

Stakeholder Engagement Strategy

Version 3.4

FINAL



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INTRODUCTION

Our vision as a business

Our vision as a business is to be a customer-focused company trusted by our communities and stakeholders; an engineering company with strong stewardship of assets and world-class safety credentials; and a company that attracts and develops skills for the future from the communities we serve.

As the licensed Transmission Owner (TO) responsible for the transmission of electricity through central and southern Scotland, our role is to maintain, operate and invest in our network to ensure safe, reliable and economic services for all network users. Our network is playing a key role in changing the shape of the GB transmission system to accommodate large-scale renewables. Approximately 50% of renewable generation in GB flows across our network.

As a licensed Distribution Network Operator (DNO) we serve 3.5 million customers across Central and Southern Scotland, Merseyside and North Wales. We are modernising large parts of these networks currently to further strengthen reliability and improve resilience to extreme weather. We are proud to be delivering our services at lower cost, and with levels of customer service consistent with some of the best performing businesses in the country.

Delivering this vision for and with our stakeholders

We recognise and embrace the fact that effective engagement with our stakeholders is key to our success in realising our vision as a business, and we see the role of stakeholder engagement as both broad and deep.

Our stakeholders are any individual or organisation who is affected by or capable of influencing how we deliver our services, even if they (or us) do not know it yet. Engagement covers all the different ways in which we involve stakeholders in what we do – from simple information provision, through the gathering of views and feedback, to joint working, problem-solving and strategic planning. Stakeholder engagement is the process by which we involve stakeholders, and engage with them to identify and understand their issues and needs, thereby allowing them to influence our business decision making and business change to provide the highest possible standard of service, and one that fits their requirements.

We are particularly attuned to the importance of stakeholder engagement because of the environment in which we operate. We are a monopoly provider of most of our services in our areas. In a sales driven environment, the business behaviour of the company would change depending on sales performance and customer behaviour. Within the monopoly environment, our customers and stakeholders do not have a choice in the operator of their network, nor are they able to influence the market by exercising choice of product. For this reason, it is crucial that we provide specific channels for our stakeholders to influence the behaviour of the company.

Our strategy

We have a strategy for stakeholder engagement because doing it well – and to consistent, well-understood objectives – is relevant and useful to every aspect of our business. Our strategy articulates these objectives, and the common approach and techniques we use and promote in order to deliver it and improve our performance over time.

Objective

The objective of our stakeholder engagement strategy is:

“To continually improve how we engage with stakeholders across all aspects of our business – in order to identify and realise opportunities to inform, understand, problem-solve, plan and deliver better against our vision as a business.”

Approach and techniques

The approach, processes and techniques we apply in the pursuit of this objective are explained further in the sections that follow. In summary, they have the following key characteristics:

- **Embedded responsibility:** - the planning and delivery of engagement activities consistent with our strategic objectives are the day-to-day responsibility of senior managers across our business. Further, these areas of responsibility have been challenged and validated by our external panels.
- **Centralised co-ordination and support:** - the work of senior managers is co-ordinated, supported and challenged by a central team of dedicated staff. This role extends to sharing ideas, plans and outcomes, providing training, promulgating best practice, and reporting independently to the CEO and his Executive Team.
- **Continual senior-level challenge and review, both external and internal:** - strategic direction is owned by the CEO and Executive team, and guided and challenged through systematic use of external input. This takes the form of external stakeholder panels and independent assurance and accreditation.

We view these characteristics as consistent with, and supportive of, our objective – and to the principles of inclusivity, materiality and responsiveness inherent in the accreditation standard (AA1000) that we relate our performance to.

Why do SPEN engage?

The benefits to our stakeholders are clear. By being involved, they are able to bring about change and improvement to SPEN to benefit their needs as a stakeholder using, or impacted by, our service.

Engaging with individuals, groups and organisations that are affected by our activities and responding to their concerns makes us perform better. It increases our knowledge and contributes to how we operate in the future. It brings benefits to the organisation including improvements in reputation, resilience during difficult situations, risks management and in shaping the long-term business.

But why are we, SPEN, engaging? Through engagement with our stakeholders, we have seen many positive changes in our business. Our stakeholders were heavily involved in the creation of our RIIO-ED1 and T1 business plans. Our stakeholders helped us to form our priorities for the next 8 years of our business plan. They told us what was important to them, which allowed us to make sure that the investments we make in our network and the efficiencies we challenge are in line with what our customers and stakeholders need.

By collaborating with specialist stakeholders from outside our business and market through the means of working groups, we are able to pool their expertise to solve problems that we wouldn't be able to solve on our own as a network business. One example of this is our Social Obligations Working Group, which has helped us get closer to our harder to reach customers and allowed us to evolve our service to make sure that our most vulnerable customers, dependent on electricity, are given a priority service during a supply interruption.

Our whole business structure has been created to further embed engagement across our organisation. Embedding responsibility for engagement across our organisation at all levels means that we can understand the changing and evolving needs of those in receipt of our service. This understanding is possible because we listen to what we are being told and we use that feedback to change and continue to build our business to reflect what our stakeholders need.

Key benefits of engagement:

- Higher quality and informed decision making; informs our business plan at the highest level
- Addressing areas of risk
- Allows for pooling of expertise to solve problems that cannot be solved by SPEN alone
- Allowing SPEN to gain understanding of complex operating environments outside our area of expertise
- Building trust and transparency to enhance and maintain reputation
- Improved resilience in difficult situations
- Increased capacity to innovate
- Early identification of external changes
- Using learning from stakeholders to improve process and service
- Able to guide key stakeholders to understand business decisions and the challenges of our environment

Who is responsible for engaging? We all are.

This stakeholder engagement strategy applies across the whole business including both transmission and distribution activity. The central stakeholder team has overall responsibility for the stakeholder engagement process and strategy but the application and delivery of the strategy sits with the individual business units.

Each business unit owns, and is responsible for, engagement with their own stakeholders under this central approach for stakeholder engagement.

Business unit activity is shared centrally to ensure that a similar approach and language for stakeholder engagement is being used across the business, that best practice is shared and that cross-business unit feedback can be addressed.

It is important that we can demonstrate tangible benefits of stakeholder engagement for both stakeholders and ourselves. It is the responsibility of us all to seek out, listen to and act upon stakeholder feedback.

AIM OF THE STAKEHOLDER ENGAGEMENT STRATEGY

The aim of our stakeholder engagement strategy is to provide a framework to operate within, to improve the performance of the organisation by seeking out, listening to, and acting upon stakeholder feedback.

Stakeholder engagement is used to support both operational and strategic improvements in performance. Ultimately this helps us to deliver a better service for the end customers on our electricity network, and those impacted by our operations, now and into the future.

It is critical that our stakeholder engagement activity is embedded into aims and responsibilities across our organisation, is relevant, addressing strategic issues, and is focussed on areas where stakeholders can really influence what we do. Only then do we establish the level of engagement that can deliver real benefits for both the business and stakeholders.

The principles and foundation of our strategy

SPEN, and the wider Iberdrola group have adopted the AA1000 Stakeholder Standard. We systematically and rigorously manage engagement with our stakeholders in line with this standard, and we are subject to annual independent external assurance against it.

The stakeholder standard AA1000 recommends that 3 key principles are applied, and as such, these are the foundation to our strategy. The key principles are:

Inclusivity

Inclusivity is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability. An inclusive organisation accepts its accountability to those on whom it has an impact and who have an impact on it.

We accept our accountability to those who we impact, and those who have an impact upon us. We accept our responsibility to enable participation, engaging at all levels to achieve better outcomes.

Materiality

Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders.

We accept our responsibility to determine the most relevant and significant issues for us and our stakeholders and then prioritise engagement around these issues.

Responsiveness

Responsiveness is an organisation's response to stakeholder issues that affect its sustainability performance, and is realised through decisions, actions and performance, as well as communication with stakeholders.

We respond to the feedback we receive on material issues by making decisions, taking action, improving performance and communicating with stakeholders.

How do we embed these principles within our organisation?

The seven-pillar strategy that we lay out in the remainder of this document is designed to support the achievement of these principles:

Inclusivity

- Central 'Stakeholder Engagement Hub' Database
- Map stakeholders and carry out gap analysis to establish missing groups
- Seek out harder to reach customers by using existing network to build and grow stakeholder base
- Evolve and grow customer awareness to educate stakeholders to contact us and be involved
- Create toolkit to allow self-service of stakeholders and widening of stakeholder reach

Materiality

- Align stakeholder engagement activities with our strategic business priorities
- Ensure stakeholder priorities remain valid
- Justify initiatives developed as a result of stakeholder feedback through Cost Benefit Analysis

Responsiveness

- Track feedback and actions
- Develop and deliver initiatives based on stakeholder feedback
- Create an evaluation and measurement toolkit
- Develop an Internal and external reporting framework which demonstrates performance against key strategic issues

UNDERPINNING OUR STRATEGY – THE SEVEN PILLARS

Our seven-pillar is summarised in the diagram below; we will explain the purpose and benefits of each pillar in turn through the pages that follow.



Pillar 1: Governance

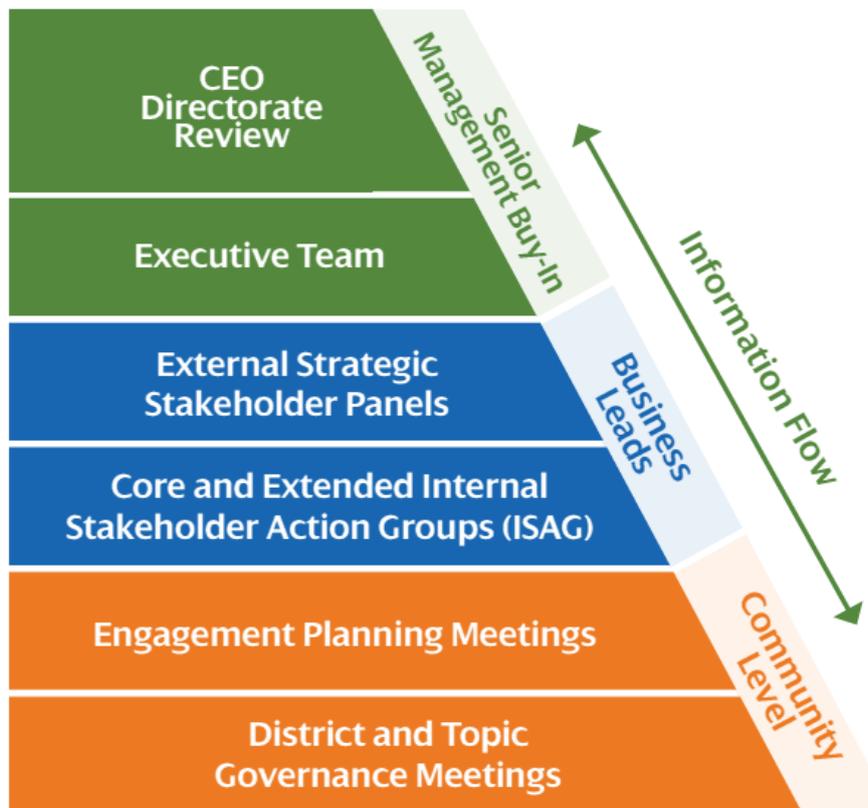
Governance

- CEO Directorate Review
- Executive Team Reporting and Review
- External Strategic Stakeholder Panels
- Core and Extended Internal Stakeholder Action Groups
- Engagement Planning Meetings
- District and Topic Governance Meetings

Our strategy needs a governance pillar because stakeholder engagement affects every part of our business, and because responsibility for developing, delivering and tracking individual initiatives is embedded within a large number of different teams across the business. Governance delivers a structure to ensure that efforts are aligned to strategic priorities, coherent and of sufficient quality. It also creates a robust structure for monitoring progress, and sharing learnings across the business.

Our governance structure for stakeholder engagement ensures that we have appropriate processes and opportunities in place to gather and develop strategic opinions, and to engage to make and implement decisions in line with these opinions.

Our Embedded Governance Structure



CEO Directorate Review

Our CEO meets with key senior managers and executives from each of our six business Directorates on a regular basis. These discussions, which encompass investment delivery and planning, cover the key risks and priorities in each area of the business and review the stakeholder engagement undertaken to support these.

Executive Team Reporting and Review

The executive team regularly discusses emerging and developing strategic themes, proposing resulting changes to business strategy and addressing barriers to the completion of actions.

Stakeholder feedback is collected through discussion at the Core and Extended Internal Stakeholder Action Groups (ISAG), and from entries within the Stakeholder Hub, into a monthly report for review by the Executive Team. This report highlights engagement activity, feedback themes and actions in a 'You Said...We did...We changed...' format (See Appendix 1 for an example report). The Executive Team review emerging stakeholder themes, feedback and actions, making business decisions that answer feedback, feeding relevant topics into the External Strategic Stakeholder Panels for further discussion, removing any barriers to the completion of stakeholder actions and leading the way in making stakeholder engagement central to all decision making.

External Strategic Stakeholder Panels

Formed in 2014, each of our External Strategic Stakeholder Panels (one for our Scottish territory, one for our English and Welsh territories) meets three times a year. These independently facilitated panels discuss the big strategic issues that our company faces, enabling CEO, Directors and senior managers to better understand the drivers behind these issues and consider the possible solutions within a mature group of around 15-20 knowledgeable and varied stakeholders.

Panel membership is made up of senior representatives from a wide range of stakeholder groups (See Appendix 2), supplemented by specialist contributors where a topic requires additional expert knowledge. The membership of both panels is regularly reviewed to ensure suitable coverage, and each member is encouraged to provide an annual evaluation of the usefulness and success of the panels, in terms of the value they bring to SPEN and to their own organisation. The continuity of panel membership is key to the success of the panels; members develop an in-depth understanding of SPEN and its strategic aims and are therefore able to knowledgeably advise upon the best course of action. As a side benefit, the panels also enable their members to develop peer-to-peer relationships that directly benefit their own organisations.

The Scotland panel has covered Transmission-focused strategic issues since 2014, but in 2015-16, we recognised the potential need for more specific strategic executive-level engagement on Transmission. We are currently working with key interested and influential stakeholders to engage with them on our challenges in Transmission and ask them what kind of strategic engagement they would like to see moving forward.

Core and Extended Internal Stakeholder Action Groups

Formed in 2013, and at the heart of our engagement development and delivery are the Core and Extended Internal Stakeholder Action Groups (Core ISAG and EISAG). Core ISAG membership is composed of dedicated Stakeholder Engagement & Customer Relations Managers from each licence; SP Transmission, SP Distribution and SP Manweb, and members of the dedicated central Stakeholder Engagement and Social Obligations teams. The Extended ISAG includes all Core ISAG members and extends to the other senior managers who own and deliver topic-specific Engagement Plans.

These groups meet fortnightly on an alternating basis. The Internal Stakeholder Action Group, at both levels, is a working group which plays a central role in the organisation's stakeholder engagement strategy, leading engagement in line with business engagement priorities, sharing feedback, actions and best practice from across the business. Both levels of this group drive a systematic approach to stakeholder engagement, whilst each member owns and reports on action plans focussed on addressing key strategic priorities.

The Core ISAG discusses the key Licence and Consumer Vulnerability specific engagement programmes, sharing feedback themes, developments in stakeholder engagement strategies and tools to ensure synergy and consistency across the business.

The extended ISAG is responsible for managing and reporting on engagement plans from the wider business that support and impact licence level engagement. Engagement is tracked against annual plans to identify progress, and to identify and share emerging themes and gaps in stakeholder reach that require action. The group is also responsible for managing progress on appropriately tracking stakeholder contact data, tracking feedback from stakeholders and tracking actions taken as a result of feedback.

All ISAG members are responsible for managing and reporting on action plans to address the key strategic engagement priorities identified. They are accountable for knowing what engagement activity is taking place within their respective business units and for reporting back to the group on this. The terms of reference for the Internal Stakeholder Action Groups are outlined in Appendix 3 and the members of the Groups are outlined at Appendix 4.

Engagement Planning Meetings

In addition to the Core and Extended ISAG meetings, members of the central Stakeholder Engagement team meet with each of the 14 engagement plan owners and their teams a minimum of twice a year to develop, review and refine their engagement plans, to provide individual, tailored peer to peer training and to ensure that the available tools are being used to support and document their engagement.

District and Topic Governance Meetings

Each Engagement Plan owner meets with relevant internal stakeholders within their business or topic area to:

- map and prioritise stakeholders at a district and topic level,
- ensure that the strategic issues and risks specific to the area are fully captured,
- deliver and document engagement based on these risks and issues, and
- to follow through with the resulting actions.

Pillar 2: Stakeholder Hub

Stakeholder Hub

- Central register of stakeholder contact information
- Categorisation of stakeholders
- Prioritisation of stakeholders
- Combined business-wide engagement plan
- Feedback and action log

Our strategy needs a stakeholder hub because ready, up-to-date information on who our stakeholders are is a critical input to delegated engagement planning. It would be inefficient and prone to error if we relied on individual business units to develop and maintain individual stakeholder logs and maps. Our stakeholder hub also ensures that we can easily track the multiple ways in which a single stakeholder might engage with us, and the resulting feedback and actions.

The Stakeholder Hub is the primary tool that all Engagement Plan Owners use to document their engagement. All Engagement Plan Owners and, where relevant, their teams, have been trained in the use of the Hub and it is their collective responsibility to ensure that each of its parts is kept up to date throughout the year. Having all of the information on stakeholders, engagements, feedback and actions in one central shared space enables the team to identify opportunities and efficiencies and to avoid duplication of effort.

The Hub made up of three parts:

Stakeholder Register – this is the register of all stakeholders identified across all engagement plans. It is updated regularly by each Engagement Plan Owner, and, along with the usual names, companies and contact details, categorises each stakeholder in terms of stakeholder group and priority across each Engagement Plan. (See Appendix 5). Where practical, it shows which engagement each stakeholder has received throughout the year, and also enables us to identify stakeholder interest in particular voltages, territories or districts.

Combined Engagement Plan – This is the master list of all the engagements planned across all 14 Engagement Plans. It shows the aim of each engagement, linked to specific strategic issues, the stakeholder groups involved as well as the date and the type of engagement. (See Appendix 6) The combined plan enables all Engagement Plan Owners to view all of the engagement across the business on a specific strategic issue, or by stakeholder group, enabling them to make informed decisions about resourcing and future engagement planning.

Feedback & Action Tracker – This is the central list of all feedback gained from stakeholders throughout the year. Categorised by individual engagement and stakeholder, it identifies the feedback we have received

via our engagements, the actions that we have promised to complete, and the updates on these actions, including quality checks to ensure that we have communicated progress in the correct way. (See Appendix 7)

As stakeholders or engagements are added or removed, priorities, issues, feedback and actions are updated within the Stakeholder Hub, improving our records with each engagement. Building on the success of the Stakeholder Hub, we are currently working towards the introduction of a new online stakeholder management tool which will replicate its functionality whilst providing added functionality which, for example, will enable:

- Engagements to be assigned to more than one strategic issue
- Stakeholders to be assigned to multiple stakeholder groups for greater granularity
- Event invitations to be sent from the same system, removing the need for manual updates on the stakeholder register
- Each Engagement Plan owner to see their own dashboard of engagements and activities
- The easy attachment of stakeholder emails to individual stakeholder records

Pillar 3: Engagement plan

Engagement Planning

- Documented annual engagement plans and ownership across business
- Stakeholder engagement activities aligned with strategic business priorities and risks
- Stakeholder groups analysed for interest and influence for prioritisation
- Embedded process and self service to allow selection and implementation of appropriate engagement methods

Our strategy needs a pillar relating to the engagement planning process in order to drive quality and the consistent application of best practice. This is key under an approach in which the development of plans is delegated to individual areas of the business. The process defines the scope of responsibilities, and the process for developing plans within each area. The planning process makes use of the stakeholder hub, and progress against plans is tracked through the hub.

Ownership Across Business

Our comprehensive engagement planning process is embedded across our business.

In 2014, we asked an independent agency to carry out an audit across our business to understand the interest and influence levels of stakeholder groups, recognise the strengths and weaknesses in current activities and to identify any gaps in our engagement planning process.

The resulting report established 14 key focus areas across the organisation which we should consider in our engagement in order to successfully give focus to specific stakeholder groups and business priorities. We refined this list to reflect senior management ownership within our new business model, resulting in the following list of 12 engagement plans:

- SPD licence strategic plan (inc. Connections, Supply Chain and Community)
- SPM licence strategic plan (inc. Connections, Supply Chain and Community)
- SPT licence strategic plan (inc. Supply Chain and Community)
- SPT connections plan
- Social obligations plan
- Sustainability plan
- Smart metering plan
- Future networks plan
- Customer and emergency preparedness plan
- Recruitment plan
- Public safety plan
- Land and planning plan

New for 2016, we have added Regulatory and Streetworks plans to our suite of engagement plans, to ensure consistency of planning and execution in engaging with Ofgem, DECC and stakeholders associated with Streetworks activities.

Four-step approach to annual engagement planning

For each of the 14 engagement plans (including the new Regulatory and Streetworks plans), we undertake an iterative four-step engagement planning process, supported by regular Engagement Planning Meetings. This is carried out a minimum of twice a year, to ensure that engagement plans remain relevant and targeted over time.

Four-step approach to engagement planning



This step by step approach in each area encourages senior management to identify the issues and challenges they face so we can ensure engagement is appropriately aligned to these. It offers a standard template, which allows stakeholder groups to be prioritised by interest and influence in each area of our business to ensure our engagement is targeted appropriately.

Identifying strategic issues and risks

The first stage in the engagement planning process is to identify the strategic issues and risks that we need to use engagement to mitigate or solve. This means identifying the top ten or twenty big issues and risks within the scope of each Engagement Plan. For this, each engagement plan owner is encouraged to liaise with their own teams and other internal stakeholders via their regular District and Topic governance meetings, as well as incorporating existing knowledge of strategic issues in their business area and recognising any issues already highlighted through past engagement.



TRANSMISSION BUSINESS STRATEGIC ENGAGEMENT PRIORITIES:	DISTRIBUTION BUSINESS STRATEGIC ENGAGEMENT PRIORITIES:
<p>Service (Connected Customers)</p> <ul style="list-style-type: none"> Improved processes for maintaining security of supply <p>Connecting to the network</p> <ul style="list-style-type: none"> Improved process for new connections More accessible process for new connection <p>Environmental Planning</p> <ul style="list-style-type: none"> Mitigating consenting and planning challenges <p>Sustainability</p> <ul style="list-style-type: none"> Minimising environmental impact <p>Supply chain</p> <ul style="list-style-type: none"> Improved relationships with supply chain <p>New: Community Engagement</p>	<p>Safety</p> <ul style="list-style-type: none"> Public safety education Agricultural safety <p>Connecting to the network</p> <ul style="list-style-type: none"> Facilitating renewable connections Connections process <p>Customer and Emergency Preparedness</p> <ul style="list-style-type: none"> Communication during a power cut Reliability and availability of supply Severe weather resilience Poorly served customers Collaboration on network plans General awareness <p>Recruitment</p> <ul style="list-style-type: none"> Workforce renewal <p>Environment, Future Networks and Sustainability</p> <ul style="list-style-type: none"> Future proofing for low carbon Innovation Carbon footprint <p>Social Issues and Obligations</p> <ul style="list-style-type: none"> Fuel poor Vulnerable <p>Supply chain</p> <ul style="list-style-type: none"> Improving contractor relationship <p>New: Community Engagement/Local engagement improvement</p>

Stakeholders prioritised by interest and influence

The next stage is to identify all of the stakeholders who may have an influence on, or be interested in, the strategic issues identified within the scope of each Engagement Plan. This involves identifying the stakeholders and groups that we already know about as well as identifying and filling gaps in coverage of harder to reach or less visible stakeholders. Once the relevant stakeholders are known, we prioritise them in each Engagement Plan by their level of influence upon and interest in our operations.

Scheduling appropriate engagement

Using the prioritised list of stakeholders for each Plan, we can identify the appropriate engagement mechanism and tailor it as necessary depending upon stakeholder interest and influence and any pre-existing feedback:

SPECTRUM OF ENGAGEMENT TYPES



Examples of tailored engagement include bringing engagements to the best location for our stakeholders, providing tailored materials and venues to increase accessibility, meeting stakeholders through existing forums to avoid additional need to travel, and continuing to refine our engagement formats in line with stakeholder feedback.

Recording feedback and actions

Our new Stakeholder Hub is used to track all engagement against the plan and to record all feedback from stakeholders and the action we will take as a result. The senior managers who own each of the 14 plans are members of the **Internal Stakeholder Action Group**, meeting monthly to track progress.

Each engagement plan contributes to the **centralised annual engagement plan**, which outlines the high-level annual stakeholder engagement activities for the year (see Appendix 6 for an extract of the plan). It focuses on the engagement activity in response to the key strategic engagement themes for the year. The engagement plan is owned jointly by all Engagement Plan owners, and is updated on a regular basis (see 'Stakeholder Hub' section for more information).

Pillar 4: Systematic approach

Systematic Approach

- Toolkit, including consistent templates and databases
- Advice and Support from Central Team
- Training and Self Service
- Initiatives justified through Cost Benefit Analysis

Our strategy needs a standard toolkit for stakeholder engagement ambassadors across the business in order to drive quality and the consistent application of best practice. As with the planning process, this is key under an approach in which the development of plans is the responsibility is delegated to individual areas of the business. The toolkit – which includes information, techniques, training and support – promotes consistency across the business in the extent to which potential benefits from stakeholder engagement are realised in practice.

This systematic approach is facilitated through the Core and Extended ISAGs and through the use of this toolkit.

The toolkit includes templates for engagement planning, scribe notes, meeting notes and reporting on engagement activity. The tool kit is supplemented by stakeholder engagement case studies that give real examples of engagement activity undertaken in the business. The benefit of these is that engagement can be approached in the same manner cross-business. All elements of the tool kit are published on the internal website alongside other supporting documents including the strategy and are accessible to everyone in the business.

The tool kit in itself does not automatically ensure a systematic approach. It is the role of the central stakeholder engagement team to provide support and advice to those planning engagement activities in order to develop a systematic approach and to ensure all aspects of the engagement process are considered including:

- Inclusivity of stakeholders
- Selecting appropriate mechanisms
- Recording feedback
- Measurement
- Actions
- Feeding back to stakeholders

Members of the Internal Stakeholder Action Group and their nominees who are directly involved in planning or executing stakeholder engagement activities have been given training on best practice approach to stakeholder engagement, as part of a capacity building programme within the organisation bringing knowledge of other industries to give a broader perspective on engagement. We have engaged an independent stakeholder specialist to provide updates and training within the ISAG meetings and it is we will run tailored courses annually to assist in evolving our strategy and further embedding structured and systematic engagement throughout our business.

Stakeholder Engagement Strategy



The 'spectrum of engagement' was one of the key elements of the training that helped participants to really understand where on the spectrum they were engaging (see Appendix 8).

Stakeholder engagement, our strategy and approach will be built into our company induction programme, which will mean that all new employees to our business will understand our commitment to our stakeholders and how they contribute at whatever level they join our company.

Pillar 5: Feedback loop

Feedback Loop

- Clear end-to-end engagement process
- Transparent Engagement Activity
- Feedback to Stakeholders on Policy and/or process changes
- Recurring Engagement and long term, local relationships

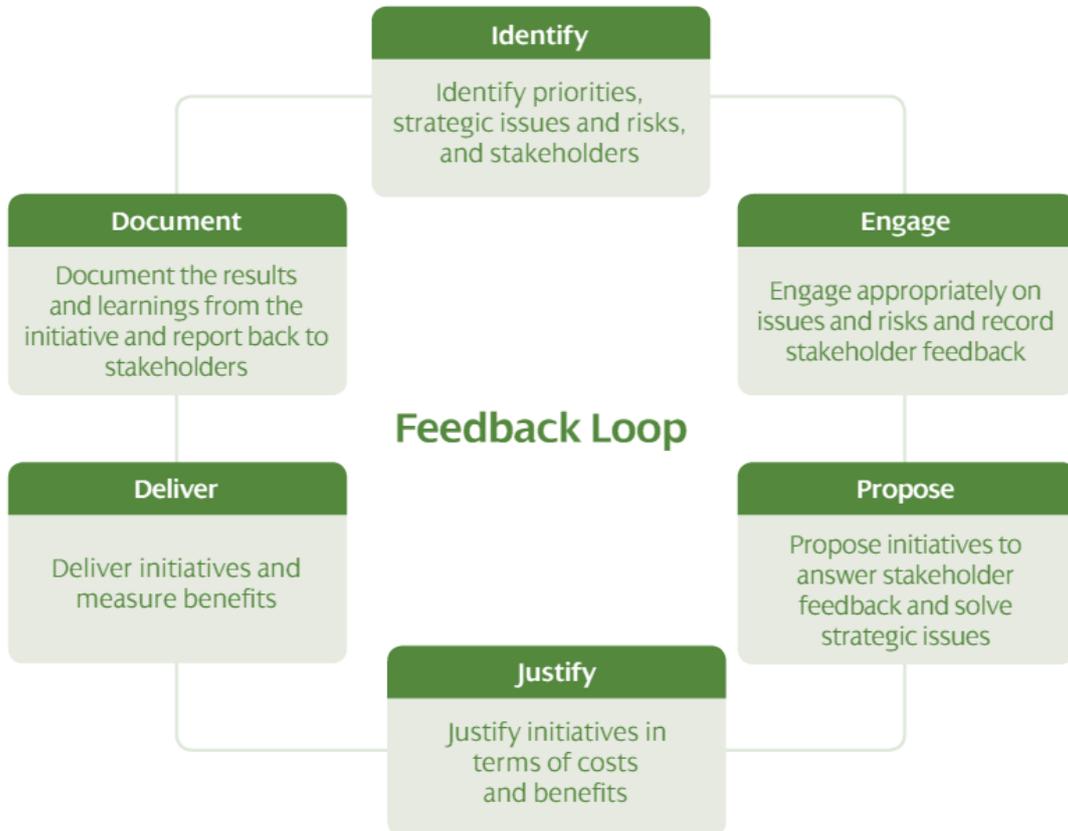
Our strategy needs a feedback loop in order to maximise potential benefits, and to encourage further engagement. Stakeholders need a clear line of sight between their involvement and their experience of our services or plans. Further, this experience needs to be consistent and strong regardless of the particular areas of the business. In this way, we create a "virtuous circle" of greater understanding and insight on both sides.

A key element of good practice stakeholder engagement is transparency and inclusivity i.e. seeking out those whose input is valuable and being transparent about what has been said, what has been heard and what action we've taken as a result. Making stakeholder engagement information available widely using the web, sharing openly with stakeholders and making them aware of information, achieves this.

After having spent time designing engagement with stakeholders and them having spent time engaging with us, it is critical that we return to them and share with them what we've done in relation to that feedback or what we have chosen not to do and why.

The best way to achieve this is through recurring engagement where regular updating can be provided and progress can be seen.

The 'virtuous circle' of engagement, feedback and action



In 2016-17 the Tractivity stakeholder engagement management system will be implemented and embedded in the business. This system, which builds on our current Engagement Hub, will provide greater visibility of the feedback received from stakeholders and the associated actions taken across the business, enabling us to track all key engagement with each stakeholder in a more detailed and meaningful way.

Pillar 6: Resources

Resources

- Central Stakeholder Team
- Licence Specific Stakeholder Teams
- Embedded Engagement Model
- Senior management across all parts of business responsible for production and delivery of 14 licence- and topic-specific engagement programmes

Our strategy needs a systematic approach to resourcing because the level, quality and targeting of resources over time will have a direct impact on outcomes – and the extent to which our strategy delivers against its objective. Our resourcing model is based on embedded responsibility with centralised support and accountability. It evolves over time based on results, and evidence on where additional or different resources can add most value.

The central stakeholder team supports the business in delivering stakeholder engagement at a business unit and licence level, collating and reporting on stakeholder engagement activity and actions. It is the team's responsibility to promote stakeholder engagement and to define the strategy for engagement.

The team is also responsible for the delivering annual regulatory submissions, developing the processes for stakeholder engagement and adherence to these processes. The stakeholder team are not business knowledge experts but support and facilitate engagement and reporting of engagement with the business experts delivering the engagement activity.

The **stakeholder engagement function reports directly to the Customer Services Director**, giving director-level access to stakeholder feedback that can influence the business strategy. Aligning our stakeholder engagement function with our Customer Services directorate ensures a joined up approach for all stakeholders and customers, and brings the stakeholder engagement team closer to the 'front end' of our business. This close link with Customer Services allows the stakeholder team to see emerging themes at the earliest opportunity and to feed information into the ISAGs.

As part of our business reorganisation in 2015, we have assigned specific stakeholder and customer service roles within each licence area (SPD, SPM and SPT) to lead the delivery of consistently high levels of customer service and stakeholder engagement internally and externally across each licence. These individuals develop annual plans at a licence and district level, in line with business aims and customer satisfaction strategies, including informing, consulting and involving stakeholders where relevant and evaluating the effectiveness of these strategies. The **stakeholder manager for each licence** is a member of the Core ISAG team.

Stakeholder Engagement Strategy



On top of our licence-specific engagement managers and their teams, senior managers from across the business have delegated responsibility for District and Topic-specific engagement plans. The Internal Stakeholder Action Group is a key part of the structure of the Stakeholder Engagement Team and ensures that engagement is embedded within the business and not something that is seen as the responsibility of only the central or licence Stakeholder Engagement Teams.

Embedded engagement responsibility	Executive Team	Central Stakeholder Team	Licence Stakeholder Teams	Topic Engagement Plan Teams	District Teams
Comprehensive Stakeholder Engagement Strategy	Ownership, challenge and review of strategy	Setting the strategy and continually improving it	Integrating strategy into licence engagement plans and delivering licence-level engagement	Integrating strategy into topic-specific engagement plans and delivering topic-specific engagement	Integrating licence engagement priorities into district plans and delivering local engagement
Broad and Inclusive Stakeholders	Driving inclusivity and challenging breadth and depth of stakeholder coverage	Identifying gaps in coverage and supporting plan owners to broaden	Identifying and broadening licence stakeholder base in line with emerging themes	Identifying and broadening topic-specific stakeholder base in line with emerging themes	Identifying and broadening district stakeholder base in line with emerging local priorities
Tailored Engagement Mechanisms	Driving analysis of materiality and innovative tailoring of engagement	Guiding engagement owners to use innovative and tailored methods that match materiality	Identifying the needs and priorities of licence stakeholders and tailoring engagement to suit	Identifying the needs and priorities of topic-specific stakeholders and tailoring engagement to suit	Delivering local stakeholder engagement, tailored to suit local stakeholders
Acting on Feedback	Ensuring that feedback influences high level business decision making	Ensuring consistency of response and analysing feedback themes	Ensuring that feedback is acted on and answered consistently across all licences and districts	Ensuring that feedback is acted on and answered consistently across all topics	Ensuring that local feedback is documented and acted upon
Positive Outcomes	Challenge and review of engagement outcomes	Consistency of measurement and evaluation	Designing and delivering licence initiatives to give the most positive outcomes for stakeholders	Designing and delivering topic-specific initiatives to give the most positive outcomes for stakeholders	Designing and delivering district initiatives to give the most positive outcomes for local stakeholders

Pillar 7: Assurance, Measurement, Evaluation and Accreditation

Assurance, Measurement, Evaluation and Accreditation

- Independent external assurance to AA1000 standard
- Measurement of outcomes
- Evaluation Framework
- Introduction of BSI18477 Standard for Inclusive Service Provision; Requirements for identifying and responding to customer vulnerability

Our strategy needs an assurance, measurement, evaluation and accreditation pillar to ensure that decisions relating to our strategy are grounded in evidence and subject to independent, expert scrutiny. This holds us to account, accelerates learnings and gives us confidence in interpreting the outcomes of our engagement activities.

Each year we undertake assurance of our approach to stakeholder engagement with reference to the AA1000SE Stakeholder Engagement Assurance Standard and the principles of inclusivity, materiality and responsiveness included within that standard. We implement an evaluation framework that allows stakeholder engagement measurement to be carried out in a consistent manner across the business.

2015-16 has seen us develop a new cost benefit analysis (CBA) model for measuring stakeholder initiatives, based upon the successful modelling used in the development of our RIIO-ED1 business plan. The new modelling is available to all ISAG members and their direct reports and tailored training has been made available to this group.

The CBA model takes into account all the options for taking forward an initiative, evaluating the costs and both measurable and non-measurable benefits of each. The result can be expressed in terms of Net Present Value (NPV) or Cost Benefit Ratio (CBR).

We will introduce and implement the BSI 18477 standard for inclusive service provision with a view to becoming accredited. This standard is based specifically around identifying and responding to customer vulnerability. The standard sets guidelines to help organizations provide a fair, flexible service that can be used by all consumers equally, regardless of their health, age or personal circumstances.

We believe that this standard will demonstrate our serious commitment to providing services that are fair and accessible to all.

Updating the strategy

This stakeholder engagement strategy is reviewed each year and signed off by the SPEN Executive Management Team.

To discuss this document, or to access the related appendices, please contact stakeholderengagement@spenergynetworks.co.uk