SP Energy Networks

Sustainable Business Strategy 2017

Contents

Foreword

Frank Mitchell, SP Energy Networks, CEO

As a leading electricity networks business we play a critical role in meeting the UK's ambitious climate change targets and in enabling the transition to a low carbon economy.

We have already connected around 7GW of renewable generation to our networks and our stakeholders strongly support our view that we must become a sustainable business in order to continue to deliver this transition.

Our stakeholders have provided clear feedback to us that not only must we deliver this transition, we must have the vision and ambition to become a sustainability leader.

This strategy describes our Vision, Drivers and Goals to achieve that leadership position and ensure we continue to facilitate the low carbon transition in an efficient and effective way. It has been co-created through working extensively with key stakeholders over the last two-years, its development underpinned by the UN Sustainable Development Goals and the UK's climate targets under the Paris Agreement.

Colin Taylor, Director Engineering Services, Chair of SPEN Executive Sustainability Steering Group

Our challenge now is to implement actions to achieve our Goals and Objectives. We will change our internal business culture and adapt business processes to reduce our impacts, as described in our annual Sustainability Plan.

We will work extensively with our stakeholders, via our recently established Sustainability Stakeholder Working Group; collaborating to achieve common goals and address complex sustainability issues. Innovation and stakeholder engagement will therefore be key to our success.

Our Strategy will evolve as we learn from these activities and we intend to review and update this document annually. If you have any feedback on our Strategy, can identify actions we can take or have ideas for collaboration opportunities, we would be very interested to hear from you.

If you would like to participate in the annual review of the SP Energy Networks Sustainable Business Strategy, please contact our Sustainability Team by email at **Sustainable@spenergynetworks.co.uk**

or register on our Online Community
https://spen-stakeholder-community.explainonline.co.uk/

Introduction

No networks company in the UK plays a bigger role in low carbon transition than SP Energy Networks (SPEN). In our licence areas, 4.7gigawatts (GW) of thermal plant has closed in recent years. At the same time, we have connected around 7GW of renewable generation, just under half of which is connected to our distribution network. It includes smaller commercial windfarms, community renewable generation or domestic solar, photovoltaic or wind.

We are focussed on delivering fast and efficient renewables connections. Through proactive management of our network, we aim to provide additional capacity to enable the economic transfer of renewable energy from and through our licence areas.

We are also aware of tough national and international targets aimed at curbing global temperature rises to a maximum of 2°C.

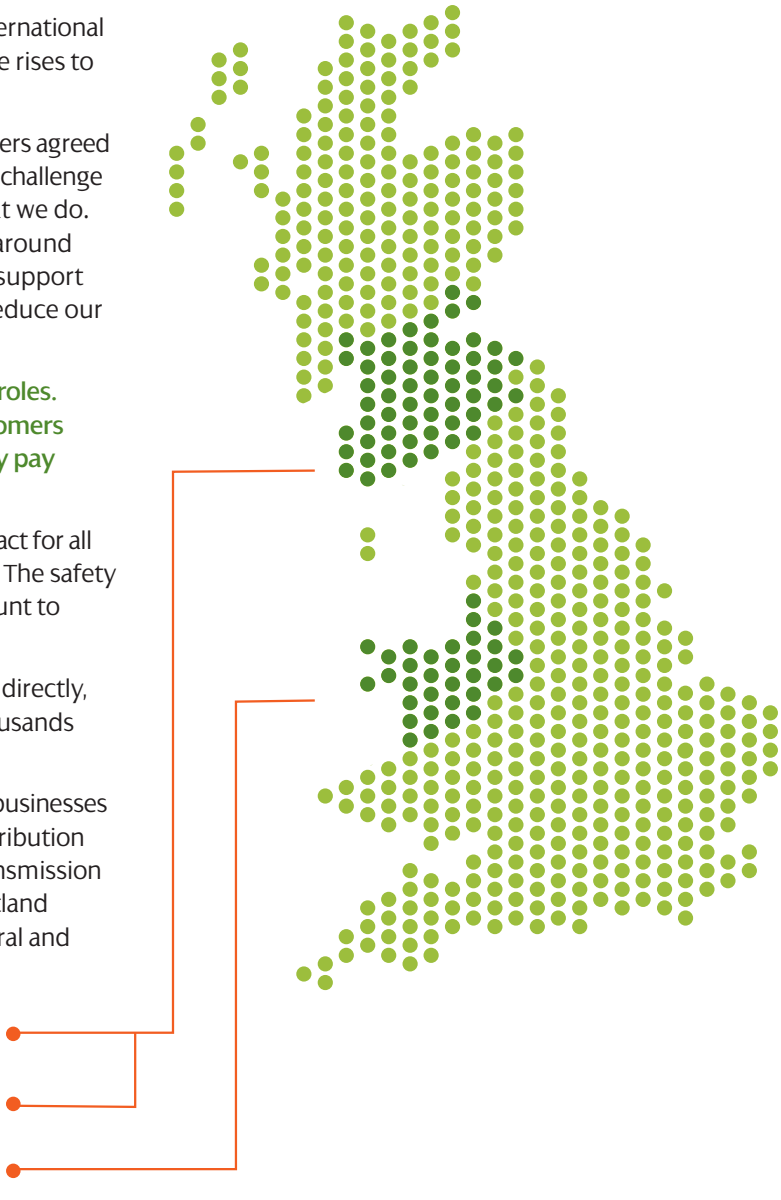
In 2016, a group of our prominent stakeholders agreed we should take the lead and respond to that challenge by placing sustainability at the core of what we do. By using innovation and investment built around our Sustainable Business Strategy, we can support the low carbon transition and ensure we reduce our own footprint right across our business.

Our strategy takes into account our many roles. We distribute electricity to 3.5 million customers across our network, regardless of who they pay their bill to.

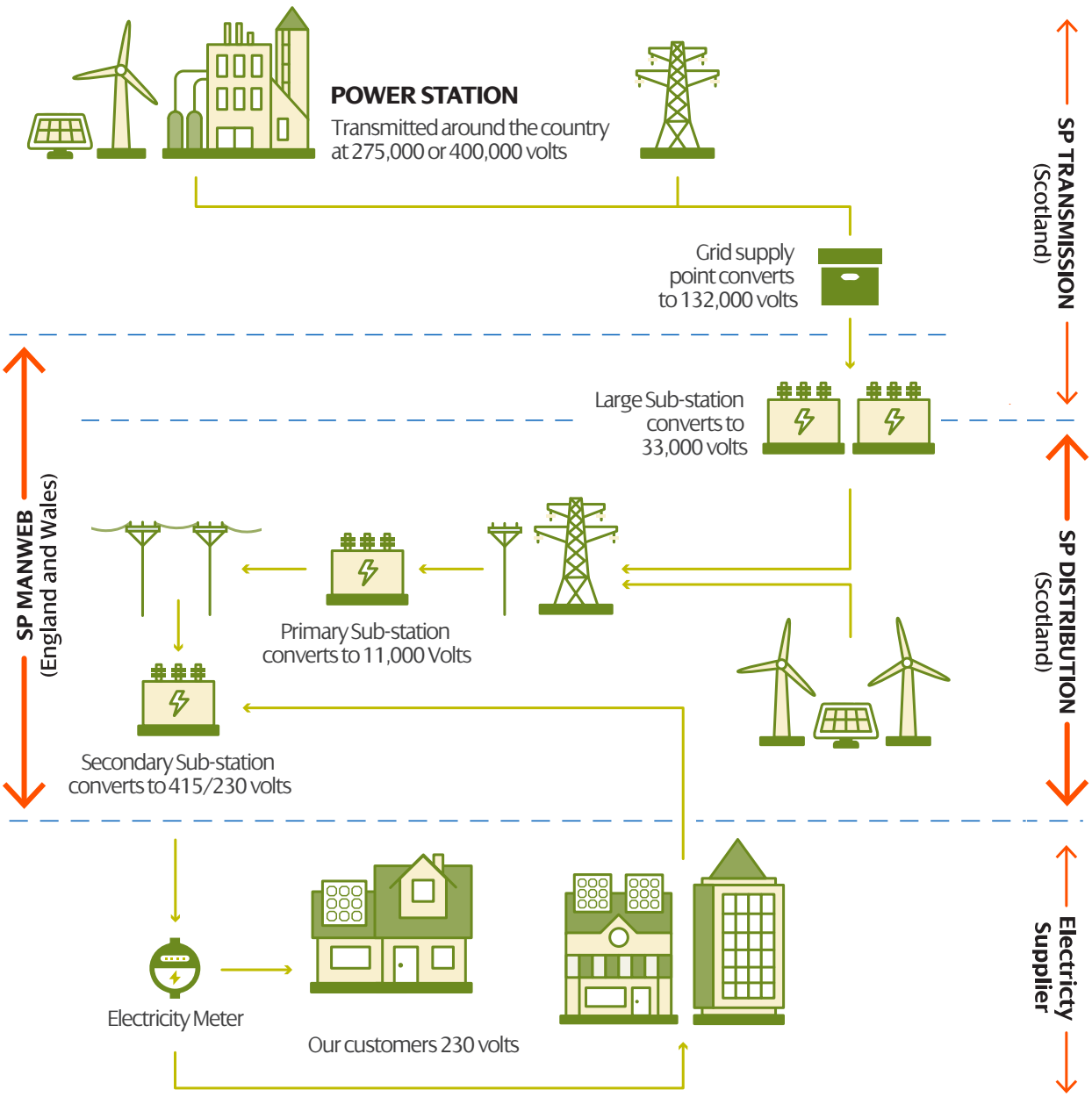
In our licence areas, we are the point of contact for all enquires relating to the electricity network. The safety and security of electricity supply is paramount to our operations.

SPEN employs approximately 3,000 people directly, 2,500 contractors and supports tens of thousands more jobs in our supply chain.

We own three regulated electricity network businesses in the UK: SP Transmission plc (SPT), SP Distribution plc (SPD) and SP Manweb plc (SPM). Our transmission (SPT) and distribution (SPD) network in Scotland covers an area of almost 23,000km² in central and southern Scotland.[1]



[1]http://www.scottishpower.com/userfiles/file/SPEN-Infographic.pdf
https://www.spenergynetworks.co.uk/userfiles/file/201403_SPEN_SPDistribution%20PlanOnAPage.pdf



Our distribution network in England and Wales (SPM) covers approximately 12,000km² in North Wales and in Merseyside, Cheshire, and North Shropshire in England.[2]

As the licensed Transmission Owner (TO) in southern Scotland, we operate, maintain and invest in our network of 132 substations, 7,700 poles and steel towers, 4,000km overhead lines and 320km underground cables at high voltages.

Across both our Distribution Network Operator (DNO) Licence areas (SPM & SPD), our network comprises approximately 30,000 substations, 604,000 poles, 3,700 steel towers, 40,000km of overhead lines and 65,000km of underground cables which deliver electricity to meters in our licence areas.

We are investing £2.6bn in our transmission network during the current RIIO T1 price control period (2013-21) and £4.4bn in our distribution networks during RIIO ED1 (2015-23). These investments will improve performance, ensure security of energy supply and facilitate the connection of low carbon technology.

SP Energy Networks is part of the Iberdrola Group, a globally leading utility with a sustainable business model at the heart of its decision making processes. Our sustainability ambitions complement those of our parent company.

[2]https://www.spenergynetworks.co.uk/userfiles/file/201403_SPEN_SPManwebPlanOnAPage.pdf

Our Vision

Our vision is to be a sustainable networks business. We will embed the principles of sustainability in our decision making, by working with our stakeholders to:

Efficiently manage and develop our network in support of the low carbon transition; and,

Achieve neutral or positive environmental and social impacts.

We will be a leader in this area. Our actions to become a sustainable network operator will drive our supply chain and support our customers and communities to become more sustainable.

The principles of a circular economy and efficient use of resources will be embedded in our business. The materials required for network construction and operation will come from sustainable sources. We will produce 'zero waste', with the components of all 'end of life' assets being reused or recycled into new products.

We will be a carbon neutral company throughout our value and supply chains, and will actively support our customers and local communities towards achieving this goal.

We will have a net positive impact on the environment and the communities in which we operate. We will protect and continually enhance the biodiversity around our assets, and support national and local strategies. Our decision making will incorporate the principles of Natural Capital Assessment to ensure that levels of natural assets are at least protected, if not enhanced.

We will develop our network to mitigate impacts of climate change.

We will work in collaboration with national and local stakeholders to understand their needs and to maximize the positive social and economic impacts of our operations on communities, including education, skills and employment.

Our 'sustainable business' model will be characterised by:

- Consideration of environmental, social and economic costs and benefits in decision making;
- Collaboration with stakeholders; and,
- Transparency in decision-making processes and reporting of performance.

Our Approach

Our Electricity Network

Through our network licences we operate and maintain linear infrastructure which may be routed through, or adjacent to, woodland, farmland, peatland, parklands, watercourses, culturally or environmentally sensitive landscapes and structures. They range from near pristine to degraded habitats. We are required to connect customers to the electricity network whether they are in cities, towns, villages or individual rural properties. We recognise the need to minimise any negative effects these connections could have on the environment and communities.

During planning, construction, operation, maintenance and decommissioning activities, we not only meet the requirements of government policies and legislation but strive to better them by integrating fair and responsible environmental practices with socio-economic considerations. We are a regulated part of the energy industry, but while external factors such as stakeholders' willingness to pay drive our business, other elements are within our control. One example of this is the renewal of our legacy assets as they reach their end of life.

This requires a dual approach: to find a new purpose for these materials thus eliminating our waste streams and to include life cycle analysis from inception of our new components, to reduce their lifetime impacts.

Due to their complexity, many of our new operational assets are now assembled elsewhere and delivered as complete units for installation. This increases the significance of supply chain impacts, including the sourcing of raw materials, effective quality control of built components and the working conditions of those who manufacture and assemble our assets. Monitoring, inspecting, servicing and decommissioning of these components also generates a footprint; so we aim to factor life cycle environmental considerations into investment decisions, widening the definition of fit-for-purpose for our network. By measuring and recording life cycle impacts, we will be able to identify improvement opportunities and deliver on our target to be a Sustainable Networks Business.

Like the rest of the UK electricity network, much of our network comprises ageing infrastructure and assets.

The oldest parts have been operating for over 100 years. Back then, important factors such as health and safety, environmental considerations, social obligations, visual amenity and decentralised generation did not have the focus or priority they are given today.

Through early planning, design, construction and remote management of new assets, together with retrofit and refurbishment of existing assets, we can now consider the impact of the network in ways not thought possible in the past, allowing us to monitor effects in microseconds, rather than seconds and minutes.

We will prepare the network for smart metering to realise this opportunity.

Our Process

The mechanism for laying out our Sustainable Business Strategy is important, as it allows us to consult with all of our stakeholders, internally and externally. Providing a vehicle to discuss sustainability issues relevant to SPEN means we can better engage with all of our stakeholders on this topic.

Our approach is explained in further detail in the following sections. In short, it includes:

Our Goals

Where we hold good quality accurate data, we have identified quantified impact reduction goals for three time frames: 2023, 2030 and 2050.

Our Plan

A detailed breakdown of our planned activities for the year ahead, categorised first by strategic Drivers, then by delivery Objectives and Process Workstreams. Key Performance Indicators (KPI) are utilised where it is possible to measure and track data. The nature of sustainability means some areas are not quantifiable, so these are tracked with qualitative assessment.

Our Big Leaps

To implement pilot projects to trial new and innovative approaches, processes or technologies. These pilots will be in line with our existing SPEN Innovation Strategy and associated processes, with successful outcomes incorporated into existing business processes following approval by the newly formed Executive Sustainability Steering Group (ESSG).

Our Shared Journey

The strategic direction has been agreed by the ESSG which is also responsible for its implementation and annual review. Internal stakeholder engagement will utilise existing communication channels and we will introduce Ambassadors for Sustainability. External stakeholder engagement follows our existing SPEN Stakeholder Engagement Strategy, with the key route bein the new Sustainability Stakeholder Working Group.

Collaboration and Innovation

Engagement and support from our employees, supply chain and the communities we serve are critical. They help us achieve continued success in addressing these factors, and to facilitate our vision as a Sustainable Networks Business of the future. Our increasingly knowledgeable and experienced stakeholder groups place us in a strong position to enhance our network.

The construction and management of our substations, underground cables, overhead lines and the wood poles or steel towers carrying these lines have a direct relationship to the surrounding locale, its biodiversity and the livelihoods dependent on its ecosystems. Improving our interactions with our surroundings is of increasing importance, and we will facilitate this by building relationships with our local stakeholders. That way we can develop a better understanding of their needs and those of the local environment, while increasing their awareness of our network and the steps we need to take to plan, maintain and repair our assets. We recognise the unique potential of our overhead linear infrastructure and large numbers of substation assets in supporting long-term UK biodiversity aims, and envisage working with stakeholders to realise the associated benefits.

The behaviours of all parties involved in our electricity network, from suppliers and contractors to customers, are critical to achieving our vision. The criteria these stakeholders consider when making business and other decisions will determine our level and speed of success.

Our employees and supply chain partners are experts on our network, with detailed knowledge of our assets and the operations undertaken to install, maintain and repair them. By fostering collaboration between staff, our supply chain and other stakeholders, we will determine and address the priorities for change. We will use our status as a leader in the energy sector to influence practices across our industry and supply chain, encouraging innovative thinking and investment to support it.

New processes, techniques and technological innovation have the potential to improve our performance through:

- Getting more from our existing assets
- Reducing the resource requirements and environmental impacts of new assets
- Reducing impacts associated with decommissioned assets, including waste
- Increasing the security of supply
- Improving the quality and efficiency of service, and
- Reducing the risks posed to our employees, contractors and the general public.

A closer relationship with our suppliers will help us to better understand our use of resources. It will help us reduce our use of raw materials, improve our re-use and recycling rates over time and divert waste from landfill.

By working in this way with all of our stakeholders, we can build greater efficiency into our business processes and improve our decision making.

Our Goals

Our Strategy describes how we will drive our business in pursuit of our Goals and Objectives, through collaboration with our stakeholders.

We reviewed our Sustainability Drivers in 2016. These Drivers guide the activities and projects we take forward, they allow us to connect activities across the business that contribute to delivery of our Goals and Objectives, and facilitate communication of our activities and successes (see Diagram 1).

Diagram 1. Visual representation of Sustainability Drivers

Timeframe

The RIIO T1 and RIIO ED1 price controls end in 2021 and 2023 respectively. Looking further ahead, the UK 2030 interim CO2 reduction target coincides with the approximate end date of T2 and ED2. Beyond that, the UK Government and Devolved Administrations' CO2 reduction targets are set for 2050. Taken together, there is a clear rationale to set Goals for short, medium and long term deadlines of 2023, 2030 and 2050. The successful implementation of this Strategy will position us as a leader in sustainability in our sector.

Table 1. Summary of Key Goals and Rationale

	Carbon and energy reduction	Waste management and minimisation	Water efficiency and protection
2023	*-15% carbon footprint**	*Divert 95% of waste from landfill*	*-10% in water use**
2030	*-80% carbon footprint**	*100% waste recycled or re-used*	*-25% in water use**
2050	*Carbon neutral**	*Zero waste*	*-50% in water use**
Rationale	Essential to meeting global and national CO2 reduction targets.	Essential to meeting landfill diversion targets particularly in Scotland where the Scottish Government has Zero Waste Strategy target of 5% to landfill by 2025.	Climate change models forecast reduced summer rainfall putting pressure on scarce water resources. Treating water to potable standards and transportation of water is costly and uses energy.

*targets from a baseline of 2013/2014 (carbon footprint target excluding losses)

Our Plan

The implementation of this Strategy will be managed through the Sustainability Plan. The Plan considers the key Drivers and identifies their Objectives.

Each Objective is measured against high level KPIs and specific Actions detail how we will work to fulfil the Objectives.

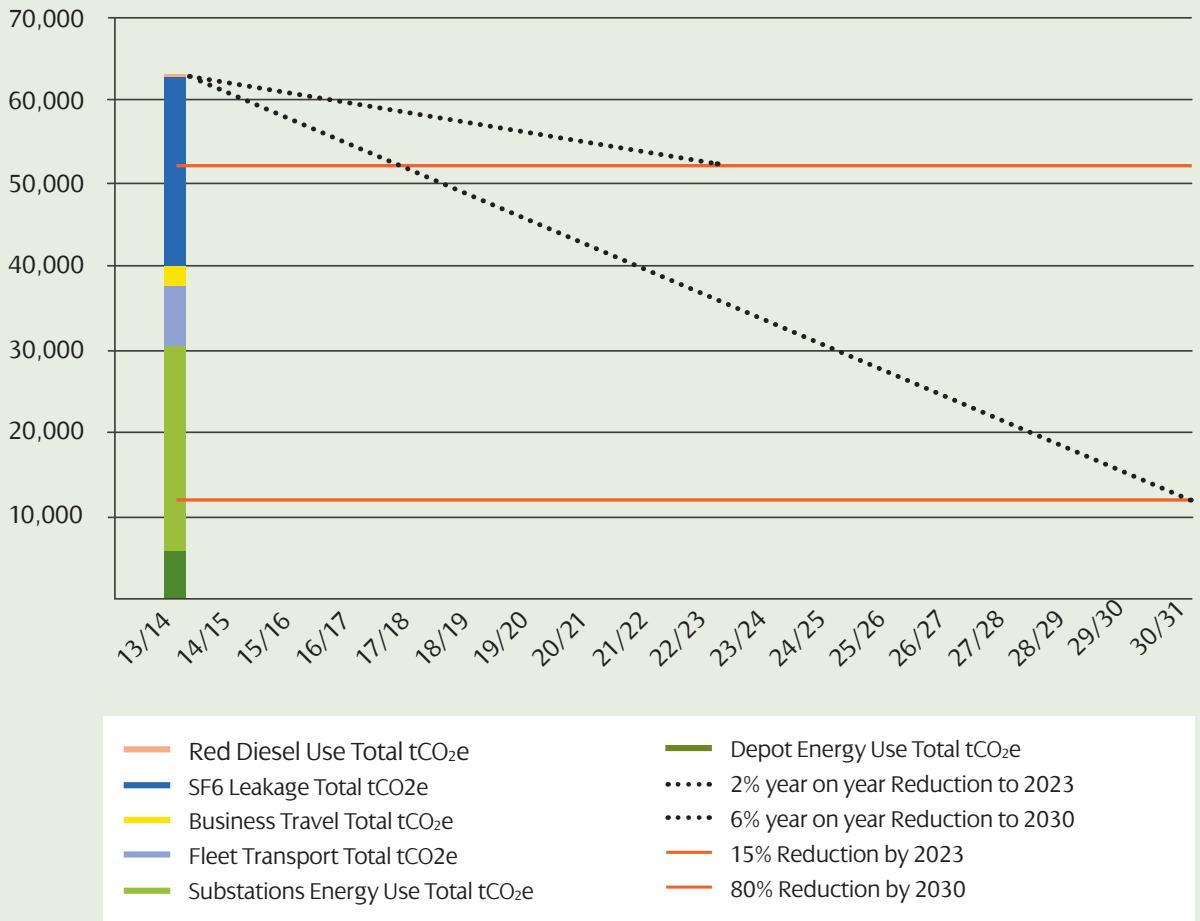
We carried out a review of our existing environmental and wider sustainability data in order to:

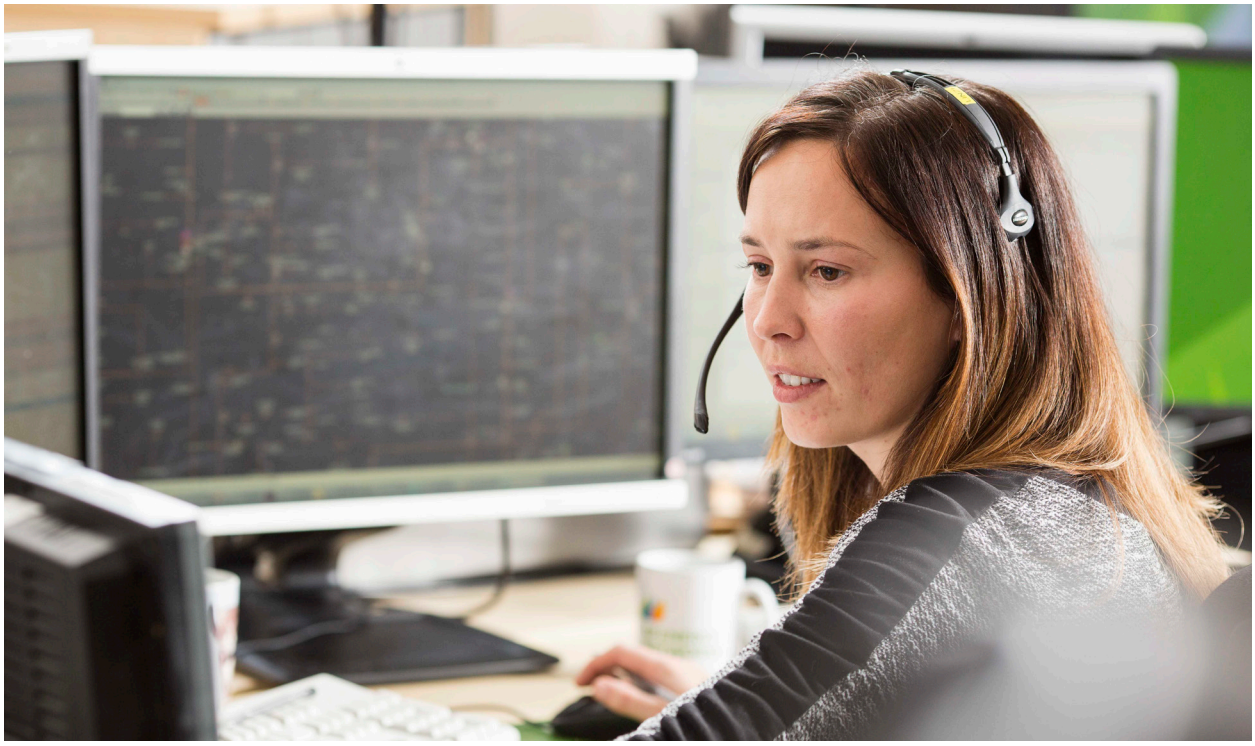
Guide the Objectives, KPIs and Actions for the period to 2023;

Quantify our inputs and outputs in relation to material uses and emissions including waste, electricity, fuel and CO2; and

Facilitate the setting of SMART targets for our KPIs.

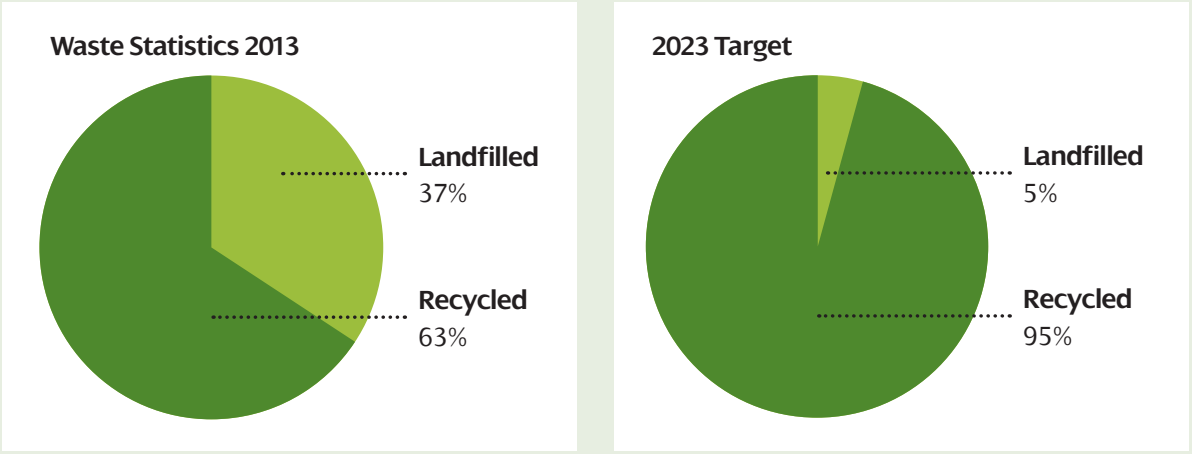
Diagram 2. CO2e Reduction Target
Business Carbon Footprint CO2 Reduction Target





Summarised environmental data are presented in Diagrams 2 and 3 showing the baseline year (2013/14) and the trajectory to our targets. The graphs will be updated on an annual basis and included within our Sustainability reports.

Diagram 3. SPEN Waste Target



Through the 2016 review of the Drivers and continued data analysis, we identified three long term Goals for 2050. We have interim Goals for 2023 and 2030, together with a number of Objectives that must be achieved by 2023. The earlier Table 1 identifies these key Goals and their rationale. Table 2 (overleaf) identifies the key Objectives, which are critical to fulfilling our Goals.

The Sustainability Plan, containing all Goals, Objectives, KPI Targets and Improvement Actions, sits below this Strategy and is reviewed annually.

The Sustainability Plan also describes our Process Workstreams, using a similar format containing Objectives, KPI Targets and Improvement Actions.

Table 2. Summary of Sustainability Plan – Objectives

Carbon and Energy Reduction

1.1 Reduce our carbon footprint (excluding network losses) by 15% by 2023
1.2 Reduce Greenhouse Gas (GHG) emissions
1.3 Reduce electricity losses from network by 163GWh by end 2023

Climate Change Resilience

2.1 Increase resilience of network to flood risk and storm events

Land and Biodiversity Improvement

3.1 Develop our network located in sensitive environments by assessing visual amenity and ecological impact
3.2 Improve biodiversity in areas in which we operate
3.3 Implement management process for invasive and non-native species on our land and along our network by 2023
3.4 Understand risks associated with land contamination

Waste Management and Minimisation

4.1 Divert 95% of waste from landfill by end 2023

Water Efficiency and Protection

5.1 Have zero water pollution incidents
5.2 Reduce oil leakage rate
5.3 Reduce water consumption by 10% by 2023
5.4 Improve the quality of water discharges

Raw Materials Optimisation

6.1 Establish baseline raw material usage levels
6.2 Introduce Life Cycle Analysis to SPEN processes

Sustainable Society

7.1 Reduce supply chain environmental impacts
7.2 Reduce number of "no fault found" incidents using Smart Meter data
7.3 Facilitate low carbon connections
7.4 Incorporate Natural Capital Assessment in our processes where beneficial

Table 3. Summary of Sustainability Plan – Process Workstreams

IMS and Business Processes
8.1 Fully understand environmental legal compliance status of SPEN
8.2 Update EMS to comply with ISO14001:2015
8.3 Continuous improvement of the EMS
8.4 Increase knowledge and commitment of staff

Stakeholder Engagement and Collaboration
9.1 Align with key stakeholders' views of a Sustainable Networks Business
9.2 Achieve an award under the Environmental Discretionary Reward (EDR) scheme

Sustainable Business Model
10.1 Integration of environmental, social and economic issues in business decision making

The table shows how these workstreams are driving improvements across the seven Drivers. In future we will also use the icons to identify sustainability improvements being delivered by projects across SPEN.

Our Big Leaps

The timeframe to deliver the Goals and Objectives of the Strategy are as challenging as they are wide ranging. In some instances it is not clear what actions will deliver the required impact reductions. The adoption of specific pilot projects will enable SPEN to test the success of proposed initiatives before a SPEN-wide roll out, thus reducing financial and other risks.

We will trial new and innovative approaches, processes and technologies in appropriately identified parts of SPEN to allow us to assess the associated benefits and understand any risks and costs.

The pilot studies will complement the wider SPEN innovation approach of 'Think Big, Start Small and Scale Fast' and the SPEN Innovation Strategy. Where pilot study boundaries are defined at a specific location, there is the opportunity for Districts and Depots within our organisation to develop an expert understanding of the issues covered and to share that knowledge more widely with other Districts. The pilot studies will be approved by the ESSG following submission of a business case and progress will be reported quarterly.

The business case will:
Provide a rationale for the need to deploy the pilot study and why the location has been selected;
State clearly the measures of success;
Identify the risks and opportunities associated;
Set the pilot project duration and review checkpoints;
Confirm the initial data required and ongoing data monitoring;
List the staff resources required to conduct the study; and,
Set out financial costs where applicable.

Upon completion of the pilot study a recommendation will be made to the ESSG regarding roll-out.

The outputs will include the provision of a proposal to the ESSG recommending, where the pilot has been successful, either further testing or roll-out across SPEN. Following ESSG approval the project will be subject to the usual process for full approval and funding, via the Energy Networks Executive Team.

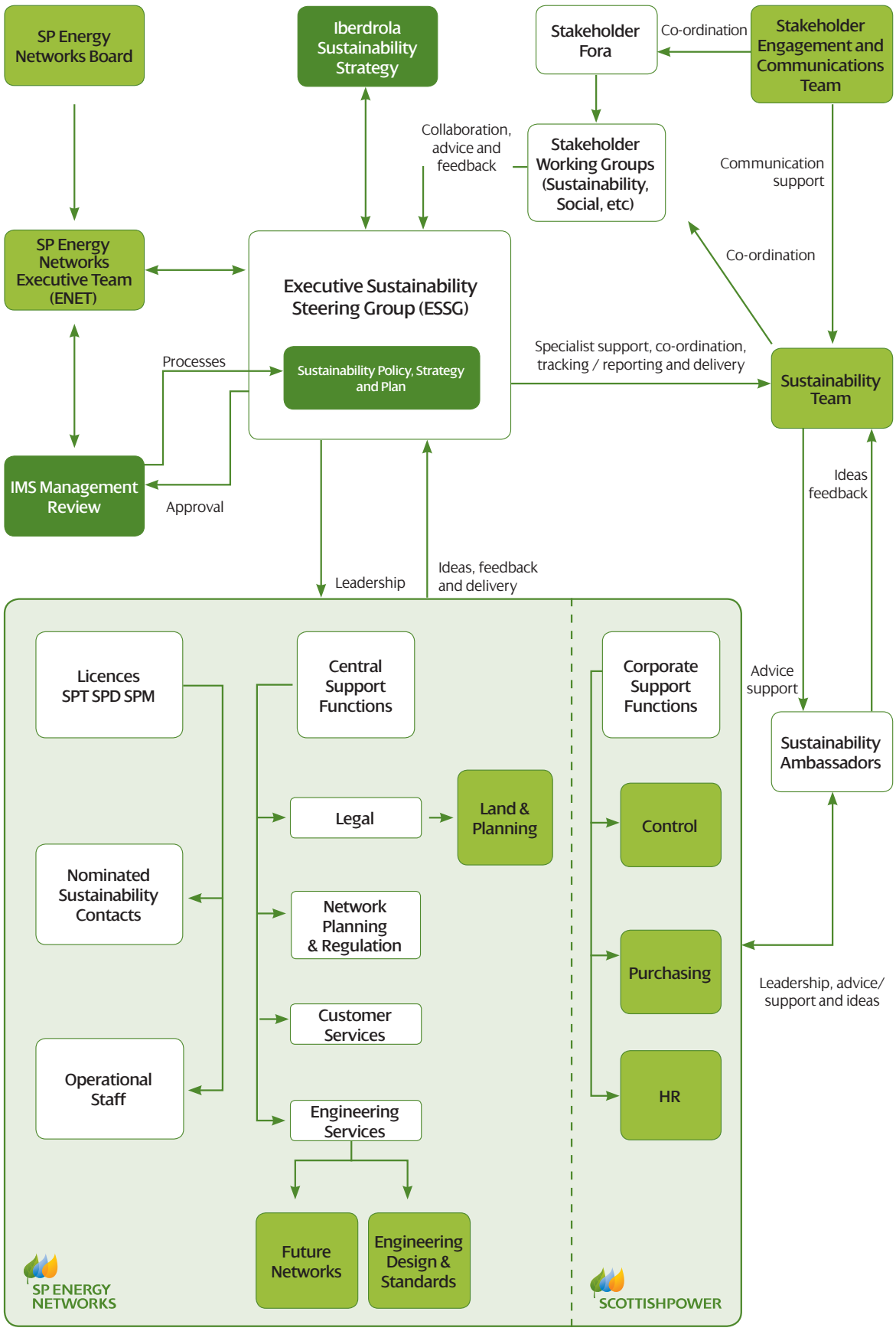
Our Shared journey

The Executive Sustainability Steering Group was established to give prominence to the Sustainability agenda within SPEN. The Group has Board-level membership and is chaired by the Director of Engineering Services.

The ESSG meets on a quarterly basis to discuss a broad range of sustainability issues including performance, reporting, stakeholder engagement and, most importantly, to discuss and approve the evolution of the Strategy (please see ESSG Terms of Reference).

The Sustainability Team is responsible for drafting, updating and monitoring progress of the Strategy and the Sustainability Plan and for securing approval by the ESSG. They are located within the Engineering Services Directorate and provide specialist advice and support throughout SPEN to facilitate the achievement of our Sustainability Goals and Vision. The Sustainability governance structure is presented in Diagram 4 overleaf.

Diagram 4. Sustainability Governance Structure



Internal Stakeholder Engagement

The Sustainability Team will consult on the Strategy, its Drivers and Objectives with both office and field based staff. The purpose of this is to engage and consult upon the Drivers and Objectives, to determine how their roles can contribute to achieving the desired outcomes, and to continue to identify new Sustainability Objectives and Improvement Actions for the period to 2023 and beyond.

The consultation will include:

- Departmental presentations
- Senior Management briefings
- District Environmental Champion briefings
- Staff discussion groups
- One-to-one engagement
- Web-based survey through email web-link
- Yammer social media platform

Through consultation engagement, the Sustainability Team will seek to identify colleagues with particular skills or interests in the issues pertinent to the delivery of the Strategy. Through coaching and guidance from the Sustainability Team, colleagues will become Ambassadors for Sustainability.

They will assist in the delivery of Objectives related to their activities and support location-specific roll-outs of initiatives that may not be directly related to their current role.

Engagement with the Ambassadors would be maintained on a regular basis throughout the year to communicate targets, initiatives and results. This would be undertaken through individual face to face discussions, hosting of group discussions, the administration of a Yammer portal and ad-hoc emails and telephone calls.

External Stakeholder Engagement

External engagement on the Strategy will be undertaken in line with our Sustainability Stakeholder Engagement Plan, one of 14 such plans maintained by SPEN and the SPEN Stakeholder Engagement Strategy. Engagement will be facilitated through the Sustainability Stakeholder Working Group, populated by representatives from organisations with strategic interests in sustainability in the licence areas in which we operate. It is anticipated that the organisations represented will have a largely National or UK-wide reach, but may include regional bodies. Membership of the group will evolve as the Strategy is developed and embedded.

Invitations for the membership of the working group were issued initially to the following bodies:

- Scottish Environment Protection Agency (SEPA)
- Environment Agency (EA)
- Natural Resources Wales (NRW)
- Scottish Wildlife Trust (SWT)
- Scottish Natural Heritage (SNH)
- WWF
- Environment Link
- National and Devolved Governments

Participation with the Working Group has been managed in variety of ways, to respond to stakeholder needs. This includes face to face meetings and 1-1 engagement on specific issues due to time constraints expressed as a concern by our stakeholders. In Scotland and England we have held workshops to guide us on the preparation of this Strategy and consulted on both our Transmission and Distribution Reports.

Internal and External Reporting

We will publish annual reports on the progress of our Transmission and Distribution businesses and will make these available at public events, with digital versions uploaded to the SPEN website. Our reports will be transparent, in plain English with clear data presentation for non-technical readers so that it can be disseminated widely to interested parties.

We will report interim results to key internal and external stakeholders, and an annual report will be produced for the ESSG and the Sustainability Stakeholder Working Group.

The Development of our Strategy

The SP Energy Networks Sustainable Business Strategy has been developed by considering our unique position as a UK networks business in the context of wider factors:

- External Policy Framework
- Stakeholder Engagement
- Company Policy

External Policy Framework

The UN Framework Convention on Climate Change Paris Conference of the Parties (COP21) agreed ambitious carbon reduction targets aimed at keeping global temperature increases well below 2°C compared to pre-industrial levels. This agreement has since been ratified by over 100 countries including the UK. The Paris agreement builds upon existing UK and devolved legislation which targets an 80% CO_2 reduction by 2050 at UK level (with a 50% sub-target by 2030) on 1990 levels.

With an anticipated 47% shortfall in meeting climate targets by 2030 at UK level, and tougher targets being set by the Scottish Government in 2017, SPEN and other utilities will be expected to play a leading role.

This will require SPEN to innovate and invest to continue supporting the low carbon transition, to minimise our own direct Business Carbon Footprint and facilitate carbon reductions throughout our supply chain.

In the context of wider sustainability issues, this Strategy, in line with the Iberdrola Strategy, has been guided by the policy framework set out by the 17 United Nations Sustainable Development Goals. It has been primarily focussed on two goals of key relevance (see Table 4) and four Secondary Goals (See Table 5).

Table 4. Primary Goals from UN SDG's

Table 5. Secondary Goals from UN SDG's

Stakeholder Engagement

In 2016 the SPEN Sustainability Team organised two external stakeholder panels with a sustainability focus. It involved representatives from the Scottish Government, Local Authorities, academics, skills development agencies and NGOs. A number of detailed suggestions were made during the two discussion topics presented at the panels. In particular, there was agreement among stakeholders that SPEN should aim to be a leader in the area of sustainability.

In 2017, the draft Strategy document was presented to three stakeholder panels to provide SPEN with the opportunity to consult on the content and scope.

Company Policy

Our parent company, Iberdrola, has recently introduced a Sustainability Policy having previously embedded the need to combat Climate Change in company strategy. Iberdrola has adopted a leadership position within the utilities industry, and called for tougher action on climate change issues from politicians, a greater penetration of renewables in the energy mix globally and has set ambitious targets to become carbon neutral by 2050. In support of these aims, SPEN formed the Executive Sustainability Steering Group (ESSG), an executive level body, and set a business-wide carbon reduction goal during 2015: a 15% reduction in CO_2 emissions by 2023 (excluding losses) against a baseline year of 2013/2014.

Stakeholders' recommendation that SPEN should become a leader in sustainability was discussed and agreed by the ESSG in March 2016. It was decided that SPEN should work in collaboration with external stakeholders to meet sustainable development aspirations.

Updating the Strategy

This Sustainable Business Strategy is reviewed each year and signed off by the SPEN Executive Management Team.

Appendix 1: ESSG Terms of Reference

Terms of Reference for the Executive Sustainability Steering Group

1. Aim of the Steering Group

These will be:

- To agree and implement the Sustainable Business Strategy and provide leadership and direction in Sustainability, Environmental Management and the Low Carbon Transition for all of SP Energy Networks' activities.
- To implement required changes to SP Energy Networks' strategies to ensure the company adopts a leadership position in the transition to a low carbon energy sector.
- To monitor and drive progress of the Sustainable Business Strategy and the Sustainable Business Plan, ensuring T1 and ED1 Environmental Commitments are met, and exceeded where relevant.
- To periodically review and develop the Sustainable Business Strategy through ongoing stakeholder feedback, lessons learned through implementation and any direction from Ofgem e.g. via the Environmental Discretionary Reward.
- To agree and implement suitable Pilot Projects proposed by external and internal stakeholders to ensure the correct methods and strategies are deployed.

2. Members and Chair

The Chair of the Steering Group is Colin Taylor as Director of Engineering Services.

The Members are:

- Frank Mitchell – CEO of Scottish Power Energy Networks
- Scott Mathieson – Director of Network Planning and Regulation
- Pearse Murray – Director of Transmission
- Guy Jefferson – Director of SP Distribution
- Stephen Stewart – Director of SP Manweb
- Vicky Kelsall – Director of Customer Service
- Tracy Joyce – Head of Stakeholder Engagement and Communications
- Ross Baxter – Head of Land and Planning
- Jane McMillan – Head of Sustainability
- Darren Jameson – Sustainability Policy Specialist (Secretary)
- Tanya Henriksen – Sustainability Policy Specialist

3. Frequency of meetings

Four meetings shall be held each calendar year at quarterly intervals.

The Chair of the Steering Group may request an interim meeting if it is considered necessary.

The Chair will nominate substitute chairs as and when required e.g. due to annual leave.

4. Responsibilities

The main responsibilities of the Steering Group are:

- To set high level strategic direction and act as highly visible champions for Sustainability.
- To approve the annual Sustainable Business Plan.
- To provide resources and support to deliver strategic aims and associated plans.
- To review the approach to facilitating the transition to a low carbon economy on an annual basis as a minimum.
- To regularly review progress of plans and KPIs against targets and deadlines.
- To review and approve pilot projects and approve implementation of resulting recommendations.
- To agree the key messages to be communicated to external stakeholders and to sign off the content of external reports and other communications.
- To review external stakeholder feedback and lessons learnt and to agree resulting changes to strategies, policies and procedures.
- To sign off the employee engagement strategy and to Champion Sustainability focussed behaviours within their respective Directorates.
- To provide updates to the SPEN Executive Team and Board on the progress of the Sustainable Business Strategy (including Sustainability risks and environmental performance).

5. Reporting procedures

The presentation slides and minutes from Steering Group meetings shall be circulated to all members of the Steering Group using a dedicated web server managed by the Sustainability Team.

6. Sub-groups

Sub-groups may be set up so that a small group of the Sustainability Steering Group members and their representatives can focus in detail on a particular issue or plan.

Sub-groups will present proposals/recommendations to the main Group for approval. All sub-group meetings shall be documented, with the Minutesbeing communicated to the main Group.

Appendix 2: SSWG Terms of Reference

Terms of Reference for the Sustainability Stakeholder Working Group

1. Aims of the SPEN Sustainability Stakeholder Working Group (the 'Working Group')

To guide SP Energy Networks' (SPEN) strategy to become a leading sustainable networks business and to support the low carbon transition.

To provide a platform for discussion on a range of sustainability issues, considering appropriate measures to address these issues and how potential objectives and actions are to be reflected in the SPEN Sustainability Policy, Strategy and Plan.

To identify potential pilot projects applicable to the energy sector for presenting to the SPEN Executive Sustainability Steering Group (ESSG), with consideration for collaboration and the role of SPEN and other stakeholders in prospective pilot projects.

To discuss lessons learned from projects, with the aim of converting the successes of pilot projects into existing business processes.

To discuss how the regulation of transmission and distribution companies can be developed to ensure that these services are delivered sustainably and to feed recommendations/views into OFGEM and the RIIO process.

To discuss best practice in sustainability including the global energy industry, in related sectors (for example in other linear infrastructure networks) and leaders in sustainability demonstrated in unrelated industries.

To discuss sustainability reports drafted by SPEN for publication, including (but not limited to) the SPEN Sustainability Footprint, the SP Transmission Annual Sustainability Statement and the Environment and Innovation Report for Distribution licences (SP Manweb in North Wales & England / SP Distribution in South Scotland).

Provide a forum for communication with the wider Iberdrola Group businesses when discussions identify issues that sit across corporate boundaries.

2. Members and Chair

The Chair of the Working Group is Jane McMillan as Head of Sustainability in SPEN's Engineering Services Directorate. The Secretary of the Working Group is Tanya Henriksen as SPEN's Sustainability Policy Specialist in the same team.

The Member organisations are:

- SP Energy Networks
- ScottishPower Scottish Government
- Scottish Wildlife Trust
- SEPA
- SNH

Membership of the Working Group shall be reviewed as the Strategy is implemented and lessons learned. Prospective membership can be proposed by Members and, subject to agreement by all Members, the Secretary shall invite new members to join and attend the next meeting.

The membership of the Working Group shall be updated as members are identified.

3. Frequency of meetings

Meetings shall be held at approximately quarterly intervals, with additional meetings (in person or virtual) to be arranged if circumstances warrant.

Meetings shall be held in Glasgow with a preference for Tuesday at times to allow for travel.

If requested facilities to join the meeting via video or teleconference shall be provided.

4. Responsibilities

The main responsibilities of the Members of the Working Group are to:

a) Play an active role in the Working Group by attending and participating in meetings;

b) Represent their organisation and its sustainability aims, providing a route to other departments;

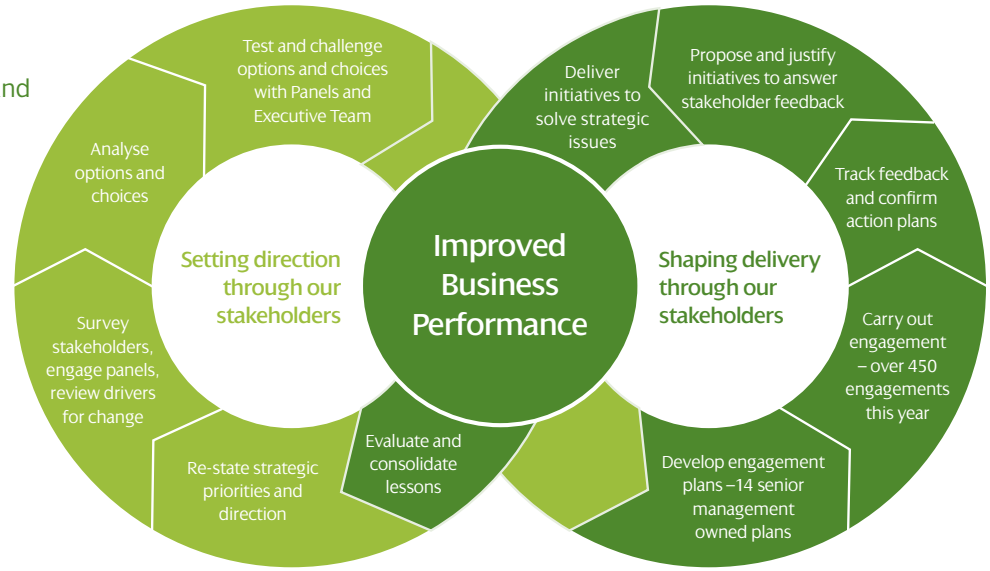
c) Contribute to meetings with ideas, share learnings from relevant socio-economic and environmental initiatives and examples of best practice;

d) Enable collaboration between their organisation and other members of the Working Group, including the identification of and participation in relevant potential pilot projects.

Figure 1. The feedback loop: The 'virtuous circle' of engagement, feedback and action

Engaging with stakeholder to drive improvements is a process, not a single event

All stages of our feedback loop are supported by our Tractivity system and core engagement programme.



5. Reporting procedures

The minutes of meetings and actions log of the Working Group shall be circulated to all members of the Working Group for review and agreement.

All documentation circulated to the Working Group shall be held digitally on an SP Energy.

Networks portal / online community with access provided to Members to facilitate online discussions out with regular meetings.

The Terms of Reference shall be annually reviewed and interim updates shall also occur as and when new members join.

SPEN shall consult on our proposals in line with its Stakeholder Engagement Strategy (see Figure 1 'The feedback loop').

6. Sub-groups

Sub-groups shall be set up where it has been identified that it would be of benefit for a subset of representatives of the Working Group Member organisations to focus in detail on a particular issue or project.

Sub-groups shall present proposals recommendations to the main Group for approval. All sub-group meetings shall be documented, with the minutes being communicated to the main Group via the same channels as above.

Glossary of Terms

Abbreviation	Definition
Business Carbon Footprint	A carbon footprint measures the total greenhouse gas emissions caused directly and indirectly by a person, organisation, event or product measured in Carbon Dioxide (CO_2). This also contains other greenhouse gases (such as SF6 below) converted into CO_2 equivalent
Carbon Neutral	The achievement of net zero carbon emissions includes other greenhouse gases converted into CO_2 equivalent
Circular Economy	See Zero Waste (below)
DNO	Abbreviation for Distribution Network Operator, who is licenced by Ofgem to develop, operate and maintain local electricity distribution network. There are 14 licensed distribution network operators (DNOs) in Britain owned by six different groups. Each DNO is responsible for a regional distribution services area
ESSG	Abbreviation for the Executive Sustainability Steering Group, formed by SPEN in 2015 to develop and approve, and thereafter review and approve, the Sustainability Policy and Sustainable Business Strategy and Plan actions as part of the route to becoming a Sustainable Networks Business
Low Carbon Transition	The evolution from a fossil fuel powered economy to an economy based on renewable and low carbon energy use that therefore has a minimal output of greenhouse gas emissions
Natural Capital	Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this natural capital that humans derive a wide range of services, often called ecosystem services, which make human life possible
NGO	Abbreviation for non-governmental organization, an organization that tries to achieve social or political aims but is not controlled by a government
RIIO ED1	Abbreviation for Revenue = Incentives + Innovation + Outputs for Electricity Distribution 1. RIIO ED1 is the price control framework set by our Regulator, Ofgem, that sets the outputs that the 14 DNOs need to deliver for their customers and the associated revenues the DNOs are allowed to collect for the eight-year period from 1 April 2015 to 31 March 2023
RIIO T1	Abbreviation for Revenue = Incentives + Innovation + Outputs for Transmission 1. RIIO T1 is the price control framework set by our Regulator, Ofgem, that sets out what the three TOs are expected to deliver and details the regulatory framework that supports both effective and efficient delivery for energy consumers over the eight years from 1 April 2013 – 31 March 2021

Abbreviation	Definition
SF6	Abbreviation for Sulphur Hexafluoride, the most carbon intensive green house gas in the world, used extensively as an electrical insulator since the 1980s when the industry moved away from using oil in mass quantities for health and safety reasons. Use of SF6 prevents fire/explosion from catastrophic failure of plant and reduces the risk of oil pollution incidents on our network but has a global warming potential 22,800 times that of carbon dioxide
SPD	Abbreviation for ScottishPower Distribution, a wholly owned subsidiary ofSP Energy Networks responsible for the distribution of electricity in central and southern Scotland (33kV and below)
SPEN	Abbreviation for SP Energy Networks, holder of the SPT, SPD and SPM licences awarded by Ofgem, the regulator of the gas and electricity sector
SPM	Abbreviation for ScottishPower Manweb, a wholly owned subsidiary of SP Energy Networks responsible for the distribution of electricity in North Wales and in Merseyside, Cheshire, and North Shropshire in England (132kV and below)
SPT	Abbreviation for ScottishPower Transmission, a wholly owned subsidiary of SP Energy Networks responsible for the transmission of electricity in central and southern Scotland (132kV and upwards)
SSWG	Abbreviation for the Stakeholder Sustainability Working Group, formed by SPEN in 2017 comprising invited SPEN stakeholders and SPEN representatives to guide SPEN
Sustainable Networks Business	SPEN has identified this as managing our triple bottom line - a process to manage our financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet
TO	Abbreviation for Transmission Operator, permitted to develop, operate and maintain a high voltage system within their own distinct onshore transmission areas. These are National Grid Electricity Transmission plc (NGET) for England and Wales, ScottishPower Transmission Limited for southern Scotland and Scottish Hydro Electric Transmission plc for northern Scotland and the Scottish Islands groups
Zero Waste	An alternative to the traditional linear economy (make, use, dispose), in which resources are kept in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life as opposed to sending to land ll. Also referred to as Circular Economy

SCPXXXXXXXX

Contact us

We would be delighted to receive any comments, suggestions or questions on the content of this Sustainable Business Strategy.

Sustainable@spenergynetworks.co.uk

SP Energy Networks
Ochil House
Technology Drive
Hamilton International Park
Blantyre
G72 0HT

Facebook.com/SPEnergyNetworks

Twitter.com/SPEnergyNetwork

spenergynetworks.co.uk

SP ENERGY NETWORKS

spenergynetworks.co.uk