SP Energy Networks

Sustainable Business Strategy

SP Energy Networks

Our business

SP Energy Networks (SPEN) owns and operates three regulated electricity network businesses in the UK: SP Transmission plc (SPT), SP Distribution plc (SPD) and SP Manweb plc (SPM). Electricity from generators travels across our network to provide power on behalf of energy supply companies through a network of substations, cables and power lines to homes and businesses across Central & Southern Scotland, North Wales, Merseyside, Cheshire and North Shropshire. SPEN is a subsidiary company of ScottishPower UK plc, which is in turn part of the Iberdrola Group, one of the world's largest sustainable utility companies and a Dow Jones Sustainability Index and Global 100 listed company. Please visit our website for more information: <u>What We Do - SP Energy Networks</u>

SPT/SPD

SPM
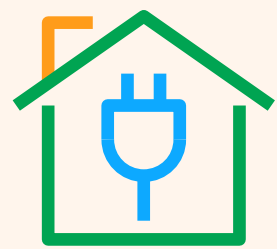
3.5 million

Our Distribution network serves 3.5 million business and domestic customers
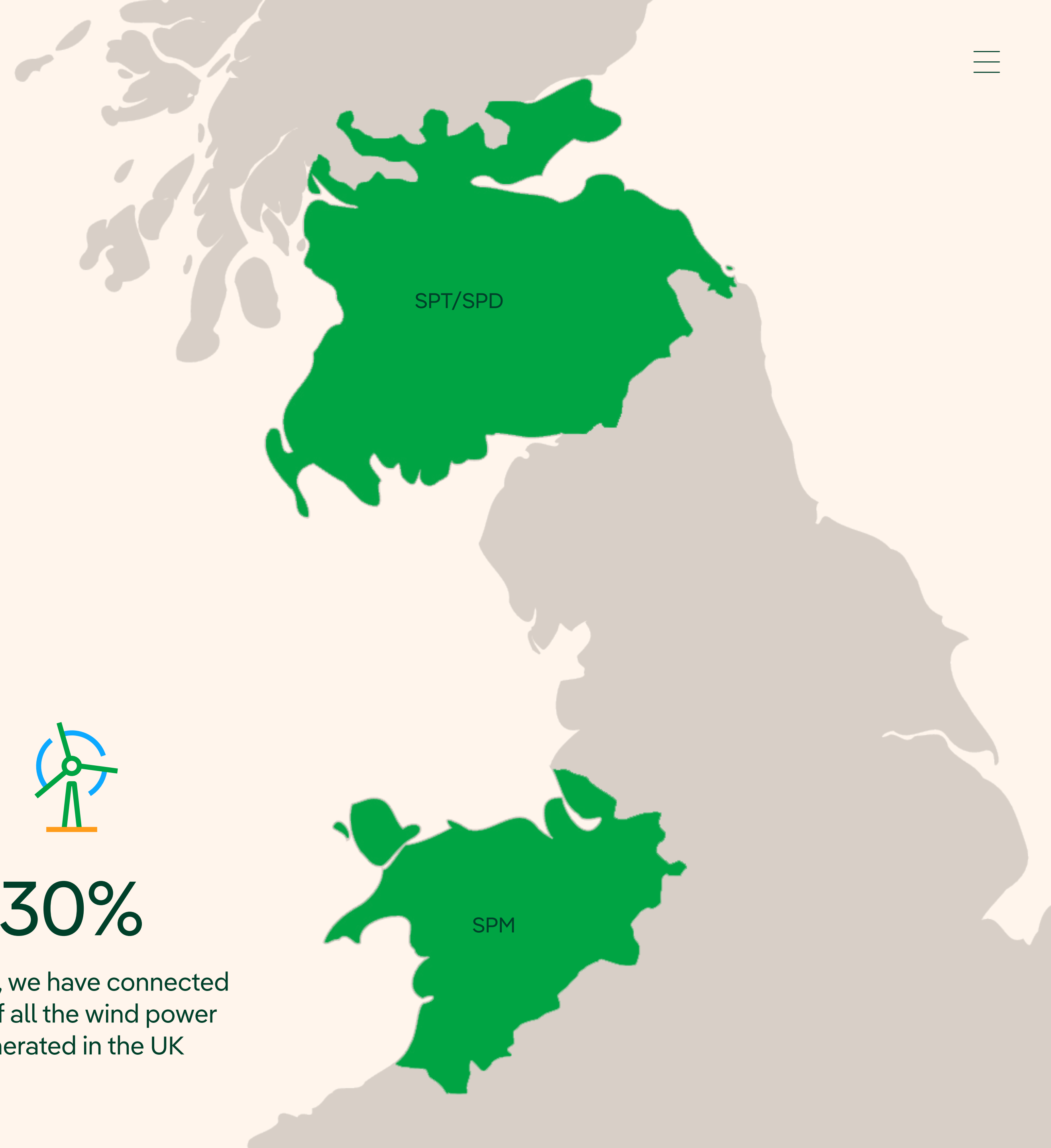
105,000km

Our electricity network contains 40,000km of overhead lines and 65,000km of underground cables

30%

To date, we have connected 30% of all the wind power generated in the UK

Our Sustainable Network

A sustainable electricity network connects renewable energy from generators to consumers, this is SPEN's core purpose and facilitates the UK Net Zero greenhouse gas (GHG) ambitions. While building and operating our network to deliver renewable energy, we must ensure that our own operations are sustainable from an environmental, social and economic perspective.

Our Sustainability Principles

We have a clear picture of our sustainability impacts through:

- stakeholder engagement
- the environmental management system
- delivery of previous Sustainable Business Strategies.

From these impacts we have created five priority areas for action, identified by the icons opposite. There is a dedicated section in this Strategy for each of these Priorities, with clear targets and route maps to deliver.
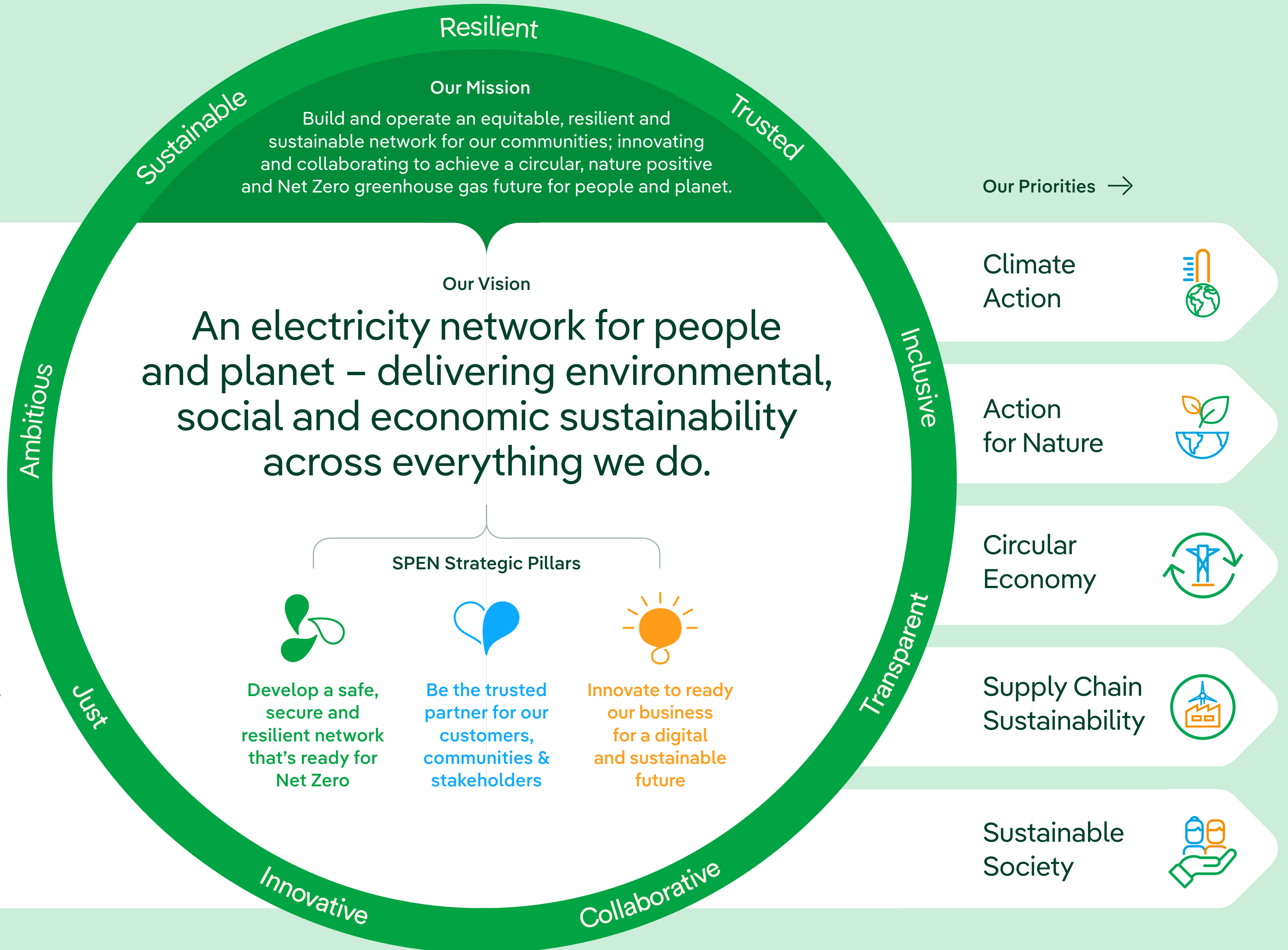
Activities to improve our sustainability build on a strong foundation of environmental management and compliance. We are committed to environmental compliance and preventing pollution and have embedded processes to ensure this in our business activities. Our ongoing certification to the International Standard for environmental management, ISO14001, which we have held for over a decade, provides evidence of this.

We have developed this Strategy, its Vision, targets and ambitions through collaboration. Our stakeholders helped us develop our SPEN Pillars and a guiding set of Sustainability Principles for working with our people, our customers and our communities. Links to these key pillars are embedded throughout this Strategy. Our stakeholders also told us we need to be ambitious and support the goals of the UK and devolved administrations. We also play our part as a key stakeholder, SPEN influences policy and regulation and is a significant contributor to local and national decision making.

As well as delivering for our external stakeholders we recognise the importance of our staff and value chain in this journey, people are at the heart of the step change required to meet our vision of a sustainable networks business. Our people are involved in setting our targets, creating and delivering our plans. It is our job to ensure they have the knowledge, ability, support and guidance to do so.

Our aim in publishing this Strategy is to develop and share our approach to meeting the climate and biodiversity emergencies while delivering social, environmental and economic value to our customers and stakeholders.

Resilient

Our Mission

Build and operate an equitable, resilient and sustainable network for our communities; innovating and collaborating to achieve a circular, nature positive and Net Zero greenhouse gas future for people and planet.

Our Vision

An electricity network for people and planet – delivering environmental, social and economic sustainability across everything we do.

SPEN Strategic Pillars

Develop a safe, secure and resilient network that's ready for Net Zero

Be the trusted partner for our customers, communities & stakeholders

Innovate to ready our business for a digital and sustainable future

Outer ring labels: Sustainable · Trusted · Inclusive · Transparent · Collaborative · Innovative · Just · Ambitious

Our Priorities →

- Climate Action
- Action for Nature
- Circular Economy
- Supply Chain Sustainability
- Sustainable Society

Contents

We are in a climate and biodiversity crisis. Global warming must be limited to 1.5°C to avoid the critical tipping point for climate change that could lead to extreme weather and rising ocean levels. We must halt the UK's loss of biodiversity and focus on restoration of the 50% of our plants and animals that have disappeared since the industrial revolution. This is a pivotal moment and how we take action matters.

At SP Energy Networks we strive to be a fully sustainable networks business for people and planet. Our most recent RIIO-2 Business Plans are our most ambitious to date and see £7.5bn of investment in our networks in a historic decade for both UK and global Net Zero GHG targets. This includes significant infrastructure upgrades across our Transmission and Distribution networks and innovative digital solutions, such as the digital twin modelling of our new substations to identify GHG hotspots. The use of emerging technologies like these will help us deliver our plans efficiently, economically and sustainably.

As well as enabling an environmentally sustainable transition to a low carbon economy, we need to do this in a fair and equitable manner. Recognising this, we have published our Just Transition Strategy – the first of its kind for a UK electricity network company. It lays out our track record and future plans to support customers and enable transformational change to ensure a more sustainable future for all.

I am proud of the positive impact we are making and I want our staff to continue to feel empowered by working for a company that takes proactive steps to act on global and local issues. We want to be the trusted partner for our communities, so they know we have the best interests of people and the planet at heart. We are only at the beginning of what we can do to support sustainability and taking bold actions will help us to create a better future for all.

We hope you enjoy reading this Strategy that sets out our sustainability ambitions, the why and how we will meet our goals and what we are doing currently to enable this transition.
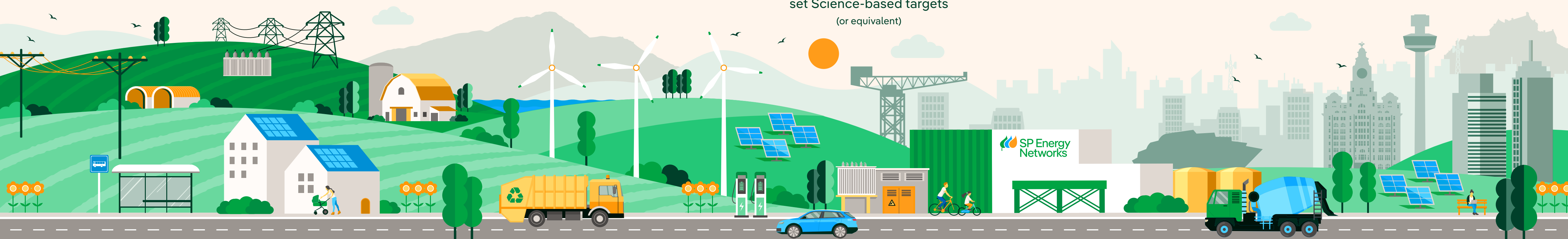
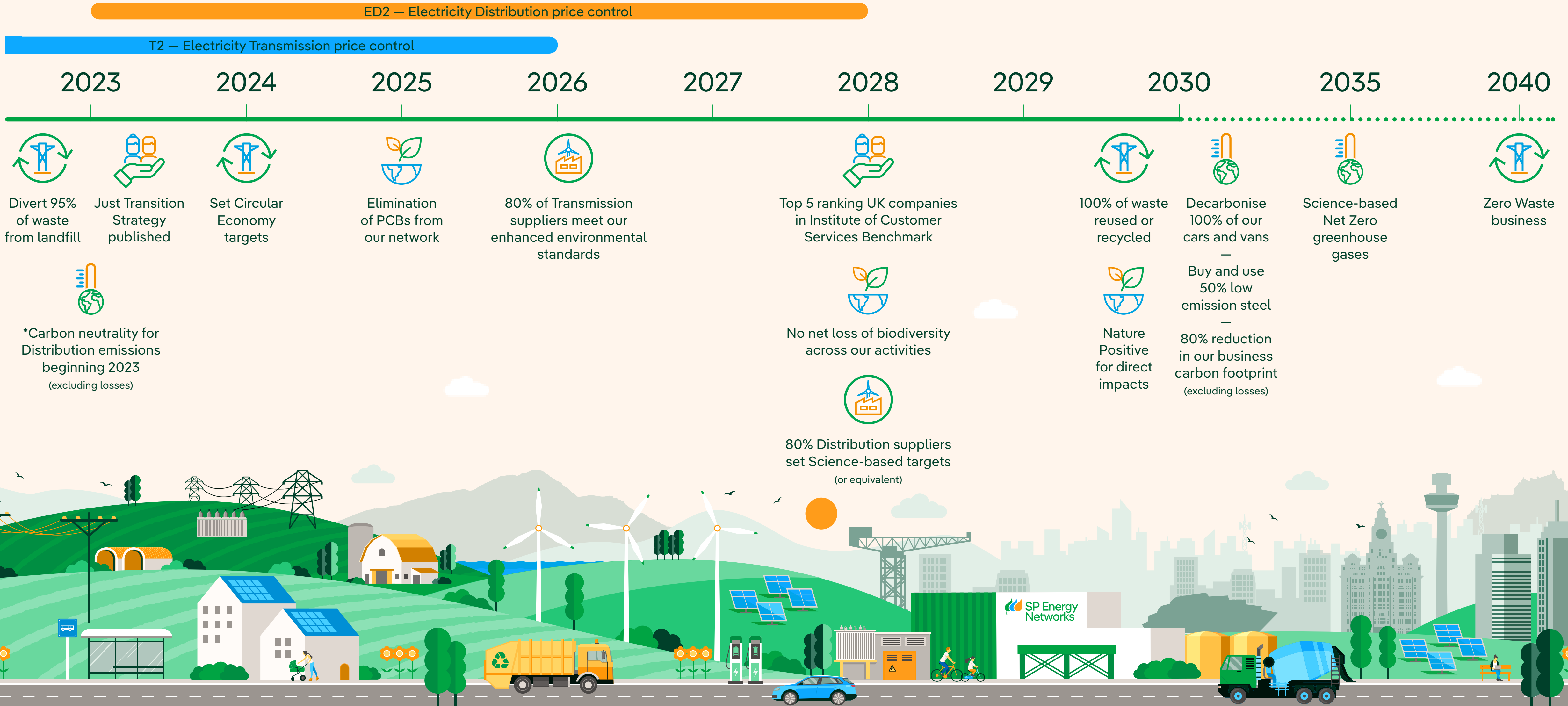Vicky Kelsall
CEO, SP Energy Networks

Our Roadmap to a Sustainable Network
The Roadmap below shows our sustainability goals and targets on our journey to 2040.

T2 (2021 to 2026) is the current Ofgem price control for Electricity Transmission network businesses, (this is the way we are funded to deliver the network). The T2 targets illustrated are outlined in our Transmission Environmental Action Plan.

ED2 (2023 to 2028) is the current Ofgem price control for Electricity Distribution network businesses, the ED2 targets illustrated are outlined in our Distribution Environmental Action Plan.

*carbon is used to refer to all GHG emissions, our metric is CO2e.

ED2 — Electricity Distribution price control

T2 — Electricity Transmission price control

2023	2024	2025	2026	2027	2028	2029	2030	2035	2040

2023
Divert 95% of waste from landfill

Just Transition Strategy published

*Carbon neutrality for Distribution emissions beginning 2023
(excluding losses)

2024
Set Circular Economy targets

2025
Elimination of PCBs from our network

2026
80% of Transmission suppliers meet our enhanced environmental standards

2028
Top 5 ranking UK companies in Institute of Customer Services Benchmark

No net loss of biodiversity across our activities

80% Distribution suppliers set Science-based targets
(or equivalent)

2030
100% of waste reused or recycled

Nature Positive for direct impacts

Decarbonise 100% of our cars and vans
—
Buy and use 50% low emission steel
—
80% reduction in our business carbon footprint
(excluding losses)

2035
Science-based Net Zero greenhouse gases

2040
Zero Waste business

SDG Alignment

As part of the global Iberdrola group we align to the United Nations Sustainable Development Goals (SDGs) and actively use the SDGs to guide the development of our business plans and strategies.

As an electricity network operator, our core business focusses on enabling the connection of clean energy generation to our network and transporting this to end users. Therefore our greatest contributions are to goals:

When considering the breadth of our activities on areas such as Net Zero greenhouse gas work and skills, network construction and maintenance, working collaboratively, diversity and inclusion, digitalisation and customer service we make a significant contribution, directly or indirectly, to the wider SDGs. Through internal and external collaboration we mapped the SDGs to our key sustainability Priorities, at the centre of our SDG wheel. The long SDGs on the infographic represent our direct contribution, the shorter indirect. As our supply chain contributes to each of the 4 priority areas in the infographic, it has not been mapped separately. Our supply chain accounts for many of the indirect contributions.

The mapping exercise also identified areas of opportunity to enhance our contribution to the SDGs:

• **Climate change resilience:** integrated in our Climate Action and Action for Nature Priorities

• **Water efficiency and protection:** integrated in our Circular Economy and Action for Nature Priorities

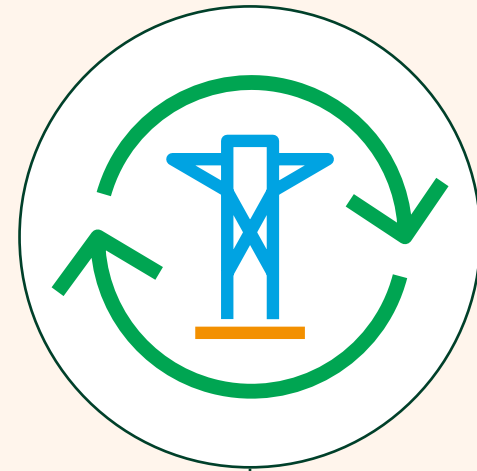• **Sustainable Society and Circular Economy:** distinct priority areas.

Bringing our Strategy to life

Our Vision for our sustainable network will
be achieved by delivering on our key Priorities.
Our Strategy has a dedicated section for each of
our Priority areas containing targets and how we
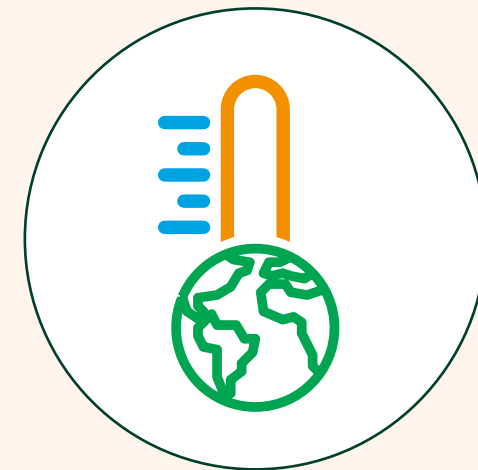will deliver for the SDGs and the SPEN Pillars.
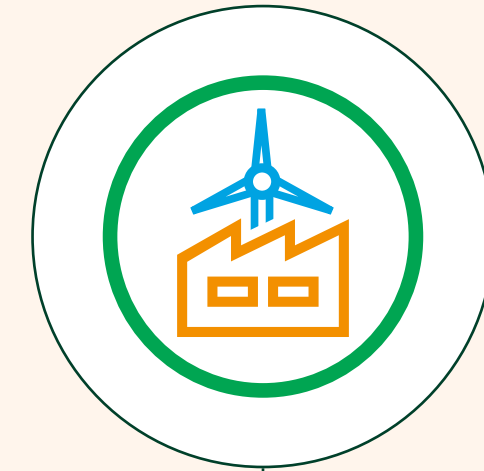
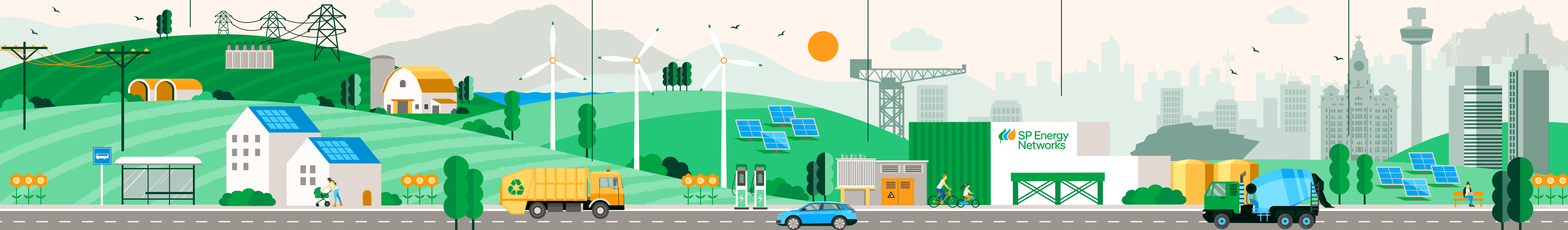→ **Click on the icon to explore each.**

Circular
Economy

Pg 15 →

Supply Chain
Sustainability

Pg 18 →

Action
for Nature

Pg 12 →

Climate
Action

Pg 09 →

Sustainable
Society

Pg 21 →

SP Energy
Networks

Climate Action

Key Targets:

2023
Carbon neutrality for Distribution emissions commences

2028
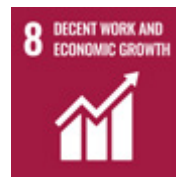80% of Distribution supply chain to set their own Science-based Targets
(or equivalent)

2030
Decarbonise 100% of our cars and vans

2035
Science-based Net Zero greenhouse gases

SDG:

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

with links to:

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

15 LIFE ON LAND

Climate Action

Our electricity networks enable a fast and efficient transition to a Net Zero GHG energy system. We will drive down our greenhouse gas emissions throughout our operations and value chain to achieve our own 'Net Zero GHG' target by 2035.

SP Energy Networks sits at the heart of the Net Zero GHG transition. As we build the smart network of the future to enable wider societal transition, we need to make sure we minimise our own impacts. By 2035, SPEN will operate as a Net Zero GHG business for our scope 1, 2 & 3 emissions, we will produce close to zero emissions and offset residual emissions that are not possible to cut.

Since we started publishing our business carbon footprint in 2013, we have reduced our emissions by more than half. In 2021, we aligned our reduction targets with the Science-based Targets initiative, committing to reducing greenhouse gas emissions across all scopes by at least 4.2% per year – in line with the trajectory necessary to limit global warming to 1.5°C above pre-industrial levels. As part of the Global Iberdrola group we have also signed up to the Steel Zero Initiative, making a public commitment to buy and use 50% low emission steel by 2030, setting a clear pathway to procuring 100% Net Zero GHG steel by 2050.
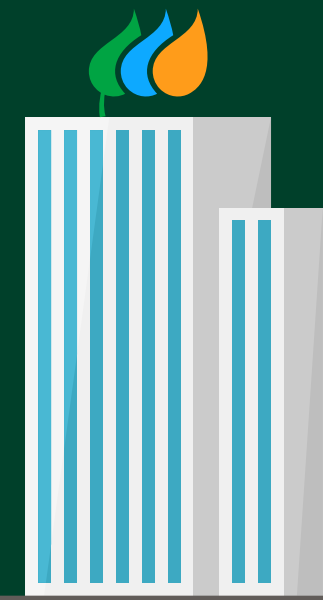
The use of innovative EconiQ insulation gas at Windyhill substation avoided more than 3 tonnes of the potent greenhouse gas SF_6 being added to our network.

SPEN Greenhouse Gas Emissions

Scope 1
Direct Emissions from fuel use and leakage of gases used in our electrical equipment such as SF_6

Scope 2
Indirect emissions from electricity used in our buildings and electricity lost as it is transported from generation to consumer

Scope 3
Indirect emissions that occur in our value chain, employee commuting and waste disposal

How we will deliver:

Develop a network that enables societal decarbonisation and emits Net Zero GHG emissions from everything we do:

- develop the critical infrastructure which will allow the decarbonisation of electricity, transport and heat

- work across our value chain to reduce GHG impacts associated with future infrastructure development

- by the end of 2028 we will reduce our energy consumption by an estimated 7.2GWh a year through our Transmission and Distribution buildings refurbishment programme

- continue to purchase 100% renewable energy

- continue to implement our losses strategy which will reduce network losses by more than 50GWh

- urgently address all F Gas (including SF_6) leaks by arranging repairs without undue delay. Where repairs fail first time, seek and implement further repairs. If an initial repair fails to address the leak, ensure emissions are offset in accordance with our commitment

- carbon neutrality for Distribution emissions from 2023 (excluding losses)

- reduce our GHG emissions in line with our Science-based Targets and reach Net Zero GHG by 2035.
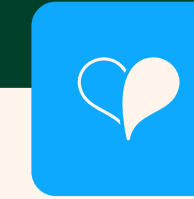
Collaborate to deliver a Net Zero GHG future with positive outcomes for our communities:

- work in partnership with infrastructure organisations and industry to develop and implement carbon tools, PAS2080 carbon management methodology, assessment and reduction strategies

- work with our value chain to calculate GHG impacts of assets and develop opportunities to reduce

- support our employees to make sustainable choices, by offering salary sacrifice public transport, cycle to work and electric vehicle lease schemes

- support rewilding projects within our local communities to create local wildlife habitats and create sinks for carbon emissions

- deliver our Transmission Net Zero Fund, established to accelerate the delivery of innovative green community energy solutions.
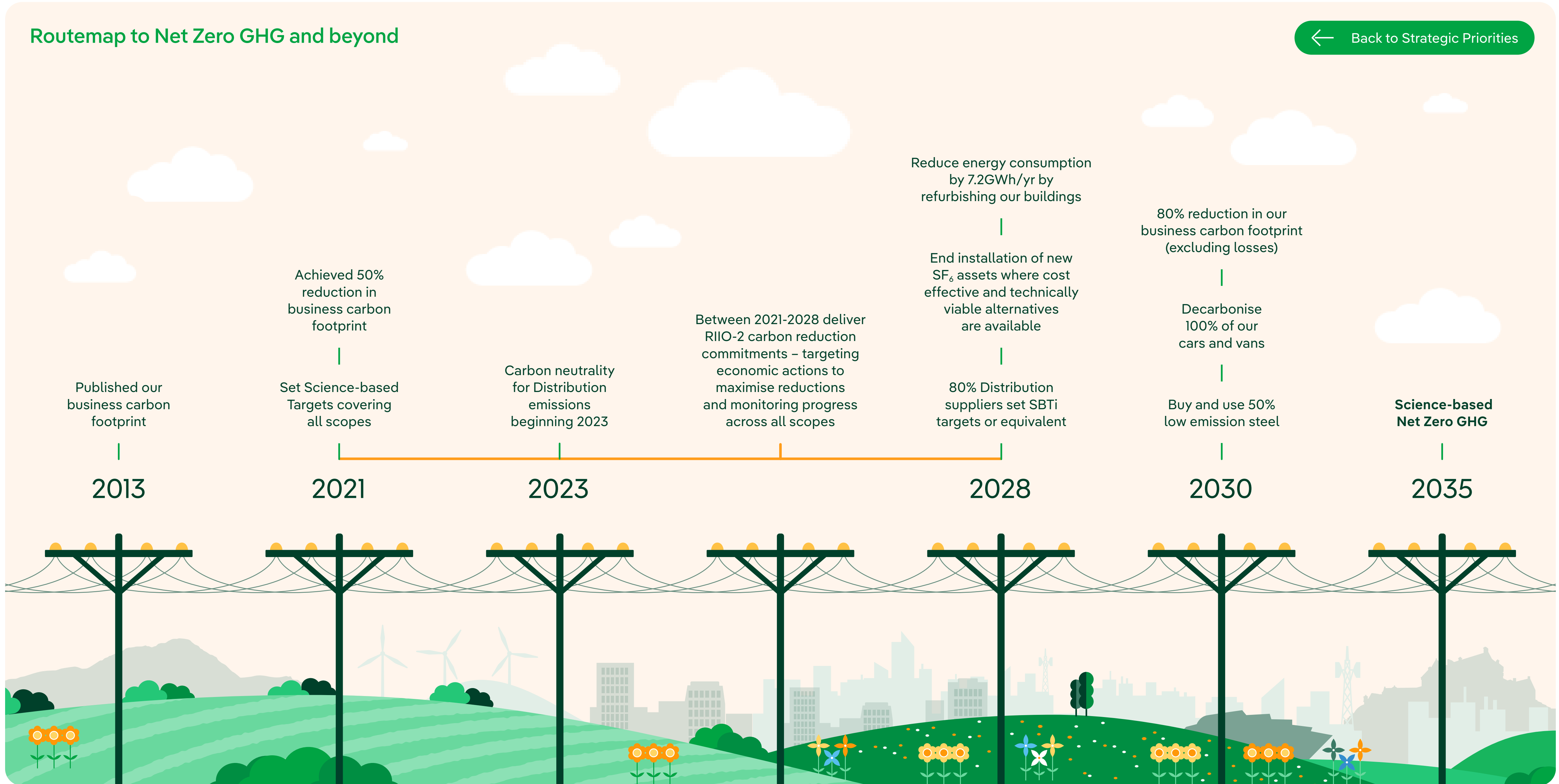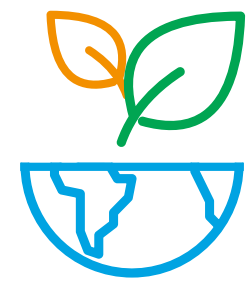
Innovate on areas of challenge in collaboration with peers and experts in climate action:

- end the use of fossil fuels in our operations by fully electrifying our fleet and piloting alternative low carbon fuels and electric alternatives for generators used as temporary power backups

- work with our electrical equipment suppliers to develop new SF_6 free solutions across all voltage levels, ending the addition of new SF_6 assets from 2028 where cost effective and technically viable alternatives are available

- use digitalisation to better incorporate carbon reduction within our designs and operations, unlocking efficiencies possible by emerging technologies such as digital twins, internet of things and artificial intelligence

- develop and participate in shared infrastructure innovation challenges to maximise expertise and deliver cost efficiencies

- maximise benefits to nature, people and planet through identifying and trialling holistic approaches to biodiversity, climate and social sustainability.

Routemap to Net Zero GHG and beyond

Reduce energy consumption by 7.2GWh/yr by refurbishing our buildings

80% reduction in our business carbon footprint (excluding losses)

Achieved 50% reduction in business carbon footprint

End installation of new SF_6 assets where cost effective and technically viable alternatives are available

Between 2021-2028 deliver RIIO-2 carbon reduction commitments – targeting economic actions to maximise reductions and monitoring progress across all scopes

Decarbonise 100% of our cars and vans

Published our business carbon footprint

Set Science-based Targets covering all scopes

Carbon neutrality for Distribution emissions beginning 2023

80% Distribution suppliers set SBTi targets or equivalent

Buy and use 50% low emission steel

Science-based Net Zero GHG

| 2013 | 2021 | 2023 | 2028 | 2030 | 2035 |

Action for Nature

Key Targets:

SDG:

2028
No net loss of biodiversity across our activities

2030
Nature Positive for direct impacts

14 LIFE BELOW WATER

15 LIFE ON LAND

with links to:

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

Action for Nature

We act with care and respect for our environment. Our activities will be Nature Positive, maximising benefits for people and planet.

The greatest impact we have on nature is through our role facilitating the decarbonisation of the electricity network, reducing climate change and its impact on the natural environment. Due to high value habitats in many areas of network operation and construction, including peat and ancient woodland, it is imperative we deliver the best outcomes for nature without impacting the supply of sustainable energy. We have processes in place to safeguard nature and prevent pollution from our activities. The SPEN Action Plan for Nature which will be published on our website highlights our approach to the protection, restoration and enhancement of biodiversity and natural capital across our Transmission and Distribution networks.

We have committed to incorporate natural capital assessment into our decision making, this will ensure that benefits to people and planet are maximised. For example;

- we will take combined approaches to enhancing biodiversity while providing nature based solutions for climate resilience and carbon removal from the atmosphere

- we will collaborate with local landowners, local authorities, nature organisations and communities to identify their areas of need e.g., priority species, pollination, recreation.

As part of the global Iberdrola group, we have committed to being Nature Positive for our direct impacts by 2030, this means we will achieve no net loss of biodiversity across our activities and deliver enhancement across our network areas. We tested this target with our stakeholders, they agreed with this level of ambition. While we work towards our 2030 target, we recognise that our indirect value chain impacts on nature will also be significant and we will work to understand this complex landscape for future target setting.

Our work at the Hawkshaw Native Woodland project has supported rewilding, greenhouse gas removal and wildlife protection activities on site.

How we will deliver:

Create a network that is resilient to climate change and maximises the role nature plays in reaching Net Zero GHG emissions:

- map areas at greatest risk from climate change, trial and deliver nature based solutions for long term resilience

- deliver a dual approach to nature positive and Net Zero GHG through our methodology for carbon removal from the atmosphere

- deliver a safe network through implementing pollution prevention plans on all projects at 132kV and above

- retrofit oil containment measures to substation assets by 2028

- assess and report nature-related risks and dependencies through the Taskforce on Nature-related Financial Disclosures.
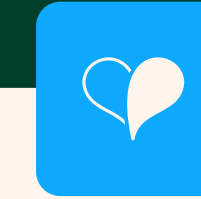
Collaborate to deliver positive outcomes by choosing the right solutions for nature and our local communities:

- develop biodiversity and natural capital tools and approaches to assessment by 2024

- ensure a strategic approach to biodiversity enhancement delivering 25 hectares of enhancement pilots across our network by 2028

- follow the biodiversity hierarchy to meet our targets and commitments to deliver a minimum no net loss across our activities by 2028.
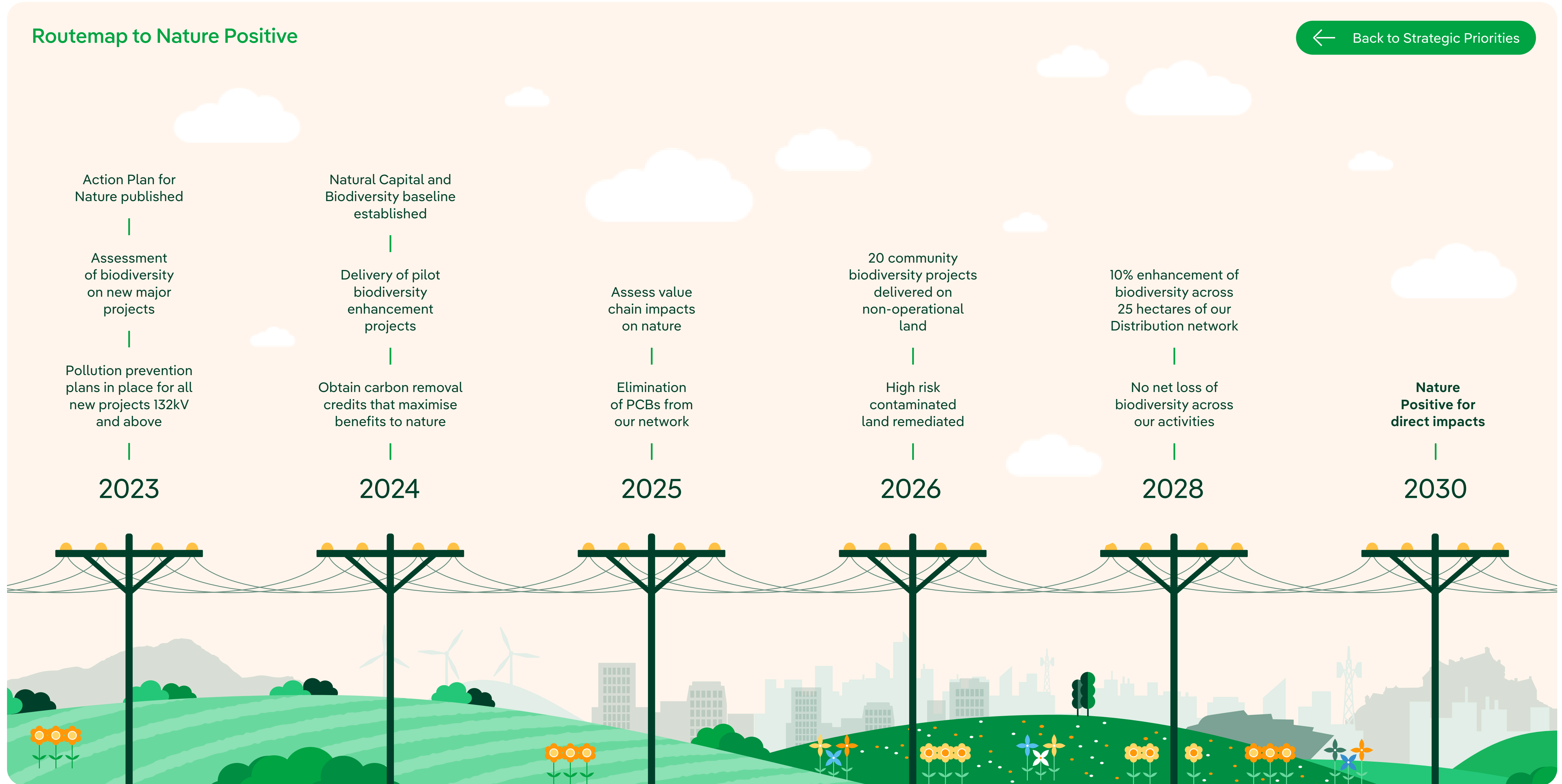
Collaborate with peers and experts in nature to innovate on areas of challenge:

- maximise benefits to nature, people and planet through identifying and trialling holistic approaches to biodiversity, climate and social sustainability

- drive nature positive in our value chain

- investigate new technologies to reduce fluid filled cable leaks

- trial methodologies for polychlorinated biphenyls (PCB) testing and the refurbishment of assets to return them to the network.

Routemap to Nature Positive

Action Plan for
Nature published

Assessment
of biodiversity
on new major
projects

Pollution prevention
plans in place for all
new projects 132kV
and above

2023

Natural Capital and
Biodiversity baseline
established

Delivery of pilot
biodiversity
enhancement
projects

Obtain carbon removal
credits that maximise
benefits to nature

2024

Assess value
chain impacts
on nature

Elimination
of PCBs from
our network

2025

20 community
biodiversity projects
delivered on
non-operational
land

High risk
contaminated
land remediated

2026

10% enhancement of
biodiversity across
25 hectares of our
Distribution network

No net loss of
biodiversity across
our activities

2028

**Nature
Positive for
direct impacts**

2030

Circular Economy

Key Targets:

2023
Divert 95%
of waste
from landfill

2030
100% of
waste reused
or recycled

2040
SPEN is a zero
waste business

SDG:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

with links to:

6 CLEAN WATER AND SANITATION

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

15 LIFE ON LAND
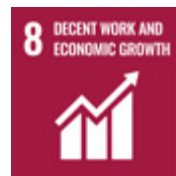
Circular Economy

We recognise the true value of the resources we use to build and operate our network and will embed circular economy principles to ensure they are used efficiently and sustainably.

In order to build and operate our Transmission and Distribution networks we inevitably use a wide range of resources. We have a responsibility to use these sustainably by implementing the principles of the circular economy. Our ambitious and over-arching long term commitments are to divert 100% of our waste from landfill by 2030, and to become a totally zero-waste business by 2040, by avoiding waste in the first place. To date, we have focused on improving waste data and implementing processes to meet our landfill diversion target, we are en-route to achieving this, however, we need to carry out further detailed analysis and action planning to ensure waste moves up the waste hierarchy.

As well as the goods and materials we use to deliver the network, water is also a resource that must be valued and used efficiently in our works. This is increasingly important with the potential for more frequent droughts due to climate change. In order to ensure the efficient use of all resources in construction works we are taking a structured approach through piloting BREEAM Infrastructure on our major projects.

We recognise that we have a long journey to reach our 2040 zero waste target. To achieve this will require significant collaboration and innovation as it is not only a step change for us but for society as a whole. We need to look at resources in a completely different way, work with the supply chain, circular economy experts and our peers to ensure assets are built to last, are used efficiently, can be repaired, reused, deconstructed, remanufactured and recycled.
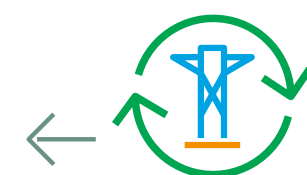
In an industry-first, pioneering initiative, we have teamed up with waste plastic roads specialists to offset plastic waste at one of our substations.

How we will deliver:

Implement the principles of a circular economy to reduce reliance on virgin and imported materials and avoid waste:

- create a circular economy opportunities register by 2024
- set targets for reduction in virgin material
- pilot BREEAM infrastructure on major projects to ensure the efficient use of resources including materials and water.

The circular economy can only be achieved through collaboration:

- play an active role in forums and deliver trial circular economy projects and share best practice
- actively contribute to communities of practice to improve the circularity of priority materials such as aggregates, concrete and steel.
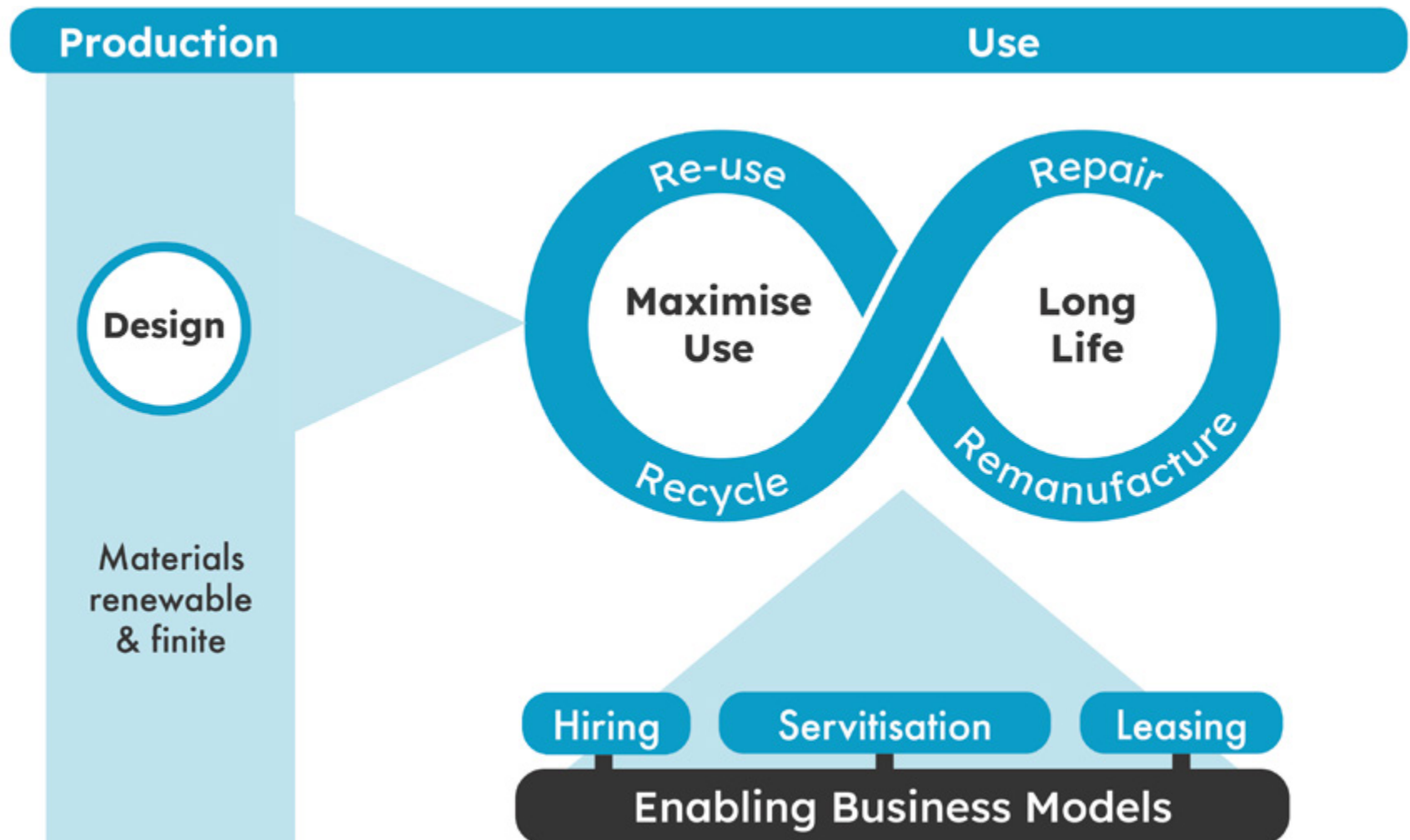
Collaborate with peers and experts in the circular economy to innovate for change:

- deliver the Sustainable Substation innovation project by 2024, leading to the development of further circular economy innovation projects
- develop and implement an internal Resource Exchange Mechanism in 2024.

Circular Economy Model

The following model illustrates that we need to focus on:

- the use of renewable instead of virgin materials in production
- maximising the lifespan of materials and resources when in use.
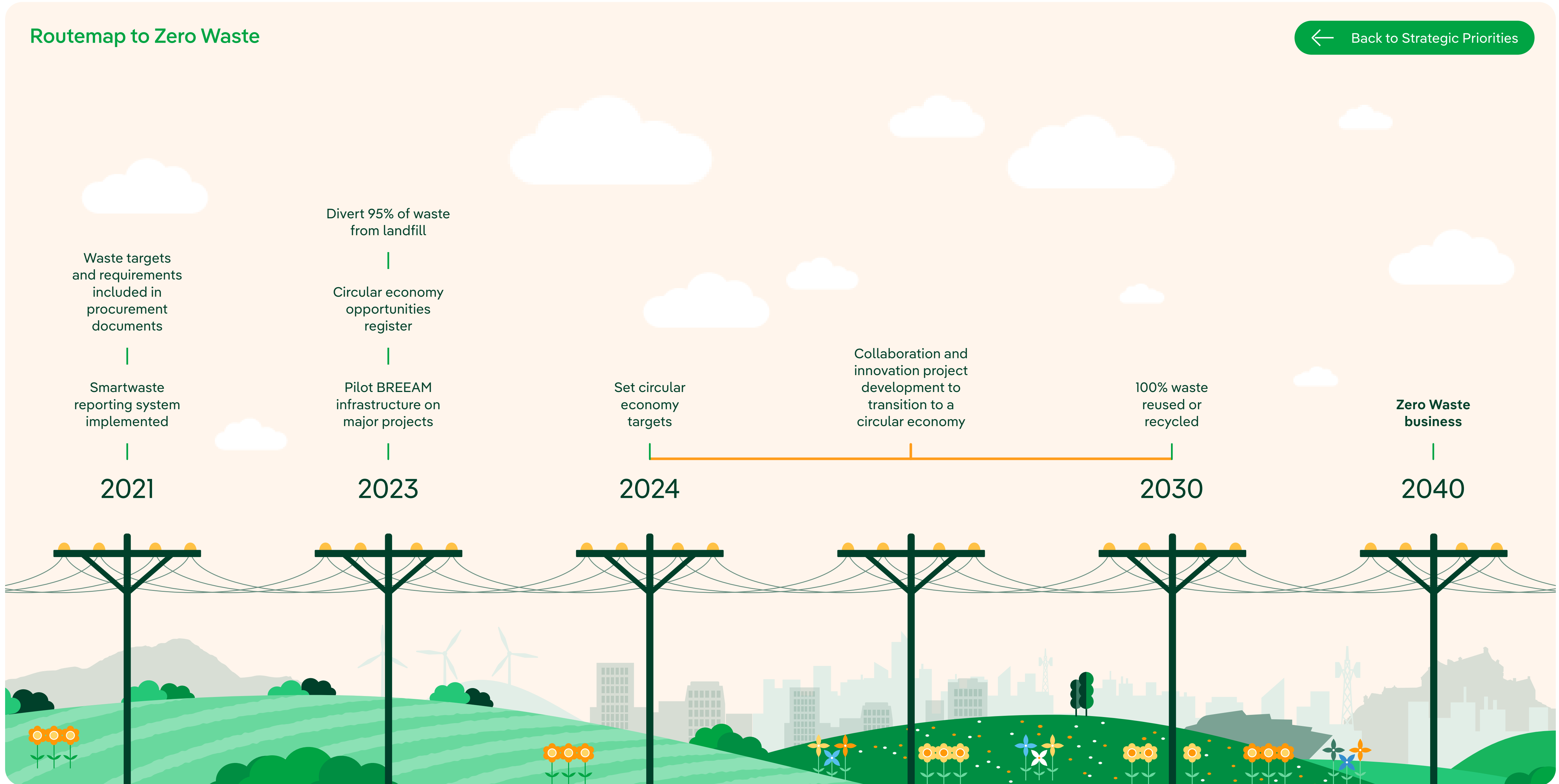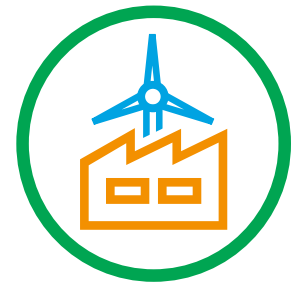
Source: Zero Waste Scotland

Routemap to Zero Waste

← Back to Strategic Priorities

Divert 95% of waste
from landfill

Waste targets
and requirements
included in
procurement
documents

Circular economy
opportunities
register

Smartwaste
reporting system
implemented

Pilot BREEAM
infrastructure on
major projects

Set circular
economy
targets

Collaboration and
innovation project
development to
transition to a
circular economy

100% waste
reused or
recycled

**Zero Waste
business**

2021

2023

2024

2030

2040

Supply Chain Sustainability

Key Targets:

2028
80% of suppliers meet our enhanced environmental standards

2028
80% of Distribution supply chain have set Science-based Targets
(or equivalent)

SDG:

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

with links to:

17 PARTNERSHIPS FOR THE GOALS

13 CLIMATE ACTION

11 SUSTAINABLE CITIES AND COMMUNITIES

Supply Chain Sustainability

We support our supply chain to become sustainable in a fair and collaborative way, ensuring that our partners are equipped with the tools and knowledge they need to match our ambitions.

The goods and services we procure account for over 90% of our scope 3 carbon emissions, as well as wider environmental and social sustainability impacts. All SPEN suppliers must meet our environmental compliance standards, we are committed to going beyond this to drive and support 80% of our supply chain to meet enhanced environmental standards. The first stage of this journey is well underway, we have updated procurement processes, including tender specifications, to embed our ambitions and have published priority supply chain environmental reporting metrics.

Our value chain is incredibly diverse, ranging from large, multinational companies to small businesses. We will target our engagement and support mechanisms accordingly and ensure our contractors and suppliers are equipped with the tools and knowledge they need to deliver our sustainability ambitions.

Scottish Business Climate Collaboration
SPEN along with 7 other large businesses with a base in Scotland developed and launched a Climate Action Hub for small to medium sized enterprises. The Hub is a toolkit, match funded by the Scottish Government, with a range of resources to help businesses calculate and reduce their GHG emissions.

How we will deliver:

Ready our supply chain for a Net Zero GHG, climate resilient future:

- require Distribution strategic suppliers to set Science-based Targets by 2028, aiming for 80% of our supply chain by value

- implement bi-annual reviews of progress against ISO20400 – Sustainable Procurement as part of continuous improvement of processes and standards.

Collaborate to address shared challenges and communicate clear common messages to the supply chain:
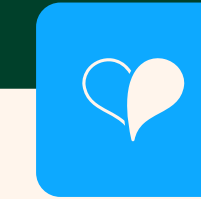
- engage with other infrastructure operators in the development of consistent supply chain environmental metrics, continually develop these to include other areas such as social sustainability

- collaborate to deliver small to medium sized enterprise support programmes to enable a sustainable supply chain

- play an active role in our partnership with the Supply Chain Sustainability School, collaborating with construction and infrastructure companies to drive and support change in common supply chains.

Collaborate with peers and experts in supply chain and sustainable resource use to innovate for change:

- drive Nature Positive in our value chain

- trial a supply chain sustainability awards programme by 2024 to celebrate innovation and best practice

- develop and implement digital tools to assist in the baselining and reporting of supply chain data.

Routemap to a Sustainable Supply Chain

← Back to Strategic Priorities

2021

Sustainability targets and requirements embedded in procurement documents

Partner with Supply Chain Sustainability School

2022

Supply chain metrics published

2023

Scottish Business Climate Collaboration Net Zero programme launched for small to medium sized enterprise
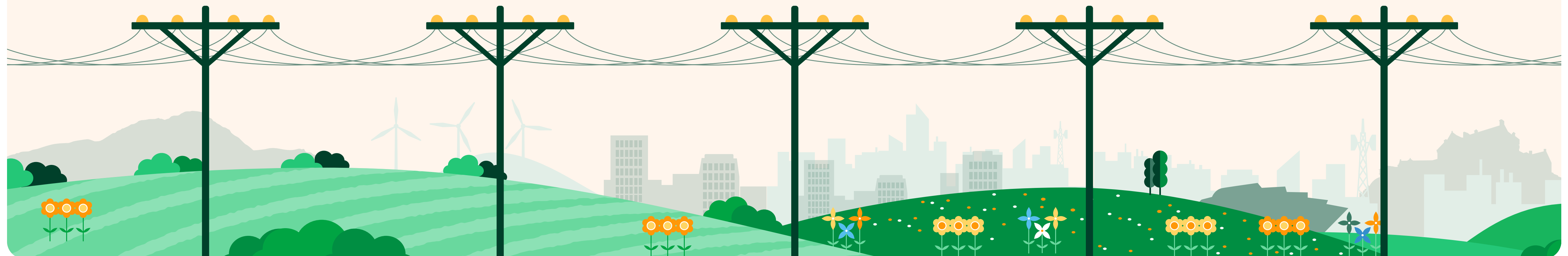
ISO20400 gap analysis

2024

Supply chain Sustainability Awards launched

2028

80% of our suppliers meet enhanced environmental standards

80% of Distribution supply chain have set Science-based Targets (or equivalent)

Sustainable Society

Key Targets:

2023
Just Transition
Strategy published

2028
Deliver ED2 customer
service, vulnerability,
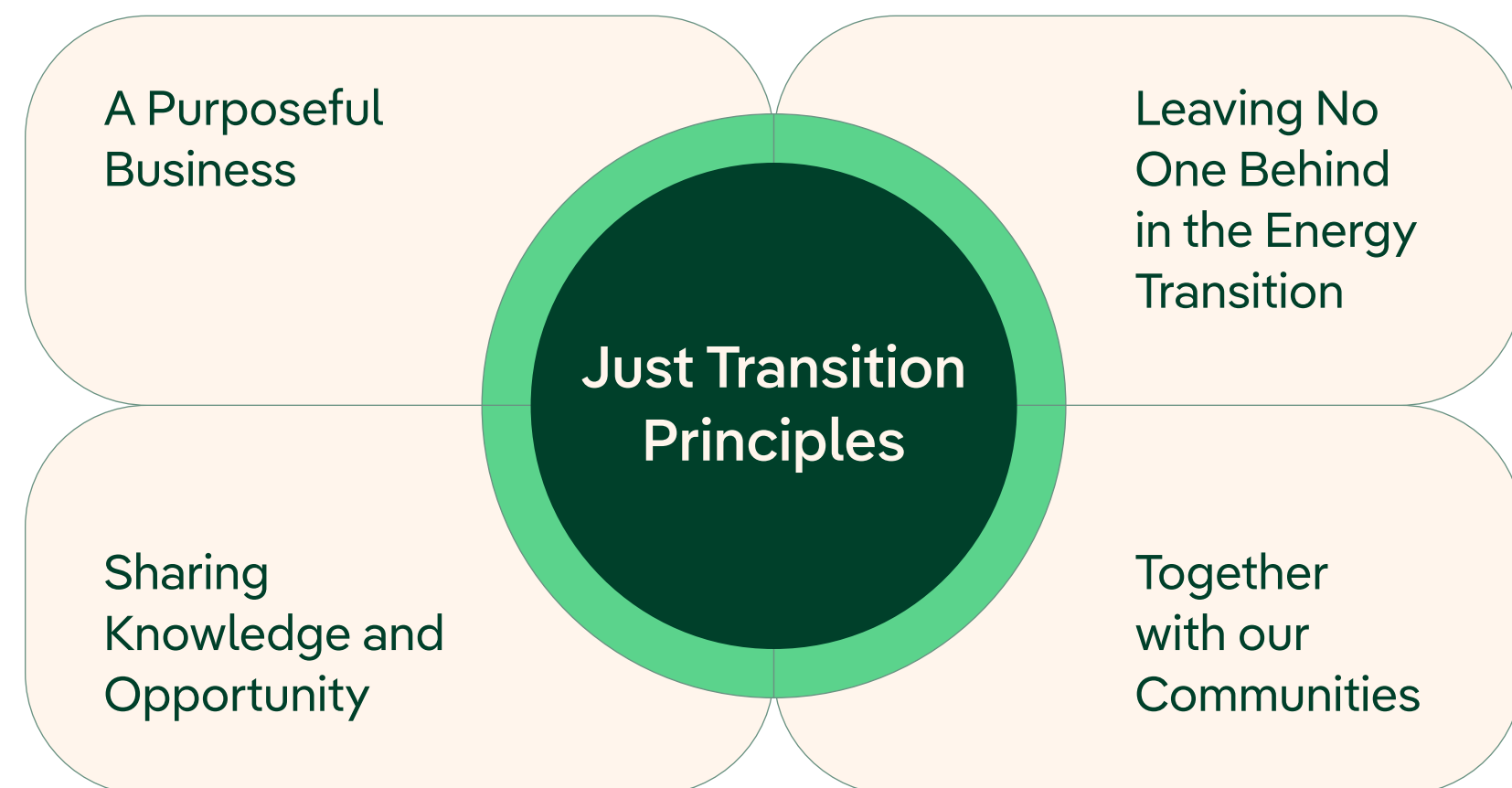workforce & community
energy strategies

SDG:

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

with links to:

1 NO POVERTY

6 CLEAN WATER AND SANITATION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Transmission
Net Zero Fund
#Futurefor30

Sustainable Society

We will deliver social value in our communities, ensuring that we leave a positive legacy through our work.

While working to enable the decarbonisation of the energy system we need to ensure we deliver value and benefits for people and communities across our licence areas. There is a need to anticipate the social implications of the shift to a low-carbon circular economy, the biodiversity crisis and the increasing impacts of climate change. A just transition should ensure environmental sustainability, quality work, social inclusion, and poverty eradication are all given equal consideration.

We have a strong track record in prioritising the needs of our communities, our Just Transition Strategy, published in March 2023, formalises our approach, bringing together all of our initiatives in one place, embedding the principles of a just transition across our business planning, decision making and network operation.

We are an employer that works hard for our people too, with policies and targets in place to deliver a truly inclusive and diverse workforce, with training and development a core part of our workforce model. We engage with our workforce through biannual surveys and safeguard their physical and mental health and wellbeing; for example through the provision of mental health first aiders and a range of employee networks.

A Purposeful Business

Leaving No One Behind in the Energy Transition

Just Transition Principles

Sharing Knowledge and Opportunity

Together with our Communities

How we will deliver:

Implement the principles of a just transition to Net Zero GHG for our people, communities and stakeholders:
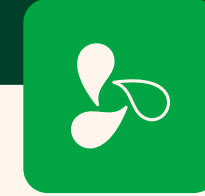
- deliver our Just Transition Strategy by 2023

- grow our own talent from the communities we serve, to achieve a safe, skilled workforce. We will fill 90% of Distribution field staff and 50% of our engineering and technical workforce using our trainee programmes

- increase the number of mental health first aiders to a 1:25 standard by 2024.

Work together with our communities and stakeholders to increase social value:
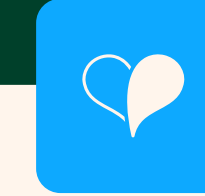
- enhance the natural capital of our network, increasing the value of ecosystem services to people e.g., pollination, recreation, climate change resilience and carbon sequestration

- embed social return on investment in our decision making processes

- collaborate to deliver small to medium sized enterprise sustainability support programmes

- maximise value from our non-operational land for the benefit of community energy and biodiversity projects

- deliver our Transmission Net Zero Fund, established to accelerate the delivery of innovative green community energy solutions

- assess and minimise visual amenity and ecological impact when designing, constructing, managing and maintaining our network

- continue to ensure that our staff, contractors and supply chain have the skills and knowledge to achieve our sustainability goals and drive a truly inclusive and diverse workforce

- benchmark our customer service externally every year to measure up against best practice, achieving relevant recognised international standards and score in the Top 5 UK companies through ICS (Institute of Customer Service) benchmark.

Collaborate with peers and experts in social sustainability to innovate for change:

- increase access to the energy system and sustainability data through digitalisation

- strengthen partnerships with education establishments to research areas of challenge and grow graduate skills and experience in sustainability

- create supply chain partnerships to develop solutions to improve the social sustainability of our goods and services

- lead the creation of a single vulnerability register linking multiple organisations that provide vulnerability services, whilst significantly improving the data held and using this data to deliver more and better support to these customers.

Routemap to a Sustainable Society

Deliver customer service, vulnerability, workforce and community energy strategies

100% of priority services registered customers contacted every two years, ensuring minimum 60% fully validated data

Just Transition Strategy published

Top 5 ranking UK companies in Institute of Customer Services Benchmark

Transmission Net Zero Fund launched

Natural Capital baseline created of SPEN sites

Community biodiversity sites completed on non-operational land

Deliver direct support services to over 100,000 vulnerable and disadvantaged customers in ED2
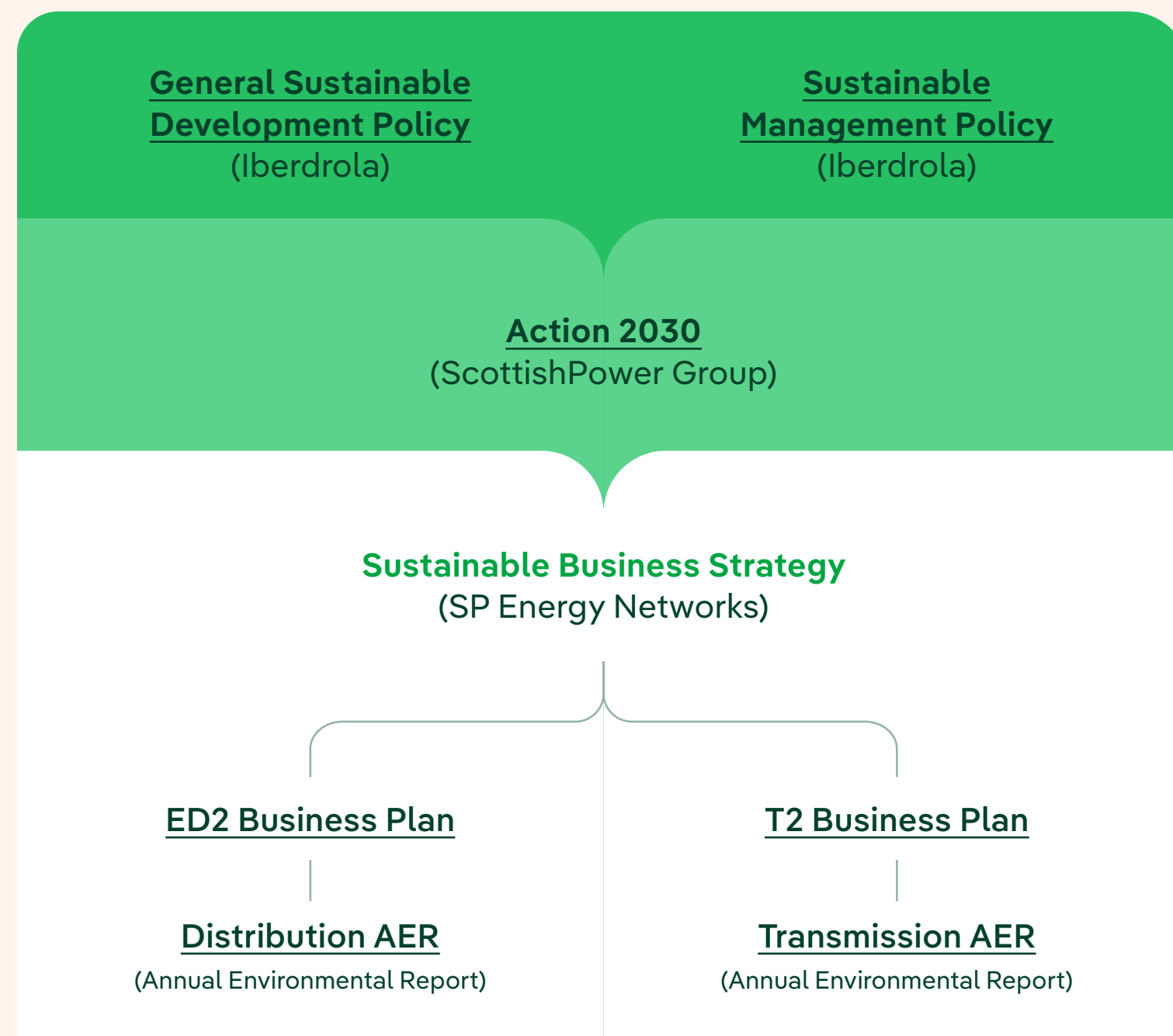
2023

2024

2026

## 2028

Keeping us on track

This Strategy is built on collaboration, driven by knowledge and data and governed by stringent internal processes and external standards. It flows from the ambition of the global Iberdrola group and our parent company ScottishPower. It is the basis for the development of our Transmission and Distribution price control Business Plans. Performance against these plans is reported to our regulator Ofgem on an annual basis and is summarised on our website along with a spotlight on sustainability activity to share knowledge and best practice. The diagram below maps out where this Sustainable Business Strategy sits in this process.

General Sustainable Development Policy
(Iberdrola)

Sustainable Management Policy
(Iberdrola)

Action 2030
(ScottishPower Group)

Sustainable Business Strategy
(SP Energy Networks)

ED2 Business Plan

Distribution AER
(Annual Environmental Report)

T2 Business Plan

Transmission AER
(Annual Environmental Report)

Governance

The Executive Sustainability Steering Group (ESSG) established to give board-level prominence to the sustainability agenda within our business. Members including the Chief Executive Officer, Chief Operating Officer, Directors and representatives from the Sustainability Team. The ESSG meets on a quarterly basis to discuss a broad range of sustainability issues including performance, sustainability transformation and strategy evolution.

The Sustainability Stakeholder Working Group (SSWG) has developed into a biannual workshop session to engage with external organisations with strategic interests in sustainability in the licence areas where we operate. There is a wide range of expertise in nature, climate action, circularity and environmental protection, helping us to guide our strategy development and identify areas for collaboration and innovation to meet common areas of challenge.
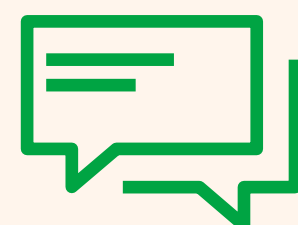
Certification

We take a systematic approach to reducing our environmental impacts and fully complying with environmental legal obligations by using a documented **Environmental Management System** (EMS). At its core is the risk assessment process we use to decide how the environmental impacts of our activities are prioritised for action. This system has been externally certified for over a decade to **ISO14001** and is fully embedded in our business processes

We use **Directorate scorecard metrics** to make sure that all teams deliver the required sustainability and environmental outputs and track these throughout the year. Tailored team and **personal objectives** incentivise staff to identify and deliver environmental and sustainability improvements.
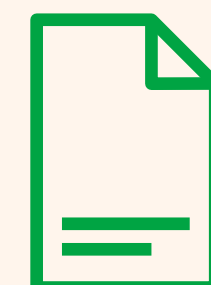
Training

We are partners with the **Supply Chain Sustainability School** with the purpose of providing support to our supply chain but to also increase knowledge and development within the business. It provides a common way of working and a common way of thinking, delivering alignment across the full supply chain.

We create and deliver annual environmental and sustainability **training** and **internal communication** plans to ensure the business has the requisite awareness, knowledge and skills to embed and deliver sustainability in all that we do.

Reporting

We publish **Transmission and Distribution Annual Environmental Reports**, detailing our performance against our targets in this Strategy and the environmental commitments we have made to Ofgem as a regulated business. The reports also provide spotlight case studies for each of our topic areas.

Our reports are all subject to a rigorous review process and our GHG emissions is externally verified annually through the **Planet Mark Business Certification** (in accordance with ISO 14064-3:2006). We also report environmental performance through our parent companies ScottishPower and Iberdrola, for example publishing Task Force on Climate-Related Financial Disclosures (TCFD).

SPEN-wide reporting on this Strategy is under development. You will be able to view our progress and performance on our website: **SPEN Sustainability**

Our Shared Journey

Sustainability is embedded across our organisation, if you are interested in reading more under specific subject areas, our plans and strategies are available on our website and through the links opposite.

We hope you have enjoyed reading our Strategy and support our ambitions. We welcome feedback and the opportunity to engage more widely on our sustainability activity and grow new partnerships. Please do use the contact details below to get in touch: sustainable@spenergynetworks.co.uk

Sustainable Business Strategy

- Vulnerable Customers
- Customers Service
- Supply Chain
- Stakeholder Engagement
- Climate Resilience
- Innovation
- Environmental Sustainability
- Whole System
- Digitalisation
- Workforce Resilience
- Health and Safety
- Just Transition
- Community Energy

Glossary

BREEAM Infrastructure (Building Research Establishment Environmental Assessment Method formerly CEEQUAL) BRE is the recognised industry leader when it comes to sustainability assessment tools for infrastructure and civil engineering projects. BREEAM Infrastructure | Achieving Sustainable Infrastructure

Business Carbon Footprint
Proportion of our overall carbon footprint which SPEN has most influence over. Includes Scope 1 & 2 carbon emissions (excluding losses),business travel and contractor emissions as defined by Ofgem in RIIO-1.

Carbon
We use carbon to refer to all greenhouse gas emissions, our metric is tCO$_2$e ('Carbon Dioxide equivalent').

Carbon Neutrality
Making or resulting in no net release of CO$_2$e into the atmosphere for the scope defined. Can be achieved through carbon offsets.

Carbon Sequestration
The process of capturing and storing atmospheric carbon dioxide.

Circular Economy
The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.

Climate Resilience
The ability to anticipate, prepare for, and respond to hazardous events, trends, or disturbances related to climate. Improving climate resilience involves assessing how climate change will create new, or alter current, climate-related risks, and taking steps to better cope with these risks.

Distribution
The local electricity network that consists of conductor and transformers to transfer the power and convert it to the final utilization voltage. In SP Distribution the distribution networks begin at 33kV and ends at the customer supply point. In SP Manweb the distribution network begins at 132kV and ends at the customer supply point.

DNO
Abbreviation for District Network Operator, who is licensed by Ofgem to develop, operate, and maintain the local electricity distribution network. There are 14 licensed distribution network operators (DNOs) in Britain owned by six different companies. Each DNO is responsible for a regional distribution services area.

EMS
Abbreviation for Environmental Management System. SPEN implement an ISO14001 certified system to manage and reduce our environmental impacts.

GHG (Green House Gas)
Greenhouse gases constitute a group of gases contributing to climate change. Converting them to carbon dioxide (or CO$_2$) equivalents makes it possible to compare them and to determine their individual and total contributions to climate change.

GWh
A unit of energy equivalent to one Gigawatt (or 1,000,000,000 watts) of power sustained for one hour.

Institute of Customer Service benchmark
The Institute's independent survey of our customers, helping us to measure our customer satisfaction, identify strengths and areas for development, and benchmark our performance with other organisations either in or outside our sector. Institute of Customer Service

ISO20400
International standard for Sustainable Procurement

ISO14001
International Standard for Environmental Management System

Just Transition
Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

Natural Capital
Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water, and all living things. It is from this natural capital that humans derive a wide range of services often called ecosystem services, which make human life possible.

Nature Positive
Halt and reverse nature loss through increasing the health, abundance, diversity and resilience of species, populations and ecosystems

Net Zero Greenhouse Gas
Achieving balance between greenhouse gas (GHG) emissions produced and removed from the atmosphere. Scopes 1, 2 & 3 mandatory, and reported reductions must align with a 1.5°C pathway.

Network Losses
The difference between the energy entering our electricity network and the energy leaving it. Electricity enters our network in one of two ways; either from the Transmission System or from generators connected directly to our Distribution Network.

No Net Loss
Impacts on biodiversity from activities are balanced measures taken to avoid and minimise and to restore affected areas and finally to offset the residual impacts.

PAS2080
Standard for managing infrastructure carbon. The framework looks at the whole value chain, aiming to reduce carbon and reduce cost through more intelligent design, construction, and use.

PCBs (Polychlorinated Biphenyls)
PCBs are a group of synthetic chemicals with good dielectric properties and low flammability sometimes used in insulating oil in electrical apparatus such as transformers, liquid filled cables, high and low voltage capacitors, switches etc., manufactured prior to 1987. PCBs are a threat to the environment because of their toxicity, persistence, and tendency to bio-accumulate and have been linked to harmful effects such as liver damage and a reduced ability to fight infection.

PSR (Priority Services Register)
The Priority Services Register (PSR) is a free service offered throughout the energy industry available to domestic customers across England, Wales and Scotland. Through the PSR, eligible customers can receive additional services in relation to their communication, access and safety needs.

Resource Exchange Mechanism
A method of sharing resources that are either surplus or for reuse, this can be internal or with other organisations. It can also be a physical site or a digital mechanism or mix of both.

RIIO
Abbreviation for Revenue = Incentives + Innovation + Outputs and is the price control framework set by our Regulator Ofgem.

RIIO-2
RIIO-2 is the second set of price controls implemented under the RIIO model.

Science-based Target
Targets adopted by companies to reduce greenhouse gas emissions that are in line with climate change science of limiting global warming to 1.5°C, in alignment with the Paris Agreement. sciencebasedtargets.org

SCSS (Supply Chain Sustainability School)
A collaboration between clients, contractors and first tier suppliers who want to build the skills and knowledge of their supply chains.

SDGs (Sustainable Development Goals)
The Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

SF_6
Sulphur Hexafluoride, the most carbon intensive greenhouse gas in the world, used extensively as an electrical insulator since the 1980s when the industry moved away from using oil in mass quantities for safety reasons. Use of SF_6 prevents fire/explosion from catastrophic failure of plant and reduces the risk of oil pollution incidents on our network but has a global warming potential 23,500 times that of carbon dioxide.

Steel Zero Initiative
Aims to put the global steel sector on a path to reach net-zero emissions by 2050 by: Partnering with an international group of steel industry leaders. Bringing zero-carbon primary steel production technologies to market by 2030. Accelerating the growth of scrap-based production.

SPEN
Abbreviation for ScottishPower Energy Networks, holder of the SP Transmission, SP Distribution, and SP Manweb licences awarded by Ofgem, the regulator of the gas and electricity sector.

TNFD (Taskforce on Nature-related Financial Disclosures)
The Taskforce on Nature-related Financial Disclosures (TNFD) has developed a set of disclosure recommendations and guidance for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities. tnfd.global

Transmission
Ultra-High-voltage system for the transfer of electric power. It consists of transmission lines, substations and switching substations used to transport power efficiently over long distances.

Transmission Net Zero Fund
A commitment in our T2 Business Plan, a fund to help vulnerable communities develop their Net Zero plans to ensure that no one is left behind on Scotland's Journey to Net Zero.

Virgin Material
Raw materials that have not been previously used and do not contain any recycled content.

Waste Hierarchy
Ranks waste management options prioritising the best environmental options in the following order: prevent, reduce, reuse, recycle, recover, dispose.

Zero Waste
A step further than diversion from landfill through a focus on waste minimisation, reuse, and the implementation of circular economy principles.