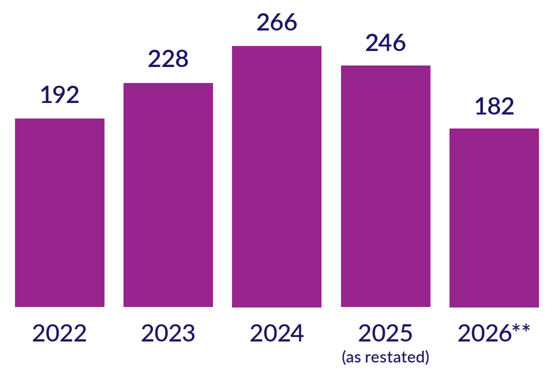
DCC arrange carbon offsetting purchases with Carbon Footprint Limited to offset our residual carbon emissions annually. Last year, we contributed c.£3,000 going towards the Huizhou Landfill Gas Power Generation Project . China was selected as the it is the manufacturing location for a significant proportion of communication hubs. We will be offsetting our FY25/26 residual carbon emissions later this year, whilst continuing to focus on decarbonising our own operations. All our electricity supply for our UK offices is sourced from 100% renewable sources.

Annual greenhouse gas emissions

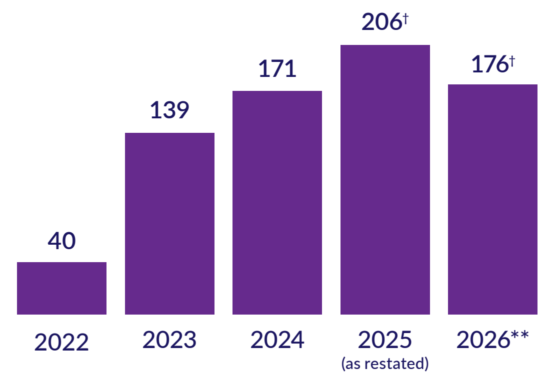
Emissions from combustion of gas tCO2e (Scope 1)*



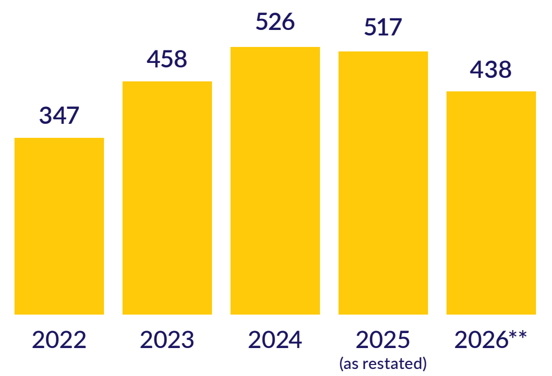
Emissions from purchased electricity tCO2e (Scope 2; location-based)



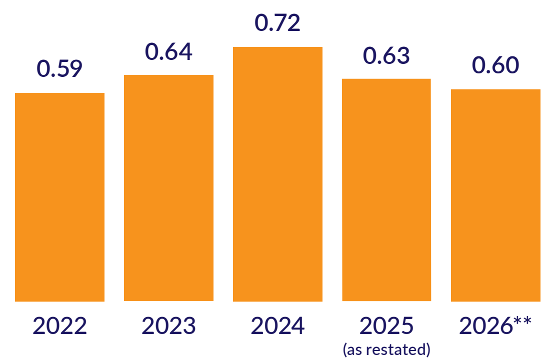
Emissions from Business Travel tCO2e (Scope 3)



Total gross tonnes of CO2e



Intensity ratio: Total gross tonnes of CO2e/headcount



Reporting Periods Definition

Financial Year	Start	End
2022	01.04.2021	31.03.2022
2023	01.04.2022	31.03.2023
2024	01.04.2023	31.03.2024
2025	01.04.2024	31.03.2025
2026	01.04.2025	31.03.2026

* Emissions from combustion of fuel for transport purposes within Scope1(tCO2e) were zero for all years between 2022-2026

** 2026 numbers are assumptions based on DCC's non-certified internal carbon measurement tools. DCC intends to verify the calculations with an independent 3rd party auditor as it has in previous year. Prior year figures have been updated following external verification.

† During the FY25 reporting year, DCC updated its Scope 3 greenhouse gas accounting methodology to include emissions associated with employee hotel stays, which were not previously captured. In FY25, this increased the reported footprint by 64tCO2e.

DCC's direct energy consumption in FY26 was 1,031,187kWh and in FY25 was 1,183,100kWh. Throughout both periods, DCC sourced all electricity from renewable sources through Renewable Energy Guarantee Origin certificates. DCC operations are fully UK-based.

DCC Public

Methodology

We measure our environmental performance by reporting our carbon footprint annually in terms of tonnes CO2 equivalent (tCO2e) and tonnes of CO2 equivalent per person. The data relates to DCC's owned and leased facilities under its operational control across the UK and, within this, we report on our direct emissions from DCC-controlled and owned sources (Scope 1), indirect emissions from consumption of energy (Scope 2), and emissions from third parties (Scope 3) – currently DCC only measures business travel under Scope 3. This ensures our compliance to the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 which requires certain disclosures in respect of Greenhouse Gas Emissions (the Strategic Report Greenhouse Gas Emission disclosures).

Our disclosures cover the sources of our Greenhouse Gas Emissions from our operations in the UK. DCC converts the consumption data into a carbon footprint in line with the World Business Council for Sustainable Development and World Resources Institute's (WBCSD/WRI) Greenhouse Gas Protocol, together with the latest emissions factors from the UK Department for Energy Security and Net Zero (DESNZ). FY26 calculations use 2025 emissions factors, reflecting that most activity data from this reporting period falls within the 2025 calendar year.

Climate-related Financial Disclosures

At DCC, we recognise the threat of climate change and the importance of contributing to the transition to a lower-carbon economy. Our network helps energy bill payers reduce their energy consumption while supporting Great Britain's energy providers with real-time supply and demand data, which can support the suitable deployment of renewable energy.

As a business, understanding the potential risks and opportunities associated with climate change will enable us to make more strategic and informed decisions. This includes understanding both the physical impacts of climate change and the transitional impacts related to the shift to a lower carbon economy.

Importantly, this means looking at the financial implications of climate-related risks and opportunities. By understanding these, we have the potential to deliver the best value for our customers and end users across the UK. We can strive to mitigate and minimise the costs associated with climate-related risks while capitalising on opportunities that may reduce emissions and save end users' costs.

To that end, we have employed the recommendations of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022[2] (UK CFD) legislation and non-binding guidance.[3] The UK CFD (Climate related Financial Disclosure) is a framework for businesses to assess climate-related risks and opportunities and make effective climate-related disclosures. This is a voluntary disclosure for DCC, and we acknowledge that it can be strengthened further to ensure compliance with the entire guidance. As DCC transitions to its Successor Licensee, we will look to complete a full refresh to ensure our disclosures remain current, relevant, and follow all required CFD recommendations.

We believe our current business strategy is aligned with the transition to a lower-carbon economy and resilient to the impacts of climate change under the climate scenarios assessed. However, we understand the dynamic nature of climate-related risks and opportunities and will remain agile in our approach to addressing climate-related issues. To ensure that we do so, we will continue to review, monitor and measure our climate-related risks and opportunities on an annual basis. Similarly, to support this, we will assess any relevant metrics and targets to ensure we continue to mitigate the chance of the risks materialising whilst being best positioned to realise potential opportunities.

Governance

Our DCC Board has overall responsibility and oversight of all climate-related risks and opportunities across the business. Governance of climate-related issues is captured in our Risk Management Approach and Governance, outlined in detail on page 36. However, details about specific climate-related roles and responsibilities and how these tie into the overall Risk Management Approach and Governance Structure are outlined below.

2 The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (legislation.gov.uk)
3 Climate-related financial disclosures for companies and limited liability partnerships (LLPs) - GOV.UK (www.gov.uk)

Responsible Party	Key Representatives	Responsibilities
DCC Board	**Chair of Audit and Risk Committee**	• Responsible for the resiliency of the Company strategy, including understanding how climate-related risks and opportunities may impact DCC's business strategy. • Approves framework for risk management and internal controls, sets risk appetite, and ensures resources are in place to manage risks effectively; this includes ensuring resources are in place to manage climate-related risks. • Updated quarterly on climate-related risks and opportunities by the Director of Risk and Assurance.
Audit and Risk Committee (ARC)	**Director of Risk and Assurance**	• The board-level committee is responsible for financial reporting, risk management, and internal controls; this includes climate-related financial risk and opportunity management and associated disclosures. • Responsible for reviewing climate-related risks, making recommendations on risk appetite, remedial action, and resource allocation to the Board, in line with DCC's risk escalation procedure. • Updated on the operation of the risk management system and the risk environment as required by the ExCo.
Executive Committee (ExCo)	**Chief of Staff**	• Leads the implementation and operation of the risk management systems and framework. • Monitors the risk environment on an ongoing basis, including climate-related risks and opportunities. • Manages identified climate-related risks and opportunities through strategic actions and resource allocation to relevant DCC functions. • Works with the ESG Team to advance the responsible business framework while mitigating climate-related risks and realising opportunities.
ESG Team	**Head of Sustainability** **Corporate Social Responsibility and Sustainability Manager**	• Coordinates all sustainability efforts and addresses climate-related issues at DCC. • Works with all areas of the business to advance the sustainability agenda engrained through the responsible business framework. • Supports the business in the ongoing management of climate-related risks and opportunities. • In collaboration with the ARC and ExCo, identify and evaluate climate-related risks and opportunities on an annual basis. • The Head of Sustainability reports directly to the Chief of Staff and communicates with the ExCo on ESG performance and progress against the ESG strategy, including those related to climate change, quarterly.
Functional Teams	**Various**	• Responsible for the day-to-day management of climate-related risks and opportunities. • Execute climate-related activities across their respective departments.

DCC Public

Metrics and targets

Through our responsible business framework, we demonstrate our commitment to embedding sustainability across our supply chain, our people, and the local communities in which we operate. We have established several key performance indicators (KPIs) to monitor climate-related issues, which are centrally managed by the ESG team. A description of the key metrics currently monitored and their relevance to our climate-related financial disclosures can be found below.

We recognise the importance of capturing all material scope 3 emissions sources and baselining our full carbon footprint. We have established our operational boundary for future carbon footprint in line with the best-practice guidance of the Greenhouse Gas Protocol[4]. This year, we completed a full carbon footprint calculation on all relevant scope 1, 2 and 3 emissions categories for FY25, which we have used to build an updated approach for our Sustainability efforts.

Alongside these metrics, we have an objective of offsetting our residual carbon emissions for the business. For DCC, this does not diminish the importance of decarbonising our own operations but rather enhances it. While we work to decarbonise our own operations, we purchase credits for our residual emissions support environmental projects and renewable energy in China.

We recognise the need for ongoing improvement required in measuring KPIs and setting associated targets to monitor the potential impact of climate-related risks and opportunities on our business model and strategy. In FY27, we will look to use our expanded carbon baseline, new Net Zero pathways, and updated strategic approach to support the effective management of our identified material climate-related risks and opportunities. Our priority focus area will be minimising the carbon emissions and waste generation associated with the end-of-life processing of Communication Hubs as the volumes of Comms Hubs reaching their end of life will accelerate over the coming years. Doing so will help ensure that our network continues to safeguard consumers and support Britain's renewable energy usage. In essence, it will help us fulfil our purpose of making Britain more connected so we can all lead smarter, greener lives.

Metric	Target	Performance			Responsibilities
		FY24	FY25	FY26	
% Renewable Electricity sourced	Procure 100% of energy for direct operations from renewable sources per annum.	100%	100%	100%	We are pleased to source all electricity from renewable sources across our offices through Renewable Energy Guarantees of Origin (REGOs).
% top spend* suppliers engaged on sustainability ***top 20 suppliers and/ or selected strategic suppliers**	Engage 50% of top spend* suppliers on sustainability per annum.	50%	50%	50%	In FY26, we continued to engage suppliers through supplier sustainability forums and individual discussions, engaging with 9 of our 17 strategic suppliers on sustainability matters, including climate issues.
tCO2e of scopes 1, 2, and 3 (business travel only) carbon emissions	Reduce scopes 1, 2, and 3 (business travel only) carbon emissions by 5% per annum.	N/A metric calculated from FY25 onwards	14% reduction	15% reduction	FY26 saw an 15% reduction against FY25. This was predominantly driven by our Nottingham office closure, move to a more energy-efficient London office, and reduced travel.
% of total significant procurement tenders with weighted ESG questions** ****over £1m**	Achieve 50% of total significant procurement tenders with weighted ESG questions.	N/A metric calculated from FY25 onwards	60%	100%	This target came into effect in FY25. Weighted ESG questions are now required for all procurements over £1m as standard.

4 Standards & Guidance | GHG Protocol

Strategy

To assess our business model and strategy's resilience to climate change, we conducted a climate scenario analysis. In doing so, we aimed to assess and evaluate the potential climate-related risks and opportunities across various scenarios and time horizons. In turn, this enabled us to understand how they may impact our efforts to ensure the continuity of the DCC Network and our ability to deliver on our core service of rolling out the smart meter network for Great Britain.

Climate scenario analysis – risk and opportunity identification

We conducted a scenario analysis to assess the exposure of the business' operations, supply chain, and customer base to the potential physical impacts of climate change and the impacts of the transition to a lower carbon economy. The scenarios analysed included three physical scenarios to identify physical impacts and three transition scenarios to identify transition impacts. Analysing business insights in relation to information derived from the climate scenarios enabled us to identify potential climate-related risks and opportunities.

Shared Socioeconomic Pathways, physical scenarios from the Intergovernmental Panel on Climate Change (IPCC), were selected to understand the physical impacts of climate change on our operations and supply chain. This included an in-depth analysis of land, coastal and cityscape projections within the UK, utilising projections and assumptions from the IPCC's Sixth Assessment Report[5] as well as the Met Office's UKCP18 Report[6]. The key projections analysed included changes to temperature, precipitation, sea level rise and extreme weather events.

Three transition scenarios from the International Energy Agency (IEA) were also selected to understand the expected changes as the economy decarbonises under differing emissions pathways. The transition scenarios were chosen because the International Energy Agency (IEA) examines the changes needed within the energy sector to decarbonise to achieve net zero globally. As such, these scenarios are directly applicable to our sector and core services and enable the business to understand whether it is well-positioned for a net zero transition. Specifically, the critical variables assessed from these scenarios included energy mix, energy-related regulations, the built environment, energy efficiency and technology, as these aspects directly impact the smart meter rollout and societal energy consumption.

Physical scenarios

SSP1-2.6	A low emissions scenario where emissions decline to net zero around 2070. Warming: 1.3°C–2.4°C by 2100
SSP2-4.5	A medium emissions scenario where emissions remain around current levels until 2050. Warming: 2.1°C–3.5°C by 2100
SSP5-8.5	A high emissions scenario where emissions roughly double from current levels by 2050. Warming: 3.3°C–5.7°C by 2100

Transition scenarios

Net Zero Emissions by 2050 Scenario (NZE	This scenario maps out the energy transition needed to achieve a 1.5°C stabilisation in the rise in global average temperatures.
Announced Pledges Scenario (APS	This scenario assumes that all aspirational climate-related targets announced by governments are met on time and as a whole.
Stated Policies Scenario (STEPS)	This pragmatic, exploratory scenario shows the trajectory implied by today's policy settings.

5 Sixth Assessment Report — IPCC
6 https://www.metoffice.gov.uk/pub/data/weather/uk/ukcp18/science-reports/UKCP18-Overview-report.pdf

We evaluated the projections across three time horizons to identify and assess how physical and transition risks may vary over time across these scenarios. Our time horizons were as follows:

- **Short-term time horizon (2025 to 2030; 2030 milestone)**
- **Medium-term time horizon (2030 to 2040; 2040 milestone)**
- **Long-term horizon (2040 to 2050; 2050 milestone)**

These time-horizons were selected based on the available climate science and aligned to our business structure and sector. The long-term time horizon concludes at the UK Government's target date of net zero by 2050 and is the furthest time horizon analysed by the International Energy Agency (IEA). As such, all risks and opportunities have been assessed in line with these target dates.

From the scenario analysis, key findings on the potential business impacts were consolidated and physical and transitional risks and opportunities were identified and categorised based on the UK CFD guidance. Although all categories of climate-related risks and opportunities were considered for the assessment, not all were found to be material to DCC based on the information available.

Qualitative financial impacts were also identified based on the associated business impacts should the risk or opportunity materialise. The identified financial impacts do not differentiate across different climate scenarios or time horizons. However, they may become more or less probable, or severe, over higher emissions scenarios or longer-term time horizons. As such, the 'materialisation' period refers to the earliest point at which the risk or opportunity could materialise for DCC. By acknowledging this, DCC can prepare appropriately to mitigate the projected financial impacts.

As an organisation that receives revenue from the UK energy bill payers, we have looked, where possible, to identify potential financial impacts for end-users, too. This is in our best interest, as our final allowed revenue is passed onto the general energy bill payer through fixed charges; therefore, smart meter data can be used to reduce the overall cost of operating the DCC Network and energy, as well as reducing the associated carbon emissions from the energy sector.

Principal risk management

To facilitate the integration of climate-related risks and opportunities into existing risk management practices, DCC's risk methodology was followed throughout the identification, evaluation, and management process. Following the identification of risks, opportunities and their associated financial impacts, we assessed and evaluated the significance of each risk and opportunity.

In 2024, utilising the findings from the scenario analysis, we conducted workshops with senior and executive leaders from members across financial control, risk, sustainability, operations, strategy and procurement to evaluate the relevance and significance of each risk and opportunity. Our risk management and scoring methodology was used to assess the risks and opportunities, with a 1 – 4 rating used to evaluate the impact and likelihood of each risk across each scenario considered and across the three time-horizons selected. For opportunities, the rating scale assessed the ability of DCC to realise the opportunity.

Using the expertise of the workshop participants, residual risk scores were given for the risks and opportunities by considering the existing controls and measures in place. This enabled us to minimise the threats and maximise the opportunities for the benefit of our customers, stakeholders, and employees. By following our risk methodology, we were able to identify any risks and opportunities that may be 'high' or 'critical', and that may need to be escalated and addressed at the Audit and Risk Committee. The evaluation also considered the possible effects on our financial performance and position for each risk and opportunity.

The risks selected for disclosure were those determined to be material to the business. This is a continually evolving landscape and new risks may become material and others considered no longer material over time. The risks are reviewed on a yearly basis to account for this dynamic landscape.

In 2026, the risks and opportunities were reviewed and updated. There were no significant changes made.

The most significant climate-related risks and opportunities have been disclosed below, alongside their relevant emissions scenario and time horizons.

Physical climate-related risks:

Risk	Financial impact	Management response	Scenario	Time frame	Residual risk
Damage to network infrastructure as a result of extreme weather events, leading to a disruption of core service provision.	• **Increased expenditure (via suppliers) on maintenance provisions to the DCC Network.** • **Loss of revenue due to supplier disruption.** • **Loss of revenue due to failure to hit core service targets.**	DCC has robust business continuity plans in place to ensure the continuity of its core service provisions. This is also a key criterion during our procurement provisions for critical suppliers. As such, the probability of this impacting DCC is low. However, under a high emissions scenario, the impact on network infrastructure could be significant in the long term, particularly for those within the DCC Network's ecosystem. An important next step to ensuring our suppliers' resiliency is to ensure that climate risk has been factored into their business continuity plans.	**SSP5-8.5**	**Long-term**	**High**
Flooding in proximity to DCC's operations and key suppliers due to climate events including rainfall, storms and sea level rise, resulting in disruption to employee commuting and core service delivery.	• **Increased expenditure on insurance premiums for office locations.** • **Increased expenditure on office relocation or maintenance and repair.** • **Asset write-off due to water damage.** • **Loss of revenue due to failure to hit core service targets.**	Whilst this is likely to occur in the medium—and high-emissions scenarios in the long term, the impact on DCC is relatively minor. Business continuity plans also enable DCC to continue to operate should office spaces close. However, flooding can disrupt our employees' commutes and restrict their travel into the office, disrupting the execution of their roles and potentially impacting core service delivery. This may also be the case for some suppliers who are office/site-dependent. Our next steps for addressing this are to investigate business continuity plans for our suppliers who may be office/site-dependent and at-home-working provisions for core DCC employees should flooding impact commuting.	**SSP2-4.5**	**Long-term**	**Medium**

Transition climate-related risks:

Risk	Financial impact	Management response	Scenario	Time frame	Residual risk
Cost increases across the supply chain due to climate impacts or low-carbon transition, leading to an inability to recover additional costs.	• **Increase in expenditures due to suppliers passing on costs.** • **Increase in cost-per-meter intensity metric.**	Critical mineral availability, increases in fuel prices and climate-related supply chain disruption could increase supply chain costs, particularly for our Comms Hubs. This could increase the cost-per-meter intensity metric and impact end-user costs. DCC successfully implemented a transportation optimisation initiative to reduce emissions and costs of Comms Hubs transportation, which in turn reduces the cost-per-meter intensity metric. DCC is now focussed on optimising the Comms Hubs end-of-life journey to reduce disposal costs whilst ensuring high environmental standards are maintained.	STEPS	Medium-term	Medium
Persistent volatility of energy prices due to supply and demand challenges, resulting in an increased cost-per-meter.	• **Increase in expenditure for Smart DCC and end-users on high and unpredictable energy costs.** • **Decreased revenue as a result of poor credibility with regulators and customers.**	Due to a high increase in demand for renewable energy in the short term under the NZE, it is possible that price volatility will occur, which may impact end users and the cost-per-meter. The same can be said for the STEPS in the long term about fossil fuel usage. A persistence in volatility could also result in reputational damage for the DCC, where end users lose faith in the effectiveness of the smart meter programme. Whilst DCC's primary responsibility is to provide the data to its customers, it also has measures for end-users to mitigate this risk and its impacts. DCC's service supports effective load balancing for energy suppliers to ensure supply is optimised. Similarly, DCC's Enduring Change of Suppliers Service enables end users to switch between energy suppliers securely and effectively so that they can make informed choices on the cheapest provider during periods of potential market volatility and high demand.	NZE	Short-term	Medium
			APS	Short-term	Medium
			STEPS	Long-term	Medium

Key	
Short-term	Short-term (Present – 2030)
Medium-term	Medium-term (2030 – 2040)
Long-term	Long-term (2040 – 2050)
The timelines selected were chosen to align to SBTi guidance.	

Climate-related opportunities::

Opportunity	Financial impact	Management response	Scenario	Time frame	Score
Securing the right to deliver further benefit to the UK through the reuse of the DCC Network. .	• **Increased revenue from reuse of DCC Network and extension of Licence.** • **Economies of scale as a result of the reuse of existing DCC Network infrastructure.**	This presents a high opportunity for DCC, as it can enable the reuse of the existing DCC Network and associated infrastructure and support a fair and consistent charging system, which can enable effective load balancing.	NZE	Short-term	High
		By utilising the DCC Network, we can support the reduction in cost to the end-user while also making them aware of how their energy consumption may be best optimised to support a decarbonised energy grid..	APS	Short-term	Medium
Leveraging strategic partnerships to incorporate circular economy, waste and emissions reduction principles, leading to enhanced sustainability performance and greater efficiencies.	• **Reduced expenditure on comms hubs financing agreements from lower manufacturing costs.** • **Reduced cost-per-meter intensity metric.** • **Reduced expenditure and emissions on transportation, waste and disposal.** • **More efficient use of workers, reducing manpower bottleneck and saving on costs.**	Counter to the risk of increasing supply chain costs, DCC has an opportunity to implement new initiatives that can drive down the costs associated with the Smart Meter rollout. This can ultimately reduce the costs incurred by end-users as part of our Fixed Charge revenue stream. This would directly contribute to delivering on our Strategic Outcomes, particularly being '**Right, first time**' and being '**A responsible and efficient business**'.	NZE	Short-term	Medium

Risk and opportunity management

Following the completion of the risk and opportunity identification workshop, the findings for all identified risks and opportunities were captured within DCC's climate risk and opportunities register. From here, all risks and opportunities are managed in line with DCC's Risk Management Approach and Governance and our Internal Controls and Compliance Framework, as outlined on page 36 to 40.

Ownership of climate-related risks and opportunities sits with the relevant DCC functions, who are responsible for their day-to-day management and incorporation into functional risk registers. Oversight and assurance are provided through DCC's established risk governance and escalation processes. DCC's risk management approach is outlined on page 36.

One climate-related risk was identified as high in the long term under the SSP5-8.5 scenario; however, it was deemed to pose a low risk in the short-term. This is currently monitored through operational risk reviews, with escalation applied as required should the risk profile change.

Financial performance

We operate on a nil profit model whereby revenue is equivalent to costs incurred plus margins earned in delivering and operating the smart meter network. Ofgem assesses incurred and forecast costs through the annual price control review and any resulting adjustments to costs and margin are made in a future year. Therefore, the Directors consider costs to be the primary driver of the Company's financial performance.

The Company reports results on an adjusted basis to aid understanding of the business. Adjusted results represent costs incurred by the Company presented on the same basis as they are included in the Company's annual Charging Statement and provided to Ofgem as part of the annual price control review. These costs can be directly compared to the estimates included in the Charging Statement and therefore provide a view of how funds have been spent in the year.

	2026			2025		
	Adjusted costs (£m)	Statutory costs (£m)	Variance (£m)	Adjusted costs (£m)	Statutory costs (£m)	Variance (£m)
Key suppliers *	432.0	430.5	*15*	442.7	326.5	*116.2*
Other suppliers *	32.8	16.6	16.2	29.9	28.2	1.7
Administrative costs **	142.6	153.8	*-11.2*	177.2	167.8	*9.4*
TOTAL	**607.4**	**600.9**	***6.5***	**649.8**	**522.5**	***127.3***

* Relates to cost of sales balances
** Includes administrative expenses, finance costs and depreciation

Recognition differences between adjusted and reported results

Cost type	Category in the Statement of profit or loss	Category in the charging Statement	Difference in recognition
Key suppliers	Cost of sales and finance costs (costs incurred with key suppliers for mandated programmes, including SMETS2, SMETS1, and Switching)	External costs and Communications hub fixed revenue	Adjusted costs are amounts invoiced/due to be invoiced in the year by suppliers in relation to work completed in the year or in previous years, in accordance with the invoicing profile in their contracts. Statutory costs represent the value of work completed by suppliers in the year which may have been invoiced/is due to be invoiced in the year or future years.
Other suppliers	Cost of sales (costs incurred with other suppliers providing direct services in relation to the mandated programmes, e.g. Smart Metering Key Infrastructure and Parse and Correlate services, and costs incurred by SECCo Ltd and Alt HAN Co.)	Internal costs and pass-through costs	Adjusted costs are amounts invoiced/due to be invoiced in the year by suppliers in relation to work completed in the year or in previous years, in accordance with the invoicing profile in their contracts. Statutory costs represent the value of work completed by suppliers in the year which may have been invoiced/is due to be invoiced in the year or future years.
Administrative costs	Administrative expenses, depreciation and other finance costs not related to key suppliers	Internal costs, baseline margin, external contract gain share, disallowed costs	Adjusted costs reflect the margin and external contract gain share that are recovered from customers in the year as determined by Ofgem in the price control decision. Statutory costs show these costs on an accruals basis and may be chargeable to customers in a future year. Adjusted costs include asset-related expenditure as incurred. These costs are capitalized on the Statement of Financial Position in line with IAS 16 and IFRS 16, and depreciation and interest are recognised in the Statement of Profit or Loss.

Price Control assessment for year ended March 2026

Each year Ofgem carries out a price control assessment to ensure that costs we have incurred are economic and efficient. Scrutiny of costs and associated revenues in this way provides assurance to stakeholders that we are providing value for money.

The assessment is carried out after the regulatory year has ended and the final determination is published in the subsequent February. Therefore, any financial impact of the decision is first reflected in the results of the following regulatory year. This treatment is due to the inherent uncertainty surrounding the outcome of the Ofgem determination which means that management are unable to provide a reliable estimate as to the outcome of the assessment in advance. Further information can be found in the Accounting Policy note, section c) Use of estimates and judgements on page 93.

For the year ended March 2025, there were the conclusions published in March 2026:

- £5.5m of external costs were assessed to be unacceptable under the Licence. This will be returned to customers through charges in 2026 (2024: £5.0m)
- £5.8m of internal costs incurred were assessed to be unacceptable under the Licence. This will be returned to customers through charges in 2026 (2024: £15.2m)
- A £1.3m reduction in baseline margin was determined due to performance under the Operational Performance Regime (2024: £0.8m)
- No reduction in baseline margin was determined due to performance under the SMETS1 Baseline Margin Project Performance Scheme (BMPPAS) (2024: £1.4m)
- An £8.6m adjustment to baseline margin was awarded for work carried out to date and due to be carried out in 2025 in relation to increased scope in business activities (2024: £11.3m)
- A £5.0m adjustment to the external contract gain share to reflect the Company's share of cost savings achieved through refinancing activity (2024: £5.0m).

The net financial impact of the price control assessment is what the Company and the shareholder consider to be the margin earned from the smart metering contract. This margin impact in relation to 2025 is presented in administrative expenses in the reported results of the Company; £13.1m (2025: £3.4m) has been included in administrative expenses this year.

Liquidity and financial stability

Cash flow is closely monitored by the Board to ensure that the Company has enough funds to continue in operation and that appropriate measures are in place to satisfy the Licence requirements with respect to financial stability.

A key priority is to ensure that charges to customers are set at an appropriate level to ensure adequate cash levels are maintained throughout the year and to minimise the risk of having to re-open a Charging Statement. The closing trading cash balance was £47.5m (2025: £46.9m).

The Company also has access to financial support, if required, through arrangements in place with the parent company up to a total value of £35.0m (2025: £15.0m).

Whilst some smaller energy suppliers went out of business in the year, none of these were active customers of DCC. Irrespective of both the volume and value of unpaid invoices we continue to have access to credit support provided by customers in accordance with the SEC, which can be drawn upon if a customer fails to pay their invoice. After applying credit cover the remaining receivable at the end of 2025/26 was £125k (2025: £419k). This was recovered from excess cash receipts in the year, before returning funds to customers for over-recovery of charges compared to spend.

Credit support is provided in the form of a bank guarantee, letter of credit or a cash deposit. The value required is calculated per section J3 of the Smarty Energy Code.

On 31 March 2026 the Company held £40.0m (2025: £36.1m) in cash deposits. Cash deposits, together with bank letters of credit and affiliate guarantees, give cover for approximately 93% of one month's total charges to customers.

Viability statement

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of Smart DCC Limited (the "Company" or "DCC1") over the period to 22 September 2027, being the expected end date of the current Smart Metering Communication Licence.

During the year, Ofgem formally awarded the next Smart Metering Communication Licence to DCC2 Limited (DCC2),, a wholly owned subsidiary of SECCo Limited, with business handover expected to take place on 2 November 2026. Following handover, DCC1 will cease to generate licence revenue and will operate as a run-off entity to conclude its residual regulatory obligations under the previous licence framework.

The Directors consider the assessment period to 22 September 2027 to be appropriate as it aligns with the remaining duration of the current licence and reflects the period over which DCC1 has defined residual regulatory obligations. This period also aligns with the period considered by management in its going concern assessment, beyond the minimum twelve-month period from the expected date of approval of the financial statements.

The residual obligations primarily relate to the completion of the final ex post price control cycles for the periods from 1 April 2025 to 31 March 2026 and from 1 April 2026 to 31 October 2026, together with the operational costs required to fulfil the remaining licence obligations through to 22 September 2027.

In making this assessment, the Directors have retained the same core reference points used in prior years, but have considered them in light of the planned licence transfer and DCC1's transition to a run-off entity. The assessment therefore focuses on the Company's ability to meet its obligations over the period to 22 September 2027, rather than its ability to continue as an ongoing revenue-generating service provider.

The assessment has been made with reference to the:

i. Business Strategy and Technology Roadmap;

ii. Principal risks as identified in the Strategic Report;

iii. Ofgem consultations and decisions relating to licence renewal and transition;

iv. Financial forecasts approved by the Board; and

v. Annual Charging Statement.

Business Strategy and Technology Roadmap

As part of the transition to the successor licensee, the Company has been required by Ofgem to produce a Business Strategy and Technology Roadmap, which has replaced the previous Business and Development Plan as the principal forward-looking strategic planning document. The Roadmap is primarily focused on the future strategy and technology direction of DCC2 following the transfer of the Smart Metering Communication Licence.

For the purposes of the viability assessment, the Directors have considered the Roadmap only to the extent that it is relevant to DCC1's remaining obligations. This includes continuity through the planned business handover, the orderly transfer of activities to DCC2, and the residual activities required through to the end of the current licence period.

The viability assessment has therefore not been prepared on the basis that DCC1 will deliver the future strategy set out in the Roadmap. Instead, it focuses on DCC1's ability to meet its liabilities as they fall due over the remaining licence period.

Principal risks as identified in the Strategic Report

The Company's prospects are assessed through the Board-led strategic planning and risk management processes. The Board reviews longer-term strategic plans, objectives and risks, taking account of stakeholder views and the Board's appetite for risk.

The principal risks set out in the Strategic Report summarise those matters that could prevent the Company from delivering its strategy, impact its reputation, or affect compliance with the Licence.

For the purposes of assessing viability over the remaining licence period, the Directors consider the most relevant principal risk areas to be licence transition, funding, regulatory outcomes, operational continuity and the Company's ability to meet its remaining obligations during the run-off period.

The viability assessment is closely aligned to the going concern assessment, as both rely on the same core assumptions around cash flow forecasts, the timing and quantum of residual price control obligations, the availability of financial support, and the contractual and regulatory arrangements supporting the transition.

Ofgem consultations and decisions relating to licence renewal and transition

The Directors have considered Ofgem's decisions and consultations relating to the successor licence and the future regulatory framework as part of the viability assessment.

The formal award of the next Smart Metering Communication Licence to DCC2 confirms the expected transfer of operational responsibility from DCC1. The Directors have therefore assessed DCC1's prospects in the context of a managed handover and subsequent run-off period, rather than continued operation as the smart metering communications licensee.

The Directors have also considered the Ofgem financial consultation and the mechanisms available to support the recovery or settlement of residual obligations during the run-off period, including the expected treatment of the remaining ex post price control cycles.

Financial forecasts approved by the Board

The Directors have reviewed financial forecasts covering the period to 22 September 2027. These forecasts include the period prior to business handover, during which DCC1 continues to generate revenue under the regulated charging framework, and the post-handover run-off period, during which DCC1 will cease to generate licence revenue and will rely on external support and contractual arrangements to meet its obligations.

The forecasts incorporate the expected timing and quantum of cash flows associated with the final ex post price control cycles. Based on current discussions with Ofgem, management expects the two final price control cycles to be settled as one lump sum in August 2027, which falls within the viability assessment period.

In preparing the forecasts, management has considered base case and downside scenarios, including adverse ex post price control outcomes. The Directors have also considered the availability and sufficiency of financial support from Capita plc, together with the expected funding of DCC1 operational costs by DCC2 under the Financial Payments Agreement.

Annual Charging Statement

The Annual Charging Statement remains relevant to the viability assessment for the period prior to business handover, as DCC1 continues to operate under the regulated charging framework and recover costs from customers through charges set in accordance with the Smart Energy Code and the Licence.

In this period, the Directors have considered the mechanisms available under the Smart Energy Code to mitigate customer credit risk, including customer credit support and debt socialisation arrangements where recovery from individual customers is not possible. These mechanisms have been reflected in the downside scenario modelling used to assess the Company's liquidity prior to handover.

Following business handover, DCC1 will no longer generate licence revenue through the Annual Charging Statement. The Directors have therefore considered the extent to which DCC1's post-handover costs and residual obligations will be funded through contractual arrangements with DCC2 and through financial support from Capita plc where required.

Conclusion

Based on the assessment of the matters above, and subject to the continued availability of financial support from Capita plc and DCC2, the operation of the regulatory framework, and the finalisation and execution of the contractual arrangements supporting the transition and run-off period, the Directors have a reasonable expectation that the Company will be able to meet its liabilities as they fall due over the period to 22 September 2027.

DCC Public

Risk management

DCC Risk and Assurance Framework and Process

Effective risk management and internal control are fundamental to the successful delivery of DCC's strategic objectives, assuring customer value and to meeting its obligations under the Smart Meter Communication Licence. DCC operates a structured Risk Management Strategy and framework designed to identify, assess and manage risks that could threaten the Company's core business, its ability to deliver its strategy, or its ongoing financial sustainability and ability to continue delivering mandated services under the licence. It is designed to minimise threats and maximise opportunities for the benefit of our customers, stakeholders and employees within the overall context of the DCC Licence.

Our Risk Management Approach and Governance

The Board has overall responsibility for the effectiveness of the Company's system of risk management and internal control. In discharging this responsibility, the Board sets DCC's risk appetite, reviews the Company's principal risks at least annually, and considers whether the framework and controls remain appropriate to the nature, scale and complexity of the Authorised Business and is resourced adequately.

The Audit and Risk Committee (ARC) support the Board by overseeing the operation and effectiveness of the risk management framework and internal controls. The Committee reviews changes in the risk profile, challenges management's assessment of principal risks and mitigations, considers the outcomes of internal audit and compliance activity, and monitors the timely resolution of identified control weaknesses. The Committee provides advice and assurance to the Board to inform its overall assessment.

The Executive Committee (ExCo) is responsible for the day-to-day implementation and operation of the risk management framework. This includes maintaining the enterprise risk assessment, monitoring the internal and external risk environment, ensuring that new and emerging risks are identified, and escalating risks that exceed the Board approved risk appetite together with proposed mitigating actions.

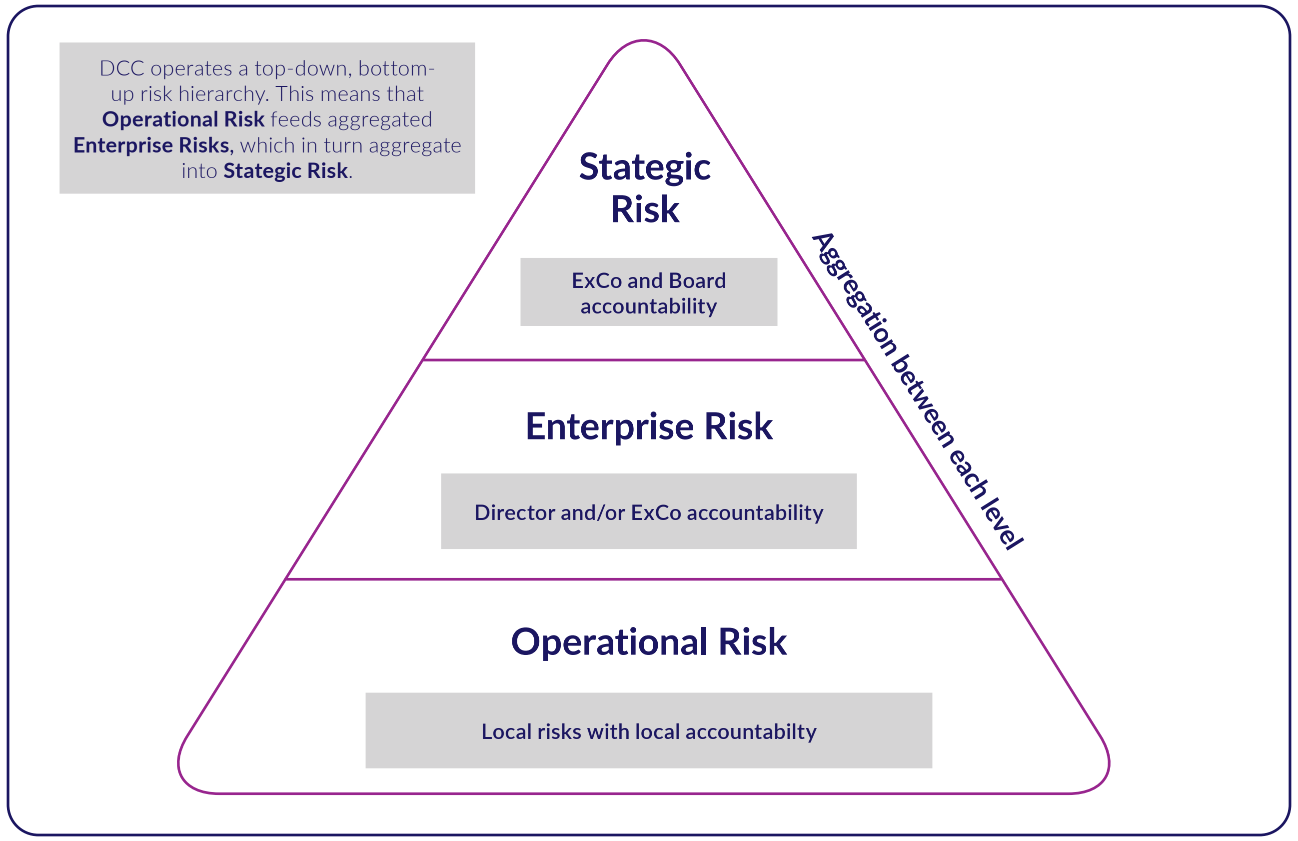
Risk management framework

DCC's risk management framework is aligned to the principles of the UK Corporate Governance Code and ISO 31000 and incorporates a layered approach, comprising of Strategic, Enterprise and Operational Risk. It is designed to support informed decision making, protect value for consumers and stakeholders, and enable the safe and reliable operation of the national smart metering communications infrastructure.

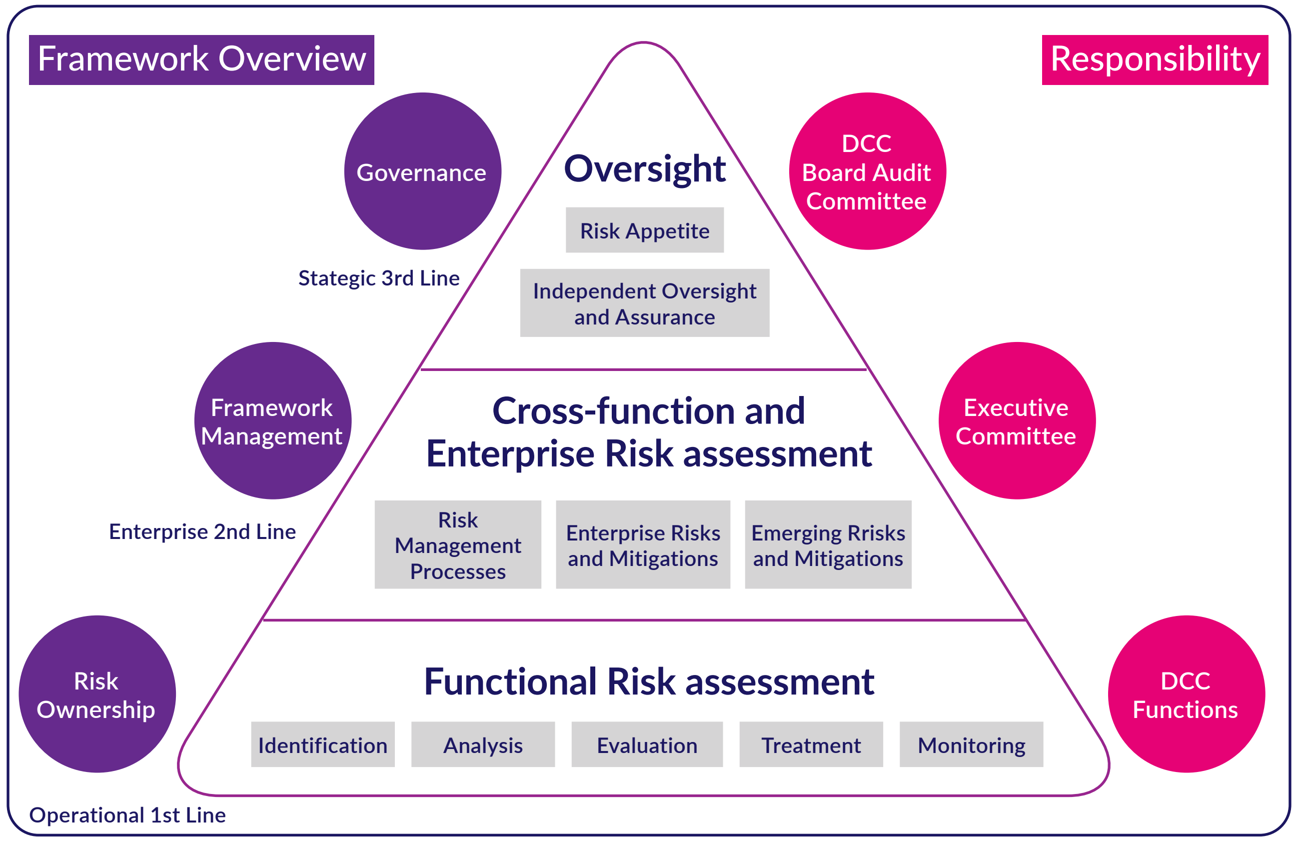
Operating a structured, top down and bottom up risk management framework to ensure that risks are identified and managed at the appropriate level and that there is clear line of sight from operational risks through to the Company's principal (Strategic) risks.

Risks are categorised and managed across three levels:

- **Strategic risks**, which represent Board level risk themes that could threaten the long term sustainability or viability of DCC Strategy and its ability to deliver the Authorised Business;
- **Enterprise risks**, which aggregate related operational risks to provide visibility of broader risk themes across the organisation; and
- **Operational risks**, which arise from day-to-day activities, programmes and services and are managed within business areas.



This hierarchy supports consistent escalation, aggregation and reporting of risks, enabling senior management and the Board to maintain an enterprise-wide view of risk exposure and mitigation.



Principal and Emerging Risks

In line with the UK Corporate Governance Code, the Board focuses on those risks that could threaten DCC's business model, its future performance and ability to deliver its strategy, or its solvency and liquidity. These principal risks reflect the nature of the Authorised Business and DCC's role at the centre of the national smart energy system.

DCC's principal risks arise across several strategic risk categories and include, among other areas:

- the performance, resilience and security of critical technology and communications infrastructure;
- cyber security and information assurance risks, including those arising from third-party suppliers and the wider supply chain;
- supplier and commercial risks within a complex and specialist delivery ecosystem;
- financial and value for money risks within a regulated price control environment; and
- people and capability risks affecting DCC's ability to deliver its strategic objectives.

For governance and oversight purposes, principal risks are categorised within the strategic risk framework as:

- Delivery of Mandated Programmes to time, cost and quality
- Maintain the Core Communications Platform Performance
- Material Cyber Security Failure
- Value for Money
- Capability
- Licence Renewal.

The Board reviews the Company's principal risks, their direction of travel and the effectiveness of mitigating actions at least annually, with quarterly monitoring through the Audit and Risk Committee and monthly by the Executive Committee.

In addition to principal risks, the Board and Executive Committee actively monitor new and emerging risks, and risks that have increased in significance as the external operating, regulatory and technology environment continues to evolve. Looking ahead to 2026/27 several risks have been identified as new or explicitly elevated within the strategic risk profile. These include heightened exposure to funding and cost disallowance risk arising from market conditions and regulatory scrutiny, increased dependency on timely and credible regulatory approvals to support mandated investment and effective business planning, and growing risk associated with regulatory compliance and stakeholder engagement as governance expectations increase and the energy system undergoes significant transition. Emerging risks have also been identified in relation to expanded data stewardship responsibilities, reflecting DCC's evolving role within the energy data ecosystem, and postquantum cryptography and cyber resilience, recognising the need to prepare our infrastructure for longer term technology and threat evolution.

Emerging risks are assessed, prioritised and, where appropriate, elevated within the strategic risk framework, with clear Executive accountability and mitigation actions integrated into business planning, governance and assurance processes.

Risk Appetite

The Board defines DCC's risk appetite and reviews it annually to ensure it remains appropriate in the context of the Company's obligations, organisational maturity and strategic priorities. DCC uses a three-point risk appetite scale designed to promote balanced discussion of risk and reward and to avoid undue risk aversion.

Risk appetite is actively applied in decision making, prioritisation and escalation. Where residual risk exposure exceeds the Board approved appetite, management is required to implement additional mitigating actions or formally escalate the position to the Executive Committee, Audit and Risk Committee and, where appropriate, the Board for consideration.

Risk Appetite (RA) Scale

RA Scale	Risk Appetite definition	Reward vs risk
Open (High)	• Eager to be innovative and choose options offering potentially higher business rewards, despite greater inherent risk.	Reward > risk
Cautious (Medium)	• Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing acceptable reward and Value for Money.	Reward ≈ risk
Averse (Low)	• Avoidance of risk and uncertainty is a key organisational objectiv.e • Preference for safe delivery options that have a low or very low degree of residual risk.	Reward < risk

Business Resilience

DCC maintains a comprehensive Business Resilience Framework that integrates Business Continuity (BC), Crisis Management (CM), and Disaster Recovery (DR) to safeguard the resilience and availability of our mandated services. Our BC/DR arrangements, as required under the Smart Energy Code and Retail Energy Code, ensure the continued resilience of the DCC Total System through externally managed service providers. Internally, DCC's Business Continuity Management System is certified to ISO 22301, and our Crisis Management Framework is aligned to ISO 22361.

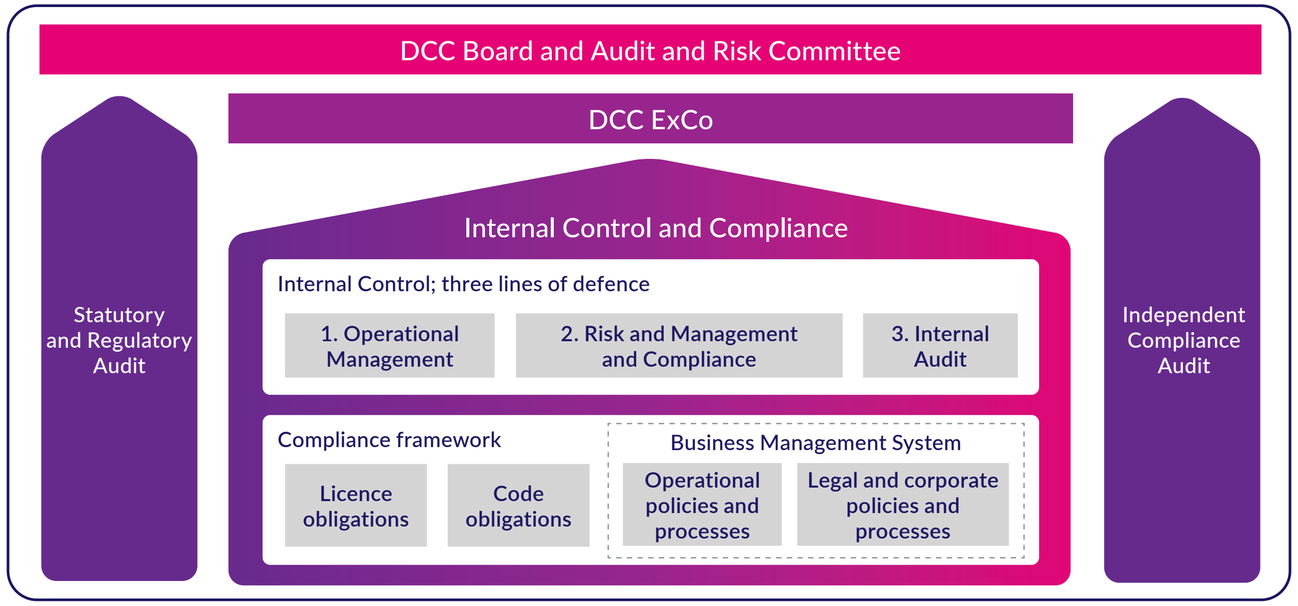
These arrangements are reinforced through regular review and assurance activities, supported by an established programme of internal and external testing and exercising. This programme enables DCC to prepare for, respond to, and recover effectively from disruptive events. Insights generated through assurance and testing are reported into our governance forums and drive continuous improvement across the resilience framework.

DCC Internal Controls and Compliance Framework

DCC operates a robust internal control environment based on three lines of defence model. Management is responsible for the design and operation of controls within their areas of accountability. Oversight and assurance are provided through a combination of compliance monitoring, risk management activities and a risk based internal audit programme.

The effectiveness of internal controls is monitored through:

- management assurance and performance reporting;
- compliance monitoring against Licence, Code and internal policy requirements;
- risk based internal audit activity; and
- the tracking and reporting of remediation actions to senior management and the Audit and Risk Committee.



Where control weaknesses or areas for improvement are identified, remedial actions are agreed, monitored and reported through established governance arrangements.

As is highlighted in the diagram above, each DCC function has responsibility for the documentation and management of its own specific operational policies, processes and procedures, which link to DCC's over-arching Operational Lifecycle management processes and to maintain transparent and reliable audit trails. All our policies are published to staff on the DCC secure intranet.

Compliance with all codes, internal policies and procedures is mandatory for all DCC staff. All new joiners are trained on the DCC compliance framework and on relevant operational processes as part of their induction and onboarding process. Ongoing refresher staff training is completed on a needs and risk-assessed basis.

Traceability and evidence of compliance with all Licence and Code (Smart Energy Code and Retail Energy Code) obligations is managed through the DCC Compliance Management System. The Compliance Management System is regularly reviewed and updated to include changes to Licence or Code (Smart Energy Code and Retail Energy Code) obligations and to reflect any changes in operational ownership or compliance status. Regular sample testing is completed to assure compliance, and any gaps or risks and remediation actions are reported to the Audit and Risk Committee and tracked to resolution.

The Internal Audit function provides regular monitoring, testing, audit and reporting to the Executive Committee (ExCo), Audit and Risk Committee and Board for internal controls related activity including:

- management assurance and performance reporting;
- compliance monitoring against Licence, Code and internal policy requirements;
- risk based internal audit activity; and
- the tracking and reporting of remediation actions to senior management and the Audit and Risk Committee.

Operation of our internal controls system, including audit and compliance, is kept under regular review by the Audit and Risk Committee. Overall effectiveness of the process and function is reviewed annually by the Board.

Review of effectiveness and continuous improvement

The Risk and Assurance function provides regular updates to the Audit and Risk Committee on compliance with the Licence and Codes (Smart Energy Code and Retail Energy Code), internal audit activity, strategic and enterprise risks, and the status of associated management actions.

The internal audit plan is approved annually by the Committee. The plan comprises a combination of risk-based audits and a rolling programme of policy audits, designed to ensure that all Company policies are reviewed over a three-year cycle. The risk based audit programme for 2025/26 is aligned to the Company's strategic risks. Together, these activities provide assurance over the effectiveness of the company's system of internal control and mitigations.

The Committee has satisfied itself as to the quality, experience and expertise of the internal control and risk management function through its review of papers presented to the Committee and the Board, and through regular engagement between the Chair of the Audit and Risk Committee and senior management.

The Board recognises that expectations in relation to risk management and internal control continue to evolve. DCC will continue to enhance its framework and assurance approach to ensure ongoing alignment with emerging best practice and future governance requirements.

Compliance Information

DCC non-financial and sustainability information statement

Produced in compliance with Sections 414CA and 414CB of the Companies Act. Information incorporated by cross reference.

Requirement	Relevant policies and standards	Information related to policies and any due diligence processes
a. Environmental Matters	• Net zero aims • TCFD • Sustainability frame • Biodiversity position	• Climate-related financial disclosures, pages 24-31 • RBF – Sustainability, page 22 • Decision making by the board, 55 – 59
b. Social and Employee Matters	• DCC values and code of conduct • Responsible Business Framework	• Our values, page 5 • Our people, page 17 – 20 • RBF – Diversity & Inclusion, page 22 • Workforce and employee engagement, page 18 • Business relationships with stakeholders, page 42 • Decision making by the board, pages 55 – 59 • H&S, page 76
c. Respect for human rights	• Modern slavery statement • Labour rights and modern slavery principals • DCC values and code of conduct	• Our values, page5 • Modern slavery consideration, page 44 • High standards and business conduct, page 46
d. Anti-corruption and anti-bribery	• Anti-bribery and corruption policy • Code of conduct	• High standards of business conduct, page 46
Description of principal risks relating to matters (a-d above)		• Risk management, page 36 • Risk factors, pages 28 – 31 • TCFD (climate-related risk management), pages 24 – 31

Relevant Information	
Business model description	• Business model, page 4
Description of non-financial KPIs	• Measuring our progress, page 26

Non-financial reporting – Section 172

Directors' statement in performance of their duties under section 172(1) Companies Act 2006

This statement forms part of the Strategic Report prepared in accordance with s.414C(7) and s.414CZA of the Companies Act 2006. It describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) when performing their duty under section 172 of the Companies Act 2026 (the 'Act'). Section 172 of the Act requires Directors to act in good faith and in a way that is the most likely to promote the long-term success of the Company. In discharging this duty, Directors must take into consideration the interests of the various stakeholders of the Company, the long-term consequences of their decisions, and the impact they have on the Company's workforce, community, and environment.

The Company is required by the terms of its Licence to follow the principles of the UK Corporate Governance Code 2024 (the '2024 Code'), under which the Board's overarching role is to ensure the long-term sustainable success of the Company, generating value for the mutual benefit of all stakeholders and employees.

DCC operates on a pass-through cost basis (earning no economic profit) under a Smart Meter Communication Licence granted by Ofgem, managing critical national infrastructure connecting smart meters in homes and small businesses with energy suppliers, network operators, and energy service companies. The Company does not contract directly with end consumers but its services affect millions of households. Long-term success depends not on profit maximisation but on secure, efficient, and economical service delivery, stakeholder confidence, and supporting Britain's energy transition. During the reporting year, Ofgem awarded the Second Smart Meter Communication Licence to the Smart Energy Code Company (May 2026), with Business Handover scheduled for 2 November 2026. The DCC1 licence has been extended to September 2027 to allow completion of residual obligations. At the date of this report, the transition is ongoing.

The Directors consider that they, both individually and collectively, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) Section 172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2026.

Our key stakeholders and why they matter:

DCC's purpose is to connect Britain's homes and businesses to a smart energy network in a secure, reliable and efficient manner. Unlike a typical commercial enterprise, DCC's success is measured not by shareholder returns but by the quality, security and cost-efficiency of services delivered to energy consumers via our customers. The Board has identified the following key stakeholders:

Employees	Our workforce delivers core operations and strategic ambitions. Their engagement, skills and wellbeing are essential to service quality and sustainability.
Customers (energy suppliers and network operators)	Connect to our platform to serve millions of consumers; their trust directly impacts the smart metering programme's success.
End consumers (energy bill-payers)	Our services affect millions of households; ensuring value for money and protecting vulnerable consumers is central to our licence obligations.
Suppliers and service providers	Technology and service partners whose stability, performance and ethical conduct directly impact service continuity.
Regulators (Ofgem and DESNZ)	Constructive engagement is essential for licence compliance and the transition to the successor Licensee.
Shareholder (Capita plc)	The governance framework ensures independent Board decision-making while maintaining appropriate shareholder engagement, particularly during the transition period.
Communities and the environment	Our infrastructure supports the UK's net zero transition; we minimise our own environmental impact and support local communities.

How stakeholder views reach the Board:

The Board has established clear mechanisms to ensure stakeholder perspectives are systematically considered in decision-making. These include:

- Inclusion of a section addressing customer engagement in Board papers, where relevant.
- The Chief People Officer attends Board and Remuneration Committee meetings to present workforce data including engagement results, attrition, diversity metrics, and Colleague Representative Forum feedback.
- The Designated NED (Sarah Eccleston) engages directly with employees through Town Halls and workshops, reporting formally to the Board every six months.
- The CEO provides a comprehensive report at each Board meeting covering operational performance, customer feedback, and regulatory developments.
- The Director of Risk and Assurance provides quarterly updates on strategic risks, including climate-related risks, supplier stability, and regulatory risk.
- Gillian Guy serves as a consumer advocate NED, ensuring end consumer and vulnerable customer interests are directly represented at Board level.
- The CEO, Chair and Senior Independent Director meet with the Shareholder representatives, Ofgem and DESNZ regularly throughout the year and on specific matters.

Principal decisions during the year

The following principal decisions were taken by the Board during the year, with the key stakeholders considered and s.172 factors engaged.

Decision	Background	Outcome
Investment Committee established (May 2025)	Replaced the Price Control Risk Committee with a single expenditure governance forum with mandatory price control risk assessments. Stakeholders: customers (value for money), shareholder (cost governance), employees (clearer processes).	The Investment Committee is now fully embedded and providing strong challenge.
Licence Renewal Business Handover and Conflicts Strategy	Approved the Business Handover Plan (Ofgem-approved 30 September 2025) and implemented a conflicts framework: Capita-nominated NEDs recused from Successor Licensee selection, ex-ante business plan, and post-November 2026 contracts. Board agendas split for recusal decisions. Stakeholders: regulators (fair competition), shareholder (legitimate oversight), employees (transition continuity).	Licence Award to the Successor Licensee was confirmed in May 2026. The Joint Handover Steering Group has been established, and DCC is working with the Successor Licensee to interlock delivery plans and ways of working.
Project Jupiter and Ruddington office closure	Endorsed the restructure of Digital Business and Regulation and closure of the Ruddington office: significant labour cost savings. Stakeholder trade-off: The Board balanced long-term cost efficiency for bill-payers against significant short-term employee impact, accepting the trade-off on the basis that: (i) savings were necessary to meet Ofgem cost expectations; (ii) extensive support was provided (outplacement, refreshed narrative, leader-led engagement, All-Colleague 'Future Ready' conference); and (iii) engagement recovery is being actively monitored.	The restructure and office closure completed. Engagement declined to 59% as anticipated; the Board has approved a recovery trajectory targeting 64% by March 2027 and 72% by March 2028.
Major procurement contracts	Approved: Vodafone 2G WAN (£199.4m to 2033), SMETS1 FOC ANSO (up to £93.2m over 8.5 years), DSP 2.0 drawdown (£44.8m), and £110m financing facility. Consumer vulnerability safeguards were required in the DSP migration plan.	Contracts executed. The DSP Blueprint was completed on time in November 2025.
Consumer advocate NED appointment	On the Nominations Committee's recommendation, appointed Dame Gillian Guy to bring an independent consumer perspective to Board discussions, particularly during the transition to the Successor Licensee.	Gillian Guy was appointed on 1 October 2025 following a competitive process advised by the Citizens Advice Bureau. She has been attending Board meetings since December 2025 and contributing to consumer-focused scrutiny of transition decisions.

The long term – s.172(1)(a):

The Board regularly discusses the long term at scheduled Board meetings, dedicated strategy sessions, and trading updates. During the year the Board monitored the transition plans to DCC2, overseeing the Business Handover Plan, and procurement of replacement corporate services. Sufficiently Independent Directors were involved in the recruitment of the Chair of the Joint Handover Steering Group. The Investment Committee (see principal decisions above) contributed to total internal costs decreasing and external services spend falling. The Business Strategy & Technology Roadmap sets detailed plans to March 2034 and high-level direction to 2050, anchored by modularity, cyber security, sustainability, and supply-chain resilience. The Board also meets twice annually to review longer-term strategic plans, objectives, and risks. In line with stakeholder views, DCC's focus is on increasing the efficiency, quality and stability of the platform and enhancing customer service. Part of The Technology Advisory Committee's ongoing remit is to consider the evolution of technology and how the Company can help shape the evolution of communication hubs and other parts of the system for the long term benefit of customers and consumers.

Workforce and employee engagement – s.172(1)(b):

Our workforce of employees and contractors is fundamental to delivering our core business. The Board maintains structured engagement through the Chief People Officer, 'Your Voice' surveys, and the Designated Non-Executive Director ('DNED'), Sarah Eccleston, who engages directly with employees and reports to the Board on a regular basis.

During the year, two significant change programmes; Project Jupiter (including 56 redundancies) and the closure of the Ruddington office, resulted in reduced engagement in October 2025 (Engagement Index: 59%; eNPS: -6, down from 72% and +21 respectively). While this aligned with external benchmarks following organisational change, workforce pride (75%) and confidence in local leadership (82%) remained resilient. The Board actively monitored the position and oversaw management's response, focused on enhanced communication, increased leadership visibility, and a clear strategic narrative, delivered through targeted engagement initiatives and the 'Future Ready' conference.

Subsequent improvement was evidenced in the March 2026 survey, with engagement metrics recovering (Engagement Index: 68%; eNPS: +14), supported by strong participation (88%) and improvements across leadership confidence, company confidence and change management. Overall workforce sentiment for FY25/26 improved materially, with a Blended Positivity Score of 68%.

The Colleague Representative Forum continues to provide a formal mechanism for workforce consultation, including engagement on ongoing change initiatives and TUPE-related preparations. The Company also progressed its Psychological Safety Programme, wellbeing initiatives, and flexible working practices to support employee wellbeing.

The refreshed Employee Value Proposition and implementation of a skills database support capability development and workforce planning. Progress on inclusion continued, with ethnic minority representation at 32% and female representation at 36%, while voluntary attrition reduced to 8.1%, its lowest level in five years.

For further details on the Board's approach to monitoring and assessing company culture please refer to page 56.

For further details on the Board's employee engagement please refer to page 56.

For further information on 'Our People' including employee engagement and satisfaction as well as employee networks and groups, please refer to page 17.

Business relationships with – s.172(1)(c):a.

a. **Suppliers:**

i. Forms of engagement: Executive Directors and senior management maintain regular engagement with key suppliers to foster relationship, supported by the Supplier Management function, covering operational, commercial and ESG matters. This is complemented by structured engagement with regulators and customers on material supplier decisions, including contract extensions and procurements.

ii. Consideration by the Board in discussions and decision making: The Board reviews the modern slavery statement every year. The outcome of the annual compliance audit, including compliance in the supply chain, is reported to the Board. The Board retains oversight of supplier relationships through Contract and Supplier Management reporting that includes procurements and contract extension, together with top 10 supplier costs being reported within the DCC Performance Reporting Board Dashboard, with highlights noted in the CEO update. The Board considers and approves high value or otherwise significant contracts with suppliers in accordance with the approval framework. Decisions are guided by the Procurement Strategy, which prioritises competitive tendering unless clear value for money criteria for extension are met, and are informed by supplier performance, benchmarking and stakeholder input. The Board discussions benefit from the experience of the Non-Executive Directors and the CEO with an extensive expertise of the telecommunication and technology industry. They provide valuable insight into how suppliers may be impacted by any external developments or Board decisions.

During the year, the Board monitored progress against the commercial pipeline, including key contract decisions required to ensure continuity of critical services and support future capability. It also considered the role of supplier management in delivering cost efficiencies and managing was satisfied that strengthened governance and commercial discipline are supporting the delivery of long term value.

b. **Customers:**

i. Forms of engagement: Customer engagement remains a key focus area. Customer engagement is integrated into governance processes and strategic decision-making, supporting continuous service improvement and alignment with customer needs.

Regular engagement with customers takes the form through established industry forums and direct interaction. These included webinars, workshops, and participation in key governance groups such as the SEC Panel, OPSG and TABASC, as well as dedicated customer working groups, providing ongoing insight into customer priorities and service performance.

The CEO provides regular customer insight to inform Board engages directly with senior leaders across major customers during the year, including discussions on service improvement, regulatory feedback and transition planning.

ii. Consideration by the Board in discussion and decision making: The Board ensures that customer perspectives were embedded in decision-making, with all relevant Board papers including consideration of customer engagement and impact.

During the year, the Board monitored key customer performance metrics, including improvements in customer effort and operational service outcomes, and considered customer feedback in evaluating service delivery. In response, the Board approved strategic actions to enhance customer focus, including transitioning to a more comprehensive customer satisfaction measure (CSAT) and strengthening customer-related objectives for senior leadership.

Whilst obliged to comply with the Smart Energy Code ('SEC') for billing and credit cover, we engage regularly with customers, SEC Administration and the SEC panel to support customers with any payment issues.

c. **Department for Energy Security and Net Zero ('DESNZ') /Ofgem/ Smart Energy Code ('SEC') Panel:**

i. Forms of engagement: A dedicated regulatory team oversees engagement with all parties in relation to policy and regulatory matters, supported by direct interaction between senior leadership and key stakeholders. This includes regular trilateral forums with Ofgem and DESNZ to maintain alignment on strategic priorities.

Regulatory engagement is a core component of DCC's risk management and long-term value delivery. Engagement is supplemented through a range of formal and informal channels, including meetings, workshops and site visits, which provide external parties, including regulators with insight into DCC's operations, cost drivers and strategic plans. Working-level engagement is also maintained through regular information sharing and consultation responses, alongside participation in joint planning activity to support licence transition and policy development.

ii. Consideration by the Board in discussion and decision making: Regulatory and governmental issues are communicated through the CEO report and dedicated papers on matters such as price control, licence renewal, and regulatory strategy.

During the year, the Board approved and monitored the Company's approach to the price control process, including its engagement strategy, key submissions and responses to regulatory determinations, and reviewed regular progress reports. The Board also approved and oversaw key elements of the licence renewal programme, including the Business Handover

Plan and the ex-ante business plan submission, supported by independent assurance. In doing so, it ensured appropriate governance arrangements were in place, including the management of conflicts of interest and maintenance of independent oversight.

d. **Shareholder:**

i. Forms of engagement: There is an ongoing engagement between the Company and its shareholder through three Capita-nominated Directors serving on the Board of the Company (the Chairman, Nadia Choudhary, and Gemma Bate-Williams), the Quarterly Shareholder Review, and a formal forum comprising of Company representatives.

ii. Consideration by the Board in discussion and decision making: The Board operates independently of Capita plc and in the best interests of the Company's customers, ensuring compliance with the Licence under which the Company operates.

For further details on Board engagement with the shareholder, please refer to page 46.

Impact on the community and environment – s.172(1)(d):

The Board is committed to the Company's 'Smart Green' agenda and has set the target for the Company to reduce its absolute, measurable, carbon load on the environment.

Please refer to pages 24–31 for further information on the Company's climate-related disclosures and sustainability initiatives.

High standards of business conduct - s.172(1)(e):

The Board promotes ethical and responsible conduct through:

a) Company values of making a difference, acting with integrity and being accountable are at the core of how we operate, and all employees are expected to exhibit these values in the work they carry out. Each employee is assessed against these values as part of their annual performance review.

b) Reinforcement of the 'Speak Up' policy, which sets out the Company's commitments to speaking up about serious concerns employees may have at work and the channels available to do so responsibly and effectively. The Audit and Risk Committee has a lead role in assessing and monitoring the use of this policy throughout the year.

c) Ongoing monitoring of compliance against the anti-bribery and corruption policy, ensuring all parts of the business are aware of their responsibilities. All employees must complete financial crime training annually.

d) Commitment to ensure suppliers are paid promptly, with a Key Performance Indicator (KPI) target of at least 97% of all suppliers to be paid within 30 days.

e) The formation of a Senior Leadership Team supports the implementation of the corporate culture and provides valuable insight in the issues facing employees within the Company.

f) Risk management is consistent with ISO 31000; Business Resilience is ISO22301-certified; information security is ISO27001-certified. Internal Audit achieved 81% alignment against IIA Global Standards in March 2026 (up from 74% in 2025), with a targeted programme for remaining gaps.

g) The Ofgem-approved Procurement Strategy was implemented, with a rewritten Procurement Policy and new framework agreements delivering reductions in consultancy day rates.

Acting fairly between members – s.172(1)(f):

The Board operates independently of Capita plc and in the best interests of the Company and its stakeholders. The conflicts of interest strategy for the Licence Renewal (see principal decisions above) ensures fair treatment during the transition. Following the Licence Award in March 2026, the Joint Handover Steering Group was established to oversee the transition period.

Dame Gillian Guy's appointment as consumer advocate NED (see principal decisions above) strengthens end consumer representation. The Board Performance Review scored stakeholder consideration at 86/100.

The Quarterly Shareholder Review (see shareholder engagement above) provides formal shareholder engagement while the Board retains independence of decision-making.

Acting fairly between members – s.172(1)(f):

This year's statement reflects a significant evolution in the Company's section 172 reporting:

- Introduction of a formal principal decisions framework identifying specific decisions and how stakeholder interests were weighed
- Appointment of a consumer advocate NED to represent end consumers at Board level
- Continued participation with the Colleague Representative Forum, now used as a regular workforce engagement channel
- Publication of quantitative engagement data, including where outcomes have declined
- Explicit disclosure of stakeholder trade-offs where the Board balanced competing interests
- First full reporting against the UK Corporate Governance Code 2024

Business Handover is scheduled for 2 November 2026, after which the Successor Licensee assumes responsibility for the mandatory business. All DCC employees are in scope of TUPE and will transfer to DCC2 on Business Handover. DCC1 will retain a residual Board to discharge remaining licence obligations until September 2027, including two further ex-post price controls.

The Board's priorities for the year ahead are:

- Ensuring seamless Business Handover with a focus on service continuity and fair employee treatment (including phased TUPE processes)
- Deepening engagement with Ofgem, DESNZ, and industry on the ex-ante business plan
- Target: Employee engagement recovery to external benchmark average (64%) by March 2027, with full recovery to pre-change levels (72%) by March 2028
- Target: Science-based emissions reduction targets to be set in FY26/27 following completion of the carbon baseline
- Embedding the 2024 Code's expectations on culture, internal controls, and sustainability oversight.

The Board will report on the outcomes of these priorities in the next Annual Report.

For further detail on how the Board engages with stakeholders and discharges its governance responsibilities, please refer to the Corporate Governance Report (page 50), the Nomination Committee Report (page 60), the Audit and Risk Committee Report (page 61), and the Remuneration and People Committee Report (page 66).

The Strategic report was approved by the Board of Directors on [14] July 2026 and signed on its behalf by

Richard McCarthy, CBE

Richard McCarthy, CBE
Chairman
27 August 2026

Corporate Governance Report

Governance

Chairman's introduction to governance

The Directors recognise they are ultimately responsible for the proper management of the Company, achieving a high standard of corporate governance, and engaging with our stakeholders. A robust governance framework is essential in underpinning the delivery of our objectives and promoting long-term, sustainable success and this way, our governance framework supports our vision of making Britain more connected, so we can all lead smarter, greener lives. Below, we describe the role of the Board, how the Board has met its responsibilities and how as required by the Licence we voluntarily apply the principles of the FRC's current UK Corporate Governance Code 2024, as far as it practicable for the size, nature and complexity of the business.

Role of the Board

The Board's role is to provide leadership to the business, having overall responsibility for the Company's strategy, performance, the framework for risk management and internal controls, governance matters and engagement with stakeholders. The Board remains committed to understanding the needs of our stakeholders and on page 42, in our Section 172 Statement we explain how we engage with them. The Board's full responsibilities are set out in the schedule of Matters Reserved for the Board in our Board and Governance Manual, which is reviewed on an annual basis.

In this report, we describe how this is carried out through the work of the Board and its Committees. Information on how the Board operates and how the UK Corporate Governance Code's principles are applied can be found:

The Board

At the end of March 2026, the Board had nine Directors: The Chairman (also a Non-Executive Director); two Executive Directors, the CEO and CFO; two Non-Executive Directors; and four Sufficiently Independent Non-Executive Directors. During the year Dame Gillian Guy was appointed as a Sufficiently Independent Non-Executive Director.

Board independence

Non-Executive Directors are required to be independent in character and judgement, so that they can exercise independent oversight and effectively challenge management. All relationships that may interfere materially with this judgement are disclosed as required under the conflicts of interest policy. With the exception of Richard McCarthy CBE, Gemma Bate-Williams and Nadia Choudhary, who are employees at the shareholder, all other Non-Executive Directors have been determined to be independent. The Directors of the Company currently in office are listed on pages 51 to 53.

Board members between 1 April 2025 and 31 March 2026

Richard McCarthy CBE
Chairman, Chair of the Remuneration and People Committee and Chair of the Nomination Committee
Appointed: October 2013

Key skills:
Richard is an experienced Non-executive Director and Chair, and throughout his career has held senior roles in the public and private sector. He has extensive knowledge of the UK Government's operations and engagement having spent eight years as a Civil Service Director General.

Experience:
Richard joined Capita's Local Government, Health and Property Division as Executive Director for Central Government in February 2012. He subsequently became Capita Group's Senior Director of Government Affairs concurrently spent 3 years as the Chair of Axelos and served as Non-Executive Director of Fera Science for 8 years, both joint ventures with the UK Government with the latter a joint venture between Bridgepoint Group plc and DEFRA.

In 2021, he also became the independent Chairman of Andium Homes, the Jersey Government owned social housing provider,in 2024 Richard took over as Chair of Funding Affordable Homes Housing Association, having been on the board since 2017, and this year has been appointed as a Non-Executive Director of City & Guilds Ltd. Prior to joining Capita, Richard was the Director General, Neighbourhoods, at the Department for Communities and Local Government and their lead official for housing, planning, regeneration, local economies, climate change, building standards and the European Regional Development Fund. He received a CBE in the 2009 New Year's Honours for his services to housing and planning.

Chris Lovatt
Chief Executive Officer
Appointed: March 2025

Key skills:
Throughout his career, Chris has been committed to achieving a smart, sustainable, and personalised energy world that improves people's lives. Chris joined DCC with considerable experience on smart metering, having played a leading role in E.ON's smart metering agenda since 2011.

Experience:
Before joining DCC in March 2025, Chris garnered extensive experience in the energy sector, most recently as the Chief Operating Officer at E.ON UK, and as a Non-executive Director for Eco2Solar. Chris has also held other senior roles including as E.ON's Managing Director of Residential Supply, and Director of Sales and Service Operations.

Gavin Robertson
Chief Financial Officer
Appointed: March 2025

Key skills:
With over 30 years of financial leadership experience, Gavin combines strategic and technical excellence with a deep understanding of our financial operations to steer DCC's financial strategy.

Experience:
Gavin was appointed as Chief Financial Officer and as a member of the Board in March 2025. Having most recently served as Director of Risk and Assurance at DCC, Gavin has held a number of senior group and operational CFO and Finance Director roles within various regulated retail, customer and consumer facing businesses. Most recently, he ran his own consultancy company providing financial management, financial process, risk and control consultancy to start-up businesses and SMEs.

Barbara Anderson
Independent Non-Executive Director and Chair of the Audit and Risk Committee
Appointed: August 2019

Key skills:
Barbara is an experienced Chair and Non-Executive Director who has worked extensively with SMEs, PLCs in regulated sectors, international private companies and venture capital specialists. She brings her deep expertise in audit and risk best practice, innovation for growth and sustainability, strategic planning, start-up acceleration and business transformation and project delivery to the Board. Her experience and work was recognised in April 2023 when she won the Sunday Times Non-Executive Director for Private Equity and Private Companies Award.

Experience:
Barbara was appointed Chair of British Smaller Companies VCT2 Plc in 2024, having joined as a Non-executive Director in 2020, and is also Chair of the Energy Saving Trust. Her

expertise includes innovation, growth and sustainability, strategic planning, start-up acceleration, business transformation, deal preparation and corporate governance

Ian McCaig
Senior Independent Non-Executive Director (from September 2022
Appointed: April 2021

Key skills:
Ian has a strong track record in leading fast-growing technology-enabled businesses, which gives him insight into, and relevant experience in, strategic planning, strategy implementation and business transformation. Through his former role as the CEO of an independent energy provider, Ian also brings expertise to the Board of UK energy industry and smart-metering technology.

Experience:
Ian is a board member and Senior Independent Director at M-Kopa Ltd and Non-Executive Chair of Lumon Holdings Ltd. He is also Chair of the Methodist Independent Schools Trust and Non-Executive Chair of Powerverse Investments Limited.

In his executive career, Ian was most recently CEO of First Utility, the largest independent energy provider in the UK and a pioneer in smart-metering technology and energy analytics. Prior to that, he was CEO of lastminute.com. Ian's early career was in the IT industry at ICL before moving into telecommunications, where he worked at Nokia for several years.

Sarah Eccleston
Non-executive Director , Chair of the Technology Advisory Committee and Designated Non-Executive Director
Appointed: September 2022

Key skills:
Sarah has extensive experience and skills at a senior level in networking and technology, with a successful track record on delivering commercial success.

Experience:
Sarah joined the DCC Board in September 2022 in her first non-executive role after a 30-year career in IT Networking. Sarah also holds Non-Executive Director roles at 2 NASDAQ-listed companies in Sweden – Telia Company and NCAB Group.

In her executive career, Sarah was most recently a Global Vice President for Cisco. Originally a software engineer, Sarah has wide-ranging experience in the industry, gained in a variety of engineering, sales, and leadership positions with global technology vendors and service providers including Nortel Networks and Verizon. At Cisco, Sarah previously led the Internet of Things (IOT) and Networking practices for UK and Ireland; for Cisco globally, she was Chief Technology Officer for the Small and Mid-Size business sectors.

Dame Gillian Guy
Non-executive Director
Appointed: October 2025

Key skills:
Gillian is an experienced Non Executive Director with deep expertise in consumer advocacy, public interest leadership and governance. She brings strong skills in independent challenge, accountability and value for money, developed through leading large public and voluntary sector organisations and operating in highly scrutinised environments.

Experience:
Gillian joined the DCC Board in October 2025 as its first consumer advocacy Non Executive Director. She brings more than 30 years' experience in public service and local government, leading complex organisations operating at national scale, including as Chief Executive of Citizens Advice, Victim Support and the London Borough of Ealing. Gillian currently serves as a Trustee of the Harris Foundation for Lifelong Learning, a Local Government Boundary Commissioner, and the Independent Assessor of the Financial Ombudsman Service. She was appointed Dame Commander of the Order of the British Empire (DBE) in the 2020 New Year Honours for services to the public and voluntary sectors.

Gemma Bate-Williams
Non-Executive Director
Appointed: February 2024

Key skills:
Gemma is a UK Certified Chartered Accountant with extensive experience in group financial control. She brings strong financial oversight and assurance experience to the Board; including operating in complex and regulated environments.

Experience:
Gemma joined the DCC Board in February 2024. She is the Group Financial Controller at Capita Plc. where she has over 20 years' experience, including as Divisional Finance Director for the Capita Public Service division. Gemma has a proven track record in driving financial performance and strategy, overseeing financial control, and providing commercial leadership. Gemma also holds several Capita subsidiary directorships including Capita Holdings Limited, Capita Health Holdings Limited, Capita Insurance Services Holdings Limited, Capita Property and Infrastructure Holdings Limited, Retain International (Holdings) Limited and ThirtyThree APAC Limited.

Nadia Choudhary
Non-Executive Director
Appointed: February 2024

Key skills:
Nadia has an expansive knowledge of Commercial, Procurement, Public Sector Regulations, Risk Management, Corporate Governance, Deal Negotiations and Dispute Management.

Experience:
Nadia joined the DCC Board in February 2024. She has over 15 years of experience in Commercial and Procurement across both the private and public sector. Nadia joined Capita in January 2023 from the Department of Work and Pensions as the Commercial Director. She was previously a Senior Civil Servant at the Cabinet Office, leading the Disputes Practice across Central Government. Her earlier experience extends into the IT and Telecoms sectors.

UK Corporate Governance Code

During the financial year ended 31 March 2026, DCC applied the principles and provisions of the UK Corporate Governance Code 2024, which can be found on the Financial Reporting Council's website at www.frc.org.uk. Throughout the year, DCC complied with all relevant provisions, except for those noted below:

Provision 9: *The Chair should be independent on appointment when assessed against the circumstances set out in the Code*

The Chair was appointed on incorporation of the Company and is a senior employee of the Company's shareholder, Capita Plc. Over half of the Non-Executive Directors are independent. Board appointments are conducted in accordance with both Capita's policy and DCC Licence conditions. The Chair brings extensive knowledge to the Board and has strong working relations with stakeholders which are integral to managing a smooth transition of the Licence. The Chair will step down when the current Licence ends in 2026.

Provision 11: *At least half the board, excluding the chair, should be Non-Executive Directors whom the board considers to be independent.*

At the commencement of the financial year at least half the Board was not independent. However, whilst the composition of the Board was considered appropriate for the Company at that time, Ofgem advised the Board to enhance the skills and knowledge with the addition of a consumer advocacy expert, ahead of the next licence period, and in October 2025, the Company appointed a fourth Independent Non-Executive Director who was sufficiently independent in accordance with the Licence and therefore the Company now complies with Provision 11.

Provision 18: *All directors should be subject to annual re-election. The Board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long-term sustainable success.*

Due to the structure and nature of the Company this provision is not implemented. However, the term for each director is three years and the Board's construct is regularly reviewed, and a Skills, Diversity & Composition Matrix is maintained.

Provision 19: *The Chair should not remain in post beyond nine years from the date of their first appointment to the board. To facilitate effective succession planning and the development of a diverse board, this period can be extended for a limited time, particularly in those cases where the chair was an existing Non-Executive Director on appointment. A clear explanation should be provided.*

Whilst the Chair has now served on the Board for more than nine years, the Board has agreed that his continued appointment remains in the best interests of the Company. The Board believes that its composition benefits from both Directors with longer corporate memory, and challenge provided by fresh thinking. The Chair's longer tenure, his expertise and deep understanding of the business and the complex environment in which it operates is considered desirable in the context of the Company's longer-term strategy. Ofgem and Capita have also requested stability on the Board whilst Licence Renewal is considered. The Chair will step down when the current Licence ends on 2 November 2026 and Ofgem are in agreement with this approach.

Provision 24: *The Board should establish an audit committee of independent Non-Executive Directors.*

The Company's Audit and Risk Committee has three committee members: two Independent Non-Executive Directors, and one Non-Executive Director, who brings valuable recent and relevant financial experience and understanding of the Shareholder.

Provision 32: *The Board should establish a remuneration committee of Independent Non-Executive Directors. In addition, the Chair of the Board can only be a member if they were independent on appointment and cannot chair the committee.*

All members of the Remuneration and People Committee are Non-Executive Directors, four of whom are Independent Non-Executive Directors, and the Chair of the Board chairs the Committee. In addition, the Capita Non-Executive Directors bring relevant knowledge from the Shareholder. The Board considers this arrangement to be appropriate for the size and nature of the business, and regularly reviews composition to ensure these arrangements remain appropriate.

Provision 36: *Remuneration schemes should promote long-term shareholdings by Executive Directors that support alignment with long-term shareholder interests. Share awards granted for this purpose should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more. The remuneration committee should develop a formal policy for post-employment shareholding requirements encompassing both unvested and vested shares.*

Due to the nature of DCC's shareholding this provision cannot be implemented and there are no share awards.

Provision 37: *Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the company to recover and/or withhold sums or share awards and specify the circumstances in which it would be appropriate to do so.*

The Company's remuneration scheme and policy does not currently include provisions that enable the Company to recover and/ or withhold sums from Directors. There are no share awards. The Remuneration and People Committee does, however, have discretion to override formulaic outcomes and set final awards each year.

The Company has in place robust risk management and internal controls, and is preparing to comply fully with Provision 29 when the reporting requirements come into effect for the 2027 Annual Report.

Governance and strategy

The Board's role is to ensure the long-term sustainable success of the Company. Maintaining the highest standard of governance is integral to the effective delivery of our strategy and ensuring that the Board takes decisions that create sustainable long-term value for the mutual benefit of our stakeholders and employees while also considering the obligations placed on the Company by the Licence.

The Board determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The Board is collectively responsible for the success of the Company. The Executive Directors are directly responsible for running the business operations; and the Non-Executive Directors provide constructive challenge, bring independent judgement and scrutiny, offer strategic guidance and hold management to account. Following presentations by Executive and Senior Management, and a disciplined process of review and challenge by the Board, clear decisions on policy or strategy are adopted, and the Executive Management Team are fully empowered to implement those decisions.

The Board's full responsibilities are set out in the schedule of Matters Reserved for the Board in our Board and Governance Manual, and certain responsibilities are delegated to the Board Committees, to help the Board operate effectively and give an appropriate level of attention and consideration to pertinent matters. Our Board and Governance Manual and committee Terms of Reference can be found on DCC's website. We explain how the Directors discharged their duties under Section 172 on page 41. Board policies, which help to codify its processes, are reviewed and, if needed, periodically updated, with the support and guidance of a Company Secretary.

Company Secretary services are provided to the Board by MUFG Corporate Governance Limited and Capita Group Secretary Limited and all Directors and Executives have access to the Company Secretary service providers.

There is a clear division of responsibility between the running of the Board by Richard McCarthy CBE as Chairman, and the running of the business by Chris Lovatt as CEO. During the year, in line with good practice, the Chairman has met with the Non-Executive Directors without the CEO present, and the Senior Independent Non-Executive Director has also held meetings with the Non-Executive Directors without the Chairman.

Matters Reserved for the Board and Committees

The Board

Ensure long-term sustainable success of the Company and create long-term value for the mutual benefit of all stakeholders and employees.

Matters reserved for the Board

Strategy, purpose, values, culture and governance
Oversight of business and operations
Financial reporting
Risk appetite and Internal controls
Significant contract approvals
Shareholder communication and stakeholder consideration
Board membership and succession planning
Board performance

Audit and Risk Committee

- External audit
- Financial reporting
- Risk management and internal controls
- Internal auditit

Remuneration and People Committee

- Remuneration policy and principles
- Incentive design and target setting
- Executive and senior remuneration
- Employee engagement, culture and people policies

Nomination Committee

- Board succession planning
- Appointments and re-appointments to the Board
- Board composition, including diversity

Technology Committee

- Medium to long term technology planning
- Alignment between technology capability, business strategy and user requirements

Internal Controls

The Board of Directors has conducted a comprehensive review of the Company's internal control systems during the financial year. Based on this assessment, the Board is satisfied that the internal controls in place are effective and provide a robust framework for managing risks and ensuring compliance with regulatory requirements.

Division of responsibilities

Chair	Responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. This includes setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues. Responsible for ensuring the Board has the right balance of skills, experience and diversity appropriate for the business, there is sufficient evaluation of Board performance and that appropriate actions are taken to ensure compliance with best practice.
Senior Independent Director	Acts as a sounding board for the Chair on Board-related matters, chairs meetings in the absence of the Chair, and acts as an intermediary for other Directors when necessary. Leads the evaluation of the Chair's performance, leads the search for a new Chair when necessary, and is available to the shareholder to discuss matters which cannot be resolved otherwise.
Non-Executive Directors	Constructively challenge and help develop proposals on strategy. Scrutinise the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. Satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible. Responsible for determining appropriate levels of remuneration for Executive Directors.
Executive Directors	Responsible for the day-to-day running of all aspects of the business. This responsibility is different from the Chair's role in running the Board. The role of CEO is separate from that of Chair to ensure that no one individual has unfettered powers of decision making.
Designated Non-Executive Director (DNED)	Works with the Chief People Officer to ensure that the views and concerns of the workforce are brought to the Board and taken into account, are consistent with the Company's values, and support its long-term sustainable success.

Culture and employee engagement

The Board reviews policies to ensure they are aligned with the Company's purpose, values and strategy, are well understood by the workforce and are driving the right behaviours.

All people related matters are discussed by the Board on a regular basis and the Chief People Officer frequently presents at Board, Nomination, and Remuneration and People Committee meetings, providing updates and inviting discussion on matters such as attracting and retaining talent, employee satisfaction, employee survey results, remuneration policy, incentive schemes, individual office updates as well as any other matters raised through the People Forum. More information on our people initiatives can be found on page 17.

Directors discuss the results of the annual 'Your Voice' People Survey results, which provide valuable insights into how well the culture is embedded across the organisation and, importantly, key areas of focus for development. More information on our culture transformation programme can be found on page 19. Employees can raise concerns, anonymously if they wish to do so, using the Company's 'Speak Up' policy. There are several channels through which employees can share their concerns, including an independent Speak Up facility that is available 24/7. In addition, there is an internal Whistleblowing policy.

During the year, the Company's Designated Non-Executive Director ('DNED') for workforce engagement, Sarah Eccleston, engaged regularly with colleagues through town halls and small-group sessions, supporting the CPO in bringing workforce perspectives to the Board to inform its discussions and decision-making. In response to colleague feedback, our DNED facilitated focused engagement on ethnic diversity and inclusion, including a senior-level session on bias, recruitment and performance calibration, with agreed follow-up actions. She also contributed to Board oversight of succession and leadership development through engagement with senior recruitment and pipeline discussions. Through these activities, she provided independent insight, challenge and assurance to the Board on culture, inclusion and the colleague experience.

Diversity and inclusion

The Board considers diversity in all its forms across DCC to be important for the future development of the business. Board diversity sets the tone for the rest of the organisation and allows us to draw upon a variety of experiences and perspectives. Diversity of skills, experience, gender, social and ethnic backgrounds, cognitive and personal strengths, outlook and approach, amongst other factors, are all taken into consideration as part of the Board appointments process and succession planning.

We are supportive of the ambitions expressed in reviews on diversity, including the most recent updates on the FTSE Women Leaders Review 2024, and the Parker Review 2024. Female representation on the Board as at 30th June 2026 is 55.6%, which is an increase in comparison to 50% in 2025, and our ethnic minority representation is 11%, a slight drop from 12.5% in 2025 due to the appointment of a further director. Although we are not a listed company, we strive to maintain and increase all diversity matrix and increase the number of Directors with an ethnic minority background. Female representation in executive management as at 30th June 2026 is 37.5%, and our ethnic minority representation is 0%.

The Nomination Committee ensures that new Board appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and leadership for the Company. The Nomination Committee Report on page 60 includes more details on this.

Supported by the Remuneration and People Committee, the Board also monitors progress against the plan for diversity and inclusion across the organisation and ensures the appropriate sponsorship from Senior Management is in place. Please refer to page 22 for more information on our commitment to diversity and inclusion in the wider workforce.

Shareholder engagement

The Chairman, Gemma Bate-Williams and Nadia Choudhary are employees of the shareholder, and there is ongoing engagement via their roles on the Board. In addition, the Quarterly Shareholder Review, established in 2020, comprises senior representatives from both Capita plc and the Company, including the Chairman, Gemma Bate-Williams and Nadia Choudhary, and the Executive Directors. The group meets quarterly throughout the year and discusses matters such as operational and financial performance, risk management and future regulatory framework.

Evaluation of Board Performance

Directors consider the performance review of the Board, its Committees and themselves to be an important aspect of corporate governance, and reviews are undertaken annually.

The last externally facilitated performance took place in 2022/23. Given the size and nature of the business and the proximity of the licence transition, the Board determined an internally facilitated review was appropriate for this year. The last performance review was conducted in Q4 2025. It was internally facilitated by the Company Secretary and took the form of detailed questionnaires to the Directors. The review focussed on key areas in order to assess the strengths and effectiveness of the Board and its Committees and identify possible areas for improvement, including: purpose, strategy and long-term value generation; governance; culture; relationships with stakeholders and management; skills; decision making and meeting management.

The Board welcomed the results of the examination, which demonstrated strong performance across most areas, with average scores typically above 80%, indicating clear strategic direction, robust risk management, and effective compliance oversight.

Key recommendations of areas of development agreed by the Board to take forward over the following year are included below, together with actions taken to date:

Actions arising from the 2025 Board evaluation	Actions we have taken
Strategic Priorities: Focus on: Ex Ante, licence renewal, value for money, customer needs, and transition to DCC2.	The Ex-Ante Business plan and price control processes, together with the licence renewal and transition to DCC2 have remained key areas of focus and discussion in all Board meetings. The Company achieved an improved price control determination in 2026 for the regulatory year 2024/25, which the Board attributed to cost reductions, strengthened governance and controls, clear and compelling evidence based submissions, explicit customer support, and more constructive senior level engagement with Ofgem. Customer needs in addition to other key stakeholder needs remain a constant consideration in the present and for future long-term sustainability.
Board Papers: Shorten and standardise pre-reading materials; clearer executive summaries.	Whilst the meeting papers for all meetings are of high quality, concerted efforts have been made to enhance executive summaries and standardisation. Continuous consideration is given by the Board and Executives to help ensure the right balance of detail to facilitate effective decision making.
Succession: Review and develop plans post-DCC2 transition and new Chair appointment.	Significant time both at operational level and Board level, has been devoted to promote a smooth transition of the Licence to the new Licensees. On 1 May 2026, Ofgem formally awarded the new Smart Meter Communication Licence to DCC2 Limited (wholly owned by the Smart Energy Code Company Limited), to manage Britain's smart meter network under a new not-for-profit model. Workstreams are ongoing to support the appointed interim Chair of DCC2 Limited.

Actions arising from the 2025 Board evaluation	Actions we have taken
Stakeholder Engagement: Maintain regular communication, onboard consumer advocate Non-Executive Director, and strengthen relationships with key external parties.	Key stakeholders have been identified by the Board and regular engagement is taking place in accordance with the current strategy. Constructive engagement is essential for licence compliance and the transition to DCC2, and the Company has focussed on further strengthening relationships with the regulators and industry. An independent Non-Executive Director with strong customer advocacy expertise was appointed in October 2025. Current Board composition is considered appropriate.
Culture & Staff Engagement: Retain focus at the Remuneration & People Committee, involve Board in working groups, and ensure culture metrics are tracked.	The Chief People Officer attends the Remuneration & People Committee and at each meeting provides an update on progress against the People Strategy since the previous meeting, highlighting key developments, areas of progress, and emerging priorities. Monitoring of culture metrics, and listening to employee feedback has led to a shift in attention this year to three priority focus areas for 2026/27: career opportunities, resource allocation, and continuous development.
Committee Development: Audit & Risk Committee to establish independent reporting line; Remuneration & People Committee to set more impactful strategic objectives.	During the year a Director of Risk & Assurance has been appointed, who has made great strides in refreshing the Company's approach to risk, and has confirmed that the level of compliance is satisfactory with a year on year improvement. Team Objectives for 2026/27 were last reviewed by the Remuneration & People Committee in May 2026. DCC Team Objectives are designed to drive a change in behaviour mapped to the agreed Strategic Objectives of Customer First, Cost Efficiency, Owner Value, Core Enablers, and Sustainability Performance.

Board meeting and attendance

The following table shows the attendance of Directors at scheduled Board and Committee meetings during the year:

Director	Position	Board	Nomination Committee	Audit and Risk Committee	Remuneration and People Committee	Technology and Advisory Committee)
Richard McCarthy CBE	Chairman	6 (6)	1 (1)	*	3 (3)	*
Chris Lovatt	CEO	6 (6)	*	*	*	*
Gavin Robertson	CFO	6 (6)	*	*	*	*
Ian McCaig	Senior Independent Director	6 (6)	1 (1)	2 (3)	2 (3)	*
Barbara Anderson	Independent NED	6 (6)	1 (1)	3 (3)	3 (3)	*
Gemma Bate-Williams	NED	4 (6)	*	1 (3)	2 (3)	*
Nadia Choudhary	Independent NED	5 (6)	0 (1)	*	2 (3)	*
Sarah Eccleston	Independent NED	6 (6)	1 (1)	*	3 (3)	4 (4)
Dame Gillian Guy	Independent NED (appointed October 2025)	3 (4)	0 (0)	*	2 (2)	*

*Not a member of the committee

During the year, the Board also met twice for trading update meetings and twice for Board strategy meeting.

The Board generally meets formally at least six times a year and during the year under review there was a continued focus on holding in person meetings, whilst still holding virtual and hybrid meetings when required. The Board's annual corporate calendar helps us plan meeting agendas, ensuring that all responsibilities and duties of the Board and its Committees are discharged during the year, and allows flexibility for updates and debates on any pertinent matters that arise throughout the year. In addition, a Recused Board was formed to discuss matters in association with the Licence transition that required approval by those who were not conflicted in any way. Thus, the Recused Board was constituted of independent Non-Executive Directors and Executive Directors only, with the non-independent shareholder representatives recusing themselves from such meetings. The Recused Board convened on an ad hoc basis, as and when discussions were required.

Management of conflicts of interest

During the year and until the signing of this Report, none of our Directors or their connected persons have any family relationship with any other Director or officer, nor do they have a material interest in any contract to which the Company is a party. Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company. This duty is in addition to the existing duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company. If any Director becomes aware of any situation which might give rise to a conflict of interest, they must, and do, inform the rest of the Board immediately and the Board can either authorise such conflict or request that the Director recuse themselves from certain relevant discussions. This information is recorded in the Company's Register of Conflicts and in addition, Directors regularly confirm that the information contained in the Register of Conflicts is correct.

In addition to the Directors' duties under the Companies Act 2006, under section 9.8 of the Licence, the Directors are not permitted to have any interest in any external service provider. Therefore, to ensure that the Company meets this obligation, Directors also complete an annual conflicts questionnaire that focuses on interests in External Service Providers of DCC. Following completion of the questionnaire it was clear that no Director held shares in a client or had an interest that raised concerns.

Directors' indemnities

The Company has indemnified each Director in respect of certain liabilities and costs they might incur in the execution of their duties as a Director. Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and continue to remain in force.

Directors' indemnities

The Company has indemnified each Director in respect of certain liabilities and costs they might incur in the execution of their duties as a Director. Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) were in force during the year and continue to remain in force.

Directors' appointment, termination and retirement

The appointment, termination and retirement of Directors is governed by the Company's Articles, the Corporate Governance Code, the Companies Act 2006 and other English law, as well as the Smart Meter Communication Licence.

Powers of Directors

The general powers of the Directors are set out in the relevant English law and the Articles. The Directors are entitled to exercise all powers of the Company, subject to any limitations impose by the Articles or applicable legislation.

Richard McCarthy CBE
Chairman Smart DCC
27 August 2026

Nomination Committee report

Members	
Richard McCarthy CBE (Chair)	Sarah Eccleston
Barbara Anderson	Nadia Choudhary
Ian McCaig	Dame Gillian Guy

Introduction from the Chair

I am pleased to present the Nomination Committee Report for the year ended 31 March 2026.

The role of the Nomination Committee is to undertake the formal process of reviewing the balance, effectiveness, and diversity of the Board, to consider the structure and size, and to identify the skills and expertise needed to meet the future challenges and opportunities facing the Company, and those individuals who might best provide them.

The Committee also leads the process for appointments to the Board and Senior Management (Executive Committee) positions, considers and formulates succession plans and oversees the development of a diverse succession pipeline of candidates in the context of DCC's strategic plans, its leadership needs and ensuring the Company's continued ability to function effectively.

Membership and Attendance

A majority of members of the Committee are Sufficiently Independent Non-Executive Directors and The Chief Executive Officer (CEO), Chief People Officer and other members of the Senior Management Team are regularly invited to attend meetings to provide comprehensive updates and insight into any key issues and developments. Details of attendance by Committee members are disclosed on page 58.

Committee activity

A schedule of agenda items has been created to ensure that all matters for the Committee are considered and reviewed at appropriate intervals. To maintain the right balance of skills and experience, the Nomination Committee keeps Board composition under continual review and recommends to the Board if Directors with any complementary skills should be recruited.

In addition, during the year, the Committee considered the recruitment of new roles in readiness for the transition to the DCC2 Board, in line with the Board Transition Plan shared with Ofgem.

Talent management and succession

The Committee believes that effective succession planning can mitigate the risks associated with the departure of well qualified and experienced Directors. Our aim is to ensure that the Board, and Senior Management, is always well resourced with an appropriate mix of skills and experience. We maintain a skills and diversity matrix to allow us to identify any potential gaps in skills and experience that might need early consideration, and we also consider how this might align with the future strategic direction of the Company. The skills matrix is reviewed on a regular basis and was last reviewed by the Committee in July 2025, and demonstrated a strength of skills across all categories.

We have a formal, rigorous and transparent procedure in place for the appointment of new Directors, which includes consideration of candidates from a wide range of backgrounds and reviewing candidates' other significant commitments to ensure they have suitable time to devote to the position.

The Committee works to identify and develop a suitable pipeline of succession candidates for Senior Management roles, both internal and external, and ensures that it meets with potential candidates well ahead of any selection decision being necessary. The Committee also engages the Board early in the process to ensure all Directors have an opportunity to meet and assess prospective candidates. In July 2025, the Committee received a detailed update on the talent pipeline and succession planning for each of the Executive Committee members. The Committee were presented with and reviewed targeted succession development plans for each Executive Committee position aimed at addressing skill gaps and fostering growth in identified potential replacements.

The terms and conditions of appointment of the Sufficiently Independent Non-Executive Directors are available for inspection at the Company's registered office. Since the terms and conditions of appointment of the Non-Independent Non-Executive Directors are set out in their employment contract with the shareholder, these are not available for inspection at the Company's registered office.

New appointments and re-appointments

Following its 2025 review of the governance arrangements for DCC, Ofgem determined that the DCC2 Board should include a Sufficiently Independent Director with significant consumer advocacy experience, and agreed that this appointment should be made in advance of the next licence period to support informed decision making during the business transition phase. This reflected Ofgem's statutory duties to protect the interests of existing and future energy consumers.

In response, the Nomination Committee led an open and competitive recruitment process, supported by Norman Broadbent, an independent external search consultancy, and Gillian Cooper, Director of Energy at Citizens Advice, who acted as an adviser to the Board. Ofgem was consulted during the process and prior to appointment.

Dame Gillian Guy was appointed to the Board in October 2025 as the Company's first consumer advocacy Non Executive Director. Her experience in consumer representation complements the existing skills and experience of the Board and strengthens consideration of consumer impacts within Board discussions, in line with the Company's regulatory and governance obligations.

During the year, the Committee considered director re appointments and committee membership, having regard to the Company's regulatory obligations and the need to maintain Board and committee effectiveness.

The Committee reviewed the re appointment of Sarah Eccleston as a Sufficiently Independent Director for a second three year term commencing on 11 September 2025, confirmed that she continued to meet the Independence Requirements under Condition 9, Part E, of the Smart Meter Communication Licence, and remained satisfied as to her skills, time commitment, and contribution.

The Committee also considered a two year extension of Philip Male's appointment as an External Subject Matter Expert member of the Technology Advisory Committee, from 1 November 2025, to ensure continuity and retention of critical technical expertise.

It is noteworthy to mention that Ros Singleton joined the Technology Advisory Committee in May 2026, as an additional Subject Matter Expert. Further information of which can be found in the Technology Advisory Committee report on page 73.

Induction, training and development

Following appointment, Directors receive a comprehensive induction and can discuss with the Chair any training and development needs. The Chair reviews Directors' development and training needs through the annual Board Performance review. Non-Executive Directors are encouraged to meet regularly with Senior Management to share knowledge, advice and broaden their understanding of the business, strategy and risks that DCC faces. Externally facilitated training is also provided, as required.

All Directors can obtain independent professional advice at the Company's expense and have access to the services of the Company Secretary. This ensures that the Board has sufficient resources available to undertake its duties satisfactorily.

Richard McCarthy CBE
Chairman Smart DCC
27 August 2026

Audit and Risk Committee report

Members	
Barbara Anderson (Chair)	Gemma Bate-Williams
Ian McCaig	

Introduction from the Chair

I am pleased to present the Audit Committee Report for the year ended 31 March 2026.

Throughout the year, the Committee has continued to assist the Board in fulfilling its responsibilities to provide independent oversight of the financial reporting process, review the Company's internal controls and risk management framework, provide an ongoing review of the quality of the work and independence of DCC's external auditor and challenge and guide management where appropriate. The Committee also continues to oversee key financial processes and policy updates as well as review the principal risks to the business against the risk appetite limits set by the Board.

DCC maintains a well-established risk management and internal control framework. During the year, and in preparation for reporting against Provision 29 of the UK Corporate Governance Code 2024, the Company undertook a review of its overall control environment and implemented a refreshed, standardised approach to risk articulation within the Risk Register. Internal audit work confirmed that the control environment is generally strong, however targeted enhancements to controls were nonetheless implemented to support the provision of assurance to the Directors, enabling them to make a declaration on the effectiveness of the Company's material internal controls and to identify any instances where these have not operated effectively. DCC intends to report in full compliance with Provision 29 in the Annual Report for the year ended 31 March 2027.

Committee membership and attendance

All members of the Committee, except Gemma Bate-Williams are sufficiently independent Non-Executive Directors. Gemma is an employee of Capita and appointed by Capita Group.

Gemma is a UK Certified Chartered Accountant and is the Group Director Financial Control at Capita where she qualified and has held various Finance roles since joining as a Graduate in 2001. For the purposes of the UK Corporate Governance Code, Gemma is considered to have recent and relevant financial experience.

The CEO, CFO, the Finance Director and the Director of Risk and Assurance are regular attendees of the Committee, and other members of the Senior Management Team and representatives from MHA, the external auditor, are invited as appropriate. Opportunity exists periodically for the representatives of the internal and external audit teams to meet with the Committee members without Management present, and both audit teams have access to the Committee should they wish to voice any concerns outside of formal meetings.

The Board is satisfied that the combined knowledge and experience of the Committee's members is such that the Committee discharges its responsibilities in an effective, informed and challenging manner and that, as a whole, the Committee has competence relevant to the sector in which the Company operates. The Committee regularly reviews its effectiveness as part of a broader review of all Board Committee's effectiveness facilitated by the Company Secretary. The Board is satisfied that the Committee is performing effectively and its composition remains appropriate.

How the Committee operates

The Committee has established an annual forward agenda aligned with the key events in the financial reporting cycle, and which includes all matters the Committee is required to consider in accordance with its terms of reference. The annual agenda is supported by agenda setting meetings held in advance of each Committee meeting, led by the Chair and attended by Senior Management. Their purpose is to identify key issues impacting the business that may require consideration by the Committee. At each Committee meeting, the members receive reports and presentations covering key financial reporting, risk, internal controls and internal and external audit matters which are delivered by Senior Management. The Committee provides regular reports of its activities, significant matters and/or any decisions or recommendations to the Board.

During the year under review, the Committee met three times.

Role and responsibilities

The Committee monitors the effectiveness of the Company's financial reporting, systems of internal control and risk management and the integrity of DCC's external and internal audit processes. The Committee's key responsibilities are:

Financial reporting	Review the reporting of financial and other information to stakeholders of the Company and monitor the integrity of the Financial Statements, including the application of key judgements in determining reported outcomes to ensure that they are fair, balanced and understandable.
Internal controls and risk management systems	Review and assess the effectiveness of the systems of internal control and risk management and monitor the overall risk appetite, tolerance, mitigation plans and strategy against the risk appetite set by the Board.
Compliance, whistleblowing and fraud	Responsibility for the whistleblowing policy resides with the Board, and both the Board and the Committee receive annual and ad hoc reports on the whistleblowing process, and on any significant issues raised. The Committee will also review the adequacy and security of the Company's policies and procedures for whistleblowing and detecting fraud.
Internal audit	Review and recommend approval of the annual internal audit framework plan to the Board, review the effectiveness of the internal audit function and review all significant recommendations and ensure they are addressed in a timely manner.
External audit	Review the effectiveness and objectivity of the external audit process, taking into account the Minimum Standard. Oversee the relationship with the external auditor, make recommendations to the Board on re-appointment, removal or tender activity, assess the independence of the external auditor and ensure appropriate policies and procedures are in place to protect such independence.
Effectiveness	Report to the Board on how the Committee has discharged its responsibilities.

Activities during the year

Financial reporting

As part of the process of monitoring the integrity of the financial information presented in the Annual Report and Accounts, the Committee reviewed the key accounting policies and judgements adopted by Management to ensure that they were appropriate. The significant areas of judgement identified by the Committee, in conjunction with Senior Management and the external auditor, are set out below:

Recognition of costs		
Matter considered	**Action**	**Outcome**
The amount of costs recognised in the period and whether they are permitted to be recharged to service users directly determines the amount of revenue recognised in the Statement of Profit or Loss. Therefore, there is a risk that if costs are not accurately recorded, revenue would be misstated.	Members of the Committee receive regular updates from the CFO on costs incurred throughout the year as part of management information presented to the Board. The Committee reviews a reconciliation of costs in the financial statements to this management information.	The Committee is satisfied that the disclosures given within the accounts are sufficient to gain a proper understanding of the methodology of accounting for revenue and cost recognition.
Management override of controls		
Matter considered	**Action**	**Outcome**
Management is in a unique position to manipulate accounting records and prepare fraudulent Financial Statements by overriding controls that otherwise appear to be operating effectively.	Members of the committee receive regular updates from the CFO on the financial performance of the company throughout the year. Additionally, Internal Audit Director has prepared and presented a full review of the control environment to the Audit Committee. MHA have conducted substantive testing of those procedures and have identified no specific additional risks of management override relating to the audit	The Committee is satisfied that controls have been adhered to ensure accounting records have been prepared in good faith and represent a true and fair view of the company financial position and that the controls underpinning those numbers have been carried out by professionally qualified people with sufficient independence and segregation of duty controls in place.

Fair, balanced and understandable

The Committee considered whether the Annual Report was fair, balanced and understandable and whether the information provided was sufficient for a reader of the Statements to understand the Company's position and performance, business model and strategy. The Committee reviewed both the narrative and financial sections of the reports to ensure they were consistent and gave a balanced view of the performance of the business in the year and that appropriate weight was given to both positive and negative results or developments. The Committee also assessed whether the Annual Report enabled readers to understand the Company's financial position and prospects, its going concern status and longer-term viability. The Committee concluded that the report provided a fair, balanced and understandable view of the year under review and recommended it for approval to the Board.

Going concern and viability

The most significant issue considered by the Committee during the year was the appropriateness of the going concern basis of accounting and the viability statement, in the context of the planned transfer of the Company's mandatory business activities to the successor licensee (DCC2) in November 2026 and the subsequent wind-down of the Company through to September 2027. The Committee received a detailed paper from MHA Audit Services LLP (MHA), the Company's external auditor, which set out three possible going concern scenarios, ranging from an unmodified opinion to preparation on a basis other than going concern. The Committee discussed the layered risks arising from the business transfer, distinguishing between business continuity risks, stakeholder risks, and audit risks in detail at the June meeting. Following in-depth scrutiny and careful consideration, the Committee gained comfort over management's conclusions on the going concern and viability statement and recommended Board approval of the conclusion reached, as set out in the Material Accounting Policies section e) Going Concern on page 94.

Materiality

Materiality is important in determining the risk attached to any judgement. The Committee considers the audit materiality set by the external auditor; MHA, and ensures that it is informed of individual items above a certain threshold that had, or are most likely to have, an impact on the Financial Statements. It reviews MHA's report and the individual items that breach the materiality thresholds and assesses their relative impact on the Financial Statements. Where needed, the Committee requests further clarification from both the external auditor and Senior Management on the nature of these items and their relative importance in the Financial Statements. After having made such enquiries, the Committee is satisfied that materiality has been applied correctly in the accounts and that there are no material items that remain unadjusted.

External auditor

The Committee provides a forum for reporting by the external auditor and advises the Board on the appointment, independence and objectivity of the auditor, as well as fees for both statutory audit and non-audit work. The Committee discusses the nature, scope and timing of the statutory audit with the auditor and, in making a recommendation to the Board on auditor reappointment, performs an annual assessment of the auditor's suitability and performance. MHA attends meetings of the Committee and provides updates on statutory reporting, any non-audit work and ongoing audit items. The auditor has opportunity to raise concerns with myself as Chair separately, as well as in private sessions with the Committee.

Auditor independence

The Committee is committed to ensuring appropriate independence in its relationship with the auditor and the key safeguards are:

- The CFO monitors the independence of the auditor as part of the assessment of the auditor's effectiveness and reports to the Committee
- The CFO monitors the level and nature of non-audit fees. Specific assignments are discussed in advance with the auditor and flagged for the approval of the Committee as appropriate. The Committee considers implications for the objectivity and independence of the relationship with the auditor

Non-audit services and fees

Permitted non-audit services are those closely related to the audit, including some required by laws and regulations, or where it is more practical for the external auditor to perform the service. The auditor will continue to perform the Agreed Upon Procedures that are issued by Ofgem and required by the Licence as well as audit of the Certificate of Financial Resources. Details of audit and non-audit fees are given in note 4 to the Financial Statements.

External auditor performance

During the year, the Committee has reviewed the auditor's terms of engagement and the audit plan, assessed MHA's performance, effectiveness and quality of the audit process, considered its remuneration and whether its appointment was in the best interests of DCC and its shareholder. The Committee also reviewed its Non-Audit Services Policy, which helps to ensure that the auditor's independence and objectivity are not impaired. Following this review, the Committee was satisfied that MHA had carried out its duties in a diligent and professional manner and was in line with requirements.

External auditor re-appointment

MHA was re-appointed auditor for the year ending 31 March 2026. Following consideration of the performance of the auditor, the service provided during the year and a review of their independence and objectivity, the Committee recommended to the Board the continued appointment of MHA as the Company's external independent Auditor for the remainder of the Licence Term (to September 2027).

Internal control and risk management

The Committee is responsible for reviewing the effectiveness of the Company's risk framework and systems of internal controls. As part of that, the Committee receives updates on Licence and Code (Smart Energy Code and Retail Energy Code) compliance, internal audit activity, compliance, and strategic risk at each Committee meeting.

Smart DCC has established a structured approach to the identification and management of emerging risks, embedded within its broader risk management framework. This includes regular horizon scanning activities, input from specialist forums such as the Technology Advisory Committee, and periodic updates from the Director of Risk and Assurance, which collectively support the early identification of new and evolving risk exposures. Emerging risks are considered alongside principal risks through the ongoing development and refresh of the strategic risk register, with formal review and challenge provided by the Audit and Risk Committee and oversight by the Board. These processes ensure that emerging risks are systematically assessed, prioritised and incorporated into the Company's risk management activities, with appropriate mitigating actions identified and monitored.

The three-year internal audit plan, approved by the Committee in November 2024, includes three core elements of Risk based audits, Policy based audits and Advisory and Compliance reviews.

Risk-based audits are designed to provide assurance that controls and mitigations are effective in addressing strategic risks, regulatory and Licence obligations are met, corporate governance standards are upheld, and performance against corporate objectives is appropriately validated.

Risk-based audits for the Regulatory Year 2026/27 include; delivery of mandated programmes to time, cost and quality; material cyber security failures; value for money (e.g. cost efficiency verification); capability (e.g. responsible business framework); and Licence Renewal Business Handover readiness. Policy based audits aim to assure all policies have been effectively implemented and that the process and controls which support them are operating. Policies are audited at least once in a 3-year cycle, with an outline plan for this established in the Audit Plan. Advisory & Compliance Reviews support the business in key areas, including submissions to Ofgem on Ex Post price control, Ex Ante, and Request for Information compliance, as well as Licence, Smart Energy Code and Retail Energy Code compliance, Independent Compliance Officer review, and policy management.

The Committee has assured the quality, experience and expertise of the internal control and risk management function through review of the papers presented to both the Committee and Board and through regular meetings between the Chair and the Senior Management Team. Regular reporting to the Committee during the year included:

- Outcomes of planned controls and compliance monitoring activity, including an Independent Compliance Officer Work Plan;
- Strategic Risk Report, including review and approval of changes and proposed mitigations;
- Price Control Risk Management & Financial Governance
- Outcomes of planned internal audit activity, including findings, risk assessment and recommendations;
- Completion of agreed internal audit, risk, and compliance related actions, and measures taken to manage overdue or outstanding actions; and
- Approval of the Internal Audit Charter; and
- An approval of the framework and revised structure of the Strategic Risk Register.

Barbara Anderson
Chair Audit and Risk Committee
27 August 2026

Remuneration and People Committee report

Members	
Richard McCarthy CBE (Chair)	Gemma Bate-Williams
Barbara Anderson	Nadia Choudhary
Ian McCaig	Dame Gillian Guy
Sarah Ecclestone	

Annual Statement

I am pleased to present the Remuneration and People Committee report for the year ended 31 March 2026. The role and objectives of the Committee cover both remuneration and the governance, strategy and policies generally relating to employee matters. The Committee's Terms of Reference are available along with all other Terms of Reference on DCC's website www.smartdcc.co.uk.

The Committee continues to have the responsibility for determining and approving the remuneration policy for all Directors, the Senior Management Team and reviews, at least annually, the pay and bonuses awarded to the wider workforce. When determining the Company's remuneration policy and incentive schemes, the Committee considers a range of factors including the macro-economic conditions, guidance received from governing bodies and the feedback and views from our shareholder and stakeholders.

The key activities of the Committee during the year have included:

- Review of the remuneration policy for Executive Directors and Executive Committee members for 2026;
- Executive performance reviews and annual salary review recommendations;
- Review of 2025/2026 corporate objectives outturns, performance forecast, and bonus awards;
- Review of 2026/2027 corporate objectives;
- Reviewing the people priorities, culture and engagement initiatives and advising on corporate culture and values;
- Advising on the development of the Company's leadership capabilities and DCC's talent and development programme, including retention plans for critical roles and the skills framework initiative;
- Reviewing workforce stability and engagement, particularly in light of impact from organisational change;
- Monitoring the 6 monthly 'Your Voice' employee surveys;
- Approval of the annual pay award and bonus scheme effective from 1 April 2026;
- Reviewing and approving the approach to setting DCC Team Objectives for 2026/27, taking into consideration the framework for transition to DCC2;
- Reviewing progress against workforce diversity objectives, including the Equity, Diversity & Inclusion strategy, Inclusion Index performance, and the psychological safety programme;
- Approval of the resourcing policy.

How the Remuneration and People Committee operates

The Committee operates under delegated authority from the Board and comprises four independent Non-Executive Directors and three shareholder-representative Non-Executive Directors. Although the composition of the Committee is not in compliance with the UK Corporate Governance Code 2024 (Code) because not all members are independent pursuant to Provision 32 of the Code, the Board considers this composition to be appropriate given the size, nature and ownership structure of the Company. A majority of the members of the Committee are Independent Non-Executive Directors and the three Non-Executive Directors bring valuable insights to the discussions and the operation of the Committee.

The Committee is required to meet at least three times a year and otherwise as required. The number of formal meetings held throughout the year and attendance by each Committee meeting is shown on page 58 The work of the Committee is planned with reference to an annual agenda to ensure that the key policies and incentive schemes are regularly reviewed and that the Committee operates effectively. In addition, the Chair, CFO, CEO and CPO meet prior to any meeting to identify any issues related to remuneration or the people agenda that may require consideration by the Committee.

In her role as Designated Non-Executive Director for people, Sarah Eccleston provides input to the Committee, as appropriate, to help inform its deliberations, drawing on insights from workforce engagement activities.

At each meeting, the members receive reports and presentations covering wider workforce arrangements which include the annual pay review and bonus, and steps taken to drive pay equality and broader talent considerations.

Remuneration and People Committee discretion

The Remuneration and People Committee retains the right to exercise independent judgement when determining remuneration outcomes, including the discretion to override formulaic outcomes, to ensure that the level of bonus or award payable is appropriate. When exercising this judgement, the Committee takes into account overall Company performance, the individual's contribution during the relevant period, and wider circumstances including the shareholder, the workforce and other stakeholders. The remuneration policy also enables the Committee to recover and/or withhold sums under appropriate specified circumstances. Where exercised, the rationale for this discretion will be fully disclosed in the Annual Report.

Remuneration policy

This section sets out the remuneration policy, which is unchanged from the previous year. The Remuneration and People Committee is responsible for determining and agreeing with the Board the remuneration policy for the Executive Directors, members of the Executive Committee and the wider workforce. The remuneration policy is designed to support the strategy of the Company and promote its long-term sustainable success. Senior Executive remuneration is aligned to the Company's purpose and values, and is clearly linked to the successful delivery of the Company's long-term strategy. The Committee reviews workforce remuneration and related policies, and the alignment of incentives and rewards with culture. As part of the review process the Committee seeks the views of the Executive Directors, who participate in an advisory role and are not involved in the decision-making process.

In setting the remuneration policy, the Committee ensures that the arrangements are in the best interest of both the Company and its stakeholders, taking into account the following general principles:

- Value for money is achieved for customers in accordance with the Company's Licence commitments
- Total remuneration packages are simple and fair so that they are valued by employees
- Total remuneration strongly reflects performance

During the year, shareholder representation on the Committee through Richard McCarthy CBE, Gemma Bate-Williams and Nadia Choudhary ensures that the shareholder's views on remuneration policy can be communicated and considered.

Notwithstanding their removal from the 2024 edition of the Code, the Committee continues to view the six factors below as a useful framework in the review of the remuneration policy. The following table sets out how these factors have informed the design of executive pay, ensuring alignment with the Company's long-term strategy and sustainable performance. Applied in combination, these factors support DCC's long-term success by promoting clear, transparent and consistent reward outcomes that are proportionate to performance, aligned to risk, and reflective of the Company's culture and stakeholder expectations.

Factor	Implementation	Outcome
Clarity	The policy is well understood by the Executive Directors and clearly articulated to the parent company and the wider workforce.	During 2025/26, the Committee exercised independent judgment to set stretching Team Objectives and to moderate outcomes where appropriate, ensuring formulaic results were considered in light of wider circumstances. This approach underpinned disciplined bonus governance and transparency, alongside continued use of discretion and recovery/withholding provisions where required. Pay decisions remained efficient and affordable, with the 2025 pay review delivered within budget and focused on maintaining competitiveness, stability and workforce alignment. Culture remained a central lens for reward, with workforce engagement monitored through the Your Voice survey, and targeted actions to restore engagement following organisational change and to strengthen leadership, skills and succession planning. Collectively, these measures ensured remuneration supports strategy, drives desired behaviours and maintains stakeholder confidence while adapting to evolving regulatory and market contexts.
Simplicity	The policy is well established and does not include complicated reward structures. The incentive schemes have been designed to be as simple as possible with clear and well-defined objectives.	
Risk mitigation	The Committee considers that there is a low risk of excessive rewards because of the strict policy in place to benchmark base salaries and its right to exercise discretion to override formulaic outcomes of variable pay. Objectives have been designed to minimise behavioural risk associated with target-based incentive schemes.	
Predictability	The value range of possible rewards to the Executive Directors can be easily identified through the analysis of individual performance scores and performance against corporate objectives.	
Proportionality	There is a clear link between individual rewards, delivery of strategy and our long-term performance.	
Alignment to culture	The remuneration policy is fully aligned to DCC's culture by using metrics in the annual bonus scheme that measure how we perform against financial and non-financial objectives, including employee and supplier-related targets. There is no difference in the policy for Executive Directors and all other employees.	

Summary Executive Director remuneration policy table (unaudited)

The following table sets out the key aspects of the policy:

Base salary

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
To attract and retain talent by ensuring base salaries are sufficiently competitive yet efficient and appropriately benchmarked.	Normally reviewed annually in February with any changes usually paid in May. The committee may award salary increases at other times of the year if it considers it to be appropriate. The review takes into account: • Comparable salaries in the market for organisations of similar size and complexity. • Economic climate • Individual performance • The scope of responsibility of the individual Director	The Licence dictates a maximum pay award based on a set formula. This is based on the average RPI over the prior 6 months. The Committee has the ability to set a maximum below this amount. In 2026, this was set at 3% (plus an additional 1% retention incentive for critical roles) (versus maximum 4.4%). Any annual increase in salaries is at the discretion of the Committee.	The Committee agrees how the budget is to be allocated, using a set matrix that applies individual increases based on position in band (versus market data) and individual performance.

Benefits

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Consistent with benefits available to all employees.	Benefits include car allowance, private medical insurance and life insurance, and are provided by the parent company. The Committee has discretion to add benefits not currently provided, such as relocation expenses.	Benefits are offered via the parent company and applied consistently relative to base salary.	Not performance related.

Pension

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Consistent with benefits available to all employees.	Pension contributions are paid into the defined contribution scheme offered by the parent company.	5% of salary in line with the wider workforce (in accordance with the UK Corporate Governance Code 2024).	Not performance related.

Annual performance bonus scheme

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
The incentive scheme is designed to align with the Company's culture by driving behaviours consistent with the Company's purpose, values and strategy. It incentivises delivery of the business plan on an annual basis, and rewards performance against corporate and individual objectives set at the beginning of each year.	At the end of the year the Committee approves the Company's performance against the corporate objectives, which accounts for 60% of the pay-out. The remaining 40% is dependent on individual performance against objectives set at the beginning of the year. The Committee approves individual performance for the CEO, CFO and Executive team. The Committee has full discretion to adjust outcomes under the annual bonus scheme. The company does not provide any other performance incentives such as stock options.	On target earnings for CEO equate to 60% of base salary (max 75% at stretch for both corporate and individual performance) and for the Executive team 50% of base salary (max 62.5% at stretch for both corporate and individual performance).	The Committee will determine the appropriate corporate objectives at the start of the financial year, with a balance of objectives based on financial performance, operational performance and strategic focus. Performance against each corporate objective is measured at three levels; threshold (75%), target (100%) and stretch (125%). Individual performance is then applied with good performance (80%), strong performance (100%) and outstanding performance (125%) The Committee retains the discretion to adopt any corporate objective that is relevant to the Company.

Sufficiently Independent Non-Executive Director (NED) fees (Unaudited)

A NED fee benchmarking exercise was last conducted in March and April 2023 with the assistance of Korn Ferry. As a result, the basic fee for NEDs was increased by £2,000 to £47,000 and the additional fee increased from £5,000 to £8,000 with effect from 1 June 2023.

Purpose and link to strategy	Operation	Maximum levels of payment	Performance framework
Market competitive fees are set to attract and retain NEDs with required skills, experience, and knowledge so that the Board can effectively carry out its responsibility.	The NED fees comprise an annual basic fee with additional fees for further Board responsibilities such as: • Senior Independent Director • Committee Chair for any Committee of the Board. No NED participates in the Company's incentive arrangements or pension plan or receives any other benefits.	The annual basic fee is £47,000, with additional fees of £8,000 for additional duties such as a Senior Independent Director or Committee Chair.	Not performance related.

The Committee did not appoint an independent professional advisor in relation to remuneration during the year ended 31 March 2026. The last independent benchmarking exercise was conducted in March/April 2023 by Korn Ferry, the results of which remain in effect.

The Committee is satisfied that the existing benchmarking data, supplemented by internal analysis and market intelligence, continues to provide a robust basis for remuneration decisions.

Annual bonus scheme 2025/26 (unaudited)

Executive Directors are entitled to an annual bonus under the Company's performance bonus scheme. The scheme is applicable for all employees who meet the eligibility criteria. The maximum bonus entitlement is split between performance against corporate objectives (60%) and individual performance against personal objectives (40%).

The corporate objectives are set at the beginning of the financial year by the Board. Performance against them is assessed by the Committee and achievement as at end of March 2026 was agreed at 91.25%, detailed in the table below:

Objective area	Corporate objective	Weighting and Target performance	Final performance
Customer First	Level of customer satisfaction in services provided to customers. Successful delivery of our core programmes and key contracts.	35%	36.25%
Cost Efficiency	The cost of operating and maintaining the network.	20%	25%
Owner Value	Delivering value for our owner.	20%	23.75%
Core Enablers	Increase Operational Maturity to 'Deemed CNI' levels. Ensure the stability and engagement of the workforce. Successful delivery of our Licence Renewal programme.	25%	6.25%
Sustainability Performance	Reduction in our carbon footprint.	0%	0%
		100%	**91.25%**

Executive Directors' service agreements (unaudited)

The service contracts for Executive Directors are for an indefinite period and provide for a six-month notice period. There are no arrangements in place between the Company and its Directors to provide compensation for loss of office. In the event of early termination, the Committee would exercise its discretion in determining any payments, taking into account the individual circumstances of departure, the terms of the service contract, and the best interests of the Company. The Committee's approach is to ensure that failure is not rewarded and that any departure payments are fair to both the individual and the Company.

The Company does not operate any share-based incentive schemes, long-term incentive plans or share option schemes. Accordingly, the requirements of the UK Corporate Governance Code 2024 relating to share ownership guidelines, post-employment shareholding periods and share vesting do not apply.

Non-Executive Directors' terms of engagement (unaudited)

Independent Non-Executive Directors are appointed by letter of appointment for a period no longer than three years. An individual in this role can be re-appointed only once for a further period of no longer than six years. Each appointment can be terminated by one month's notice by either party. The letters of appointment are available for inspection during normal business hours at the Company's registered office. Directors' remuneration earned in 2025/26 – single-figure table (Unaudited).

Directors' remuneration earned in 2025/26 – single-figure table (Unaudited)

All figures below relate to amounts received or receivable in relation to the 25/65 financial year.

	Salary & Fees		Taxable Benefits[1]		Pension related benefits		Bonus		Payments for past services		Total		Fixed*		Variable*	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Current office holders/employees																
Richard McCarthy, Chairman[2]	91,936	109,914	7,062	–	–	–	–	–	–	–	98,998	109,914	98,998	109,914	–	–
Christopher Lovatt, CEO	265,000	16,825	30,670	270	–	841	150,653	–	–	–	446,323	17,936	295,670	17,936	–	–
Gavin Robertson, CFO	204,000	3,132	18,069	285	10,200	157	96,945	–	–	–	328,914	3,574	232,269	3,574	–	–
Ian McCaig, Senior Independent Non–Executive Director	55,000	55,000	574	–	–	–	–	–	–	–	55,574	55,000	55,574	55,000	–	–
Barbara Anderson, Independent Non–executive Director	55,000	55,000	574	–	–	–	–	–	–	–	55,574	55,000	55,574	55,000	–	–
Sarah Eccleston, Non–Executive Director	55,000	55,000	626	–	–	–	–	–	–	–	55,626	55,000	55,626	55,000	–	–
Gillian Guy, Independent Non-executive Director[3]	23,500	–	260	–	–	–	–	–	–		23,760	–	23,760	–	–	–
Former office holders/employees																
Angus Flett, CEO	–	123,922	–	15,255	–	6,196	–	–	–	189,941	–	335,314	–	145,373	–	–
Colin Sempill, Interim CEO[4]	–	277,176	–	–	–	–	–	–	–	–	–	277,176	–	277,176	–	–
Neil Smith, Interim CFO	–	173,696	–	21,611	–	8,685	–	77,716	–	–	–	281,708	–	203,991	–	77,716
	749,436	**869,665**	**57,835**	**37,421**	**10,200**	**15,879**	**247,598**	**77,716**	**–**	**189,941**	**1,064,769**	**1,190,622**	**817,471**	**922,964**	**247,298**	**77,716**

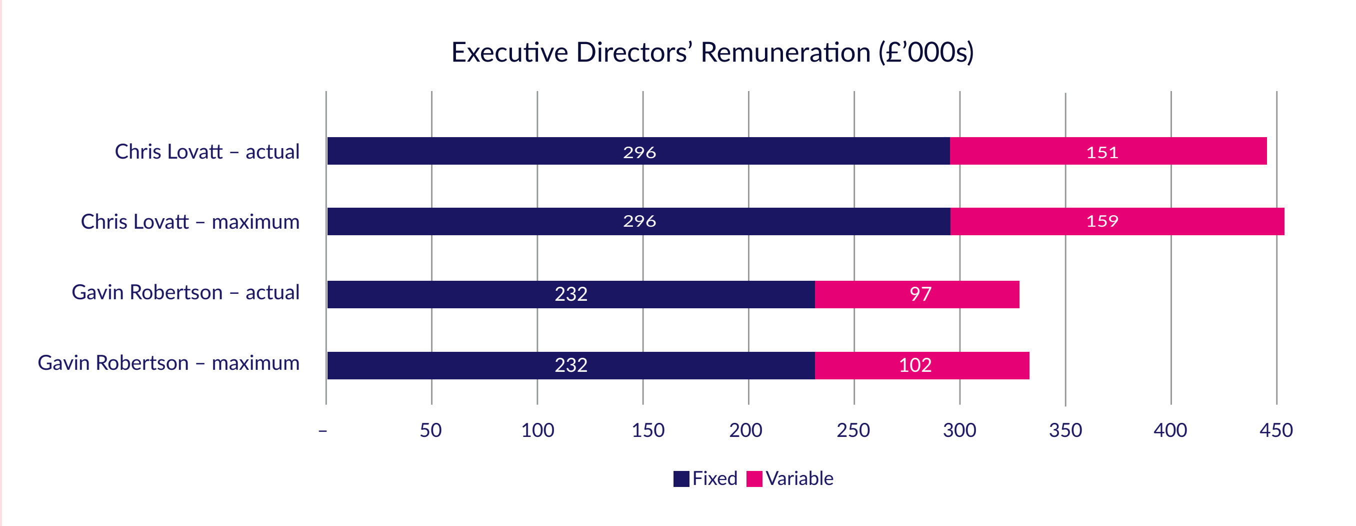
*Payments for past services are not considered fixed or variable and therefore not included in these totals.

1 Taxable benefits are composed of car allowance and optional benefits selected by the employee. Examples of available benefits are private healthcare and critical illness cover.
2 Richard McCarthy's cost in relation to time worked on DCC related activities only, other roles held in Capita.
3 Entered service on 01/10/2025. Fees paid above were to a specialist employment agency and exclude placement fees of £75.6k.
4 Chrisopher Lovatt and Gavin Robertson entered service on 10/03/2025 and 25/03/2025 respectively, therefore did not qualify for a bonus in FY24/25.

The Company has not paid any fees or other remuneration to the Group based Directors related to the directorship role they provided to the Company as part of the Group-wide executive management role. The Company has estimated that a reasonable allocation of the qualifying services that these Group based Directors provided to the Company during the year is £46,000 (2025: £45,000).

The ratio of total numeration for the highest paid director to that of the average employee total remuneration for 2026 is 3.4 times (In 2025 the ratio was not calculated due to the number of changes in office holders during the year which has meant that the calculation of such a ratio would not be a representative reflection, however in 2024, it was 4.1 times).

The value and composition of the Executive Directors' remuneration for the year compared to the maximum achievable is shown in the chart below. The charts are broken down to show how the total is composed of both fixed and variable elements of remuneration.



Richard McCarthy CBE
Chair Remuneration and People Committee
27 August 2026

Technology Advisory Committee report

Members	
Sarah Eccleston	Phillip Male (External Subject Matter Expert)
Adam Searle (External Subject Matter Expert – joined May 2025 (employed by Capita))	
Ros Singleton (External Subject Matter Expert – joined May 2026 (employed by SECCo))	

Introduction from The Chair

The Technology Advisory Committee is responsible for ensuring DCC's long-term technology planning supports DCC in achieving its mandate in line with mid and long-term strategy, while making use of the most suitable, agile and commercially appropriate technology. The Committee has continued to develop and evolve since it was formed in November 2022.

The Committee reviews medium and long-term technology strategy for the effective use of technology and information across the DCC network. The primary purpose of the Committee is to ensure there is a clear medium and long-term vision for technology adoption and alignment between technology capability, business strategy and user requirements.

Decisions and recommendations from this advisory committee are clearly communicated to the Board.

Membership and Attendance

During the year the Committee was comprised of one Independent Non-Executive Director, Sarah Eccleston as Chair and two external technology experts, Phil Male, Adam Searle. In May 2026 Ros Singleton was appointed as a third external technology expert.

Phil joined the Committee on inception and has 20 years' experience as an Executive Director. He has an extensive background in telecoms, media and Internet and has operated in small start-ups through to large global companies and high growth environments. Phil has also developed an extensive knowledge of key industry stakeholders and the sector's key regulations and guidelines. Previously, he has held several senior posts including Executive Director at Demon Internet, Chief Operating Officer at THUS Group plc and Executive positions at Cable and Wireless Worldwide. Early in his career, he was one of two founding directors of Computer Newspaper Services (CNS) which pioneered electric content in the media industry. Phil was previously an Independent Director on the DCC Board, retiring in September 2022.

Adam joined the Committee in May 2025, and is the Chief Technology Officer at Capita for Transport for London (TfL), where he leads technology strategy and digital transformation initiatives. He oversees the delivery of innovative, large-scale systems that support TfL's operations, with a focus on improving efficiency, security and customer experience.

Ros joined the Committee in May 2026, and is currently an Executive Member of the Smart Energy Code Company Ltd (SECCo) in her position as Director of Business and Technology Architecture. She also chairs the SEC Panel Technical and Business Architecture Sub-Committee (TABASC). Ros has over 35 years of broad experience across the telecoms and technology sector in multiple senior positions including UK Broadband (Three UK), Cable and Wireless and Vodafone. She was also Chair of the UK Government's UK5G Advisory Board, the Telecoms Supply Chain Diversification Advisory Council, and is a member of Ofcom's Spectrum Advisory Board.

Other members of the Senior Management Team, including the Chief Technology Officer, Chief Information Security Officer, Chief Operations Officer and other matter specific experts are regularly invited to attend meetings to provide comprehensive updates and insight into any key issues and developments. Details of attendance by Board members are disclosed on page 58.

Committee activity

The Committee has met four times in the reporting year. Committee activity is driven by business activity, but following its formation a schedule of agenda items was established to ensure that all matters required to be considered by the Committee were given due consideration and are reviewed at appropriate intervals.

During the year the focus of the Committee has been:

- Overall mid and long-term Strategic Technology, including the Business Support Technical Roadmap
- Data Security, Cybersecurity Risks and Strategy
- Data Service Provider (DSP) Internal Cost Review
- DSP Procurement
- SMETS1 & SMETS2 swap out
- Long Term Connectivity Strategy (including the technical and commercial implications of the Long-Range Radio extension, the sunsetting of 2G/3G, upgrades of the 4G Comms Hubs, and roll out the 5G standalone)
- Network Performance
- Next Generation/Future Architecture Considerations
- Scaling and Optimisation
- Data Ambition Strategy
- Technology Risk Review & Strategic Risk Register
- Compliance with the Guaranteed Standards of Performance (GSOP)
- Bluesky thinking sessions on the future network; development of architecture (competitive in-life change; how to improve the experience; and develop a comms hub that has a 15 plus year life and is not solely reliant on cellular network.

The Committee continues to consider long range strategic technology planning, network security and the wider technology environment, as well as pre-review OBC/SBC (outline business case/strategic business case) submissions prior to review by the Board.

The Committee has also met with several technology vendors and trusted advisors during the year, to gain external insights and widen thinking. These included Ericsson, Qualcomm, IBM and Microsoft.

Chair Technology Advisory Committee
27 August 2026

Directors' Report

Introduction

The Directors present their report and audited Financial Statements for the year ended 31 March 2026. The Corporate Governance Statement on pages 50 to 74 also forms part of this Director's Report.

Principal activities

The Company operates and maintains the smart metering network on a 24/7 basis, securely transferring energy data from homes and businesses to our customers.

Business review, performance and future developments

The business continued to operate in accordance with its licence obligations and programme milestones. Further details on operational and financial performance, as well as indications of likely future developments can be found in the Strategic Report on pages 4 to 47.

Dividend Policy

No dividend is paid.

Board Members

The names and biographical details of the Board members who served on the Board as at the year end can be found on pages 51 to 53 .

Status of the Company and Share Capital

The Company was incorporated on 7 August 2013 and is a private limited company, 100% owned by Capita Business Services Ltd. As at 31 March 2026 the Company had 1 share of £1 each.

Directors' and Officers' Insurance and Indemnities

Capita has arranged insurance cover in respect of legal action against Directors. To the extent permitted by UK law, Capita also indemnifies the Directors. These provisions are qualifying third party indemnity provisions which were in force throughout the year and in force at the date of this report.

Subsequent Events

On 1 May 2026, Ofgem formally awarded the new Smart Meter Communication Licence to DCC2 Limited ('DCC2') (wholly owned by the Smart Energy Code Company Limited), to manage Britain's smart meter network under a new not-for-profit model. Business Handover is scheduled for 2 November 2026 whereby the Smart business will be transferred to DCC2, and employees will also be transferred via transfer of undertakings (protection of employment). The DCC1 licence has been extended to September 2027 to allow completion of residual obligations. At the date of this report, the transition is ongoing.

On 19 May 2026, the Board approved the extension of the four Central Switching Service ('CSS') contracts (with Landmark, Capgemini, Netcompany and Entrust) on a co terminous basis to July 2029. The extension is intended to maintain service continuity and stability pending a full competitive re procurement, which is expected to complete by that date, with planning due to commence in Q2 2026.

The total expected cost of the extensions is £20.81 million, to be incurred under DCC2, with independent benchmarking confirming value for money. Stakeholder support for the proposal was received from Industry, the Retail Energy Code Company (RECCo) and Ofgem.

The Board noted that deferring re procurement until 2029 avoids the additional cost, duplication of design, build and testing activity, and potential service disruption that could arise from procuring against the original 2027 contract end dates.

Employment Policy

Our policy is to promote equal opportunity in employment regardless of gender, race, colour or disability, subject only to capability and suitability for the task and legal requirements. Where existing employees become disabled, it is our policy to provide continuing employment under equivalent terms and conditions, and to provide equal opportunity for promotion to disabled employees wherever appropriate. The Board recognises that the Company's performance and success are directly related to our ability to attract, retain and motivate high-calibre employees.

Employee Engagement

We keep our team members regularly updated with issues affecting the running of the business and obtain their views on any key matters, all of which is in accordance with our obligations under the Information and Consultation Regulations 2004. Sarah Eccleston is appointed as the Designated Independent Non-executive Director and she attends regular meetings with employees. The dissemination of information is achieved in many ways including weekly and quarterly newsletters, regular regional and area meetings, our company intranet and Directors and Managers briefings. These are opportunities for team members to express their views and ask questions. Outside of these specific events, we welcome any questions that team members may have about the business. Further information on employee engagement is provided on page 56.

Health & Safety

The health, safety and wellbeing of our employees, contractors and visitors remains an important part of how we operate. We continue to maintain a Health and Safety Management System aligned with ISO 45001:2018, giving us a clear framework for managing workplace risks, monitoring performance, and improving our arrangements over time. Health and safety concerns, incidents, near misses and observations are reported through our internal digital reporting tools, helping us respond quickly, identify trends, and escalate matters to senior leadership, the Board and its Committees where needed.

Over the last year, we have continued to strengthen our approach by improving reporting visibility, updating key workplace safety arrangements, and using employee feedback to shape future priorities. This has included work through the Health and Safety Committee, targeted communications, safety climate activity, and reviews of areas such as emergency preparedness, reasonable adjustments, workplace risk assessments, display screen equipment and contractor management.

Principal risks and risk management

The Company's risk management strategy has been included in the Strategic Report on page 36. Further information on financial risk management is included on page 112.

Disclosure of Information to Auditor

The Directors who held office at the date of the approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and that they have taken all steps that they ought to as a Director to make themselves aware of any relevant audit information required for the audit and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Directors' responsibility statement

The directors are responsible for preparing the Annual Report and the Company Financial Statements in accordance with applicable law and regulations. The directors are also responsible for adhering to Section 418 (2) of the UK Companies Act 2006.

Company law requires the directors to prepare Company Financial Statements for each financial year. Under that law they have elected to prepare the Company Financial Statements in accordance with UK-adopted International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Company's profit or loss for that period. In preparing each of the Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, prudent, relevant and reliable;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy, at any time the financial position of the Company, and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control, as they determine is necessary, to enable the preparation of all of its Financial Statements to ensure they are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a Corporate Governance Statement and have sought to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters where appropriate, as a matter of good governance.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy on behalf of the Board.

Richard McCarthy CBE
Chairman Smart DCC
27 August 2026

Independent auditor's report to the Director General, Ofgem ("the Regulator") and the directors of Smart DCC Limited

Report on the audit of the regulatory accounts

Opinion

We have audited the Regulatory Accounts of Smart DCC Limited ("the Company") for the year ended 31 March 2026 which comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes to the Regulatory Accounts. The financial reporting framework that has been applied in their preparation is Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein.

In our opinion, the Regulatory Accounts are properly prepared, in all material respects, in accordance with Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 and having regard to the guidance contained in ICAEW Technical Release 02/16AAF (Revised) Reporting to regulators on regulatory accounts. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the Regulatory Accounts section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounts in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – basis of accounting

We draw attention to note 2 of the Regulatory Accounts, to the fact that the Regulatory Accounts have been prepared in accordance with a special purpose framework, Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein. The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly, we make no such assessment.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of UK-adopted international accounting standards ("UK IAS"). Financial information other than that prepared on the basis of UK IAS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006. As a result, the Regulatory Accounts may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounts is appropriate.

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks, such as those affecting the Company's regulated business model, including its dependence on the Smart Meter Communication Licence, the potential loss of the Licence or putting future Licence renewal at risk, and the planned transition to the successor licence holder.
- The evaluation of how those risks might impact on the Company's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the directors when assessing the probability and likelihood of those resources becoming available.
- The assessment of the Company's available financial resources, available liquidity and parental support and transition arrangements where relevant.
- Liquidity considerations including examination and challenge of the Company's cash flow projections, including consideration of sensitivity analysis.
- Challenging management's proposed mitigating actions under various downside scenarios and assessing whether those actions are within management's control and capable of implementation using reasonably available resources.
- Viability assessment, including the period of the assessment and consideration of future business plans.
- Review and conclusion on the accuracy and completeness of the Company's going concern disclosures, including the viability statement.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Regulatory Accounts are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Regulatory Accounts about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach			
Scope	Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Regulatory Accounts. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
Materiality	2026	2025	
Company	£11m	£10m	2% (2025: 2%) of revenue

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of costs		
Financial statement elements	2026	2025
Cost of sales (Note 2) – related accounting policies are c (ii) and f	£477.2m	£354.7
Key audit matter description	Operations of the Company must comply with the terms of the Smart Meter Communication Licence (the 'Licence'), which permits the Company to recover allowable costs from Service Users, together with a permitted profit margin. During the year, the Company recognised cost of sales of £477.2 million (2025: £354.7 million). Given the significance of these balances to the Regulatory Accounts and the regulatory requirements governing the recovery of allowable costs under the Licence, we considered this to be one of the most significant matters in our audit. There is a risk that costs recognised in the Regulatory Accounts do not meet the criteria of allowable costs under the Licence, or are not appropriately supported. As revenue is derived from the recovery of allowable costs, there is a risk that both revenue and costs could be materially misstated if costs are not recognised in accordance with the requirements of the Licence. In addition, certain costs and the related revenue are recognised by reference to contractual milestones. There is a risk that costs and revenue may be recognised in the incorrect accounting period where milestones have not been achieved or formally agreed at the reporting date.	
How the scope of our audit responded to the key audit matter	We undertook the following procedures: • Obtained an understanding of the internal processes, systems and controls around the recognition of costs and how they are recorded in the financial statements. We completed a walkthrough to test the design and implementation of the relevant controls. • Data analytics were used for the purchase cycle to identify any transactions which did not fall into the typical cycle that we would expect. Such transactions were discussed with management and supporting documentation requested where necessary. • Substantive testing was performed on a sample of costs that were recharged to customers, by vouching source documents to confirm the existence of costs that meet the criteria to be recharged and that these costs were recorded accurately. • A sample of completed milestones achieved in the year were confirmed by reviewing the relevant contracts and confirming that these milestones were formally agreed through obtaining support evidence. • Cut-off testing was performed on contract costs to ensure purchases around the year end were accounted for in the correct period and in line with contract terms/milestones. • Disclosures in respect of cost recognition were reviewed to confirm that the requirements of the reporting framework have been met and disclosures were adequate.	
Key observations communicated to the Company's Audit Committee	We have nothing to report that indicates that the Company's accounting policy for the recognition of costs is not in accordance with Condition 30 of the Company's Regulatory Licence and the accounting policies set out therein, or that costs have not been recognised accurately or in accordance with the terms of the Smart Meter Communication Licence.	

Our application of materiality

Materiality	2026	2025	
Company	£11m	£10m	2% (2025: 2%) of revenue

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Company was set at £11.0m (2025: £10.0m) which was determined on the basis of 2% (2025: 2%) of the Company's revenue. Revenue was considered to be the appropriate benchmark as the Company operates under a regulated cost-recovery model and is not established to generate profits. Accordingly, revenue is the key financial metric against which users of the Regulatory Accounts are likely to assess the Company's performance and scale of operations.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Company was set at £7.7m (2025: £7.0m) which represents 70% (2025: 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £0.6m (2025: £0.5m) to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the Company which are relevant to our audit, such as those relating to the financial reporting cycle.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment, however we did not place reliance on the operating effectiveness of IT general controls.

Climate-related risks

In planning our audit and gaining an understanding of the Company, we considered the potential impact of climate-related risks on the business and its Regulatory Accounts. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks.

We critically reviewed management's assessment and challenged the assumptions underlying their assessment. We also designed our audit procedures to specifically consider those assets where we anticipated, based on the work performed, that the highest impact arising from climate change might fall. We specifically reviewed forecasts from management where there was potential climate-related impact.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Regulatory Accounts and our auditor's report thereon. Our opinion on the Regulatory Accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounts, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Directors

As explained more fully in the Directors' Responsibility Statement set out on page 77, the directors are responsible for the preparation of the Regulatory Accounts and for such internal control as the directors determine is necessary to enable the preparation of Regulatory Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Regulatory Accounts, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the Regulatory Accounts

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following::

- We considered the nature of the industry and sector, the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the Regulatory Accounts, such as provisions of the Companies Act 2006, UK tax legislation, and those laws and regulations that had a fundamental effect on the operations of the Company, including the Smart Meter Communication Licence and the regulatory requirements overseen by the Gas and Electricity Markets Authority (Ofgem).
- We enquired of the directors and management, including the audit committee, concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's Regulatory Accounts to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the Regulatory Accounts. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal fraud risks were management override of controls and the potential manipulation of costs, including the recording of costs that do not represent genuine economic activity or are inaccurately measured, which could affect allowable cost recovery and regulatory outcomes.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Company's board meetings, audit committee meetings, and inspection of legal and regulatory correspondence from Ofgem;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, we used data analytics to identify journal entries with characteristics indicative of a higher risk of management override and tested a sample of those entries by agreeing them to supporting documentation and assessing the business rationale;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates; and
  - obtaining confirmations from third parties to confirm existence of a sample of balances.
- the Registered Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

Opinion on other matters prescribed by Condition 30

Under the terms of our engagement letter, we have agreed to report on any non-compliance with Condition 30.1. We have nothing to report in respect of the following matters:

- adequate accounting records have not been kept by the Company; and
- the Regulatory Accounts are not in agreement with the accounting records, or returns not retained for the purpose of preparing the Regulatory Accounts.

Use of our report

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements of the Regulatory Licence. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2026 on which we reported on XX August 2026, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Andrew Gandell FCA
Registered Auditor
for and on behalf of MHA, Registered Auditor
London, United Kingdom
27 August 2026

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542)

Financial Statements

DCC Public

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000
Revenue	1	589,181	514,266
Cost of sales	2	(447,162)	(354,664)
Gross profit		**142,019**	**159,602**
Administrative expenses	3	(138,460)	(158,346)
Depreciation	9	(4,831)	(1,774)
Total administrative expenses		**(143,291)**	**(160,120)**
Operating loss		**(1,272)**	**(518)**
Interest received		1,279	861
Finance income	6	10,479	7,311
Finance costs	6	(10,486)	(7,654)
Profit before taxation		–	–
Tax	7	–	–
Result for the year		–	–
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to the owners of the Company		–	–

The notes on pages 91 to 111 form an integral part of the financial statements.

Statement of Financial Position

As at 31 March 2026

	Notes	31 March 2026 £'000	31 March 2025 £'000
Assets			
Non-current assets			
Unbilled revenue due in more than one year	8	275,505	362,120
Property, plant and equipment	9	106,357	956
Right-of-Use lease asset	9	6,954	–
Total non-current assets		**388,816**	**363,076**
Current assets			
Trade and other receivables	10	257,996	217,396
Cash and cash equivalents	11	105,357	82,967
Right-of-Use lease asset	9	–	394
Total current assets		**363,353**	**300,757**
Total assets		**752,169**	**663,833**
Liabilities			
Current liabilities			
Trade and other payables	12	313,469	273,267
Provisions		2,870	1,793
Right-of-Use lease liability	14	1,248	209
Borrowings	13	41,741	26,444
Total current liabilities		**359,328**	**301,713**
Non-current liabilities			
Supplier payables due in more than one year	8	203,788	287,642
Provisions		1,066	–
lease liability	14	5,790	–
Borrowings	13	182,197	74,478
Total non-current liabilities		**392,841**	**362,120**
Total liabilities		**752,169**	**663,833**
Total net assets		**–**	**–**
Equity			
Share capital	16	–	–
Retained earnings		–	–
Total equity		–	–

The material accounting policies and notes on pages 93 to 117 form part of these Financial Statements. These Financial Statements were approved and authorised for issue by the Board of Directors on 27 August 2026 and signed on its behalf by:

Richard McCarthy CBE,
Chairman
Smart DCC Limited. Company registered number: 08641679

Statement of Changes in Equity

For the year ended 31 March 2026

	Share Capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 April 2024	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
At 31 March 2025 and 1 April 2026	–	–	–
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
At 31 March 2026	–	–	–

Statement of Cash Flows

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000
Net cash flows from operating activities	18	103,375	55,410
Net cash flows used in investing activities	18	(109,194)	–
Net cash flows used in financing activities	18	28,209	(42,032)
Net increase in cash and cash equivalents		**22,390**	**13,378**
Cash and cash equivalents at the beginning of the year		82,967	69,589
Cash and cash equivalents at the end of year	18	**105,357**	**82,967**

The notes on pages 91 to 111 form an integral part of the financial statements

Material Accounting policies

a) Reporting entity

Smart DCC Limited is a private Company limited by shares incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The address of the registered office is First Floor, 2 Kingdom Street, Paddington, London, England, W2 6BD. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 46 but can be summarised as managing the delivery of services to Great Britain's energy industry that facilitates secure communications between energy systems and smart meters.

b) Basis of preparation

Statement of Compliance

These Financial Statements have been prepared in Pounds Sterling which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated. They are prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) as modified by Condition 30 of the Company's Regulatory Licence, and in conformity with the requirements of the Companies Act 2006.

Basis of measurement

The accounts are made up to 31 March and have been prepared under the accruals concept and in accordance with the historical cost accounting convention. Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Where items are sufficiently significant by virtue of their size and nature, they are disclosed separately in the Financial Statements to aid the reader's understanding of the Company's financial performance.

c) Significant judgements, estimates and assumptions

In preparing these Financial Statements, management is required to make judgements in applying the Company's accounting policies and to make estimates and assumptions that affect the amounts recognised in the Financial Statements.

The areas involving a higher degree of judgement or complexity, or where estimates and assumptions are significant to the Financial Statements, are disclosed below. Management has considered whether any estimates represent key sources of estimation uncertainty under IAS 1, being those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

i. Significant Judgements

Ofgem price control determination

Each year Ofgem carries out a price control assessment to determine whether costs incurred by DCC are economic and efficient. Scrutiny of costs and associated revenues in this way provides assurance to stakeholders that DCC is providing value for money.

Revenue recognised in the year reflects management's assessment of amounts recoverable for services provided under the SEC charging framework and the applicable Charging Statement at the reporting date. DCC has an enforceable right to consideration for services delivered in the year based on that framework.

Ofgem's price control assessment is carried out after the regulatory year has ended, with the final determination published in the subsequent February. The outcome of this assessment is a regulatory mechanism that informs future charging periods and does not represent a retrospective reassessment of the transaction price for services already delivered in the current year. Accordingly, any financial impact arising from the determination is reflected in the results of the subsequent regulatory year, rather than as an adjustment to revenue recognised in the current year.

Although there may be common themes among costs disallowed by Ofgem, the specific items disallowed within those themes can vary year on year. Management seeks to mitigate the risk of disallowance through specific controls and processes addressing areas of cost that have historically been challenged. However, DCC's activities also vary from year to year, and Ofgem may not previously have formed a view on certain types of cost. As a result, historical outcomes do not provide a sufficiently reliable basis for estimating the impact of future determinations.

Management therefore does not consider that a reliable estimate can be made at the reporting date for the purpose of recognising an adjustment or provision in the Financial Statements.

Recognition of costs for Design Build Test phases funded through external financing

The Company has entered into external financing arrangements to fund the Design Build Test phases of the 4G Communications Hubs & Networks programme and the Data Service Provider programme. The facilities are used to fund amounts payable to suppliers as work is completed, with repayments to lenders financed through future charges to customers under the applicable Charging Statement.

Management has applied judgement in determining the appropriate accounting treatment for amounts paid to suppliers before those amounts are charged to customers. The balance payable under the financing facilities is recognised as a liability in the Statement of Financial Position. A corresponding receivable is recognised for amounts paid to suppliers for work performed on the programmes where those costs relate to services or benefits to be consumed in future periods.

Management has concluded that the receivable should be released to the Statement of Profit or Loss in line with the financing repayment profile, which is aligned to the customer Charging Statement. This reflects management's assessment of the period over which the related services or benefits are consumed and the period to which the receivable relates.

d) Changes in accounting policies

New and amended standards adopted by the Company

There are no new accounting standards that have been adopted by the Company for FY26.

New standards and interpretations not yet adopted.

At the date of authorisation of these Financial Statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures
- IFRS 18 Presentation and Disclosure in Financial Statements

The Company is currently assessing the potential impact, which is expected to be significant in terms of presentation and disclosure, but not in recognition or measurement.

e) Going concern

The Directors have assessed the Company's ability to continue as a going concern for a period of at least twelve months from the expected date of approval of these Financial Statements. In performing this assessment, the Directors have also considered a longer period through to 22 September 2027, being the expected end date of the first Smart Metering Communication Licence. Management considers this to be the most appropriate period over which to assess the Company's liquidity and funding position, as it aligns with the remaining licence period and the period used for the Company's viability assessment.

As part of this assessment, the Directors have considered the planned business transfer following the formal award of the next Smart Metering Communication Licence to the successor licensee, DCC2, a wholly owned subsidiary of SECCo Limited. The business handover is expected to take place on 2 November 2026.

Under its existing licence, DCC1 is responsible for the provision and operation of the national smart metering communications infrastructure, with revenue recovered through a regulated charging framework under the Ofgem price control regime. From the date of transfer, DCC2 will assume responsibility for these activities under the new licence granted by Ofgem.

Following the transfer, DCC1 will cease to generate licence revenue and will operate as a run-off entity solely to conclude its residual regulatory obligations under the previous licence framework. These obligations primarily relate to the completion of the final Ex-Post Price Control cycles for the regulatory periods from 1 April 2025 to 31 March 2026 and from 1 April 2026 to 31 October 2026, together with the operational costs required to fulfil the remaining licence obligations through to the end of the current licence period.

The outcome of these processes may give rise to liabilities which DCC1 is required to settle. As DCC1 will no longer generate licence revenue following the transfer, it will not be self-funding and will not have sufficient resources to meet such liabilities as they fall due without external financial support.

Cash flow forecasts have been prepared covering the period through to 22 September 2027, including the period to business handover, the subsequent run-off period, and the expected timing and quantum of cash flows associated with the outstanding price control cycles. The forecasts have been prepared using the latest available information and assumptions regarding the timing of regulatory settlements, transition arrangements and funding support.

In the period prior to the licence transfer, the Company continues to operate under the regulated charging framework. The Directors have considered severe but plausible downside scenarios relating to customer non-payment or delayed payment. These scenarios consider the mitigating features of the Smart Energy Code, including customer credit support arrangements, debt socialisation mechanisms, and active cash management. The modelling performed indicates that the Company maintains sufficient liquidity throughout the pre-handover period.

For the post-handover period, management has considered forecast operational costs and the potential liabilities arising from the outstanding Ex-Post Price Control cycles. Based on current discussions with Ofgem, management expects the two final price control cycles to be settled as one lump sum in August 2027, and in any case prior to the cessation of the original Licence.

Management has also modelled downside scenarios in respect of the Ex-Post Price Control process. These scenarios include adverse outcomes which could result in amounts being due to DCC1 from Capita plc to settle outstanding cost disallowance liabilities. The Directors have therefore considered the availability and sufficiency of parent company support; firstly in the form of the Parent Company Guarantee (£30m), and secondly the Keep Well Deed whereby Capita have irrevocably undertaken to provide upon receipt of written demand all such operational resourcing and financial support up to £5m.

The Directors have also considered the broader funding and regulatory framework, including the Ofgem financial consultation, the mechanisms available to support recovery or settlement of residual obligations, and the contractual arrangements between DCC1 and DCC2. These include the Financial Payments Agreement, which is expected to evidence the funding by DCC2 of budgeted DCC1 operational costs during the run-off period and the settlement of residual price control matters. The Directors have also considered the continuity of key service arrangements required to support the Company through the transition and run-off period.

The Directors do not intend to liquidate the Company during the assessment period, and at present there has been no formal decision regarding the status of the Company thereafter. Based on the forecasts prepared, the expected timing of regulatory settlements, and the funding arrangements available, the Directors have a reasonable expectation that the Company will be able to meet its liabilities as they fall due over the going concern assessment period and through to 22 September 2027.

Accordingly, the Directors have prepared the financial statements on a going concern basis.

f) Revenue

The principal activity of the Company is the delivery and operation of the smart metering communication service in Great Britain to the energy industry. The Company provides these services in accordance with the Smart Meter Communication Licence, the Smart Energy Code ("SEC") and the associated Charging Methodology. Revenue is recognised in accordance with IFRS 15 and represents the consideration to which the Company expects to be entitled for services provided to customers during the year. The Company does not enter into individual bilateral contracts with each customer; however, all energy suppliers and other users that have acceded to the SEC are considered customers of the Company. The Licence, SEC and associated Charging Methodology collectively establish the rights and obligations of both the Company and its customers, including the Company's obligation to provide the smart metering communication service and customers' obligation to pay charges determined under the SEC charging framework.

The Company has identified one performance obligation, being the provision of an integrated smart metering communication service. This comprises the provision of continuous data transmission services, operation and maintenance of network infrastructure, service availability and related support services. These activities are highly integrated and are not separately identifiable. Revenue is recognised over time because customers receive and consume the benefits of the service as it is provided. Progress towards satisfaction of the performance obligation is measured using an input method based on costs incurred relative to total expected costs. Management considers this to provide a faithful depiction of the transfer of services to customers, as the Company's costs are incurred in delivering and operating the continuous regulated communication service.

Revenue recognised in the year reflects management's assessment of amounts recoverable for services provided under the SEC charging framework and the applicable Charging Statement at the reporting date. The Company currently operates on a nil-profit model, except where margin or incentive amounts are permitted under the Licence or awarded through the regulatory framework.

Customers are billed in accordance with the Charging Methodology set out in the SEC. Charges are set in advance based on expected cash flows over the relevant charging period. As a result, a proportion of revenue recognised in the year is billed during the year, with the remainder billed in future periods through subsequent Charging Statements. Amounts recognised as revenue but not yet billed represent consideration for services already provided in the reporting period. These amounts are presented as receivables rather than contract assets because the Company has satisfied its performance obligation and has an enforceable right to consideration under the Licence, SEC and applicable Charging Methodology. The future billing profile reflects the timing of invoicing and cash collection under the regulated charging mechanism, rather than a requirement for the Company to perform further services before becoming entitled to consideration.The Company assesses whether it acts as principal or agent in respect of goods and services provided to customers. For the core smart metering communication service, the Company acts as principal because it is responsible for delivering and operating the integrated service under the Licence. For certain goods and services received directly by customers from third-party service providers, the Company acts as agent where it does not control the specified goods or services before they are transferred to customers.

In these cases, amounts payable to service providers and corresponding amounts recoverable from customers are recognised in the Statement of Financial Position, with no revenue or cost recognised in the Statement of Profit or Loss.

g) Taxation

Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. DCC's operating model is such that £nil Profit/Loss is generated.

h) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability are included in the initial carrying amount.

The Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, external financing facilities and an interest rate swap.

8 Determined by value of monthly invoices
9 Customers just outside the top six largest customers
10 Customers with monthly invoices less than £0.3m

Financial assets

Financial assets are classified on initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The Company's financial assets are held to collect contractual cash flows and those cash flows are solely payments of principal and interest where applicable. They are therefore measured at amortised cost using the effective interest method, less any impairment allowance.

Cash and cash equivalents comprise cash at bank and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables are measured at amortised cost. The Company applies the impairment requirements of IFRS 9 and recognises expected credit losses where required. Given the nature of the Company's receivables and the regulated cost recovery model, expected credit losses are assessed with reference to historical experience, current conditions and forward-looking information where relevant.

Financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are held for trading, are derivatives, or have been designated at fair value through profit or loss.

External financing facilities are measured at amortised cost using the effective interest method. Arrangement fees and other transaction costs that are directly attributable to obtaining the facilities are deducted from the initial carrying amount of the relevant liability and recognised in finance costs over the expected life of the facility using the effective interest method.

Trade and other payables are measured at amortised cost.

Derivative financial instruments and interest rate risk management

The Company is exposed to interest rate risk on the floating-rate element of certain external financing facilities, where interest is linked to SONIA. The Company has entered into an interest rate swap under which it pays a fixed rate and receives a floating rate. The swap economically reduces the Company's exposure to movements in SONIA on the relevant portion of the borrowing.

The interest rate swap is a derivative financial instrument and is recognised on the Statement of Financial Position at fair value. Fair value movements on the interest rate swap are recognised in profit or loss within finance income or finance costs.

The Company does not apply hedge accounting under IFRS 9. Accordingly, no amounts are recognised in other comprehensive income or in a cash flow hedge reserve in respect of the interest rate swap. The swap is therefore described as an economic hedge of interest rate risk, rather than as a formally designated cash flow hedge for accounting purposes.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company transfers substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Fair value measurement

The fair value of derivative financial instruments is determined using valuation techniques based on observable market inputs, including relevant interest rate curves. The fair value of the interest rate swap is classified within the fair value hierarchy in accordance with IFRS 13.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosures about fair value measurements.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the Statement of Financial Position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

i) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- i. fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- ii. variable lease payment that are based on an index or a rate;
- iii. amounts expected to be payable by the lessee under residual value guarantees;
- iv. the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- v. payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising the following::

- i. the amount of the initial measurement of lease liability;
- ii. any lease payments made at or before the commencement date less any lease incentives received;
- iii. any initial direct costs; and
- iv. an estimate of costs to be incurred in dismantling and removing the underlying asset, restoring the site.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

j) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold buildings and long leasehold property – not applicable
- Leasehold improvements – period of the lease
- Plant and equipment – 2 to 15 years
- 4G Comms Hub Devices – 15 years

Depreciation is only charged once the asset becomes available for use. The carrying values of property, plant and equipment are reviewed for impairment at the end of each reporting period to assess whether any events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Residual values and the Useful Economic Lives are also reviewed at the end of each reporting date.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in the Statement of Profit and Loss in the administrative expenses line item. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Profit and Loss in the year in which the item is derecognised.

k) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be estimated reliably.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation.

Notes to the Financial Statements

1. REVENUE FROM CONTRACTS WITH CUSTOMERS

An analysis of the Company's revenue is as follows:

	2026 £'000	2025 £'000
Continuing operations		
Provision of core communication services	**589,181**	**514,266**

Receivable balances

The following table provides information about opening and closing receivables from contracts with customers:

	2026 £'000	2025 £'000
Unbilled receivables due >12 months	275,505	362,120
Unbilled receivables due <12 months	171,006	145,260
Trade receivables	298	12,454
	446,809	**519,834**

OPERATING SEGMENTS

Segmental revenue and results (Mandatory Business Services – core communication)

All revenue, results, assets and cash flows arise from the provision of Core Communication Services under the Mandatory Business of the Company, as set out in the Licence, therefore there is one segment for revenue and results.

Geographical information (external customers)

The Company's revenue has all arisen from Great Britain for services provided to British energy suppliers.

Information about major customers

During the year the Company earned revenue from 88 customers (2025: 98). Of these, four customers individually contributed over 10% of revenue:

Customer	2026 Revenue (£m)	2025 Revenue (£m)
A	128.8	94.5
B	124.4	117.4
C	85.1	82.2
D	60.1	58.0

Smart DCC generates revenue exclusively from the provision of secure data and communications services to energy suppliers, network operators, and other authorised users within the UK smart metering ecosystem.

Although the Company serves different customer types, all customers operate under the SEC. As such, the nature, timing, and uncertainty of revenue and cash flows do not vary significantly between customer groups, nor are they impacted by differing economic factors.

Management monitors revenue as a single stream and does not disaggregate it further for internal decision-making purposes. Accordingly, no further disaggregation is presented, as it would not provide additional useful information to users of the financial statements.

2. COST OF SALES

	2026 £'000	2025 £'000
External costs	427,653	323,788
Pass through costs	16,625	28,181
Other external costs	2,884	2,695
	447,162	**354,664**

External costs represent costs incurred by our key Service Providers for the set up and delivery of the smart metering communication service. These Service Providers include the DSP, the CSPs, SMETS1 Service Providers and Switching Service Providers. Pass through costs are those relating to the cost of service provided by the SEC administrator SECCo Ltd, and the Alt HAN Co Ltd. Other external costs represent amounts for other Service Providers providing services directly related to the set up and delivery of the smart metering communication service that are not defined as external costs in the Licence, such as the SMKI Trusted Service Provider.

3. ADMINISTRATIVE EXPENSES

	2026 £'000	2025 £'000
Staff costs (Note 5)	88,644	92,397
Margin, gainshare and disallowed costs	13,107	3,441
Professional fees	5,522	25,758
IT operating expenses	14,752	14,223
Corporate overhead	4,726	10,743
Office accommodation	5,117	5,358
Recruitment costs	1,542	2,577
Travel and subsistence	1,833	2,341
Other costs	3,217	1,508
	138,460	**158,346**

Margin, gain share and disallowed costs reflect the relevant price control results recognised in the year.

Staff costs are received from a recharge from Capita Business Services Limited (CBSL).

4. AUDITOR'S REMUNERATION

An analysis of the auditor's remuneration is as follows:

	2026 £'000	2025 £'000
Fees payable to the Company's auditor for the audit of the annual accounts	213	204
Total audit fee for statutory and regulatory accounts	**204**	**204**
Fees payable to the Company's auditor for other services to Other assurance services	48	46
Total non-audit fee	**48**	**46**

Other assurance services include review of a Certificate of Financial Resources and carrying out of a set of Agreed Upon Procedures, as required under the terms of the Licence.

5. STAFF COSTS

Staff are legally employed by a related party, CBSL for the benefit of the Company. Staff costs incurred by CBSL on behalf of the Company are recharged to the Company monthly at cost, with an overhead charge added. This includes pension contributions made by CBSL for employees enrolled in the Capita defined benefit pension scheme, the liability for which is included in the Financial Statements of the ultimate parent undertaking. No costs associated with the administration of the scheme are charged to the Company.

The average monthly number of employees (including Directors) was:

	2026	2025
Operations	285	187
Programme management	105	139
Finance, Commercial, Legal and Facilities	76	122
Technology	134	158
Other	74	153
	674	**759**

Their aggregate remuneration (including overhead) comprised:

	2026 £'000	2025 £'000
Wages and salaries	75,634	82,455
Severance pay	2,387	988
Social security costs	8,826	7,317
Other pension costs	1,797	1,637
	88,644	**92,397**

6. FINANCE INCOME AND COSTS

	2026 £'000	2025 £'000
Finance income		
Recovery of finance costs from customers	10,479	7,311
Total finance income	**10,479**	**7,311**
Finance costs		
Finance costs on milestone repayments	(10,479)	(7,311)
Lease interest expense	(182)	(53)
Finance bond interest and charges	228	(229)
Bank service charges	(53)	(61)
Total finance costs	**(10,486)**	**(7,654)**

7. TAX

	2026 £'000	2025 £'000
Current tax	–	–
Deferred tax	–	–
	–	–

The Company has £nil taxable profit, and hence £nil tax at the UK Corporation rate of 25% (2025: 25%). No tax amounts have been recognised directly in equity during the year (2025: £nil).

8. NON-CURRENT ASSETS AND LIABILITIES

Included in both non-current assets and non-current liabilities are amounts of £269.2m (2025: £362.1m), representing amounts due from customers and due to Service Providers respectively.

	2026 £'000	2025 £'000
Unbilled receivables in respect of milestones	11,232	18,447
Unbilled receivables in respect of communication hubs	240,589	343,673
Unbilled receivable for 4G communication hubs	1,440	-
Unbilled receivables in respect of other contractual obligations	22,244	–
	275,505	**362,120**

	2026 £'000	2025 £'000
Supplier payables in respect of milestones	11,232	18,447
Supplier payables in respect of communication hubs	192,556	269,195
	203,788	**287,642**

At 31 March 2026, our Service Providers had achieved multiple contractual milestones and completed work against other contract obligations. Payments against these are due over the term of the contracts with Service Providers. As the milestones have been achieved and work has been completed the Company has a contractual obligation for payment, hence a non-current liability of £11.2m (2025: £18.4m) has been recognised, representing amounts payable after 31 March 2027.

These amounts will be recoverable from customers and therefore, a corresponding amount of £11.2m (2025: £18.4m) has been recognised as a non-current asset.

Unbilled receivables and supplier payables in respect of communication hubs comprise two components. Firstly, our Service Providers have been providing our customers with SMETS2 communication hubs; these hubs are installed in consumer homes and allow our customers to use our network. The cost of a communication hub is charged to DCC by our Service Providers over time, and similarly we recover the value of a communications hub from our customers over the same period at the same value. As at the end of the reporting period, we have recognised the amounts payable over 12 months for communication hubs accepted by customers at £192.6m (2025: £269.2m). These amounts will be recoverable from customers and therefore, an asset of equal value has been recognised.

A further £48.0m (2025: £74.5m) has been recognised as an asset for the subsequent recovery from customers in relation to the financing for the DBT phase of the 4G CH&N Programme. These balances are recoverable over a maximum period of five years which aligns to the financing period. The matching liability has been recognised in Borrowings (see Note 13).

During the year, a new DSP Programme was established to maintain continuity of the existing DSP service while the next generation solution is designed, built, tested and prepared for migration. A non-current asset of £22.2m (2025: £nil) has been reflected for the subsequent recovery of cost from customers in relation to the financing for the DBT phase of the DSP Programme. The associated liability is held within borrowings, however this does not equal the value of asset due to timing difference between the drawdown of the facility ahead of the costs incurred. These balances are recoverable over a maximum period of five years which aligns to the financing period.

The categorisations of financial instruments in respect of the balances above can be found in Note 17.

During the year, the Company reviewed the presentation of balances relating to external financing arrangements entered into in connection with the 4G Communications Hubs and Networks programme and the Data Service Provider programme. To enhance transparency over the nature of these arrangements, borrowings are now presented separately within the Statement of Financial Position and disclosed separately within Note 13 Borrowings.

Comparative information has been reclassified to conform with the current year presentation. As at 31 March 2025, amounts of £100.9m, comprising £74.5m classified as non-current and £26.4m classified as current, have now been separately presented within borrowings. These balances were previously included within supplier payables in respect of communication hubs and were not separately disclosed as borrowings.

The reclassification had no impact on profit for the year, total assets, total liabilities, equity or cash flows. The current element of £26.4m is disclosed within Note 12 Trade and Other Payables.

9. PROPERTY, PLANT AND EQUIPMENT

	4G Comms Hubs £'000	Leasehold improvements £'000	Right of Use £'000	Total £'000
Cost or valuation				
At 31 March 2025	–	**8,380**	3,418	11,798
Additions	109,194	–	7,598	116,792
At 31 March 2026	**109,194**	**8,380**	**11,016**	**128,590**
Depreciation				
At 31 March 2025		(7,424)	(3,024)	(10,448)
Charge for the period	(2,837)	(956)	(1,038)	(4,831)
At 31 March 2026	**(2,837)**	**(8,380)**	**(4,062)**	**(15,279)**
Carrying amount				
At 31 March 2025	–	956	394	1,350
At 31 March 2026	**106,357**	**–**	**6,954**	**113,311**

There were additions during the year of £116.8m (2025: £nil) and no disposals during the year (2025: £nil). During the period, DCC purchased and capitalised a new class of assets, 4G Communication Hubs, with additions of £109.2m recognised from Q2 FY26 onwards. These assets are capitalised monthly as they are deployed and are depreciated over their estimated useful economic life of 15 years. The depreciation charge for the period was £4.8m (2025: £1.8m) and is included as a component of total administrative expenses, presented above operating (loss)/profit. At year end, the net carrying amount of land and buildings was £7.0m (2025: £0.4m) which relates to the lease of Riverscape, London and Brabazon House, Manchester. The lease obligations are disclosed in note 14.

In the prior year, the right-of use asset was classified as current as the underlying lease was due to expire within twelve months of the reporting date and the economic benefit was expected to be realised within that period. Follow the execution of the new lease in the current period, the right-of-use asset as at 31 March 2026 is held as non-current.

10. TRADE AND OTHER RECEIVABLES

	2026	2025
Current receivables measured at amortised cost	**£'000**	**£'000**
Unbilled receivable for milestones	6,672	12,047
Unbilled receivable for communication hubs	153,975	133,213
Unbilled receivable for 4G communication hubs	2,194	–
Unbilled receivable for other contractual obligations	8,165	–
	171,006	145,260
Accrued income	82,205	56,709
Trade receivables due from customers	298	12,454
Other receivables	1,480	1,480
Total receivables at amortised cost	**254,989**	**215,903**
Prepayments	3,007	1,493
	257,996	**217,396**

Unbilled receivables of £172.4m (2025: £145.3m) is the amount to be recovered in the next year from customers for work completed as at the reporting date. This includes £26.4m (2025: £26.4m) in relation to the financing of the Design Build Test phase of the 4G CH&N, £8.2m (2025: £nil) for the DSP Programme and £3.6m (2025: £nil) for the 4G Communication Hubs. The corresponding amount due to Service Providers less payments in advance is recognised in Borrowings (see Note 13). The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Accrued income represents amounts due from customers for the month of March 2026 but billed in April 2026, therefore not received at the reporting date. The due date is the later of five working days following receipt of invoice and eight working days following the end of the month. The average credit period taken on sales of service is five days from receipt of invoice.

In accordance with Section J of the SEC, the Company determines whether credit cover is required for each customer. If it is required, customers provide Credit Support in the form of a bank guarantee, a letter of credit, or a cash deposit. The value of Credit Support must be equal to or greater than the customer's credit cover requirement, which is calculated on a weekly basis as specified in the SEC. If a user fails to pay their invoice by the due date and a notice has been issued, the Company can claim unpaid amounts plus interest from the Credit Support provided. If a customer does not have enough credit cover in place to cover their outstanding balance the Company will investigate other options for recovery of funds, but in all circumstances the option to recover the debt from all other customers is available. In this way the Company is not exposed to any risk of losses.

11. CASH AND CASH EQUIVALENTS

	2026	2025
	£'000	£'000
Cash at bank	65,407	46,917
Credit cover deposits from customers	39,950	36,050
	105,357	**82,967**

Cash at bank reflects the amount available for use by the Company. Credit cover deposits are customers funds held in a ringfenced account which are only to be used as a drawn down facility to cover non-payment of invoices.

12. TRADE AND OTHER PAYABLES

	2026	2025
Current payables measured at amortised cost	**£'000**	**£'000**
Supplier payables for milestones	6,672	12,047
Supplier payables for communication hubs	127,530	106,769
	134,202	**118,816**
Trade payables due to suppliers	63,901	40,655
Related party payables	30,885	20,941
Accruals	43,220	55,314
	272,208	**235,726**
Deposits held on behalf of customers	39,940	36,049
Total payables at amortised cost	**312,148**	**271,775**
VAT payables	1,321	1,492
	313,469	**273,267**

Amounts due in less than one year for milestones and communication hubs are amounts that are due to be paid to Service Providers in line with supplier contracts at the reporting date. These amounts will be recoverable from customers in future years with the applicable balances noted in Trade and Other Receivables (Note 10).

Related party payables relate entirely to Capita Business Services Ltd (Parent Company) and are concluded on an arm's length basis. See Note 18 for more details.

Accruals reflect amounts outstanding for costs which will be invoiced after the year end.

Deposits held on behalf of customers represents amounts held as credit support in accordance with Section J of the SEC.

The Directors consider that the carrying amount of Trade and Other Payables is approximately equal to their fair value.

During the year, amounts relating to external financing arrangements previously included within trade and other payables have been separately presented as borrowings. Accordingly, £26.4m as at 31 March 2025 has also been reclassified from Supplier payables for communication hubs to current borrowings. The reclassification had no impact on profit for the year, net assets or cash flows.

13. BORROWINGS

	2026	2025
Non-current borrowings measured at amortised cost	£,000	£,000
Borrowings for 4G Comms Hubs & Networks DBT	48,033	74,478
Borrowings for Data Service Provider DBT	26,621	–
Borrowings for 4G Comms Hubs & Networks Hubs	107,543	–
	182,197	**74,478**
Current borrowings measured at amortised cost		
Borrowings for 4G Comms Hubs & Networks DBT	26,444	26,444
Borrowings for Data Service Provider DBT	7,669	–
Borrowings for 4G Comms Hubs & Networks Hubs	7,628	–
	41,741	**26,444**
Total Borrowings	**223,938**	**100,922**

Maturity Analysis

The maturity profile of non-current borrowings is as follows::

	2026 £'000	2025 £'000
1 year or less	41,741	26,444
1 to 2 years	40,983	26,444
2 to 5 years	64,988	48,034
Beyond 5 years	76,226	–
Total	**223,938**	**100,922**

The Company has borrowings totalling £223.9m (2025: £100.9m) across three financing facilities; 4G Comms Hubs and Networks DBT, Data Service Provider DBT and 4G Comms Hubs and Networks Hubs.

These facilities are payable between one to fifteen years. The maturities of assets match exactly to those of the liabilities.

All borrowings are held at amortised cost and are further detailed in Note 17 Financial Instruments.

14. LEASE LIABILITY

	Carrying amount 2026 £,000	Carrying amount 2025 £,000
Opening balance	209	823
Lease liability addition	7,113	–
Interest charge	182	53
Repayments made during the year	(466)	(667)
Closing balance	**7,038**	**209**
Of which:		
Lease liability due in less than 12 months	1,248	209
Lease liability due in more than 12 months	5,790	–
	7,038	**209**

Contractual cash flows of lease liability

	2026 £'000	2025 £'000
Contractual cash flows		
1 year or less	1,621	209
1 to 2 years	1,770	–
2 to 5 years	4,617	–
Total	**8,008**	**209**

The Company recognises depreciation charges and additional interest charges in relation to leases within the Statement of Profit and Loss and other comprehensive income as well as disclosing in the notes to the Financial Statements.

15. CONTRACTUAL COMMITMENTS

At the date of the Statement of Financial Position, the Company had future operational charges of £1,646m (2025: £1,728.4m) which has not been recognised. This represents payments that the Company is obliged to make for contractually committed future operational charges to Service Providers in line with their contracts from the date of services going live.

16. SHARE CAPITAL

	2026 £'000	2025 £'000
Authorised, issued and fully paid:		
1 ordinary share of £1 each	–	–

Each share is entitled to one vote in any circumstances, equal rights to dividends, and to participate in a distribution arising from a winding up of the company.

17. FINANCIAL INSTRUMENTS

Categories of financial instruments:

	2026 £'000	2025 £'000
Financial assets at amortised cost		
Unbilled receivables due in more than one year	275,505	362,120
Trade and other receivables	254,989	215,903
Cash and cash equivalents	105,357	82,967
	635,851	**660,990**

	2026 £'000	2025 £'000
Financial liabilities at amortised cost		
Supplier payables due in more than one year	203,788	287,642
Trade and other payables	312,148	271,775
Borrowings due in more than one year	182,197	74,478
Borrowings due in less than one year	41,741	26,444
,	**739,874**	**660,339**

The Directors consider that the carrying amount of all financial assets and liabilities as shown in the table above approximately equal to their fair value.

Comparative information has been reclassified in the current year to separately present amounts relating to external financing arrangements as borrowings. Further details of this reclassification are provided in Note 8 and 12.

Contractual cash flows of milestones achieved, communication hubs delivered to customers, and repayments under financing facilities

	2026 £'000	2025 £'000
Contractual cash flows		
1 year or less	175,943	145,260
1 to 2 years	175,857	141,042
2 to 5 years	133,901	221,078
Beyond 5 years	76,227	–
Total	**561,928**	**507,380**
Amounts due in more than one year	385,985	362,120
Amounts due in less than one year	175,943	145,260
Carrying amount	**561,928**	**507,380**

The maturities of assets match exactly to those of the liabilities.

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks, including credit risk, liquidity risk and market risk. Market risk principally comprises interest rate risk. The Company's overall exposure to financial risk is limited by the nature of its operations and its regulatory cost recovery model.

The Company manages financial risk through its normal financial control processes, including monitoring of cash balances, review of forecast and actual cash flows, oversight of external financing arrangements and assessment of the recoverability of amounts due from customers. The Company's financial instruments primarily comprise cash and cash equivalents, trade and other receivables, trade and other payables, external financing facilities and interest rate swaps.

The Company does not enter into speculative financial instruments has limited exposure to foreign exchange risk, and no exposure to commodity price risk.

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations under a financial instrument, causing the Company to incur a financial loss. The Company's exposure to credit risk arises principally from cash and cash equivalents, trade and other receivables and amounts due from customers.

The Company is exposed to a concentration of credit risk due to the following:

Counterparty concentration

Most of its revenue arises from a relatively small number of large energy suppliers. If one or more of these parties experience financial distress or default, there is a risk of delayed or non-payment of charges, which may impact cash flows until the amounts are recovered via regulatory mechanisms.

Industry sector concentration

Customers are exclusively participants in the regulated electricity market. If the energy retail sector is adversely affected by economic or policy changes—such as retail price caps, supplier failures, or regulatory reforms—multiple users may be impacted simultaneously, increasing credit risk exposure.

Geographic concentration

DCC operates solely within the United Kingdom. Any region-wide economic downturn, regulatory shift, or systemic market disruption in the UK energy sector could affect the financial resilience of a broad set of DCC users at once

This concentration is mitigated through regulatory protections embedded within the Smart Energy Code (SEC). It is a requirement of Section J of the SEC that all customers provide Credit Support in the form of a bank guarantee, letter of credit, or a cash deposit. Support provided via bank guarantee, or a letter of credit is payable on demand once requested. The Company holds sufficient credit cover for at least one months' charges for most customers, and the requirement is reviewed on a weekly basis.

Furthermore, after taking all reasonable steps to obtain payment, any outstanding customer debt may be recovered from the remaining customer base via future Charging Statements, subject to Ofgem's approval. This revenue recovery mechanism materially reduces the risk of unrecoverable losses.

Any indication of a concentration of credit risk due to the scenarios above would be highlighted early on through engagement mechanisms in place with the customer, the SEC Panel, Ofgem and DESNZ. Due to the Company's role as part of Critical National Infrastructure, Directors expect that the government would use its Special Administration Regime provisions to intervene if a severe scenario was to materialise.

The Company does not benefit from interest earned on customer credit cover deposits, as this is assigned to the respective customer balances held.

Management therefore considers that, while credit risk is concentrated, the regulated nature of DCC's operations and the credit cover arrangements in place significantly mitigate the risk of material loss.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The Company manages liquidity risk by monitoring actual and forecast cash flows and maintaining access to sufficient funding to meet its obligations.

The Company has access to financial support, if required, through agreements with its Parent Company, worth a total value of £35.0m. This was disclosed in the FY25 annual report materials.

The Company has also entered into external financing facilities to fund specific operational programmes. Amounts drawn under these facilities are used to pay suppliers as work is completed, or to fund relevant assets and services, and are repaid over the relevant facility terms through recharges to customers.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market variables, will affect the Company's income or the value of its financial instruments.

The Company's exposure to market risk is limited given the scope of its operations. The Company's principal market risk is interest rate risk, which arises from cash and cash equivalents and from the floating-rate element of certain external financing facilities. The FY25 annual report identified interest rate risk on cash and cash equivalents, together with a further risk relating to fluctuating interest rates on contracted external financing facilities for the Communications Hubs and Networks 4G programme.

The Company predominantly operates in its functional currency, Pounds Sterling, with minimal transactions in foreign currencies.

Interest rate risk

The Company is exposed to interest rate risk on cash and cash equivalents and on the floating-rate element of certain external financing facilities, where interest is linked to SONIA.

The Company has contracted external financing facilities for the following programmes:

- **Communications Hubs and Networks 4G Design, Build and Testing** — the Company contracted external financing facilities in Q4 FY23 to fund the Design, Build and Testing phase of the Communications Hubs and Networks 4G programme. This facility is for £130.0m total split evenly between fixed and floating interest structures. 50% of the facility incurs a fixed interest rate, and the remaining 50% is a floating rate linked to the Sterling Overnight Index Average (SONIA). The Company has fully drawn down this facility at the reporting date, with amounts repayable over a five-year period, financed by recharges to customers.

  The outstanding balance at 31 March 2026 was £74.5m (2025: £100.9m) as included in Note 13 Borrowings.

- **Data Service Provider Design, Build and Testing** — the Company contracted additional external financing facilities in Q2 FY26 to fund the existing DSP service while the next generation solution is designed, built, tested and prepared for migration. This facility is for £110.0m total with interest calculated on a floating rate basis, comprising a commercial margin plus SONIA. The Company draws on this facility as required and repays amounts drawn over a five-year period, financed by recharges to customers.

  The outstanding balance at 31 March 2026 was £34.3m (2025: £nil) as included in Note 13 Borrowings.

- **4G Communications Hubs** — the Company contracted further external financing facilities in Q2 FY26 to support the procurement and deployment of 4G Communications Hubs across the national smart metering network. This facility is for £480.0m and interest is calculated on a floating rate basis, comprising a commercial margin plus SONIA. Amounts are repayable over a fifteen-year period, financed by recharges to customers.

  The outstanding balance at 31 March 2026 was £115.2m (2025: £nil) as included in Note 13 Borrowings.

The Company has entered into interest rate swaps under which it pays a fixed rate and receives a floating rate. These swaps economically reduce the Company's exposure to movements in SONIA on the relevant portion of the borrowings.

The interest rate swaps have not been designated in qualifying hedge accounting relationships under IFRS 9. They are therefore measured at fair value through profit or loss, with fair value gains and losses recognised in finance income or finance costs (see Note 6).

Although the notional principal amount of the swaps relates to material financing facilities, the fair value of the swaps at the reporting date and the fair value gains or losses recognised in profit or loss during the year are not material to the Financial Statements.

At 31 March 2026 £'000	Notional Principal	Fair value asset / (liability)	Gain / (loss) recognised in profit or loss
Interest Rate Swap – 4G DBT	65,000	(78.9)	268.9
Interest Rate Swap – DSP	48,670	274.7	274.7

The notional principal amount represents the amount of SONIA-linked borrowing to which the interest rate swap relates. The fair value asset or liability represents the fair value of the interest rate swap itself at the reporting date and is recognised on the statement of financial position. The notional principal is not recognised as an asset or liability in respect of the swap.

The Company operates a cost recovery model, under which gains or losses from interest rate movements are typically returned to or recovered from service users through future Charging Statements.

Interest rate sensitivity analysis

The Company has performed a sensitivity analysis for a reasonably possible 100 basis point increase or decrease in SONIA. The analysis considers the Company's SONIA-linked floating-rate exposure and the receive-floating leg of its interest rate swaps at the reporting date. Based on the current swap amounts shown in the Lloyds valuation at 31 March 2026, a 100 basis point increase in SONIA would increase floating receipts on the swaps by approximately £0.816m, while a 100 basis point decrease would reduce floating receipts by approximately £0.816m.

The swaps economically offset SONIA-linked interest exposure on the relevant floating-rate borrowings. The swaps are not designated in qualifying hedge accounting relationships under IFRS 9 and are measured at fair value through profit or loss.

Currency risk

The Company predominantly operates in its functional currency, Pounds Sterling, with minimal immaterial transactions conducted in foreign currencies (EUR and USD). All financial instruments are denominated in GBP. As such, the risk to the Company is extremely low.

Following a review of the above, there have been no significant changes in the Company's exposure to financial risks or how they arise compared to the prior year.

18. CASH FLOW STATEMENT

	2026 £'000	2025 £'000
Profit for the year	–	–
Adjust for:		
Net finance costs	7	343
Depreciation	4,831	1,774
Other non-cash movements:		
– Increase in provisions	2,143	1,103
Lease Interest	182	53
Increase in trade and other receivables	(40,600)	(17,435)
Increase in non-current receivables	86,615	33.713
Increase/(decrease) in trade and other payables	39,718	34,024
Decrease in deferred revenue	–	(5,476)
Recovery of finance costs from customers	10,479	7,311
Net cash from operating activities	**103,375**	**55,410**
Purchase of property, plant and equipment	(109,194)	–
Net cash from Investing activities	**(109,194)**	**–**
Finance costs on milestone repayments	(10,486)	(7,654)
Loan Financing	39,161	(33,712)
Lease Repayments	(466)	(666)
Net cash used in financing activities	**28,209**	**(42,032)**

Receivables and payables are classified as current when they are expected to be settled within 12 months of the reporting date. Amounts relating to non current receivables and loan financing arrangements are those expected to be settled after more than 12 months.

Cash receipts relating to the recovery of finance costs from customers, previously presented within financing activities, are now presented within operating activities to better reflect the nature of the underlying cash flows. Accordingly, £7.3m has also been reclassified from financing activities to operating activities in the comparative period. The reclassification had no impact on total cash flows, the net increase in cash and cash equivalents, profit for the year, net assets or equity.

19. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The Company is a subsidiary undertaking of Capita Business Services Ltd. The ultimate parent company is Capita plc (Group), incorporated in the UK. Each year the Group reassess whether it has control over the Company as required under IFRS 10. The Group's ability to control the relevant activities of the Company is restricted by the Company's operating Licence. The power that the Group has over the Company's relevant activities, by virtue of owning it, is limited given the restrictions in the Licence. That power is held by the Board of the Company where the Group has minority representation in compliance with the Licence. The Group has therefore not consolidated the Company within its Group accounts.

Key Management Personnel

The Directors of the Company are considered to be the Key Management Personnel. The total amounts for Directors' remuneration were as follows:

	2025 £'000	2025 £'000
Total remuneration	1,065	1,191

Included in the amount shown above is £446.3k (2025: £335.3k) in respect of qualifying services for the highest paid Director which was all paid as salary, bonus and benefits. In addition, there was £nil (2025: £6.2k) paid in pension contributions, and £nil (2025: £190.0k) paid for past services.

The Company made contributions to a defined contribution scheme on behalf of 1 director in the year (2025: two), and 1 directors received an allowance as part of the Capita Executive Cash Pension Plan (2025: two). For details of the components of remuneration please see the Directors remuneration report on page 72.

Balances and transactions with Capita Business Services Ltd (Parent Company)

	2026 £'000	2025 £'000
Amounts included in operating profits	132,483	125,916
Amounts owed to related parties	30,885	20,941
Amounts owed from related parties	–	–

The transactions with related parties are concluded on an arm's length basis. Amounts owed are settled within 30 days of invoicing.

20. EVENTS AFTER BALANCE SHEET DATE

On 23 July 2025, Ofgem announced that it had opened an investigation into DCC's compliance with certain conditions of its Smart Meter Communication Licence. The investigation was concluded on 8 July 2026 and, as the outcome provided evidence of conditions that existed at the reporting date, it has been treated as an adjusting event under IAS 10 *Events after the Reporting Period*. The resulting financial impact was assessed as immaterial to the Financial Statements and, consequently, no material amendment to the amounts reported has been made.

In July 2026, the DCC Board approved a new financing arrangement to fund the 4G Communication Hub Exchange Programme. This secures a drawdown facility of £70m which can be utilised over the next 12 months. Each drawdown has a maturity date of fifteen years from the date of the drawdown.