

Workforce & Supply Chain Resilience Strategy

SP Energy Networks
RIIO-T3 Business Plan



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Business Plan Guidance Reference

The following table provides a mapping of how the required elements of the Ofgem Business Plan Guidance can be found within this annex document.

BP Guidance	Area	Relevant Section in Annex
5.22	Workforce & Supply Chain	This document
5.23	Workforce Resilience	Section 3.4 Creating Opportunities, Section 3.5 Delivering for Our People
5.24	Workforce Resilience	Section 2.1 Organisation Readiness Section 3.2 Understanding the Challenge
5.25	Workforce Resilience	Section 3.4.5 Upskilling and Multi-Skilling our workforce
5.26	Workforce Resilience	3.2.1 Understanding and Monitoring the Market 3.3 How we have engaged on the plan
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5.29	Supply Chain Resilience	Section 2.2 Organisation Readiness – Supply Chain
5.30	Supply Chain Resilience	Section 4.3 – Market Capacity, Capacity Levers
5.31	Supply Chain Resilience	Section 4.1 & 4.2; Our Supply Chain, Stakeholder Engagement, Collaboration and Engagement Section 3.4.2 Partnership with Industry and Stakeholders
5.32	competitive tension	Section 4.4 & 4.5 – Contract Management, Maintaining Competitive Tension
5.33	competitive tension	Section 4.4 Contract Management
5.34	competitive tension	Section 4.4 Contract Management
5.35	competitive tension	Section 4.4 Contract Management, Contract Management Governance
5.36	Case Studies	Section 4.6 Case Studies

2. Delivering Our Plan

How our strategy will provide the resilience and agility to deliver our programme efficiently, along with detailing the way we will ensure our response to changes in workload and external factors is described in the following Workforce & Supply Chain Resilience Strategy.

This is a critical period of change for the industry, where significant investment is needed in our people and wider supply chain to ensure our plans can be delivered in a sustainable and prompt manner. We have the ambition to be the client and employer of choice and our Workforce and Supply Chain Resilience Strategy sets out how we are evolving to meet the future demands. This means ensuring that we are preparing our workforce with the skills they will need to meet the challenges presented by the energy transition and associated investment requirements.

The scale and pace of our RIIO-T3 plan is the equivalent to us expanding our network at a scale and pace that is equivalent to us investing four times faster than we have historically. Dealing with this step change requires a tactical transformation of our supply chain of equipment and services. This needs to happen at a time when global demand is placing constraints on the availability of equipment and lengthening manufacturing lead times.

It also means we need to retain staff and recruit from labour markets facing shortages of workers with the technical skills we need. The workforce challenge extends beyond recruitment to developing additional skillsets within our workforce. We need a broader skillset than before to deal with diverse portfolios of work, increased complexity in transmission infrastructure and new technology connecting to our network.

We have embraced these challenges and have been busy changing our supply chain framework and shaping our workforce to create the right platform for success.

2.1. Organisational Readiness - Workforce

In preparing for RIIO-T3 we have completed a strategic review of the skills and resources required to deliver our plan. Our review has considered the key change we have made to our contracting strategy. As detailed in Section 2.2 Organisational Readiness – Supply Chain, we have evolved to implementing a hybrid contracting strategy and our Strategic Agreement model with suppliers to best accommodate different project types. To deliver our plan, we are in the process of undergoing a transformation process to an evolved operating model and organisational design to facilitate the increased resource required to deliver for RIIO-T3 and future price controls. We have taken the important action to put adequate focus on the changes that we need to make, to ensure the business can grow in terms of scale and performance in a successful and sustainable way.

The first phase of our transformation has been facilitated by PA Consulting, ensuring we had independent challenge to our thinking. Our assessment of WHY we need to transform our operating model and organisational design has led us to undergo an exercise to review and ascertain WHAT characteristics we require in the transformed model to deliver for RIIO-T3 and beyond. Through discovery and consultation, we have identified HOW we can transform our operating model and organisational design. An overview of these phases is illustrated in Figure 1 below.

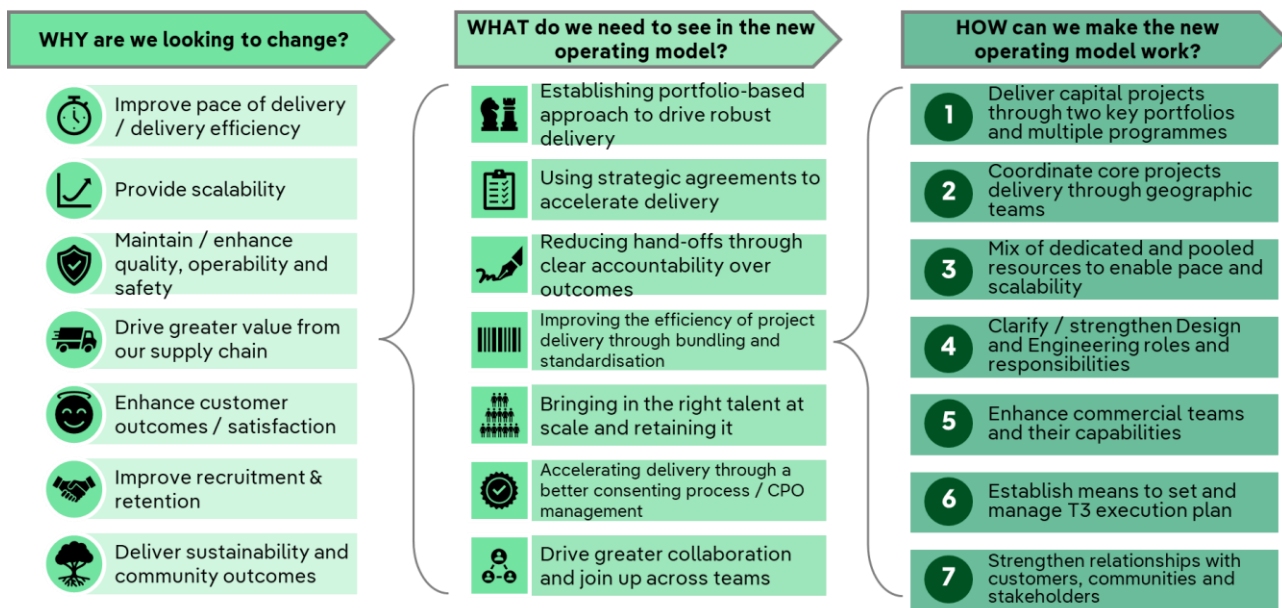


Figure 1: Organisational Transformation Methodology

Evolving to a new model

The unprecedented levels of investment have placed project delivery at the centre of the operating model. Using the standard lifecycle model of a project of Plan → Design → Develop → Deliver → Operate, we have built the operating model around this principle, placing project delivery at the centre.

Plan: We have strong asset management and system design expertise. To ensure we are creating and managing a system for the future challenges, we will further expand our capability in creating the future system architecture and industry leading asset management.

Design: Having built an extensive engineering team who undertake the detailed design of most of our projects in-house, we will continue to build on this expertise and work in collaboration with design houses and our supply chain to support the growth in design activity. Through the creation of our Strategic Agreements for project delivery, we will involve contractors in designs to ensure the latest industry experience is fully reflected and the optimum constructability of the designs.

Development and delivery: Our RIIO-T3 project portfolio splits into three distinct categories:

1. Three multi-billion-pound HVDC interconnectors. These projects are significant in scale and complexity and delivered by a joint venture with National Grid and specialist contractors.
2. The strategic projects to deliver major boundary upgrades as identified in collaboration with the National Energy System Operator (NESO). The projects are largely delivered on an Engineering, Procurement and Construction (EPC) model and will extend across multiple years and in some instances across Transmission Owners (TO) boundaries.
3. Our core projects which include new connections, reinforcements, other load related upgrades and non-load works.

Given the different nature of these programmes, we are planning to split our delivery programme into two individual portfolios; a strategic portfolio which will focus on HVDC and HND/strategic onshore projects delivered by EPC contracts, and a second portfolio to deliver our core load and non-load investment using our disaggregated contracting model. The different delivery models for these two portfolios require subtly different skill sets and contract management approaches.

The operating model will provide the development and delivery teams with the resource to focus on project delivery and optimise the portfolio. The Core Portfolio will be rearranged to evolve from a functional approach which specialised in the construction of different work types (e.g. overhead line, customer connections) to being geographically structured to provide full management of all projects in different clusters. Specialist projects such as telecom upgrades and Operational Technology (OT) will continue to be delivered by the respective specialist technology teams.

Operate: The operation of the network includes the day-to-day maintenance, inspection, switching, fault restoration and ensuring safety from the system for any works which are being undertaken. Not only does the operations function look after the system, but also assessing and dealing with risks to the asset, for example tree clearance or responding to third party incidents. With the increasing number of outages on the network due to project works and connections, the operations team will play a greater role in providing safety from the system through outages which will require a growth in resource.

All operations on the network require the sanction of our Control Room which liaises with NESO control centre and forms a key part of our operational structure.

To support the above model, there are several supporting functions which will interact with all of these teams. This includes Stakeholder engagement and community benefits, Commercial management, customer and connections, regulatory engagement, finance and governance.

A review is underway to look at the optimal processes and structure for these functions to empower the delivery of the RIIO-T3 plan, while still providing robust governance. A summary of the operating model is shown in the graphic below (Figure 2).

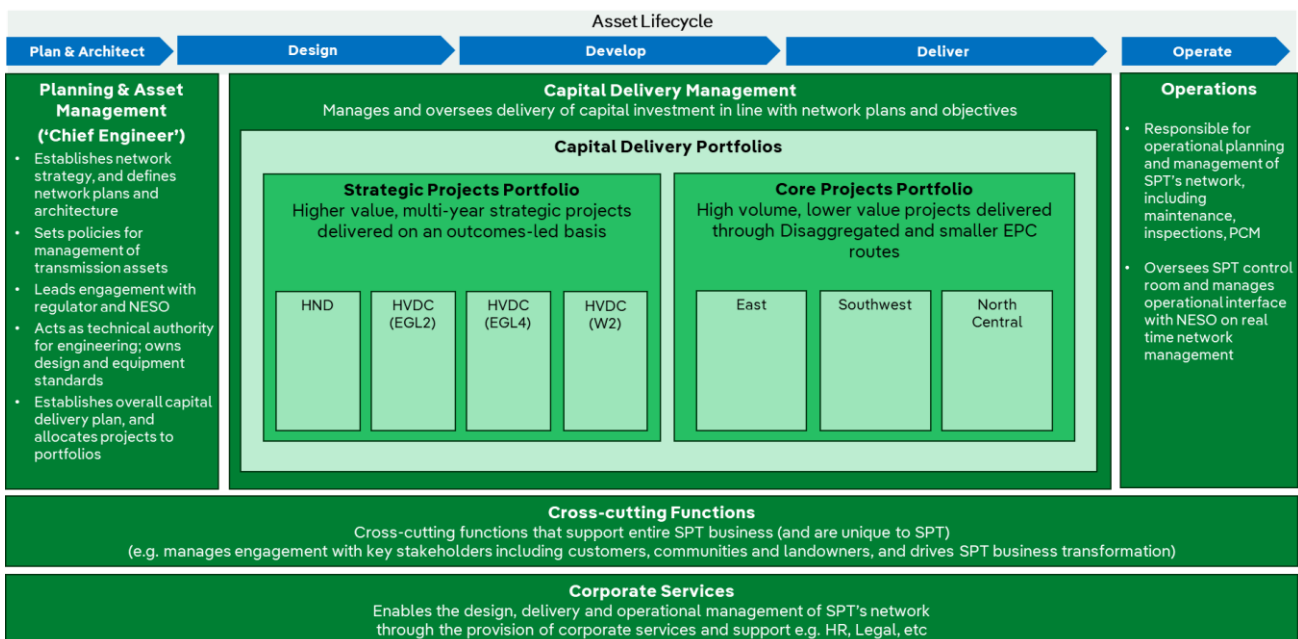


Figure 2: Asset Lifecycle

Implementation and transition plan

Our vision to enable our organisation to act at pace to deliver the RIIO-T3 business plan, will require a transformation of our business. We will use the following process with our dedicated team, that will be supplemented with additional consulting and specialists' resources to enable our portfolio of work to align our organisation to our business plan requirements. Resources for this exercise are now mobilised and supported by focussed consultancy support. The full process is summarised in Figure 3 below.

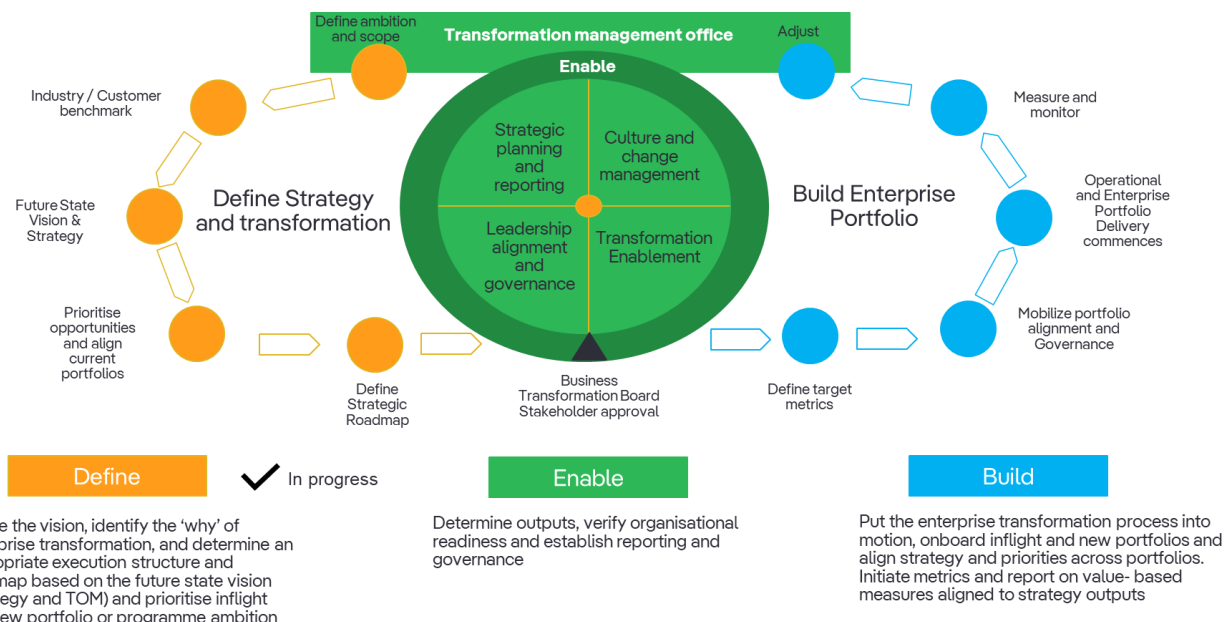


Figure 3: Implementation and Transition Process

We will create a phased approach to transition to the new organisational structure and operating model with our priority aligned to the project delivery demands of our capital programmes and operational excellence. As we continue to deliver the RIIO-T2 plan, this workload cannot be interrupted by the change process.

A phased approach will be taken to the transformation to identify the areas that will most immediately support the delivery of investment. We are planning for the first stage of the change to be centred around our capital delivery processes and the structure we have in place to deliver this by re-aligning staff to the new portfolio model. This will be followed by our operations function to align with this geographic approach and then the remaining areas including the establishment of new teams for managing community benefits and sustainability initiatives which are major new areas for RIIO-T3.

The delivery of the new operating model is also aligned with the future digitalisation plans as detailed in our Digitalisation Strategy & Action Plan (DSAP) Annex. Many of these digital initiatives will support the new operating model and structure by providing the digital tools which allows a four-fold increase in investment whilst the level of resources double.

2.2. Organisational Readiness – Supply Chain

The core underpinning principles of our Supply Chain Resilience Strategy is captured in Figure 4 and is described in more detail in the following section.

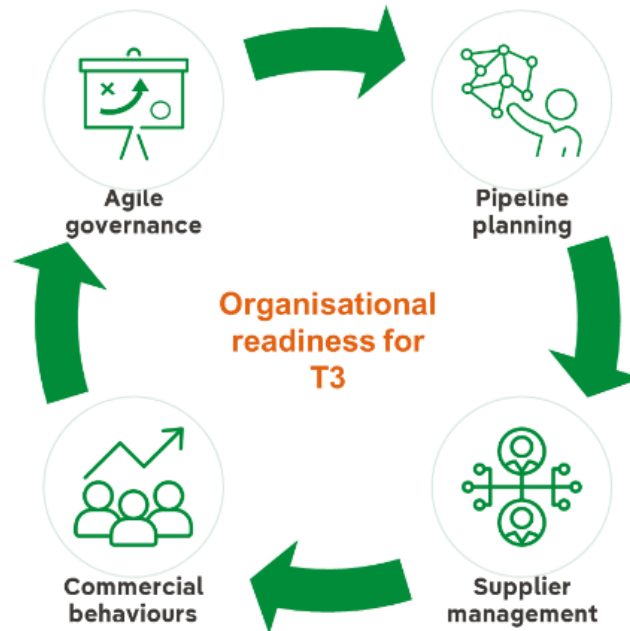


Figure 4: Supply Chain Organisation Readiness Principles

Pipeline Planning

We recognise the need to have meaningful and open supply chain engagement. Part of this is the ability to communicate long-term plans with a greater degree of certainty, allowing strategic partners to plan and invest with confidence. Suppliers are clear that their typical 'clients of choice' offer greater visibility of long-term delivery plans, generating confidence in relationships and commitments, which will unlock investment in new capacity.

Improved forward visibility and transparency will help expedite manufacturing slots for critical equipment. Incorporating long-term planning data into collaborative supplier engagement will deliver long-term benefits in terms of attracting bidders and building strategic relationships leading to added capacity and improved security of supply.

We have invested in Project Management Office (PMO) capability to combine all programme planning at portfolio level, improving the visibility for our supply chain of our programmes and drive value by fostering trust and transparency, encouraging collaboration and facilitating innovation in relationships. The PMO will enable;

- More collaborative strategic planning with open communication of long-term plans to supply chain via procurement team.
- Enhanced granular view of the forward plan, allowing for improved planning and scheduling of key resources by suppliers.
- Greater certainty for framework suppliers, allowing for long term planning, enabling efficiency of economies of scale where possible and reducing risk through more rigorous contingency planning.
- Greater certainty of long-term factory capacity requirements avoiding cycles of mobilisation

Supplier Management

Supplier management is a key lever for alleviating current challenges around market capacity constraints and lack of competition. It will enable us to develop long term and forward-looking relationships through becoming the 'Client of Choice' for suppliers. Effective Supplier Performance Management sets out objective expectations of suppliers, contributes to improved supply chain efficiency, and supports the overall strategic objectives. Monitoring and continually assessing supplier's capacity to identify gaps early enough to take action will enable RIIO-T3 requirements to be delivered to cost and to time, and will ultimately improve relationships.

Effective Supplier Relationship Management will help us to build stronger, more collaborative, and mutually beneficial relationships with their suppliers, ultimately leading to improved efficiency, innovation, and competitive advantage. The performance of our Supply Chain Partners is fundamental to the overall ability to deliver the RIIO-T3 plan and therefore we have introduced a robust Supplier Management process, key components of this approach are outlined in Figure 5 below.



Figure 5: Supplier Management Process - Key Components

Commercial Behaviours

Our supply chain is engaged via legal contract arrangements ranging from a purchase order - usually for a one-off low value, non-complex service - through to commercial contracts such as NEC4 and BEAMA. However, recognising the need to reflect the changing ways in how we compete in a constrained market a new hybrid delivery and procurement strategy has been introduced.

- Creating more attractive and 'fair' contract structures (risk sharing and performance incentives). Extending partnerships through frameworks or long-term alliances and allowing for more flexible contracting will encourage a broader pool of suppliers, which is a key challenge in this constrained market.
- Clarity of mobilisation and work allocation process with defined contractual terms and clear scopes and schedules.
- Commercial models that enhance transparency, facilitate collaborative planning, balance risk-sharing with performance incentives, and allow for competitive bidding and negotiation where appropriate leading to improved delivery and outcomes.

Agile Governance

Supplier engagement conducted since 2022 has shown the critical need to develop agile governance processes. The desire to demonstrate efficient working practices to the supply chain during procurement activities and contract management will be a catalyst for improved supplier relationships. Moreover, in presenting a more accessible, efficient and cost-effective tender process for new and

existing suppliers, we will benefit through improving efficiency in decision making, reduced bureaucracy and speed to market.

Through engagement with key stakeholders we have identified objectives to improve cross functional communication, define governance processes, clarify roles and responsibilities, remove unnecessary bureaucracy, speed up decision making and improved responsiveness to external parties. Agile Governance will support in becoming a client of choice, along with an accelerated tender process supported by improvement in management and operational processes including,

- Stakeholder mapping and clarity on roles and responsibilities
- Review and redesign of delegations and approval processes to deliver shorter decision chains.
- Supplier engagement to align on efficient governance practises including embedment of collaborative, cross functional ways of working.
- Review and remove unnecessary steps in the tendering process and contracting activity.
- Digitise process management and reporting.
- Implement formal management review cadence to monitor performance against strategic and operational plans and priorities, identify and mitigate risks.
- Develop a co-ordinated internal/external communications plan to build transparency around procurement activities.

Our RII0-T3 Delivery Model

Our supply chain framework needs to retain elements of what has worked well so far, but it also needs to ensure the quantity of contracts and individual procurement events remain proportionate, that our partners can deliver a mix of regular and complex projects at pace and that our suppliers have the confidence to commit resources to fulfil our orders.

Over the years, we have relied on a delivery model we refer to as our 'Disaggregated Model with Direct Contracting'. It is an approach where we have retained all responsibility for designing solutions and managing programmes of work while using small to medium sized subcontractors (known as Tier 2 contractors) to provide specialised areas of work such as civils, overhead lines, cable installation and the supply of equipment.

The 'Direct Contracting' element is carried out through one-off tenders or via the creation of frameworks with Tier 2 contractors. It involves significant commercial and contracting activity but is effective because we have kept costs down by lowering barriers to entry which has resulted in creating competition amongst a large cohort of contractors, maintained knowledge of rates and prices at a relatively granular level and retained high levels of control over the design of our network.

The Disaggregated Model has worked well with the mix of work involved in transmission network development to date and market conditions we have experienced thus far. However, the significant increase in procurement activity and compressed timescales required to deliver our RII0-T3 programme, requires us to adapt our approach.

Introducing Hybrid delivery model

To address these issues and following detailed engagement with key stakeholders and the market to understand the emerging landscape, a hybrid delivery model has been developed based on a combination of Direct Contracting and Engineering Procurement and Construction (EPC) Contracting depending on a project's characteristics.

EPC contracts feature a single agreement covering all stages in a project. We engage EPC Contractors to carry out the design, construction and commissioning on a turnkey basis (meaning the network infrastructure is ready for immediate use when our EPC contractor hands it over to us). EPC contractors – owing to their size, expertise and portfolio of work – tend to have access to their own equipment

suppliers, subcontractors and engineering experts and are ideally placed to deliver large scale strategic projects. An EPC Contractor assumes responsibility for delivering an assigned project, and is accountable for the project's schedule, cost, and performance.

Having a hybrid of Direct Contracting and EPC contracts gives us options when considering which delivery model is best suited to the mix of work in our RIIO-T3 programme – as illustrated in Figure 6 below

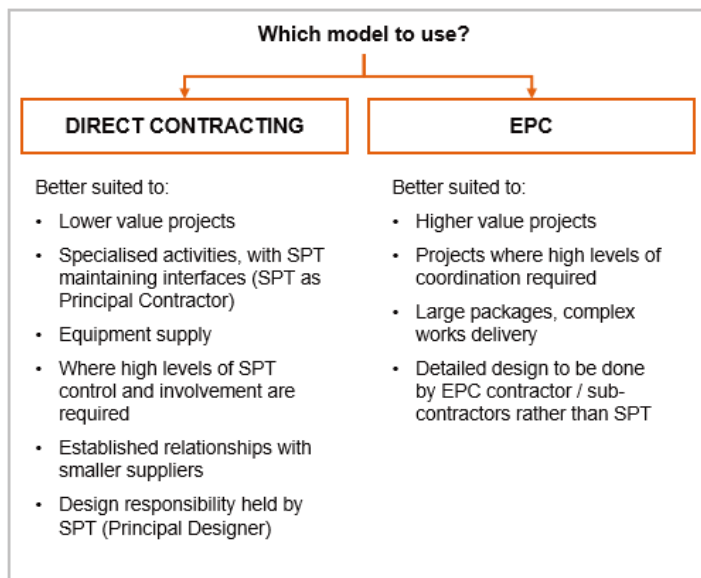


Figure 6: Criteria for determining suitability of Direct Contracting and EPC Contracts

The hybrid model also enables us to focus on driving our programme of work to a strict timetable, without getting involved in every single aspect of projects within the programme. It gives us options in developing collaborations between EPC and Tier 2 contractors and mitigates the risk of scarcity in equipment and technical expertise.

Our strategy will strengthen and secure our supply chain. It will enhance resilience and long-term certainty with our supply chain partners and establish a step change in capability needed for RIIO-T3. We depict the transition to our hybrid model in Figure 7.

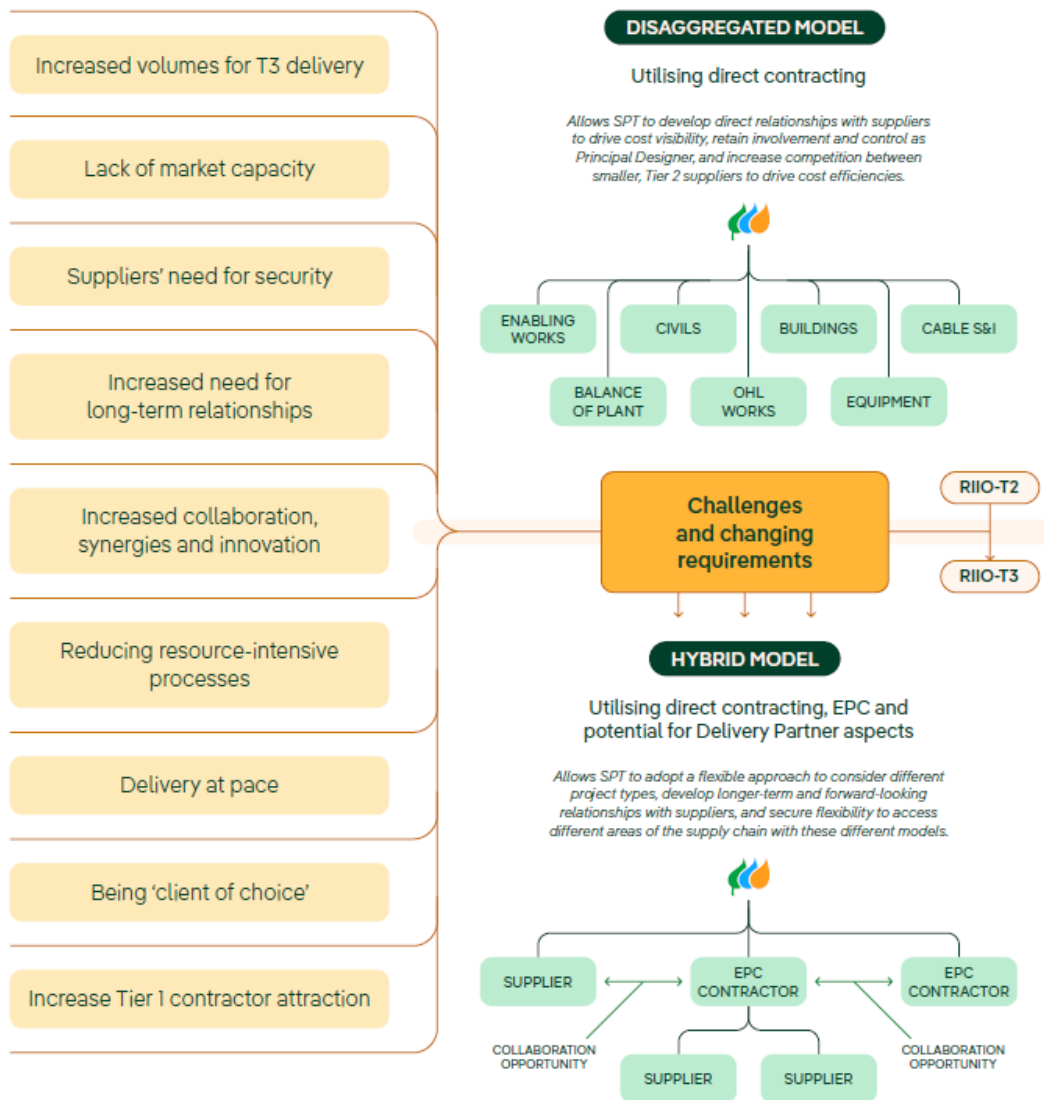


Figure 7: Transition to a Hybrid Delivery Model.

Optimising our RIIO-T3 Hybrid Delivery Model

Our strategy is designed to leverage our class leading internal design and development teams who take full responsibility within the disaggregated model, while providing expertise in partnership with contractors via EPC delivery, to ensure designs are relevant and innovation is adopted appropriately. This highly flexible and agile model is capable of responding to current and forecasted market conditions whilst ensuring the most efficient and effective delivery of our plans and importantly demonstrating value for money for the consumer.

We will continue to work closely and collaboratively with our supply chain to improve resilience, accelerate the delivery of works and drive value for money. This strategy leverages the benefits of being part of a global world energy leader to drive efficiencies and the ability to finance unprecedented levels of investment.

- This is how we will build a highly flexible supply chain and delivery model, by leveraging the proven benefits of our disaggregated model with our industry leading inhouse design and delivery teams, along with the scale and efficiencies EPC contracting model will bring.
- This is how we deliver value for money for the consumer by balancing our overarching desire to accelerate the delivery of critical infrastructure with the need to provide value for money for the consumer.

3. Workforce Resilience

In this section we will outline how we will develop and maintain a modern, diverse, high-quality, well-trained workforce fit to deliver throughout the delivery of RIIO-T3 and, into future price controls. Our workforce strategy is outlined in two key elements.

- Creating opportunities details our understanding of the challenges we face and how we mitigate them including working with industry and government, how we develop talent for now, the near future and into the long-term, our capability to train new talent and reskill and upskill existing talent, our approach to skills and how we attract key talent from the external market.
- Delivering for our people details how we listen and give our employees voice, look after their professional development, our commitment to diversity and inclusion and the health, safety, and wellbeing of our people.

Our approach ensures workforce strategy is not a one-off exercise. We keep track of the skills our workforce requires to meet our business needs. It is a continuous process that enables us to be agile and responsive to changes. This allows us to make changes to our workforce strategy as required and ensure we recruit, develop, and retain a diverse, high-quality, well-trained workforce fit for the future.

The challenge of resourcing the workforce to deliver for RIIO-T3 cannot be understated. The UK marketplace for skills is extremely challenging and continually shifting making resourcing a significant priority across the Energy & Utilities sector. This is affirmed by Energy & Utility Skills September 2024 published report 'Workforce demand estimates 2024 to 2030, the energy and utilities sector' which highlights the sector will need to attract and recruit 312,300 new people into the workforce by 2030, a 32% increase. While this is a significant challenge, we are confident in our approach to workforce strategy and we have proven time again that we are relentless in our approach to delivering crucial infrastructure aiding net zero, delivering for our people and, for our customers. As evidenced through this section, we have the internal capability to deliver and, have done so recently. In the second half of 2022 we announced our '1000 green jobs' campaign to support the growth required to deliver key projects across the ScottishPower business, and throughout 2023 we delivered the resources required, attracting key talent, and providing our people with key opportunities as they chose to continue to grow their career with us.

This document outlines a workforce strategy that has been designed to deliver a resilient workforce and serve our people by helping them drive their careers so they can better their future. Our workforce strategy design ensures we can develop our people internally and work with them to grow their skills and retain them for the long-term. We have the ability to grow the talent of the future from our communities through our trainee programmes and support change by working with people to reskill and upskill and recruit key talent from the market. Our commitment to an inclusive and diverse workforce is underpinned by key actions to continue to drive this into the future. This is a feeling that is echoed by our people with the sentiment 'I feel able to be myself at work' reported favourably by 86% of respondents on our last all employee survey, the Loop.

This document highlights why our workforce strategy can deliver the support required for RIIO-T3, recognise challenges and have robust plans to mitigate them. Our journey with our internal and external stakeholders and customers to challenge our plans have ensured the creation of a robust workforce strategy, promoting a resilient sustainable workforce for now and into future price controls. Delivering for our people, customers, and meeting our commitments to achieving net zero.

3.1. Workforce Needs

Having the appropriate resources to deliver our RIIO-T3 plan is vital. Our average expenditure in RIIO-T3 is increasing fourfold in comparison to RIIO-T2 and to deliver, we will need to more than double the size

of our workforce. While our average expenditure will increase significantly for RIIO-T3, our work on organisational readiness means our resource requirements do not need to increase at the same pace ensuring we have the right resources available in the right place, at the right time and at the right cost. Our approach to building our workforce strategy has informed this. Due to the volume of information and outputs not all aspects that went into this exercise are detailed directly in this document, but they are evidenced through the outputs of our workforce strategy. The steps we took in our approach to creating our workforce strategy are detailed as follow:

- **Understanding our baseline:** completing strategic workforce planning activity to understand our current workforce including skills, roles and forecasting voluntary and retiral attrition against business strategy and the external environment (including government policy or regulatory changes).
- **Evaluating supply:** assessing the external labour market to understand what skills are available and where against our baseline workforce.
- **Forecasting demand:** using our resource modelling and workload for RIIO-T3 to forecast our future resource and skill requirements.
- **Gap analysis:** using the detail from understanding our baseline, evaluating supply, and forecasting demand we assessed the gaps we needed to fill to have a robust workforce to deliver RIIO-T3 and understand the risks in challenging labour market.
- **Action plan:** using the tools in the talent ecosystem (illustrated below in Figure 8) we have planned how we will close the gaps, regularly assess risks, and put in place mitigations to create our workforce fit for the future.



Figure 8: Talent Ecosystem

Using the workload in the RIIO-T3 business plan, we have undertaken a detailed modelling of our future resource requirements. Our future resource model has been developed using a detailed bottom-up analysis and benchmarking as described in Figure 9 below. Incorporating insights for all historic works, utilising data from our systems and input from subject matter experts to design the model.

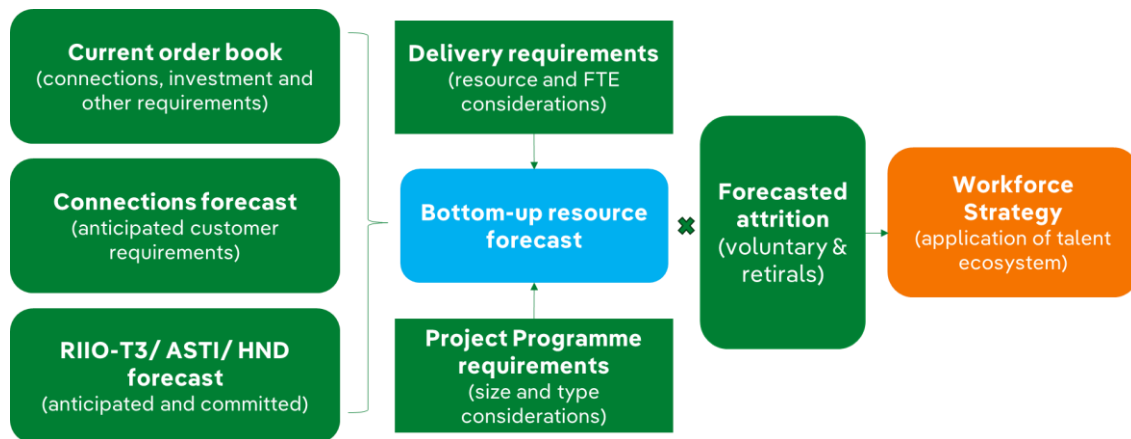


Figure 9: Resource Forecast Model

Every live and contracted project has a programme created in Microsoft Project Enterprise (MSPe) which contains key milestones for the different phases of the project lifecycle at a granular level. This allows us to map out the lifecycle of our portfolio and provide a month-on-month view of our project milestones.

To forecast our future resource needs we detail the following information into our model:

- We split the projects into size based on their Capex value (0-£1m, £1-£3m, £3-£8m, £8-£20m and £20m+).
- We then assign an amount of effort for each milestone by resource type (e.g. at milestone 8, a project manager dedicates 25% of their time for a project with Capex value between £3-£8m).
- A check is then performed with subject matter experts of each applicable area to ensure that the results match their teams.

By modelling every project, this allows us to combine the data to a portfolio level to quantify the amount of effort required per resource type based on a month-on-month view and thus forecast the number of resources required.

The majority of our resource forecast is informed by our resourcing model with input from subject matter experts. The remainder (where contracting methods differentiate and we are unable to calculate resource using the model) is informed entirely by subject matter experts and peer-reviewed to ensure appropriate forecasts are produced.

Our resource model has produced the following forecast (on the right-hand side of Table 1) of resource required to deliver for RIIO-T3. As shown in the forecast our organisational readiness exercise has ensured we can scale up our workforce appropriately and ensure we have the right number of resource in right location and in the right time. The below table (Table 1) outlines the forecasted FTE requirements from now until the end of the RIIO-T3 price control.

	R I I O - T 2 F T E					R I I O - T 3 F T E				
	Actuals		Forecast			Forecast				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Craftsperson	55	60	71	62	75	82	92	92	92	92
Engineers	232	253	296	290	545	598	603	604	604	604
Other ¹	382	423	502	897	1218	1434	1497	1508	1509	1509
Apprentices	14	22	26	17	23	29	32	34	31	31
Graduate trainees	30	40	47	57	92	116	131	126	116	110
Total	713	798	942	1323	1953	2259	2355	2364	2352	2346

Table 1: FTE outputs from Resource Forecasting Model

To deliver our RIIO-T3 requirements successfully we are seeking a larger portion of the increase of our workforce to be in place before RIIO-T3 commences. This will ensure we are set up for success to deliver its RIIO-T3 commitments. From this model we have assessed our current FTE, any current vacancies, our attrition and retiral forecasts, assessed our approach to what key talent we will source from market, what roles we will fill with trainees and what roles we will seek support from our contingent workforce to assist with project delivery.

We recognise that the resourcing required to deliver RIIO-T3 is significant and a complex endeavor considering the challenges faced in the skills landscape in the UK as noted in 3.2. We understand that we will not be able to fill all roles from within the UK and local geographical areas and that we will need a combination of upskilling, reskilling, work with key partners and employment of overseas skilled workers to fulfil requirements.

From our workforce analysis we are keenly aware of the roles where we have specific skill challenges as outlined in 3.4.5 and as part of our workforce strategy, we have actions detailed throughout this document to mitigate these for the long-term. As part of the Iberdrola Group, ScottishPower and its other subsidiaries provide opportunities for talent to grow and develop internationally. RIIO-T3 provides a key opportunity for us to be supported by talent across the Iberdrola Group.

The resource modelling and strategic workforce planning exercise undertaken has enabled a detailed and accurate understanding of the forecasted workforce and skill needs to deliver RIIO-T3 and action plan using the tools of the talent ecosystem. Our growth requirements, alongside retirement and attrition forecasts have identified a significant need to reinforce our existing workforce and informed our workforce strategy to deliver and retain the existing people in our workforce and recruit and grow talent for the future. The outcomes of our workforce strategy are detailed throughout the remainder of the document.

3.2. Understanding The Challenges

The unemployment rate in the UK is at a historic low and we have more people who are of working age who are unable to work full-time more than ever. We face skill shortages in key disciplines such as engineering and project management and, we need to ensure our workforce is agile and resilient to help us deliver our plans.

¹ Engineering / Project Management (e.g. Land & Planning Officers and other vital support functions)

The challenges facing organisations to have the right people at the right time, in the right place at the right cost are especially prevalent in highly skilled sectors such as our own. Data from the UK's Employer Skills Survey shows the number of companies with at least one hard-to-fill vacancy has increased from 4% in 2011 to 15% in 2022. The incidence of skills shortage vacancies has also risen from approximately 16% in 2011 to 36% in 2022 of all open positions. While the data on this survey is lagged (The UK Government only releases data every two years), it highlights the challenges UK employers have faced and continue to face to get the right people for their business.

We believe are well placed to answer these challenges and ensure a resilient workforce long-term. Our approach to workforce strategy involves continual review, assessment and action planning to ensure we understand the market and its challenges. Ensuring people risks to delivery are mitigated timely and effectively.

Our workforce resilience is crucial and to ensure we maintain it we have the following KPIs which are monitored and will continue to be monitored throughout the RIIO-T3 programme. Our KPIs like our workforce strategy are assessed regularly and updated as required.

- Tracking workforce voluntary attrition (overall, under 5 years' service, under 1 year service and under 90 days service).
- Track and forecast retirements and monitor overall workforce attrition.
- Complete exit interviews and track reasons for leaving reporting themes back to senior leadership in each business area.
- Track internal business movements and internal promotion rates.
- Track workforce gender statistics including position in business and new starts and leavers.
- Track and benchmark hiring information including time to hire (from when a vacancy is opened to the day a new start commences), time to offer (from when a vacancy is opened to when a candidate is offered), live requisition age/ stalled recruitment monitoring (to understand if a vacancy is taking longer than anticipated to fill) and application and offer diversity data (provided voluntarily by applicants through our Workday application platform).
- Onboarding survey results
- Employee listening (as detailed in 3.5.1) results. A combination of comprehensive all employee surveys and smaller pulse surveys.
- Training hours per employee

The following sections outline the key challenges in detail and our plan to mitigate them to ensure a resilient workforce strategy for RIIO-T3.

3.2.1. Understanding and monitoring the market

The UK market for skills is a unique and our ability to understand and monitor the market is key to successful delivery of our workforce strategy and our ability to mitigate challenges long-term. Our approach ensures consideration of long-term requirements. Helping us to build programmes and work with the business in advance to balance skill gap considerations and the short-term, ensuring we are agile in our approach to the market helping us attract and retain the right skills and, upskill where required.

Our strategic workforce planning activity, work on strategic skills and capabilities and our participation in industry projects such as Energy & Utility Skills Workforce Resilience provide us with the medium and long-term outlook of what may happen in the market and where we anticipate the challenges will be. Measuring against workforce plans, we can understand our requirements against retirement and attrition forecasts, we can assess what gaps are anticipated and plan trainee programmes and upskilling or reskilling programmes and design solutions where required.

In the short-term, it is crucial we understand how the market is moving and assess against our workforce strategy measurements regularly. Our recruitment team, work with the market daily and their insights are

provided regularly to leadership to ensure we are aware of changing market conditions and risks are assessed and mitigating actions agreed. External data sources such as the Office of National Statistics (ONS) employment and inflation and price indices are monitored regularly so we can understand the overarching UK market and anticipated challenges. As detailed above several workforce measurements are tracked and discussed with business management teams, partners and policy owners to ensure we are prepared for market and workforce trends. We regularly proactively scan the market and benchmark our workforce strategy measurements with the wider industry to understand the market movements in greater detail. Our pay approach is reviewed annually to ensure we remain competitive.

We understand the challenges the sector is facing with skills. The wider skills shortage is affecting the entirety of the labour market is a challenge for all of us. Understanding this, we use several forums to communicate specific challenges back to the UK government and collaborate with the wider sector and UK government on solutions. Through our workforce plan we develop actions and mitigations to these challenges, some of our most pressing considerations and actions we have taken to communicate and / or collaborate with the UK government are outlined below:

- **Sector Attraction:** awareness across the UK about the opportunities in the sector and the varied rewarding careers available. The Energy Crisis while a significant challenge for many working people across the UK has had an impact on the attractiveness of a career in the sector and many across the UK lack the awareness of the work that is delivered to help the UK reach it's NetZero goals. In partnership with Energy & Utility Skills we are a member of a sector wide working group working to improve our attractiveness with Energy & Utility Skills communicating directly with the UK government where required.
- **Overseas Skilled Workers:** the UK government made several legislative changes in April 2024 which narrowed the parameters around the sponsorship of overseas skilled workers. While a small part of our workforce, overseas skilled workers are crucial to our ability to deliver RIIO-T3. There are key technical roles where the skill need significantly outweighs the availability in the UK. As detailed further in the document we understand these gaps and are working through mitigations but, the development of trainee programmes and trainees is a longer-term solution. We have communicated our concerns with the changes in legislation through various forums including sector bodies such as Energy & Utility Skills and directly with the UK government.
- **Apprenticeship Levy:** The Apprenticeship Levy must be paid based on UK payroll however, we are unable to utilise any of the funds to support technical training in Scotland. We understand that the new body Skills England are changing how the funding can be used, however, there will still be significant limitations and no ability to utilise the funding in Scotland. Opening the funding up to funding technical training trainee programmes, upskilling and reskilling programmes and ability to use throughout Scotland will allow many companies to meaningfully spend their contributions to the levy and, help close the skill gap across the UK. We are active in various discussions on the levy and supportive of meaningful change to the funding.
- **STEM outreach and career guidance:** To deliver NetZero for the UK we need to attract a significant number of young people in our sector long-term. We support various STEM outreach activities encouraging young people to understand how these skills can be applied to their future career choices. Apprenticeships are just one way that young people can get into the sector and an area where the UK government can support. Young people can be deterred when looking for apprenticeships as they can be perceived as less valuable than a university education. We work with career influences in education to mitigate this however, this is a local effort and the UK government can greatly support this change of narrative on a much larger scale.
- **Just Transition:** Work in Oil & Gas continues in the UK even on the journey to NetZero while the UK government relies on a significant transfer of workers from the Oil & Gas sector to support the energy transition. The transfer of workers is minimal and workers are not supported if they wish to transition. We provide training and support to Oil & Gas and workers from sunset industries who wish

to transition or are given minimal choice if their employer is unable to support their employment anymore. These can be difficult transitions and without them we will lack the skills to deliver the work required to reach NetZero goals in the UK. As noted above, the UK government could meaningful open the funding of the Apprenticeship Levy to support up-skilling and re-skilling including those who transfer from Oil & Gas and/ or sunset industries and support a Just Transition.

3.3. How We Have Engaged on Our Plan

To ensure we create a robust workforce strategy, we have engaged and collaborated with key stakeholders internally and externally. Our approach to creating our workforce strategy meant we leveraged expertise from subject matter experts within the business and supporting corporate functions. We used existing proven methodology to create the plan and our existing processes ensure we remain competitive in the market. We engaged and collaborated extensively with key stakeholders externally; our INZAC group and trade union representatives to challenge the plan, seek their feedback and ensure we were not only delivering for our people but, have created a plan that can help us resource for the future. Additionally, we have attended a series of external groups and sessions to understand sector wide approaches to workforce strategy. Internal engagement consisted of a series of workshops and data collection in conjunction with subject matter experts to review the workforce and its needs for the future.

3.3.1. INZAC Engagement

Our INZAC stakeholder group have provided us with regular feedback throughout the process of creating our workforce strategy. Their feedback has helped strengthen our approach and resulting strategy. Key feedback from our INZAC Stakeholder group is detailed and relevant actions referenced in Table 2 below.

Topic Area	INZAC Feedback	Comments
Skills	Opportunity to leverage adjacent sectors which may have similar skill profiles.	In section, 3.4.5 we detail our approach to reskilling and upskilling, an approach that we use not only internally to develop and provide growth for our own people but, to leverage skills outside of our sector.
Retention & Engagement	Ensure SPT understand not only why people leave their business but, understand why they stay so the business can engage employees in the long-term and provide career growth and security. This includes understanding how they can better support their people nearing retirement to leverage their skills and knowledge and at different points of progression through the employee lifecycle.	We agree with this feedback and the importance of our understanding and listening to our people. In section 3.5.1 we outline our change to how we listen and understand our people in our employee listening strategy. This change promotes employee voice at all points of the employee lifecycle and equips us to better act on the feedback. Our knowledge transfer process is detailed in section 3.4.4 where we detail our approach to workforce renewal.
Sector Engagement	Ensuring SPT maintain dialogue with other TO's and sector companies to ensure they have a robust view of the challenges within the UK's workforce	We regularly engage with other TO's and through our partnership with EU Skills detailed in section 3.4.2, where we work together to understand the challenges in skills now and looking ahead to the future. We also train and support our contractors on key skills and authorisations

	landscape and understand opportunities to work with the sector on skill challenges.	to maintain a clear standard of training and support the industry overall as detailed in 3.4.5.
Attracting Key Talent	Engagement of agencies and overseas skilled workers to support large resourcing requirements for SPT	<p>We recognise that the resourcing required to deliver our plans is significant and a complex endeavour considering the challenges faced in the skills landscape in the UK as noted in 3.2.1. We understand that we will not be able to fill all roles from within the UK and local geographical areas and that we will need a combination of upskilling, reskilling, work with key partners and employment of overseas skilled workers to fulfil requirements.</p> <p>We have a key partnership with agencies to support the delivery of our projects and this ensures a sustainable long-term approach to our workforce plan as detailed in 3.4.3. As part of the Iberderola Group, ScottishPower and its other subsidiaries provide opportunities for talent to grow and develop internationally. RIIO-T3 provides a key opportunity for us to be supported by talent across the Iberdrola Group 3.5.4.</p>
Attracting Key Talent	Accessible and clear promotion of SPT's role in the journey to net zero for the UK and the corresponding workforce opportunities.	We recognise the challenge in communicating our role in the journey to Net Zero compared to areas that have an easily recognisable contribution i.e., Renewables. Our communication teams across the business understand this challenge and work with a myriad of communication channels to promote workforce opportunities. Our communication teams also monitor through various means the engagement and impact of our messaging so they can target and adjust as required. To ensure we promote the corresponding workforce opportunities our Talent Acquisition team use numerous methods alongside the deployment of a specific campaign targeted at resources required for RIIO-T3 to detail the value of working for SPT as detailed in 3.4.3.

Table 2: INZAC Workforce Strategy Feedback

3.3.2. Trade Union Engagement

We regularly engage and collaborate with our Full-Time Officials and our Energy Networks Joint Negotiation and Consultation Forum (ENJNCF). During the creation of our RIIO-T3 Workforce Strategy we continued this alongside specific sessions to ensure their priorities and viewpoints were considered.

- Full time officials RIIO-T3 strategy, aims, principles and challenges
- ENJNCF RIIO-T3 strategy, aims, principles and challenges
- RIIO-T3 Our Progress and Draft Plan
- RIIO-T3 Final Plan submission

From our regular engagements with our trade unions, we know the areas of focus for our trade unions are:

- Grow our talent by developing and investing in the workforce at all stages of their career through bespoke learning and development.
- Show commitment to innovation partners and community organisations to attract new talent and reach a wider more diverse community.

- Promote an inclusive and welcoming environment across the organisation and ensure our people are treated with fairness, dignity, and respect always.
- Provide a positive working environment promoting good mental health as a guiding principle with all line managers fully trained in mental health awareness.
- Recognise and value the work carried out by our employees enabling them to work with confidence and independence.
- Encourage a safe working environment to speak up and out at work.
- Promote a just transition by delivering the above for our people and working externally to provide 'people-centered' pathways into the industry.

3.4. Creating Opportunities

Using the tools Buy, Build and Borrow (Figure 8: Talent Ecosystem) we are able to create opportunities and develop the talent of the future. We are proud of our proven ability to build talent for the future not only by creating programmes for workforce renewal purposes to ensure continuity when our people reach retirement but, how we leverage training to reskill and upskill our people internally and talent from outside industry, helping them drive their careers. Additionally, as evidenced in 3.5.3 our new approach to developing and growing our talent, People Review provides our people with the tools to drive this themselves, engaging them in in their chosen career with us. Our approach to borrowing skills is pragmatic and designed to reinforce our workforce to deliver and support key projects. As evidenced in 3.5 delivering for our people across the business ensures we bind and retain talent and 3.4.4 outlines our approach to knowledge transfer to ensure the experience within the business is retained long-term.

3.4.1. Developing the skills for a technology driven, low carbon energy system needed for the future

We understand that to influence the skill requirements of the future we need to be pro-active and collaborate with partners that assist us effect STEM engagement in our schools and create programmes that provide pathways into skill shortage areas. Our approach to STEM and pre-employment is to inspire from age seven years onwards through educational activities and enable from age sixteen years onwards through pre-employment programmes as described in Figure 10 below.

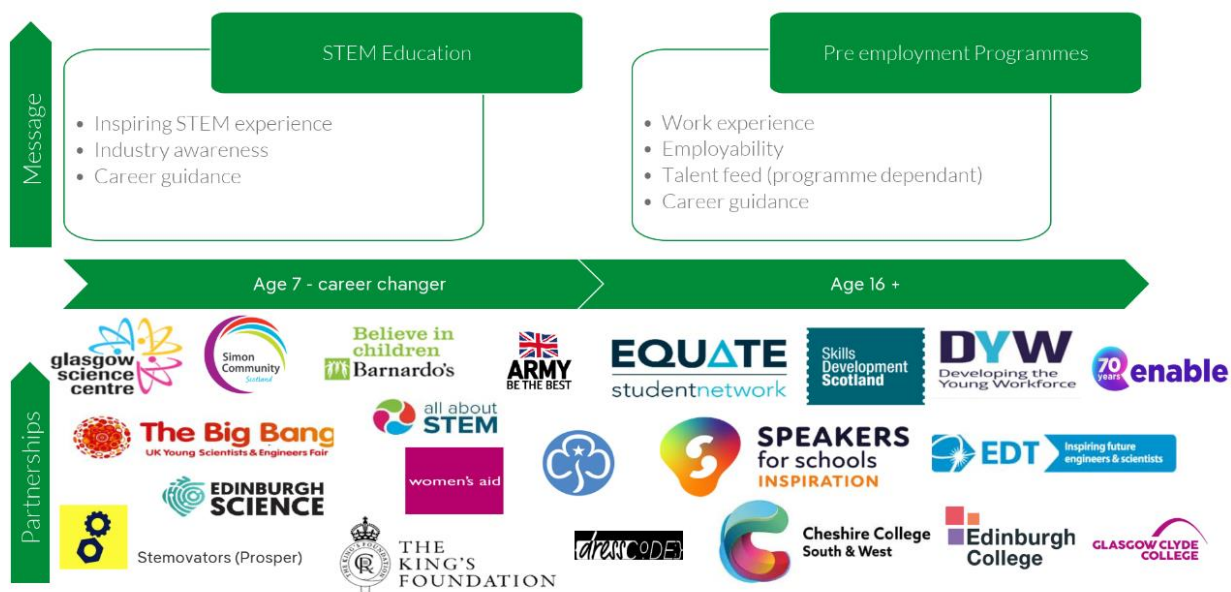


Figure 10: Our STEM & Pre-Employment Approach & Partnerships

To achieve this, we actively take part in a range of STEM related activities across our local areas. This approach not only helps us achieve our vision but, work with partners who can assist us to provide opportunities to underrepresented groups of people.

We are keen to deliver the importance of STEM across our geographic area and some of the key events we have been involved are detailed below:

- **Electric Detectives at the Glasgow Science Centre**, science-based workshops for primary school pupils, looking at some basic concept of energy generation and discussing using energy safely.
- **SMART STEM** - workshops delivered to primary schools, including Additional Support Needs (ASN) schools, across key locations. Aiming to engage young people around science and STEM.
- **ALLaboutSTEM** workshops delivered to primary schools in Liverpool. All About STEM is about doing amazing things to inspiring young people and to promote exciting and rewarding Science, Technology Engineering and Maths opportunities. We work to bring exciting events to schools, linking them with business and industry expert volunteers, inspiring the next generation of STEM specialists.
- **Stemovators (Prosper)**, regional and national challenges are set with support from us to identify future Scientists and Engineers. Focus is on sustainable energy and net zero, this programme is aimed at secondary school pupils.

Our pre-employment and social programmes provide valuable skills and work experience to young or underrepresented groups of people and provide a core talent feed into our trainee programmes. Our pre-employment programmes include:

- **Pre-Apprenticeship** – this programme provides a talent feed for our Craft Apprentice Programme for students with National level or GCSE qualifications. Based at 3 College locations, Glasgow, Cheshire and Edinburgh, students are sponsored to gain an electrical engineering qualification over 10 months at Level 2. During college holiday periods they receive overhead lines, cable jointing, basic hand skills, fitting and first aid training at our training centres.
- **Breaking Barriers** - Our award-winning Breaking Barriers programme is delivered in partnership with The University of Strathclyde and the charity Enable. It includes access to mainstream university, where learners study for a Certificate in Applied Business Skills at Strathclyde Business School, and an eight-week work placement within the company. The programme supports young people with learning disabilities, providing equal opportunities to access university courses and supported work placements. The programme aims to raise aspirations for people who have a learning disability and provide equal opportunities to access university.
- **Year in Industry placements** – Part of a UK wide scheme delivered by the Engineering Development Trust, these offer a year's paid work experience available for higher school leavers, undergraduate students and recently qualified graduates. For pre-university school leavers they provide a valuable insight to our industry and the types of roles available. Some of our Year in Industry students go on to University, often becoming scholarship students and joining our graduate programme at a later stage. Many of our Year in Industry students apply for our higher or graduate level apprenticeships and become permanent employees.
- **Summer Internships & Vocational Placements** - These placements are used to provide students in education the opportunity to gain work experience in the industry/discipline they are studying. These can take place either over the summer months or at a suitable time within the academic calendar linked to the undergraduate's timetable.
- **Institution of Engineering (IET) and Technology Power Academy Scholarships** – a joint initiative established between industry, academia and the IET to encourage graduates into the power industry. Scholarships are offered to undergraduates studying Power Engineering or related degrees at key universities. The scholarship can last for a number of years and include annual summer placements and an annual summer seminar for all power Academy scholars across all the companies, offering the chance to hear from leading industry figures and build contacts and network across the industry. On completion of their scholarship they are offered a place on the graduate programme.

- **Master's Scholarships** - Scholarships are offered for 1 year post graduate courses for students looking to progress their careers in the energy, digital and environmental industries. Scholars are allocated a mentor and receive full course funding for their master's studies and a living allowance. Support for their master's research is also provided. On successful completion of their scholarship they are offered a place on the graduate programme.
- **STEM Returner** - The programme supports individuals to return to work in the STEM industries after a career break of 1 year or more. The programme helps applicants refresh their existing skills and knowledge while building their confidence in a working environment through a structured pathway, helping the individual to secure a permanent role within the company or elsewhere. The wider context for the programme is to address a STEM skills shortage across the industry.

Case studies

Trainee A – Trainee A joined as a pre-apprentice in 2011 gaining his level 2 qualification in electrical engineering. Following his successful completion of this programme, he secured a place on the Craft Apprenticeship in 2012, qualifying in 2015 as an overhead lines' craftsperson. He spent 3 years working as a craftsperson, during which time he was supported by the company to complete an HNC in electrical engineering. In 2018, Trainee A secured a place as a Trainee Engineer on our internally recruited programme. Having successfully completed this programme, Trainee A now works in our Lanarkshire District as an engineer. This journey is not uncommon, as trainees are able to progress and further their careers through subsequent programmes.

Trainee B – Trainee B first joined us through the Breaking Barriers programme, supported by The University of Strathclyde and Enable. Following completion of the Breaking Barriers programme, he secured a place on our Year in Industry scheme, working within our Design and Standards team. Trainee B performed so well he was offered a place on Scotland's first accessible Graduate Apprenticeship, studying Business within an engineering environment at Strathclyde University.

3.4.2. Partnership with Industry and Stakeholders

Our workforce strategy is cognizant that to build the skills of the future and to work towards mitigating the skills gap we need to engage and collaborate with key partners across the sector to help us achieve this goal.

We are engaged and committed to working with other industry leaders to ensure this happens. For the last 15 years we have been a member of Energy & Utility Skills (including its previous iteration PSSG) and since its inception have worked with its body which leads on the understanding of future skills for power, the National Skills Academy for Power (NSAP). Each year we participate in NSAP's Transmission & Distribution Group's 'Workforce planning data and workforce resilience metrics' survey. We submit our workforce skill and demographic information to assist NSAP provide a comprehensive picture of the skill outlook for Transmission and Distribution Operator's in the UK. The workforce metrics submitted are comprehensive and provide a detailed outlook of the skill needs for the future including attrition, retirements, workforce demographics and an occupational heatmap. Moreover, we would be supportive of industry wide TO and supply chain (where possible) participation in NSAP's annual workforce survey to ensure proper quantification of the skill requirements to assist with our own and other TO's long-term workforce resilience.

Amongst our strong partnership with Energy & Utility Skills, we participate on several subgroups of the organisation with our work contributing to their sector-wide value proposition work, career pathway and skills mapping exercises, diversity and inclusion work and taking a leading role in the Transmission and Distribution subgroup.

Our partnership is not limited to our work with Energy & Utility Skills. Our people take roles on Industry Advisory Boards at leading universities across Scotland and England helping shape the skills

requirements for the future at a higher education level. As detailed in 3.4.1 we work with various organisations at a STEM engagement and pre-employment level and, we take pride in the work we do across the power sector in its entirety; taking roles with organisations like the Offshore Wind Industry Council and working across advisory groups at local, national and UK wide level to contribute our industry knowledge to improve skills and the success of the entire sector.

3.4.3. Attracting key talent to the energy sector

To ensure we can effectively attract talent in an increasingly demanding market, we have been continually evolving our recruitment team structure to provide an efficient and specialised service to the hiring business.

We've increased our expertise by bringing in external talent and upskilling the internal talent already within the team. We've done this by bringing in several additional experienced recruiters who each bring a variety of industry knowledge and skill. Additionally, we've invested in significant upskilling of our new and existing recruiters using industry-leading best practice. In doing so, we have strengthened our internal market knowledge base and enabled ourselves to provide a more dedicated, consultative service to our business.

Our recruiters are aligned to individual business areas or skill areas and work with an experienced recruitment lead. This allows our recruiters to broaden their generalist knowledge while gaining an in depth understanding of specialist skill requirements or business areas and true partners to the business.

Our investment in our recruitment team was recognised in 2023 with the delivery of our '1000 green job campaign' (Figure 11). Launched at the close of 2022 and delivered throughout 2023 our recruitment team delivered every role across ScottishPower bringing required external reinforcement while prioritising opportunities for our people.



Figure 11: Media from our '1000 Green Job' Campaign

Attraction

We have cultivated an extensive toolkit for our recruiters to ensure they can deploy whatever attraction tool they need to attract a broad range of talent. From specialist platforms such as Hack-a-job to source and attract niche digital and cyber talent to an extensive LinkedIn package enabling each recruiter to have access to talent insights and the tools they need to headhunt specialist talent at their fingertips. We work with partners internally and externally to create engaging content such as blogs, podcasts and editorials. We advertise programmatically; deploying leading practice techniques such as geofencing to creatively identify and target the talent we need for our organisation.

Careers Site

Our careers site is a window into our employer brand showcasing what it feels like to work for ScottishPower, and we use this to ensure that anyone visiting the site is compelled to join us. We have continually refreshed our site content to showcase the exciting contribution to a Net Zero future that a career with ScottishPower can enable. The war for talent in our industry is significant, we need to bring in experience talent from adjacent sectors. To make finding the right role at ScottishPower easier for

prospective employees we have created separate pages with content that is specific to different target audiences and, we are continually refreshing this to make sure we are engaging all talent.

Proactive Talent Engagement

The skills required to deliver our plan are in high demand and as a result our talent acquisition strategy is heavily proactive.

We proactively headhunt talent through multiple channels, and continually engage with and nurture our talent pipelines. We engage our entire workforce on the challenge, incentivising them to refer people to work for the organisation, with a communication strategy to keep the scheme at the forefront of people's minds and prompt people to think about candidates for specific roles. Our employee listening and review of exit interviews tell us that our people love our diverse range of projects and the people they work with at ScottishPower and, this approach assists drive our current talent to engage their diverse and experienced networks.

We consistently monitor market conditions to respond to changes in the labour market and frequently engage with employers who are in the unfortunate position of needing to make their people redundant. We work with them to explore opportunities to hire or retrain their people and create an opportunity for them. This includes cultivating relationships with organisations who provide outplacement support to businesses and their employees that are facing redundancy enabling us to continually identify opportunities to rehome talent.

Media Channels

We engage a multitude of traditional and digital media channels. We consistently advertise all our roles on our careers site, on LinkedIn, Energy and Utility Skills, and more. In our proactive talent attraction strategy we engage specific advertising channels for specific role types, such as Hack-a-job for digital and cyber skillsets and industry bodies such as IET (Institute of Engineering and Technology), according to what's most appropriate for the role.

We use a variety of social media channels, deploying the most appropriate tools for the roles we're recruiting, from LinkedIn through to SnapChat and Tiktok. We use other tools such as programmatic, google keyword sponsorship, email retargeting and Geofencing, which identifies and targets our target audience through their physical or online location.

When considering media channels, not only will we consider the routes to bring in the most candidates, we'll consider which channels will help us to bring in diverse talent as well as attracting people into our sector. For example, engaging with different platforms that are intended to bring women into STEM roles, or transition ex-forces talent into future career opportunities. We ensure our assets showcase our diverse employees, to help ensure anyone considering joining our organisation feels represented and that they would be joining an inclusive culture.

To engage our local communities and highlight our business to local talent we have used advertising based in key locations where we have volume of recruitment in our local communities. We attend and occasionally host various careers events each year to continually promote our business to various audiences, from early careers focused events to those aimed at specific audiences such as armed forces.

Process and Best Practice

In addition to annually held inclusive recruitment workshops sessions and unconscious bias training for our hiring managers we're measuring the effectiveness of our attraction approach to inspire applications from diverse candidates. We regularly audit our selection process and provide our managers with practical guidance on developing inclusive behaviours. Our end-to-end recruitment process is underpinned by best practice every step of the way to ensure the best outcomes for our business and our candidates.

Talent Pipelines

- **Oil & Gas:** We are creating new careers content to showcase employees who have successfully transitioned from the Oil & Gas sector, highlighted the reasons they chose a green career with ScottishPower. We have several means of proactively engaging talent from this sector. From traditional headhunting through means like LinkedIn, CV Library, and more, to using geofencing technology to target people who travel into known oil and gas fields, or through advertising near to known oil and gas sites.
- **Armed Forces:** We are also creating new careers content to showcase employees who have successfully transitioned from armed forces, highlighted the reasons they chose our sector to commence their civilian career. We have forged a number of relationships with partners who support individuals transitioning out of the forces to assist in attracting ex-forces talent. We can also make use of geofencing technology to target people who travel to key armed forces bases, or through out of home advertising near to armed forces bases.
- **Declining Sectors:** We consistently monitor the industry and create relationships with HR colleagues in organisations who are experiencing a downturn or job losses; to support them in their outplacement efforts for their impacted staff. We've done this successfully and have been able to offer impacted staff career opportunities in what would otherwise be a stressful time. Where we're unable to engage with the HR teams for any reason, we are able to map these organisations on platforms such as LinkedIn and proactively reach out to their talent. We also have formed relationships with outplacement support organisations who support organisations experiencing job losses to transition their impacted employees into new roles. These relationships assist us in keeping up to date with market developments and to spot opportunities for different sources of talent for our organisation.

To ensure we embed new talent into our business we have an onboarding process which ensures new starts feel part of the business from when they interview with us into their first twelve months. We provide new starts with access to an onboarding guide and sustainable gift before they commence and access to a welcome website which details information about workplace policies, benefits and services, they will have access to once they commence their new position. We provide our managers with tools to make the onboarding process a success and, as part of our Listening Strategy (referenced in 3.5.1) we survey our new starts at the 1, 3 and 6 month mark to ensure we are being proactive to feedback received and making the onboarding process a success.

Global Green Employment (GGE)

As part of the Iberdrola Group, we have launched a Global Green Employment platform to connect prospective candidates with job opportunities in the green energy transition or training that would enable them to commence their green career. Funded by Iberdrola for the good of the sector, the platform aims to bring talent into the industry from other sectors or encourage them toward a green job as they begin their professional careers.

At GGE we are currently developing the ability showcase third party programmes dedicated to the training of green talent, allow users to identify the most relevant ones in terms of the work they want to do, and provide them with programmes to kick start their green career. In addition to the job board, on the platform, our suppliers, institutions, partner organisations and other companies will have the possibility to publish their own job opportunities, redirecting candidates to the channels of their choice.

One of GGE's main objectives is to connect talent with companies that require green talent. The energy transition aims to create a fairer and more sustainable energy system that is accessible to all. That is why, at Global Green Employment we want to be the platform that enables access to employment for the most disadvantaged groups.

Reinforcing our projects

To support the delivery of projects for RIIO-T3 and our customers, we have a trusted partnership with our contingent worker Managed Service Provider (MSP). Our recruitment team, work with our MSP and

business managers to secure the right contingent workers to assist in delivering our commitments to meeting Net Zero. Our MSP work with us to provide regular external market updates relating to the skill availability of contingent worker talent. We provide our MSP with a three-year outlook of our expected contingent worker needs to ensure our MSP are prepared to support us to resource our projects. Contingent workers are a key part of our workforce strategy, the 'borrow' tool enabling us to support our projects and long-term continue to grow and retain a sustainable workforce. Our contingent worker partnership with our MSP allows us to support our projects and business for the long-term with a balance of our employees and contingent workers.

3.4.4. Trainee Programmes and Workforce Renewal

During RIIO-T2 we have continued to build on our workforce renewal programmes established in T1. We set out to maintain a skilled and effective workforce through a strategy that incorporated growing our own talent through trainee programmes to replace high levels of staff retirement, supporting attrition projections and forecasting our resourcing growth requirements.

This strategy was supported by an approach of recruiting locally and training centrally and a drive to broaden the appeal of our sector to attract new entrants. We also recognised that we needed to prepare for the changing skills need that would take place as we neared the end of RIIO-T2 and moved into RIIO-T3.

To date during RIIO-T2 we have successfully recruited over 40 trainees onto our programmes, with the addition of upskilling members of our people to become craftspersons and to become engineers. Through our programmes we have formed our core pipeline of highly skilled engineering and technical staff. This was in the context of unprecedented levels of retirement amongst staff, brought forward by changes in pension legislation.

In line with our long-term strategy on future skills, we have broadened our range of trainee programmes, going from our original 5 programmes to over 30 programmes with several more in development stages. These have included digital disciplines and we have recruited our first cyber security and data science graduates and graduate apprentices.

Our trainee programmes have become a flagship component of our offering and, year on year we receive significantly more applications for consideration than we can currently offer positions for. We make sure to engage and collaborate with our trainees throughout their training process and we work with the business, our in-house trainers and external training providers to ensure our programmes not only deliver highly skilled trainees but, also provide an experience which provides us with people who are engaged and motivated to deliver in our business areas.

We engage our trainees early on and support them with an onboarding strategy designed for their specific development and engagement in our business. We hold comprehensive induction sessions providing them with opportunities to engage with the wider trainee population and key business leaders at throughout the business. The inductions are fun and informative and help our new trainees know what it feels like to work at ScottishPower.

Our Trainee Programmes now include:

- **Craft Apprenticeship Programme:** Our Craft Apprenticeship Programme brings learning and earning together. Not only do our trainees study towards nationally recognised qualifications, they develop new skills and gain invaluable knowledge and experience. Over the three-year period, the programme combines academic study at college, technical training at our inhouse training centres and on the job learning under direct supervision of time served staff, to train to become a fitter or overhead linesperson with an MA in Power Distribution.
- **Adult Craft Trainees:** Our Adult Craft Trainee programme is a two-year fast track conversion programme for people who have relevant experience from other companies or industries or have already completed an apprenticeship in a related discipline. The programme allows them to

retrain to become a fitter, or overhead linesperson. It follows a similar format to our Craft Apprenticeship. This programme has been a successful part of our strategy where we have successfully rebalanced our age profile in the business.

- **Engineering Training:** This two-year development programme is a key element of our upskilling strategy for our existing field staff. We support our field or technical staff who have already completed an apprenticeship or gained technical experience and want to progress to become an engineer. As a precursor to the 2-year programme, we support participants through further education to gain a HNC in Electrical Engineering to gain practical experience across different engineering disciplines. The programme is a mix of technical and on the job training, shadowing experienced engineers to develop core engineering skills. The programme objective is to produce well rounded engineers with an operational focus and forms a core strand of our workforce renewal strategy for senior authorised engineers.
- **Power Engineering Apprenticeship:** A three-year higher skills apprenticeship, this programme provides an opportunity for new entrants or those looking to re-train to gain an HNC in electrical engineering complemented by inhouse technical and on the job training across different engineering disciplines. The programme includes placements within different engineering departments, shadowing experienced engineers. This programme sits alongside our engineering training programme as a core part of the strategy for the workforce renewal of operational senior authorised engineers.
- **Graduate Programmes:** Our two-year Graduate Engineering programme is Institution of Engineering and Technology (IET) accredited and forms the backbone of our workforce renewal strategy for our future technical specialists and senior management. Our core disciplines within our graduate engineering programme are electrical and mechanical engineering, with smaller numbers of more specialist engineers for specific roles in civil or systems engineering. Our graduates complete a mix of technical and on the job training across a wide range of business placements giving them a strong foundation on which to build in their first role.

During RIIO-T2 we have expanded our graduate programmes to include a range of professional disciplines including business, economics, finance, project management, data analytics and cyber security as part of our transition to a digital future.

We have expanded our offering for graduates so we can recruit the best graduates from the market and regularly compete for key talent against large consultancies and private firms who recruit significant numbers of graduates each year. We use our proposition as the UK's first integrated energy company to produce 100% renewable energy to attract graduates who are emboldened to make a difference in their future and commit to assisting the delivery of NetZero. We engage our graduates across the different business areas throughout their programme providing them an opportunity to develop skills in different business specialties, fundraise together with our charity partner Cancer Research UK and we celebrate their achievements with special events and a graduate ball, giving them the opportunity to network with business leaders and continue their engagement in the business's long-term success.

- **Graduate Apprenticeships:** In 2020 we introduced our first graduate apprenticeships. These were in data analytics, cyber security and our first accessible graduate apprenticeship in Business. These are four-year programmes, run in conjunction with established universities and provide a mix of academic, technical and on the job training. These programmes are an excellent fit within our overall suite of workforce renewal programmes and will become part of our longer-term workforce renewal strategy. We have built on the success of these programmes with further graduate apprenticeships in quantity surveying, business and in real time systems.
- **Site Management / Construction Manager:** In RIIO-T2 we developed the Trainee Site manager programme. This programme is a faster paced two-year conversion programme which upskills people with some relevant experience from other companies or industries. The programme is a mix of technical and on the job training, shadowing experienced site managers to gain network and operational skills.
- **Drawing Office:** To support our in-house design capability we have partnered with a local college to create a new trainee programme to support the talent pipeline for our Drawing Office.

New Programmes

A number of new programmes are under development which will feed into RIIO-T3. These new programmes broaden the skill range within our “grow our own” strategy and reflect areas where we have had difficulty recruiting and retaining key skills for our disaggregated delivery model. These new programmes are focused on skills set in environmental, quality and health & safety.

3.4.5. Upskilling and Multi-Skilling our workforce

Our approach to skills is comprehensive, adaptive and aligns with the strategic objectives of ScottishPower and the wider Iberdrola Group. Our learning culture values continuous improvement and knowledge sharing, where learning is an ongoing process. We focus on including a mix of on-the-job experiences, mentoring and formal training either through our own in-house training centres or external training providers. To ensure we are focusing on right skills and strategic capabilities needed now and in the future, we assess our requirements internally, work with industry partners and in partnership with our wider Iberdrola Group.

The skills and capabilities which are of strategic and critical importance to business operations across the Iberdrola Group have been defined at a high level, enabling alignment of our strategic efforts and prioritisation of resources to areas which drive the most value for the business. As a result, we are better equipped to anticipate and mitigate potential risks and challenges, having a framework for measuring performance and progress. Focusing on strategic capabilities will also drive continuous improvement and innovation as an enabler for long-term growth and sustainability. While we empower our employees to drive their own development, we recognise there are specialist skillsets that need to be developed in house so that we can work to facilitate the skill gaps of now and the future.



Figure 12: Our Critical Skills and Strategic Capabilities

Through our work with EU Skills and in conjunction with other TOs we have an understanding of the job families that should be regarded as priority areas to action to avoid future skills shortages. The following has been taken from the November 2023 publication of EU Skills ‘Workforce requirements of the UK’s transmission and distribution industry (2024 – 2038)’ report in which we participated.

- L3 - IT/Cyber Technician
- L3 - Multi-Skilled Craftsperson
- L3 - Overhead Linesperson
- L3 - Telecoms Technician
- L4 - Business/Data Analyst

- L5 – Engineer
- L5 - IT/Software/Cyber Engineer
- L5 – Specialist
- L6 - IT/Software/Cyber Technical Lead
- L6 - Senior Business/Data Analyst
- L6 - Specialist/Engineer

Additionally, through our own strategic workforce planning and market assessment of future workforce requirements we have identified specific roles within our organisation to the areas above where we focus skill growth efforts due to the difficulty to recruit and retain these roles.

- Protection, Control & Metering Engineers
- Construction Managers
- Project Managers
- SAPs

Our focus for these skills is to grow them internally through upskilling and reskilling and trainee programmes. We believe in empowering our employees to drive their personal and professional development, aligned to the current and future needs of the business, by providing a diverse range of learning solutions which can be tailored to individual needs. We are committed to supporting each and every employee's growth and development throughout their career at ScottishPower. Which is why we invest in specialist external skills-based training, communities of practice and live Masterclasses to interactive leadership programmes, self-paced online courses and opportunities to learn and grow on the job.

Managers provide a view on learning and skill requirements based on knowledge of business priorities and people development gaps. Senior Leaders work in partnership with our People & Organisation team to provide an assessment based on a leadership-led knowledge of business priorities, challenges and the skills agenda, confirming accuracy and overall consistency of prioritisation.

A number of strategic upskilling programmes are currently underway which will have a direct impact on the delivery of RIIO-T3. These include efforts to elevate our project management maturity, closing identified skill gaps and advancing our capabilities in project delivery and contract management. Our cyber skills and culture transformation programme, which aims to expand our depth and breadth of cyber capability and drive increased awareness of cyber threats to mitigate business risk.

Developing skills in-house

At our training centres our inhouse Technical Training team provides training and assessment measured to the highest standards in safety and quality, with a strong reputation for delivery of a first-class learning experience. We deliver a wide range of electromechanical training, from bespoke courses through to the delivery of full craft trainee programmes and have many classrooms & workshops, equipped with the latest technology and equipment. Alongside developing the technical skills of our own people our technical training team and centres deliver training for contractors and provide their authorisations to work on the transmission network, ensuring high standards of training across all aspects of project delivery and operations.

In collaboration with business subject matter experts, we review and refine our programmes regularly and ensure they are at the highest standard of delivery alongside ensuring they are fit for purpose for what we need to deliver. Where a skill or technical gap is evident through our workforce strategy approach, solutions are designed by our in-house specialist teams to bridge the gap and ensure we are continually working to build the skills of the future.

Examples of the technical training and learning programmes delivered in house are listed below.

- Senior Authorised Person
- PCM

- Transmission Network Operations
- Main Plant Engineers
- Protection and Control Engineers
- Engineering Support
- Planners
- Overhead Lines & Cable
- A range of engineering skill sets

We utilise the following technical training onboarding process for specific graduate programmes as outlined in 3.4.4. Our graduates then follow a learning programme alongside on the job training throughout their two-year graduate programme:

- Delivery Project Managers
- Development Project Managers
- Construction Project Managers
- Site Managers

Alongside formal training offerings we provide numerous solutions to ensure our people have the ability to develop and grow their skills alongside their experience in the business. The visual below (Figure 13) depicts our dynamic and interconnected learning solutions at ScottishPower, which enables our people to continue to connect, develop and grow.



Figure 13: Our Learning Solutions

Growing to deliver for the future

Our trainee programmes are strategically important to ensure not only can we resource RIIO-T3 and other company wide projects but, resource well into future price controls. As we continue to train and development a large volume of trainees and support the training of our contractors on our network, our current training facility in Scotland, Dealain House will require significant additional investment to continue to meet what we need to deliver in the future. Investment in the facility will deliver increased training capacity and improve sustainability at the facility but, accommodate digital enhancements to learning delivery on the site.

To meet the ongoing and future requirements of our trainee programmes we have designed detailed plans to increase and enhance our facilities. The project currently has outlined proposals to RIBA Stage 1 and has an associated high-level cost and plan:

- 8 month Design Development Programme from point of instruction to proceed.
- 8 month Procurement Programme.
- Facility capable of increasing in scale and scope as required should future estimations outstrip forecasts.

This project will provide the following benefits:

- State of the art training facilities – correctly site sized for usage and capacity.
- Adequate welfare facilities to support an increasing volume of trainees, and in particular an increase in female trainees.
- Correct volume and capacity for classroom training facilities with state-of-the-art audio visual installations.
- Sustainable on-site generation of energy via proposed solar PV arrays.
- Sustainable Systems and monitoring software to minimise utility consumption.
- Ability to increase training activities by 50%
- 12 additional FTEs consisting of 8 Craft Trainers, 2 Engineering trainers and 2 additional back-office staff to support the increase in training activities at the enhanced centre.

3.5. Delivering For Our People

Our people are key to the success of the delivery of our RIIO-T3 plan and retaining talent is byproduct of the services we deliver for our people. Our workforce strategy ensures we have a plan to develop skills and talent from within the organisation and provide a framework that allows our people to be supported throughout their careers. This is reinforced by a workplace that focuses on organisational culture as well as the health, safety and wellbeing of employees. It is an environment that helps to create an innovative, integrated organisation where people feel valued. The culture we have created is recognised externally through benchmarks and partnerships outlined below.

Top Employer



In 2024 we are proud to have achieved the Top Employer certification. As a best practice and benchmarking organisation, the Top Employer Institute identifies companies who are leading the way in employee experience and provide the best working environment. The Institute assesses every aspect of the employee experience: Business strategy, people strategy and leadership.

EDGE



In 2024 we have been provided the EDGE Certification which is the leading global standard for Diversity, Equity, and Inclusion (DE&I), centred on a workplace gender and intersectional equity approach. The Standards offer a holistic framework against which organisations can measure where they stand in terms of gender and intersectional equity. The framework consists of requirements and specifications against which conformance is audited by an independent third-party leading to EDGE Certification. We are currently working toward EDGE+.

Real Living Wage



Since 2023 we have been a Real Living Wage Employer ensuring we pay all of our directly employed people a Living Wage and have a plan in place to extend that to regular sub-contractors.

Armed Forces Covenant



In 2021 as part of our ongoing commitment to support the Armed Forces community we have maintained a Gold Award from the Defence Employer Recognition Scheme. The award follows a pledge to support the Armed Forces community, as part of the Armed Forces Covenant. This means we recognise the value that serving personnel, both regular and reservists, veterans and military families contribute to our business and our country.

3.5.1. Improving workforce satisfaction and retention

We have recognised that our employee feedback strategy, principally conducted via our annual Loop Surveys, needed to evolve and provide our employees with more frequent interaction. Our updated employee feedback strategy has evolved from the annual survey to a new programme of short, focused pulse surveys that allow us to act faster on employee feedback. The Loop survey is still an integral part of our evolved employee listening strategy however, supplementing it with shorter pulse surveys focusing on targeted programmes or aspects of the employee lifecycle allow us as an organisation to deliver important changes for our people by refining our processes, encourage better collaboration; raise awareness of our sustainability strategy and how we can support our peoples development and wellbeing in a more effective way. In addition, to ensure we are understanding employee feedback at all stages of the employee lifecycle we send pulse surveys at different periods of the onboarding process and during the offboarding process.

Alongside our updated employee listening strategy we continue to engage our employees in other meaningful ways across the organisation. Across ScottishPower we have employee forums which are employee led and chaired by a nominated employee in the business area which provide a specific route to ensure employee voice across the organisation is recognised, listened to and appropriate action is taken on key feedback. Our employee led networks detailed in 3.5.5 are another key route for employee voice. The employee led networks alongside our collaboration with our employee forums take a key role to feedback on policy and support meaningful change across the organisation.

Regarding our overarching employee listening strategy this key change commenced with our first pulse sent to a sample of employees in 2024. While we continue to embed our new employee listening strategy, to ensure we are working on our employee feedback we have clear action plans outlined from our last Loop survey undertaken in 2023. 82% of employees across ScottishPower engaged in the survey.

Across the organisation we have an overarching action plan against the results of our Loop survey and each individual business area and teams have their own action plans to address areas specific to their business area. To create our workforce strategy we have taken our key strengths and opportunities from our last Loop survey into consideration. Our key strengths and areas of opportunities are outlined below (Table 3 and Table 4) alongside key components of our workforce strategy which have been designed to strengthen them.

Our Key Strengths

Strength	Engagement%	Workforce Strategy enablers
My line manager is flexible when I need to take care of a personal or family matter.	98%	3.5.5, 3.5.5
I understand how my job contributes to the Company strategic priorities and goals.	93%	3.5.3
My line manager's actions and behaviours are consistent with the Company values.	93%	3.5.2
My line manager gives me enough autonomy/freedom to do my job well.	93%	3.5.3

I understand what I am expected to deliver in my job.	93%	3.5.3
I believe the importance of health and safety remains unchanged, even with competing business priorities.	93%	3.5.6
My line manager works effectively with people with different backgrounds, characteristics, and personalities.	92%	3.5.5
I consider that The Company makes resources available to me to meet my training needs in Health & Safety.	89%	3.5.6
There is good cooperation and teamwork within my team.	89%	3.5.2
I feel able to be myself at work.	89%	3.5.5

Table 3: 10 Key Strengths

Our Opportunities & Action

Opportunity	Engagement %	Workforce Strategy enablers
The Company motivates me to do more than is required	55%	3.5.6, 3.5.4, 3.5.3
My job leaves adequate time to take advantage of job-related training opportunities.	55%	3.4.5
The Company is innovative in how work is done.	55%	2.1
The Company is effectively organised and structured.	52%	2.1
There is effective sharing of ideas and resources across the Company.	44%	3.5.5, 2.1

Table 4: Areas of Opportunity

3.5.2. Our Values and Behaviours

Our Values are at the heart of our organisational culture and align to our purpose which drives the strategic goals and activities of the business.



Figure 14: Our Values

Our purpose and values are enablers of our vision, to create a better future for our people and they are at the heart of delivering a better service for our customers.

Our values help us create an environment in our workplace that is forward thinking, sustainable and allows us to share ideas and collaborate across the organisation.

Across 2023/24 we have undertaken a global project as part of the wider Iberdrola Group to update our performance processes. Our new approach 'People Review' is future focused and has a greater emphasis on the development of our people and their teams via a model of continuous feedback and improvement. An output of this approach is a refreshed behavioural model which further supports our employees and their growth and aligns to our values and purpose. Each of the new core behaviours are defined at different levels in the organisation.

- **leading self** - applicable to individual contributors, both field and office based
- **leading others** – applicable to line managers
- **leading the business** – applicable to senior leaders

The refreshed behaviours outlined below (Table 5) are key to how our people are enabled to successfully deliver business goals and grow their career.

<p>Growth & Continuous Improvement</p>	<p><i>The commitment to ongoing personal and professional development as well as the pursuit of enhancements in processes, skills and outcomes.</i></p>
	<p><i>This involves regularly seeking feedback, learning from experiences and staying updated with industry trends and best practices. It includes setting ambitious goals, being open to change and proactively identifying opportunities for innovation and efficiency. Growth & Continuous Improvement fosters a culture of excellence and adaptability, driving both individual and company performance.</i></p>
<p>Focused on Results</p>	<p><i>The ability to consistently set goals and objectives efficiently and effectively, setting clear and measurable targets, maintaining focus and taking decisive action to overcome obstacles.</i></p>
	<p><i>This includes prioritisation of workload and using resources wisely to deliver high-quality outcomes. Often requires resilience, a strong commitment to continuous improvement and accountability for results.</i></p>
<p>Collaboration</p>	<p><i>It also entails building strong relationships, resolving conflicts constructively and fostering a sense of co-operation and mutual respect. Effective collaboration ensures that collective efforts are synergised, leading to better problem-solving, innovation and overall success.</i></p>
	<p><i>This includes prioritisation of workload and using resources wisely to deliver high-quality outcomes. Often requires resilience, a strong commitment to continuous improvement and accountability for results.</i></p>
<p>Leadership (Line Managers / Business Leaders)</p>	<p><i>The ability to inspire, guide and influence others to achieve common goals. It involves setting a clear vision, making strategic and / or operational decisions and fostering an environment of trust and collaboration.</i></p>
	<p><i>Effective leadership includes motivating, empowering developing and enabling team members, demonstrating integrity and being accountable for outcomes. It also encompasses the ability to navigate challenges, manage conflicts and drive performance through effective communication, innovation and resilience.</i></p>
<p>Communication</p>	<p><i>The ability to prioritise and focus on the needs, preferences and satisfaction of the customer in all business activities.</i></p>
	<p><i>This involves actively listening to customers, understanding their perspectives and delivering high-quality products or services that meet or exceed their expectations. It includes building strong relationships, providing exceptional service and continually seeking feedback to improve the customer experience. Customer centricity emphasises empathy, responsiveness and a commitment to creating value for customers.</i></p>
<p>Customer Centric</p>	<p><i>The ability to prioritise and focus on the needs, preferences and satisfaction of the customer in all business activities.</i></p>
	<p><i>This involves actively listening to customers, understanding their perspectives and delivering high-quality products or services that meet or exceed their expectations. It includes building strong relationships, providing exceptional service and continually seeking feedback to improve the customer experience. Customer centricity emphasises empathy, responsiveness and a commitment to creating value for customers.</i></p>
<p>Initiative & Change</p>	<p><i>The ability to proactively identify opportunities for improvement, take-action without being prompted and embrace new approaches or innovations.</i></p>
	<p><i>This includes being willing to take calculated risks, demonstrating a forward thinking mindset and adapting to new circumstances or challenges. It involves being resourceful, showing persistence in overcoming obstacles and being open to continuous learning and development to drive positive change and achieve business goals.</i></p>

Table 5: Our Behaviour Model

3.5.3. Improving Workforce Motivation and Productivity

The People Review approach gives our managers the right tools to drive higher performance and engagement of their teams, whilst encouraging their employees to focus on their continual development helping them to drive their career.

Our new Performance Management framework is an enabler for talent development, placing an emphasis on career development via more regular purposeful conversations and ongoing feedback. People Review is structured around three key pillars:

- **Your Contribution** - goal setting and assessing your contribution to results.
- **Your Insights** - discussing behavioural competencies and potential.
- **Your Growth** - development planning.

This is a consistent approach across the Iberdrola group, which intentionally separates performance from career development, providing a more deliberate focus on growth and career aspirations.

Your Contribution

- Our people set achievable and relevant goals, aligning individual contribution to Company strategy. Progress is monitored via regular conversations, focusing on what is being delivered, combined with the behaviours and commitment shown whilst working towards those goals. Additionally, our employees are invited to participate in Share Incentive and Share Save schemes. Participation in these schemes further reinforces personal commitment to these goals.

Your Insights

- During this stage, our people have an opportunity to reflect and think about opportunities for growth and development, focused on how they do what they do, highlighting the key behaviours they demonstrate when they deliver their role. Employees self-assess against the definitions for each of the core behaviours, required for their role and gather feedback from their manager and team members. The output of the assessment gives insight and context for employees and line managers to discuss during regular check ins, to review against the feedback received and to help identify opportunities for development.

Your Growth

- This stage provides the framework for employees to have a purposeful career conversation with their line manager to explore career goals and aspirations, both in the immediate and longer term. Development plans are created which reflect development goals and actions designed to support achievement. Development planning is an employee led process and each individual employee is responsible for their career development. Progress is evaluated by the manager and any further support that may be needed is agreed in subsequent check-ins. We actively encourage all employees to be proactive and planful about their development goals and career aspirations to ensure continuous growth and development. Support is provided to employees to consider the most effective development approaches when defining development actions.

3.5.4. Talent, Development and Succession Planning

Assuring leadership capability at SPT is critical to enabling our success, fostering a positive and adaptive culture and ensuring long-term sustainability in a complex and rapidly evolving business context. Our Leadership Development strategy centres on developing non-conformist, transformational leaders who; are objectives oriented, take care of the team and manage from meritocracy, avoiding a one-size-fits-all approach.

The Iberdrola T.O.P Leader model underpins our focus in developing leadership capability at ScottishPower, including;

- The critical skills & behaviours required in development programmes from line manager to CEO
- Diagnostic tools and resources to identify development needs based on framework criteria
- Assessment tools to support senior leaders' development journeys to enable them to build enhanced personal capability.

Your Insights referenced in 3.5.3 also assesses employee leadership potential. Here we can identify employees considered to have the aspiration and the capability to take on more challenging roles in the future. This data allows us to be able to plan development to support these moves, prepare employees to take on more challenge roles and inform our workforce planning processes. Quarterly talent discussions take place with senior leaders on the actions they are taking to development those with potential. This includes specific development activities, projects to enhance personal capabilities and job moves to develop experience.

In addition, we conduct succession planning with business leaders to identify successors for key leadership roles and to identify any gaps or blockages in our succession plans. As with the talent review conversations, these are reviewed quarterly to provide points of action to address any perceived or actual gap in the succession plan.

The focus of our leadership programmes centres on the principle of 'Leadership for Now', ensuring new people leaders, team leaders and functional leaders have the required skills and behaviours to effectively guide and develop their teams, make effective strategic and operational decisions, inspire and motivate others, foster a positive organisational culture and drive ScottishPower to achieve its business goals.

Examples of programmes include, but are not limited to:

- **Introduction to Management:** _Becoming a line manager is one of the most important career transitions and one that people can find challenging, as well as rewarding. The Introduction to Management Programme supports employees on this transition and equips them with the knowledge and skills to be a great line manager, enabling them to lead their people in an engaging and supportive way.
- **Leadership with Agility:**_For experienced leaders and managers who would like to incorporate the principles of agile leadership into their practice.
- **Leadership Under Pressure:**_For leaders focused on maintaining individual and team performance during times of pressure.
- **Strategies4Success:**_Designed to support female employees who aspire to taking on more senior roles in the company. The programme supports employees to discover their unique personal work and leadership style and reflect on the impact these have on career success, gain a greater understanding of the importance of image and exposure through personal reputation, authenticity, and strategic stakeholder management; build a clear personal development plan that maximises career potential and identify and remove obstacles to performance success and take control of their career through building greater self-belief.

Our programmes are continuously enhanced to ensure they continue to meet the current and future needs of the business and provide leaders with the meaningful interventions, tools & resources focused on enabling successful business outcomes.

3.5.5. Improving Inclusion, Diversity and Equality

Our commitment to embedding a more diverse and inclusive culture is evident and interwoven through how we approach our workforce strategy. As signatories of the TIDE CEO Commitment, we want to drive diversity in the energy industry, embedding an inclusive culture, and taking action to address the deepening skills shortage in the sector. While our strategy for embedding a more diverse and inclusive culture goes beyond our own culture and our people, we strive to influence at a community level as evidenced by our commitment to TIDE and other organisations. We developed our strategy and action plan for embedding a more inclusive culture with a clear focus on three areas:

- **Talent** – inclusive talent management promoting equality in the access to opportunities and enabling the growth of everyone within the company.
- **Culture** – promoting an inclusive culture from the training of leaders, collective awareness and positive communication.
- **Social Contribution**– actively influencing our environment to contribute to leading to a true change towards a more sustainable future and a fairer society.

Our D&I strategy is supported by the following policies. Guidance is published on our intranet site with updates communicated via email to all employees and on our careers page as part of attraction approach as an inclusive organisation: -

- Equality & Diversity Policy
- Policy on Trans Equality
- Policy on People with Disabilities
- Flexible Working Policy
- Bullying & Harassment Policy
- Menopause & Menstrual Health Guidelines
- Domestic Abuse Guidelines

Our Employee Led Networks as outlined below (Table 6) and our Trade Unions are key stakeholders who provide proactive feedback on D&I issues and opportunities via the Executive D&I Committee and Policy Sub-Group.

	<p><i>Focused on ethnicity, VIBE is our Employee Led Network focusing on being a voice for inclusion and balanced ethnicity - and with recent research indicating that ethnically diverse teams can out-perform by as much as 30%, having a diverse and balanced workforce at every level, including senior leadership, is a huge opportunity for us. VIBE is open to all employees within SPEN.</i></p>
	<p><i>SPACE was created to give access to support and guidance on all aspects of being a parent or carer. The network has been established by people with a passion for helping others and is there to listen and share experiences, run events on a range of parenting and caring topics and open discussions on employee experience. SPACE is open to all; parents, carers and anyone who would like advice to help a colleague or team member.</i></p>
	<p><i>IN-FUSE was created by a group of employees to represent LGBT+ colleagues and allies alike. We now hold regular awareness events, represent ScottishPower at Pride events across the UK and contribute to policy changes that promote inclusion for all, and that also supports a change in culture to create more conversation around diversity and inclusion.</i></p>
	<p><i>Future Connections was created as an employee-led network to bring together people from across the business with an appetite to communicate and learn about activities in other business areas.</i></p>
	<p><i>A confident and vibrant network for our female employees and male allies. The Connected Women network provides an open forum to share ideas, experiences and facilitate discussions. The network has influenced positive and lasting change bringing confidence to challenge in areas that can help women be the best versions of themselves.</i></p>
	<p><i>iCAN aims to encourage, create, and promote authentic leadership for climate action in both the professional and personal lives of all employees. A network of dedicated people, with a passion for sharing climate action awareness and empowerment they work together as a channel for employees to feedback their views on business activities that have environmental impact.</i></p>
	<p><i>Our newest network, SPARC has been created by a group of employees in ScottishPower to provide a platform for all staff who identify as disabled, neurodivergent or having a long-term health condition, visible or invisible. The network contributes to policy changes and raise the profile of disability across the organisation.</i></p>

Table 6: Our Employee Led Networks

Through working with our Employee Led networks, we are continually working on our commitment to deliver a diverse and inclusive culture across the business where all our employees feel comfortable to be themselves and are supported to achieve their goals and ambitions.

In 2023 we set up our Executive D&I Committee. A group of senior executives leading the charge championing diversity across the business and improving areas of the organisation that require senior support. Our Executive D&I Committee has been key on supporting such areas as our work to reduce the gender pay gap and roll out of initiatives to challenge unconscious bias. The committee aims to inspire change that will benefit our people and the communities we serve by engaging influential senior leaders on the design and delivery of ScottishPower's Diversity and Inclusion Roadmap, to ensure we achieve the D&I targets that we've set.

Our work to reduce the gender pay gap and improve equity includes the launch of female leadership development programs at senior management and middle management levels and continuing to nurture diverse talent through our pre-employment and employability programmes.

We continue to provide maternity coaching to females who are on the maternity journey supporting participants and their line managers through a blend of practical support and advice alongside career coaching to maximise their potential for future progression. This 1 to 1 program is complemented by group maternity coaching to all our employees who are planning to go on leave, on leave or returning from leave.

Over recent years we've worked with our employee networks to co-create ScottishPower's first Trans Equality Policy, Menopause Guidelines, Domestic Abuse Guidance and increase paid maternity to 26 weeks as a day one entitlement. We've also collaborated with our SPARC employee network and our Digital Transformation Team to develop a new approach to support employees procuring and installing accessible software which will launch in early 2025.

We are currently working towards becoming a 'Menopause Friendly Employer' and, in 2024 we have rolled out free sanitary products at all sites across the organisation. To celebrate this long-term change, we donated £1 per employee to 'Bloody Good Period' to support their mission to *'give period products to those who can't afford them and provide reproductive health education to those less likely to access it. And we help everybody talk about periods!'*

Through our employee led networks we have also recognised the importance of allyship and in the last quarter of 2024 we have rolled out an Allyship programme aimed at our senior leadership population ensuring we are highlighting the importance of allyship from the top down. Allyship is an integral part of our D&I strategy to ensure we are providing an environment of active support for the rights of people in and out of ScottishPower from minorities or marginalised groups.

In 3.4.3 we detail how we are working with our recruitment processes so that we are actively working to increase visibility of roles and mitigating unconscious bias during the recruitment process.

Our Net Zero approach to ways of working includes hybrid arrangements enabling employees where operationally possible, to work from home for part of the working week providing the tools, technology and system access to allow them to maintain their high levels of productivity. This flexible approach improves both our retention of existing employees and our ability to attract new talent.

Our D&I Data and Reporting

We want everyone to feel like they belong at SPT and the wider ScottishPower. As part of our commitment to becoming a more inclusive employer, we recognise the importance of gathering, measuring and reporting diversity data to identify and address barriers to the achievement of our inclusion aspirations.

Gender Targets are reported annually in our Gender Pay Report. Through RIIO-T2 we have made progress through our recruitment and trainee programmes on the attraction and progression of female staff in key STEM and senior management roles. Although the overall pay gap has remained broadly static, a positive movement is evident within the pay quartiles, including an increase in the female population in the lower middle and upper quartiles together with a decrease in female population in the lowest quartile.

We launched a new People system (Workday) in November 2023 and this will be our tool for collecting D&I data across all characteristics going forward. Further details on Workday can be found 3.7.

In time, this data will help us to; report trends beyond gender, monitor development and attrition trends across a range of characteristics (including ethnicity, disability and sexual orientation) and measure the effectiveness of our D&I initiatives.

3.5.6. Ensuring the Health, Safety & Wellbeing of the Workforce

Ensuring the Health, Safety & Wellbeing of our people at SPT and the wider ScottishPower is an essential part of our delivering our workforce strategy by retaining and growing a resilient workforce. Promoting health and wellbeing inside and outside of work is one of ScottishPower's Health and Safety Essentials and we are committed to supporting our people in achieving the highest levels of mental and physical health, which contribute significantly to overall wellbeing and being able to thrive in all aspects of their lives.

We are supported by specialised centralised ScottishPower Health & Safety and Occupational Health teams who ensure a myriad of resources are available to support the continual improvement of our people's health, safety, and wellbeing. Locally, the business area is supported by Health & Safety specialists embedded within SPT and local 'Mental Health First Aiders'.

ScottishPower have an Occupational Health Hygiene and Wellbeing service which supports all of our people and business areas. The Occupational Health service is a multi-disciplinary team of health professionals who provide an advisory service to ScottishPower Businesses and employees. Our objective is to promote and support the highest degree of health at work and minimise the effect of work on health. Employees may encounter occupational health at pre-placement assessments, occupational health monitoring appointments, manager referrals and our people have the option to self-refer. Occupational hygienists use a range of methods, including environmental monitoring and analytical techniques, to assess exposure levels and advise on control measures.

Health & Wellbeing

A range of resources are available to all our people and have been developed to support the improvement in Health & Wellbeing across SPT and the wider ScottishPower. All our employees are encouraged to utilise these resources proactively to manage their health and wellbeing or receive assistance at the earliest opportunity. An overview of the key resources available as part of our Health & Wellbeing plan are outlined below.

Health & Wellbeing @ ScottishPower Digital Toolkit

Our Health & Wellbeing Digital Toolkit is designed to highlight the importance of living a healthy lifestyle and how this contributes to our wellbeing. It highlights the connections and provides resources to five key areas which promote good health and wellbeing for all; healthy mind, healthy body, healthy eating, healthy weight and healthy behaviours.

Health & Wellbeing Platform and Employee Assistance Programme

Our Health & Wellbeing platform has been designed to showcase and make these resources readily available to all employees (line manager intervention is not required). The portal takes a holistic view of Health & Wellbeing and provides advice on a range of topics to support our employees mental and physical health inside and outside of the workplace and, collates available resources so they are accessible in one place, making accessing support smooth for our people. Additionally, the Portal has

resources dedicated for the use of line managers so they can support their people to improve their health and wellbeing. The digital platform includes access to Help EAP which provides independent support and advice on matters relating to mental and emotional health, legal matters, parenting and caring, and financial worries.

Wellness Action Plan

A Wellness Action Plan toolkit has been developed with specific guidance for employees and managers. It is an easy and practical tool for helping support our health and wellbeing at work by identifying what keeps us well, being aware of any triggers that may affect us and thinking about what practical steps can be taken when we are not feeling our best. The Wellness Action Plan template has been designed so that it can assist an open dialogue between our people and their line managers, ensuring they are supported in their health and wellbeing while being at work.

Looking After You webinars

Delivered in conjunction with organisation Red Umbrella, monthly sessions are delivered as live online events to increase our people's understanding of a wide range of topics and factors affecting our mental health and general wellbeing. All employees are invited to attend the monthly sessions and during the sessions there is the opportunity to ask questions relating to the monthly topic. Previous recordings are available to all employees to view or listen to whenever they wish to access.

Mental Health First Aiders

Across the business we have trained employees who are Mental Health First Aiders. Trained Mental Health First Aiders have the skills, knowledge, and confidence to help identify when someone may be experiencing a mental health problem, and how to appropriately support them in a safe and practical manner. Mental Health First Aid is an early intervention support aimed at supporting someone experiencing a mental health-related issue. In each office area across SPT and the wider ScottishPower, a list of Mental Health First Aiders is available on the floor or building area and is posted on the kitchen noticeboard. The comprehensive list of Mental Health First Aiders is available on our intranet for all people to access. Employees are not limited to speaking to a Mental health First Aider who is in their office space or business area, they are able to contact any Mental Health First Aider across ScottishPower.

Mental health and wellbeing training for people managers

We are working alongside SAMH (Scottish Action for Mental Health) to deliver a mental health and wellbeing training programme to all our people managers. This aims to help managers become more aware of the relationship between mental health and work, identify common signs and symptoms, and building the confidence and skills to support people within the boundaries of their role. The training includes providing managers with a collection of resources and tools which can support the wellbeing of themselves, and their teams.

Physical activity and active living

We recognise the importance that an active lifestyle has in supporting the overall health and wellbeing of our people. In addition to promoting the benefits of physical activity, ScottishPower has an in-house gym and fitness service which enables staff to be active at one of our fitness suites at selected sites, online through the delivery of fitness and exercise classes, and through company-wise Step Count Challenges. Staff can also take advantage of a benefit that allows them to join a gym local to them at a discounted rate.

Health & Safety

We strive to fully comply with all relevant health and safety legislation and to support this, under the umbrella of SP Energy Networks a well-developed H&S Management System is in place that is independently audited and certified to the H&S standard ISO 45001. This is only one measure of compliance and seen as a minimum requirement as we aim for zero harm in all our activities.

A dedicated Health & Safety Department exists consisting of Health & Safety professionals, Occupational Health Nurses and Hygienists, Engineers, and specialist roles. These resources provide specialist support and coaching services both internally and externally and in parallel, perform a compliance role to ensure adherence with legislation and company procedures and to drive the continuous improvement of Health & Safety standards.

A clear Health & Safety Strategy has been created and focuses on what our key stakeholders expect and what we must do internally to meet these expectations. These internal measures are grouped under the following headings Operational Excellence, Innovation, Partnerships and being Socially Aware and Responsible. Our Health & Safety Strategy also has a specific focus on Learning and Growth as this underpins and facilitates delivery of the wider H&S Strategy.

To support our Health & Safety Strategy is an annual Health & Safety operating plan. This plan identifies the key legislation, hazards, wellbeing topics and specific projects to be prioritised throughout the year. Our annual plan helps to prioritise internal and external communications and drives specific focus areas across. These specific focus areas range from Health & Safety campaigns, topics for routine all-employee 'safety calls' or Health & Safety audit and inspections. The annual plan links with our Corporate Memory where key Health & Safety events or incidents from the past are remembered throughout the year. The aim is to remind both employees and contractors of these significant incidents, why they happened and more importantly the lessons that were learned and to check the measures that were taken continue to be effective.

3.5.7. Bot – Leveraging the Digital World

Ensuring we continue to innovate and leverage digital technology is key for our people to be empowered to deliver in their roles unincumbered from disjointed administrative processes. Together with the wider business and supported by the Iberdrola Group we have undergone a People system transformation on how we manage our recruitment and onboarding, performance management and our talent and succession planning. The Workday system has been implemented since November 2023 and supports a host of new processes which have transformed how we manage people processes and influences all aspects of the employee journey.

As a business we are undertaking a further project to improve our processes and enable our employees to deliver their roles more effectively. We are currently working to implement Service Now which will across the business, join systems and processes from different departments ensuring an improved employee experience and streamline of process.

4. Supply Chain Resilience.

4.1. Our Supply Chain

We are in a period of accelerated change stipulated by the need to address carbon reduction, environmental compliance and sustainability and the preparedness of our supply chain is a key element in our assessment. Our engagement with our suppliers through various methods gives us insight into the new and emerging challenges ahead.

We are working closely with our supply chain partners to ensure they are ready and able to deliver for our valued customers and stakeholders. Our supply chain is well placed to support us to successfully deliver our RIIO-T3 plan and our forecasting has allowed us to conduct a detailed gap analysis between our supply chain current capacity, and future requirements. Where analysis has found areas of enhanced risk with regards to overall industry capacity, we will continue to assess capacity through our supplier engagement and look to expand our supply base both within the UK and globally to minimise this risk.

Our supply chain provides the support and agility to respond to changes in workload over the course of a price review. We have an established track record in delivering using our existing supply chain and the learnings and experiences have been evolved to address current constraints in the wider market.

We are committed to continue to work closely with our supply chain partners and this relationship is critical to the successful delivery of our plans. Our partners provide a wide range of services including design, manufacture, and installation critical to the successful delivery of our strategic projects and Riio-T3 plan. Moreover, our supply chain delivers specialist services, capability, products, core competence, and services augmenting the expertise and skills we have. We use the supply chain to support the delivery of categories such as:

- Legal services
- Design services
- Planning and environmental consultancy
- Geotechnical & environmental surveys
- Equipment and material manufacturers and suppliers
- Cable Manufacture, supply, installation, refurbishment, and maintenance
- Civil and construction expertise
- Security fencing, building and perimeter security systems.
- Landscaping
- Overhead line refurbishment, erection, and painting
- Installation and commissioning of transmission plant and apparatus
- Planned maintenance and repair of specialist equipment.

Working collaboratively with the supply chain ensures all aspects of our plan will be delivered safely, efficiently and in compliance with all legislative and regulatory requirements whilst looking to go beyond compliance in targeted areas. It is essential that we select suppliers who have the ambition to mirror our own code of ethics, values, standards, and can integrate seamlessly with us to deliver projects on time, while continuously demonstrating value for money.

Supplier profile

We have used a mix of large suppliers who engage with UK Transmission and Distribution Operators and SMEs who offer more specialist services. We also have many suppliers who are not restricted to work in the electricity sector and this proportion of our supply chain has grown significantly because of our flexible delivery model and increased use of smaller disaggregated contracts which has lowered the barriers to entry.

Our suppliers are made up of a range of international, national, and regional suppliers with total sales turnover ranging from £500k to £10bn+. The larger suppliers often provide design, manufacture, install and repair services divisionalised into specialist services located in key client locations worldwide and offer multiple categories shown in the list above. National and regional suppliers offer local specialist services; irrespective of the type of suppliers we ensure, through various methods including our supplier/contractor pre-qualification tool, factory acceptance testing, onsite inspection, auditing, that performance standards and quality of the services are uniform throughout.

4.2. Collaboration and Engagement

We engage directly and regularly with the supply chain to discuss specific areas of focus including their needs and their current and ongoing plans regarding capabilities and capacity. We communicate our ongoing requirements to our suppliers but also ensure we understand their difficulties and concerns regarding the conflicting challenges of delivering a better future quicker in a low cost and efficient manner.

Supplier and Contractor engagement is embedded in our BaU processes and directly influences our ongoing procurement and wider engagement strategies. Moreover, our own delivery teams interact daily with all suppliers during the delivery of projects from design, construction through to commissioning phases. We have formalised daily setting to works procedures; we hold weekly programme and activity reviews to allow works to be planned and co-ordinated in advance in a safe and efficient manner.

Beyond this, there are monthly project review meetings to discuss project specific issues and quarterly bilateral meetings between our key supplier contacts and stakeholders to discuss our ongoing relations in more general terms. To ensure that we are continuously working to improve on these aspects, we hold Bi-Annual Health, Safety, Environment and Quality (HSEQ) forums open to all our supply chain, irrespective of whether they are currently contracting with us or not. These are designed to be a vehicle for informing our supply chain of our own areas of HSEQ focus but also allowing our suppliers to share their wider experience and work alongside us in collaboration to address areas of mutual concern.

In addition, specifically for RIIO-T3, we have engaged with the market and external consultants over the last 18 months to understand market conditions and contracting options. This has included.

- Direct engagement with 148 companies via supply chain survey
- Detail meetings held with fourteen key suppliers
- Webinar Virtual Launch of Strategic Agreements held with over sixty companies

Feedback from the supply chain Our engagement with suppliers has told us that they want:

- More visibility of work in the pipeline
- To engage in opportunities to secure longer term order books
- To reduce tendering resources/costs through more use of frameworks
- Early Supplier involvement (ESI) to share their innovations and expertise
- More balanced risk profile (Terms & Conditions)
- Have differing attitudes to 'free issue' materials

We have identified that a greater understanding of our supply chain is necessary to gauge supplier maturity. We need to fully understand where some suppliers may be able to assist SPEN in accelerating our own development and formalise plans to evolve those who are only starting to address these critical areas. Agreement on goals and targets, which support our plans, alongside structured collaboration with our supply chain will drive progress forward together.

We have listened to our industry partners and key stakeholders with the feedback directly influencing the development of our Supply Chain resilience strategy. We were proud to issue our c£5.4bn Strategic Agreement Frameworks tender to the market during 2024 which will commence Q4 2024. The level of interest in our frameworks provides significant confidence that our plans are achievable and have support of the wider supply chain.

The supply chain is a vital and necessary extension to our workforce to make sure we deliver on our commitments throughout the whole lifecycle of each project. During T3 we will continue to collaborate proactively with partners to maintain a collaborative relationship ensuring that not only do we deliver our plans on time to the highest quality, but they are delivered in a more environmentally sympathetic and sustainable way to fulfil our commitments within our overall plan.

Industry Collaboration

We will continue to actively engage with the wider Energy Sector from working collaboratively with our fellow TOs and Ofgem and trade bodies (such as Energy Utility skills) through to developing our relationships with academia on key issues such as workforce requirements as described in section 3.4.2. Our ability to understand and monitor the market is key to successful delivering on our Workforce & Supply Chain Resilience Strategy. We will continue to collaborate proactively with partners to maintain a

collaborative relationship ensuring that not only do we deliver our plans on time to the highest quality, but they are delivered in a sustainable way to fulfil our commitments within our overall plan.

We will also continue to work with the other TOs to better align our supply chain requirements, metrics and engagement to improve consistency and efficiency. For example, a joint TO social sustainability working group has been established, outlining beneficial areas of collaboration. Agreeing common metrics, tools and methodologies will ensure valuable and consistent data when reporting social sustainability data - increasing confidence that any claims made are accurate. Therefore, we have an agreed joint TO commitment in this area developing common supply chain social sustainability metrics, tools and methodologies with other TOs. Further information can be found within our Environmental Action Plan Annex.

4.3. Market Capacity

Market Outlook

The lead time for critical network components is continuing to increase due to imbalanced global supply and demand. We are engaging with a wide range of suppliers for equipment and services on a regular basis to gather market insights and are seeing first-hand the supply chain's current ability to deliver. Since 2020, we are seeing lead times increasing by between 50 to 300%, for some equipment this is a delay of more than a year as outlined in Table 7 below.

	2020	2021		2022		2023		2024
132kV Circuit Breaker	6-9 months	12-18 months	↑	18-21 months	↑	18-21 months	→	18-21 months
400kV Circuit Breaker	9-12 months	12-14 months	↑	16-18 months	↑	20-24 months	↑	20-24 months
400kV GIS	12-14 months	14-16 months	↑	18-21 months	↑	20-24 months	↑	20-24 months
132kV Cable	4-6 months	6-8 months	↑	8-10 months	↑	12-14 months	↑	12-14 months
132kV OHL Conductor	2-3 months	2-3 months	→	4-5 months	↑	3-4 months	↓	3-4 months
60 MVA Transformer	10-12 months	16-18 months	↑	22-24 months	↑	22-24 months	→	22-24 months
1000 MVA Transformer	12-14 months	12-14 months	→	12-16 months	↑	12-16 months	→	12-16 months

Table 7: Change in lead time for Critical Equipment since 2020

Insights provided by Original Equipment Manufacturers (OEMs) suggest that these times will be moving out further in the next 3-4 years due to the quantity of orders and factory capacity being reserved by TOs and wider global energy industry who have similar expansion plans to facilitate net zero targets. Our analysis reveals how constrained we believe critical equipment categories have become:

- 70% of the global market capacity for Gas Insulated Switchgear (GIS), in 2026 has already been booked.
- 80% of FY26-29 global capacity for transformers has already been booked.
- Capacity is increasingly constrained on cable and convertors, with significant ongoing tender activity in the market. Capacity is expected to be challenging into 2035 and beyond with increased market demand for copper and aluminium, driven by global electrification and renewable energy investment,
- Global demand for HVDC is unprecedented, with a 4x increase since 2018 due to net zero targets. Market Value in 2018: £3.1Bn Market Value in 2023: £16Bn

As well as delays to securing equipment, for some asset classes the capacity of the supply chain to even meet the requirements of the projects required to deliver net zero is uncertain. For example, some suppliers with the capacity to deliver recent transmission projects have not bid into tenders, often citing the volume and scale of work available elsewhere.

Inflationary pressures and supply chain solvency risks are expected to remain for the near future in the wider infrastructure sector, and specifically for network operators, despite an increasingly optimistic economic outlook. The UK construction sector has seen a 39% rise in companies in 'significant' financial

distress over the past year. The largest impacts were on specialist sub-contractors and 2,539 (58%) of the firms that went under in the year to February were specialists (Tier 2), while a large element of this is within the UK housing sector we have also experienced impact due to companies entering administration. UK electricity demand is forecasted to more than double from 2022-2050, with energy transition driving a shift from the current mix to virtually entirely sourced from 'green' sources. Increased investments in physical and digital infrastructure, as well as capacity constraints within supply chains to meet this demand are to be expected.

Capacity Levers

The future is uncertain however our plan has been developed taking into consideration different scenarios to ensure capacity to deliver. This recognises the exact delivery dates of projects will be impacted by a range of external factors such as connections reform and outage planning windows. Never-the-less this exercise has provided a high degree of confidence that we have the right level of capacity and right levers to ensure the deliverability of our plans.

As the procurement and contracting strategy evolves, we will continue to use RIIO-T2 levers, where appropriate, in RIIO-T3. However, the extent of use will be driven by the new procurement strategy and market dynamics. Capacity constraints from infrastructure investment, energy transition, and geopolitical events have led to rising prices, long lead times, and skill shortages. While cost efficiency remains critical, SPT aims to balance this with timely delivery and other market dynamics. Typical levers adopted going forward will include.

- Developing and securing capacity through Strategic Framework Agreements
- Disaggregation
- Early Supply Chain Engagement
- Long-term planning and supply chain collaboration
- Creating Long-Term Capacity
- Standardisation of Equipment
- Supply Chain Sustainability

Developing and securing capacity through Strategic Framework Agreements

We began deploying the new Strategic Agreement strategy in November 2023 and is attracting bidders covering OHL and Substation activities. We issued our c£5.4bn Strategic Agreement Frameworks tender to the market during 2024 with the level of interest providing confidence that our plans are achievable and have support of the wider supply chain. This has resulted in a greater number of contractors when compared to the average number of bidders for key categories in 2023. For example, we have secured 5 contractors for balance of plant works compared to an average of 2 bidders in 2023 pre-tender.

The Strategic Agreement allows for direct allocation of projects both for EPC and disaggregated projects. This provides commitment that secures delivery capacity and allows contractors to further invest in resources. Deployment of a stringent benchmarking process manages and delivers competitive costs. Our process seeks to run projects concurrently to allow live comparison and development of cost, retaining competition even within an allocation process. Our flexible agreements also allow, in most circumstances, to deploy a mini tender process featuring a range of strategic partners, and where we deem appropriate, we can procure a requirement separately from the agreement and issue to the wider marketplace.

Disaggregation

Disaggregation was a powerful tool during RIIO-T1 & T2 and its use will continue in T3. It will be used in a targeted way to attract smaller and specialised contractors where the requirement justifies it. Specifically, we will annually isolate aspects of our disaggregated plan, to target, engage and develop, tier 2 contracting capacity.

For critical equipment we have long established relationships with OEMs where equipment is directly sourced through strategic bulk order agreements or framework agreements. This is likely to remain a successful strategy enabling improved visibility and control over critical equipment supply chains. In addition, collaborative planning provides the opportunity to smooth demand over time, build stronger relationships and explore options to improve our ability to and secure sufficient materials in advance. Where it makes sense in terms of cost, capacity and timing, our strategic agreements EPC delivery allow us also to include the supply of key equipment.

Early Supply Chain Engagement

We will continue to maintain frequent engagement with the supply chain via participative forums, bi-lateral contact with key partners and routine testing of the market. This approach will allow us to identify emerging risks, issues and market trends. The engagement has been a key trigger to evolve our RIIO-T3 strategy.

Work is ongoing with our long-term strategic partners (disaggregated and EPC) on the programmatic view to develop plans to increase key resources in advance of need. Moreover, we are committed to developing a joint coordinated resource and skills plan with our strategic partners. This engagement is and will continue to be augmented through co-ordinated activities with the other two Transmission Operators, where appropriate.

Long-term planning and supply chain collaboration

Our engagement activities are designed to ensure that we better understand our supply chain needs and requirements, to ensure that they are ready and capable of delivering and to ensure we work together in a collaborative and efficient way. We need to gauge that our suppliers are both willing and able to mirror our own ambitions to embed innovation, sustainability, and carbon reduction into all our activities and address any potential disconnect. As their client we need to demonstrate leadership and support them in being suppliers for the long term who consider, as standard, all effects of their activities in all stages of their operations. It is critical that our strategic plans and that of our supply chain align.

We have invested in PMO capability to consolidate all programme planning at portfolio level, which will enable the supply chain to gain improved visibility. Moreover, we engage directly and regularly with the supply chain to discuss specific areas of focus including their needs and their current and ongoing plans regarding capabilities and capacity. We communicate our ongoing requirements to our suppliers but also ensure we understand their difficulties and concerns regarding the conflicting challenges. Improving transparency of long-term plans will increase supplier confidence and promote investment in increased capacity and workforce recruitment and training.

Creating Long-Term Capacity

Our supply chain partners have told us.

“To de-risk delivery timelines and accelerate the delivery of critical infrastructure, TOs can support suppliers to increase capacity by making long-term supply chain commitments.”

SPT has consistently tried to encourage capacity growth in its supply chain by targeting suppliers at Tier 2 or below and attracting new entrants. While this was successful during RIIO-T2, the demand for capacity has overtaken availability requiring an evolved strategy to be adopted. In addition, voluntary or involuntary withdrawal of suppliers from the market has been increasing, requiring our teams to cast the net wider to attract new entrants.

To address current and future constraints and to provide greater levels of certainty to the wider supply chain we have collaborated with our industry partners to propose a mechanism for the advance procurement of key assets. This is not a new concept with the ASTI framework, introduced during RIIO-T2, demonstrating the benefits of early financial commitments to securing scarce supply chain resources. ASTI however is designed as a high value, project specific funding mechanism, and as it

stands there is a gap in the regulatory mechanisms available; namely a scheme that would allow for advanced engagement with the supply chain to secure capacity on long lead delivery items across programmes of work.

This will enable a larger and extended order book with the supply chain into the 2030s by securing the supply chain further ahead of specific need.

This will lead to.

- More flexible approach in our supply chain engagements, for example by making advanced payment milestones and / or enter take or pay style capacity reservation agreements.
- Improving our ability to provide our supply chain greater certainty of need – enabling earlier engagement with the market, to make meaningful commitments many years in advance and providing strong commitment to industry.
- Increasing supplier confidence to invest manufacturing capacity, training / job creation and support promotion of UK plc objectives around inward investment. Addressing this now will remove / reduce the R10-T3 delivery issues and give the UK the best opportunity for inward investment options for the 2030s and creates the environment for multi-billion supply chain engagement across all three TOs.

Standardisation of Equipment

We fully support the findings and recommendations from the UK's Electricity Network Commissioner, Nick Winser on how to accelerate the deployment of electricity transmission infrastructure. The report set out recommendations focused on equipment standards which are being actively taken forward and delivered by the Energy Networks Association (ENA) Transmission Acceleration Group (TAG).

- SE1: A forum should be created between the Future System Operator (FSO), Transmission Owners (TOs), equipment manufacturers and Ofgem to review and update equipment standards.
- SE2: A process should be created to support and enable the work of this forum for equipment standards, including a mechanism for Grid Code modification.

The TAG, and supporting sub-groups and existing panels will:

- Prioritise equipment for review of the technical and operational requirements and map risk of programme delivery impacts.
- Explore opportunities to improve efficiency in supply chain, e.g. through standardisation.
- Establish extent of commonality between TO standards and requirements
- Develop and establish an effective open forum
- Develop a process for assessing compliance of equipment against the common TO requirements

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. We will continue to be Supply Chain Sustainability School (SCSS) partners and encourage our supply chain to use this resource to increase sustainability knowledge through tailored web-based training, webinars and workshops. The Scottish Business Climate Collaboration (SBCC), a group of leading corporate businesses with a major footprint in Scotland (including ScottishPower) joined forces to develop The Climate Action Hub. This platform provides a practical step by step programme, equipping small and medium enterprise (SME) businesses with the tools and knowledge to set and achieve a Net Zero GHG target within their own organisations and in the goods and services they supply.

RIO-T3 Capacity Assessment

We understand what is required because we have done the thorough modelling and planning, at a project-by-project level; we have assessed our existing model and concluded that evolution is essential for success. We have engaged actively with the supply chain (both incumbent and new) to understand what approaches are more likely to secure what we need, converting these insights into actual contracts which secure the appropriate supply chain capacity.

We believe our supply chain is well placed to support us to successfully deliver our RIO-T3 plans. Our forecasting of the supply chain requirements for RIO-T3 has allowed us to conduct a detailed gap analysis between our supply chain current capacity, and future requirements. Where analysis has found areas of enhanced risk with regards to overall industry capacity, we will work to expand the supply base through key initiatives.

The following charts (Figure 15) provide a quantitative assessment of our service Framework Agreements covering OHL and Substations works. It compares the forecasted available capacity of our service partners with our forecasted delivery plan profile. Whilst the review of contractor capacity for our substation works requirements suggest we may have constraints from 2028 onwards, the levers we have in place will enable a flexible approach to ensure that capacity is achieved and managed accordingly.

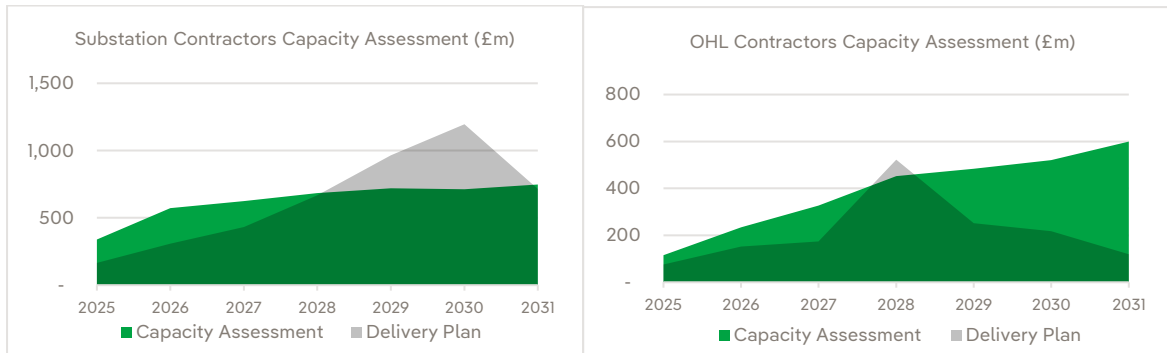


Figure 15: Contractor Capacity Assessment

4.4. Contract Management

Our contracting strategy has been developed with the objective to improve resilience and long-term certainty with our supply chain partners. To enable us to achieve this goal, we have introduced a new Contract Management Team which will enhance our ability to support and manage our partners, providing a vital link to drive more efficient planning and capacity utilisation. Enabling our delivery teams to collaborate with our contracting partners to allocate projects within governance, and plan effectively to ensure efficient utilisation of contractor resources.

Our new Contract Management model will.

- Improve visibility and ownership of current and future Purchasing Plans.
- Promote wider collaboration to maximise supplier performance and enabling the adoption of innovative approaches to deliver improved value.
- Further develop enhanced understanding of market capacity by category, within region and across wider markets, providing social value and strengthening local supply chains.
- Providing improved and earlier intervention opportunities to address bottlenecks (e.g. through planning, incentives, standardisation, Early Contractor Involvement (ECI))
- Create framework for maintaining supply chain resilience, developing capabilities and skills.

- Ensuring deliverability of business plans and avoid cycles of mobilisation and demobilisation through the better alignment and introduction of strategic long-term agreements.
- Develop mutually beneficial relationship with core suppliers and enabling strategic decisions to be made more efficiently to mitigate supply chain pressures, particularly those arising from long lead times for critical materials.
- Increase opportunities for Innovation through Early Contractor Involvement and Pain/Gain financial mechanisms.
- Help drive increased levels of collaboration and performance through jointly agreed Key Performance Metrics

Contract Management Governance

The following diagram (Figure 16) provides an illustration of how suppliers can enter our supply chain, how we formally and informally communicate with them, and the governance and gated processes followed by the procurement team and supply chain stakeholders within the business. Operating a rigid governance process is essential to ensure the strict compliance to technical, commercial, Scottish Power policy and Client requirements. Our tender process has been designed to ensure the best outcomes for consumers by balancing the need to deliver efficient outcomes taking into consideration option values. For example, adhering to the principle of technology agnosticism and undertaken a phased approach to tendering activities to best meet our needs.

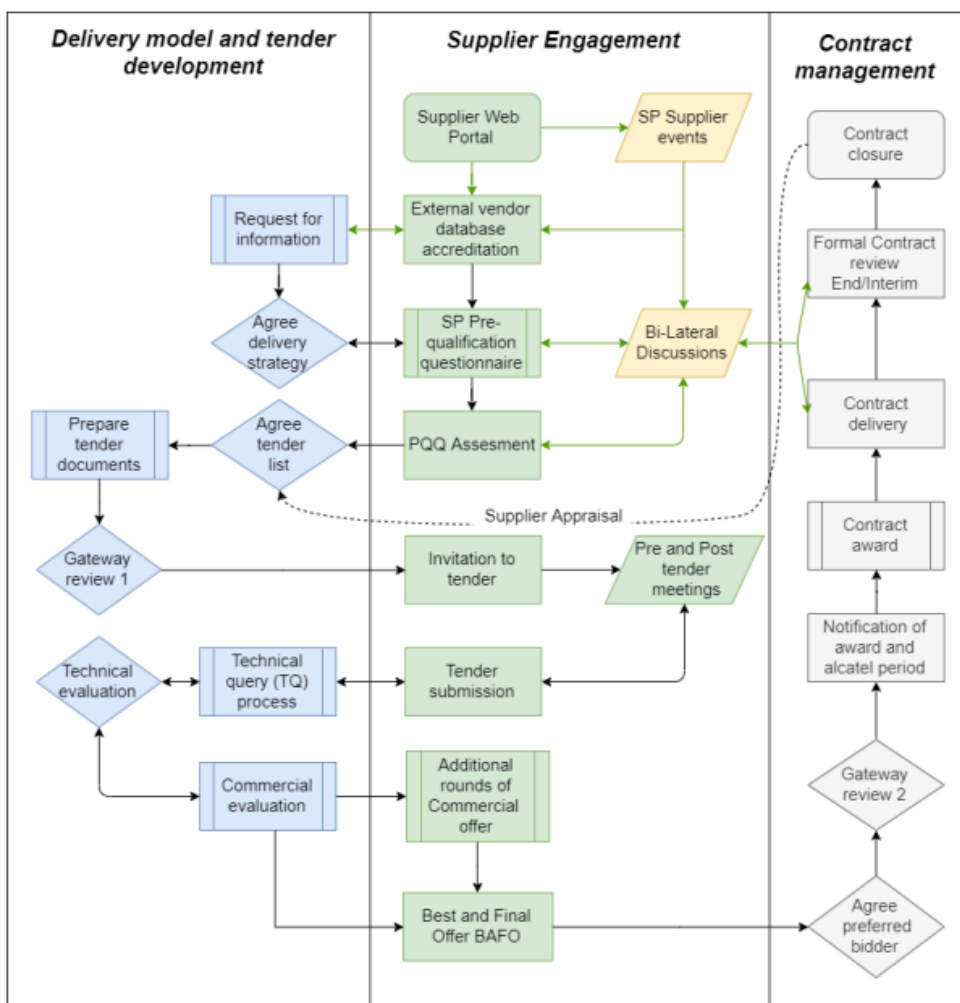


Figure 16: Procurement Process

Moreover to compliment and support this process we are committed to sharing data to inform key stakeholders, such as Ofgem, and the wider supply chain of our ongoing and future tendering activities, including:

- Number of tenders placed under competitive processes
- Average number of bidders per competitive tender placed
- Total value of contract awarded under competitive tender processes

4.5. Maintaining Maximum Competitive Tension

SP Energy Networks, as part of the Iberdrola Group, operates under a global procurement model. The model is a key governance process, providing protection to SPEN employees by meeting UK Procurement Regulations and supporting the Group's Anti Bribery and Corruption policy.

Adhering to this process is key to ensuring SPEN defines and tests it's contract requirements within the competitive marketplace, providing opportunity to improve our specifications and attain the best commercial conditions to deliver on our regulatory commitments. It is a balanced model with a level of delegated authority to Business areas for low value one-off Direct Purchases [REDACTED] and for Delegated Purchases [REDACTED] and [REDACTED] (which are subject to Purchasing review and release).

Our Strategic Agreement and other critical frameworks, essential to deliver our full programme, have been developed with support from specialist third party legal and commercial resources. This has resulted in terms that are industry ready, retaining suitable contractual protections, while ensuring a balanced approach to deliver value for money for the consumer (Figure 17).

The Strategic Agreement allows for direct allocation of projects both for EPC and disaggregated projects. This provides commitment that secures delivery capacity and allows contractors to further invest in resources. Deployment of a stringent benchmarking process manages and delivers competitive costs. Our process seeks to run projects concurrently to allow live comparison and development of cost, retaining competition even within an allocation process. Our flexible agreements also allow, in most circumstances, to deploy a mini tender process featuring a range of strategic partners, and where we deem appropriate, we can procure a requirement separately from the agreement and issue to the wider marketplace.



Figure 17: Strategic Agreement Governance (REDACTED)

4.6. Case Studies

Transformers (globally sourced)

The market remains volatile amid capacity constraints and growing demand. Lead times for some types of transformers have doubled since 2020. To seek to mitigate this we have continued our direct relationship with our suppliers through periodic bulk procurements over the last 5 years.



Figure 18: Transformer Bulk Procurement

Standardisation of transformers is advanced which enables a bulk tender to be completed in approximately [redacted] months in comparison to [redacted] months pre-2019. This has kept suppliers engaged in our tender process (8 suppliers vs 9 suppliers now). Cost increases are currently being mitigated due to our competitive bulk tender processes maintaining competitive tension.

Increased standardisation also enables us to be more agile where delays out with our control are encountered. For example, a delay with a developer resulting in us redeploying the transformer to another project with the same requirements. We will then purchase the transformer for the delayed project within a future bulk order (eg project X developer delayed connection until 2031, this transformer will be used for another project).

Switchgear GIS (globally sourced)

Price volatility and lead times have been a challenge for us. Lead times for 400kV circuit breakers between 2020 and 2024 increased from [redacted] months to [redacted] and for 132kV circuit breakers lead times have increased from between [redacted] months in 2020 to [redacted] months in 2022 (as described in Table 7: Change in lead time for Critical Equipment since 2020), stabilising at [redacted] months in 2023. To seek to mitigate this we have continued our direct relationship with our suppliers.

Standardisation of GIS switchgear at 400kV is moving at pace, the number of standard bay types have reduced from [redacted] bay types to [redacted]. This however does not increase competition, as we are limited to the OEMs (original equipment manufacturers) who have their products approved and successfully type tested (current supply base is limited to [redacted] OEMs).