

Consent given by the Gas and Electricity Markets Authority (the "Authority") pursuant to Licence Condition 30 (Requirements for the Regulatory Accounts) of the Smart Meter Communication Licence granted pursuant to Sections 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989 to Smart DCC Ltd.

Whereas:

1. Smart DCC Ltd (the "Licensee") is the holder of a licence (the "Licence") granted pursuant to Sections 7AB(2) and (4) of the Gas Act 1986 and Sections 6(1A) and (1C) of the Electricity Act 1989.
2. The Licensee is a wholly owned subsidiary of Capita plc ("Capita"). Capita is a quoted company for the purposes of Chapter 4 of the Companies Act 2006.
3. Licence Condition 30, Part C, of the Licence requires the Licensee to ensure, so far as is reasonably practicable, and except where the Authority otherwise consents, that its Regulatory Accounts:
 - a) have the same content and format as the most recent or concurrent statutory accounts prepared under Part 15 of the Companies Act 2006, subject to the inclusion of Segmental Information; and
 - b) comply with the requirements applicable to a Quoted Company in Chapter 4 of the Companies Act 2006 with respect to the preparation of the annual accounts and the requirements of the applicable accounting framework under which it prepares them.
4. On 12 June 2019, pursuant to Licence Condition 30, Part C, the Licensee requested the Authority's consent to excluding from the Licensee's Regulatory Accounts for Regulatory Year 2018/19 the following components that are required of a Quoted Company¹:
 - a) In the Directors' Report² the greenhouse gas emissions disclosure.
 - b) In the Directors' Report³ the capital structure.
 - c) In the Corporate Governance Statement⁴, re-election of the board.
 - d) In the Directors' Remuneration Report, the Directors' remuneration policy⁵.
5. For Regulatory year 2018/19, the Licensee will include a Remuneration report with the following disclosures:
 - a) Disclosure of components of directors' remuneration for the current year and previous year
 - b) Annual chairman statement

¹ All these components fall under (b) of paragraph 2.

² Companies Act 2006, Part 15, Chapter 5, Section 416, Paragraph 15

³ Schedule 7, Part 13 of the Large and Medium-Sized Companies Regulations 2008

⁴ Required for compliance with Section B.7 of the UK Corporate Governance Code

⁵ Companies Act 2006, Part 15, Chapter 6

- c) Remuneration of the CEO and CFO in the year compared to the maximum potential remuneration they could have received
 - d) Gender pay reporting
6. The Authority considers that, for Regulatory Year 2018/19, consent should be given to the Licensee for the following reasons :
- a) The greenhouse gas emissions of the Capita group are subject to disclosure in the Directors' Report included in the accounts of Capita and separate disclosure is not warranted.
 - b) The capital structure of the Licensee is straightforward, such that the information contained in its accounts and the Licence is sufficient to obtain a full understanding.
 - c) The provisions of the UK Corporate Governance Code regarding re-election require directors of FTSE 350 companies to be subject to annual election by shareholders. All other directors should be subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. The Licensee is not a FTSE 350 company and its directors are not subject to re-election in the Regulatory Year 2018/19.
 - d) The Licensee does not have a specific Directors' remuneration policy, therefore the disclosures in this section would not be applicable. The Licensee will already be required to disclose some information on its remuneration policies and the procedures and processes it follows to decide these policies in its Corporate Governance Statement. The Authority considers that the Licensee should clearly reference any policies regarding remuneration of its current directors and any newly appointed directors that are set by Capita, and distinguish these from policies set wholly by the Licensee. In relation to the remuneration of newly appointed directors, the Licensee should also report on how the policy set has regards to the Licence Application Business Plan⁶.

Now the Authority consents as follows:

Pursuant to Licence Condition 30, Part C, of the Licence, the Licensee's Regulatory Accounts for Regulatory Year 2018/19 are not required to comply with the requirements applicable to a Quoted Company in Chapter 4 of the Companies Act 2006 with respect to the preparation of the annual accounts, in relation to the following components:

- a) In the Directors' Report, the greenhouse gas emissions disclosure.

⁶ As defined in condition 37.14 of the Licence

- b) In the Directors' report, the capital structure.
- c) In the Corporate Governance Statement, re-election of the board.
- d) In the Directors' Remuneration Report, the Directors' remuneration policy, provided that the Licensee clearly references any policies regarding remuneration of its current directors and any newly appointed directors that are set by Capita, and distinguishes these from policies set wholly by the Licensee. In relation to the remuneration of newly appointed directors, the Licensee should also report on how the policy set has regards to the Licence Application Business Plan.

Notice of reasons

- 7. This document also constitutes a notice under section 38A of the Gas Act 1986 and section 49A Electricity Act 1989 of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

Dated 25 June 2019

Signed

Jacqui Russell

Head of Metering & Market Operations

Signed on behalf of the Gas and Electricity Markets Authority