

Scotia Gas Networks Modern Slavery Statement 2023

Approved by the Board of Directors on 27 September 2023



SGN

Your gas. Our network.

Contents

| | | |
|---|---|---|
| 1 | Introduction | 3 |
| 2 | Our Business and Supply Chains | 3 |
| 3 | Our Policies and procedures on Slavery and Human Trafficking..... | 4 |
| 4 | Training on Slavery and Human Trafficking..... | 6 |
| 5 | Due Diligence and Risk Assessment Processes..... | 7 |
| 6 | Ongoing Commitment | 8 |
| 7 | Governance Framework | 9 |

Scotia Gas Networks Limited and any subsidiary within its group (SGN) has zero tolerance of modern slavery in all its different forms, both in our business and in our supply chain.

While our joint venture companies do not currently meet the threshold for publishing a Modern Slavery Statement, we also require them to comply with the provisions of the Modern Slavery Act.

This statement sets out the steps that SGN has and will continue to actively take to address any risk of slavery and human trafficking taking place within any part of our business and supply chain.

1 Introduction

The definition of modern slavery is broad and includes forced labour, servitude, slavery, human trafficking, debt bondage, forced or servile marriage, descent-based slavery, or child labour. It is a global and growing problem. SGN understands that no sector or industry is exempt from the potential of modern slavery.

This statement is made in accordance with section 54(6) of the Modern Slavery Act 2015 and constitutes SGN's modern slavery statement for the financial year ending on 31 March 2023.

2 Our Business and Supply Chains

SGN is one of the UK's biggest utility companies with a supply chain value of over £500 million per annum operating across Scotland, Southern England and in Northern Ireland. We manage the network that distributes natural and green gas to approximately 6 million homes and businesses. We employ around 4,000 highly skilled employees who work within our businesses regulated by the Office for Gas and Electricity Markets (OFGEM) and the Northern Ireland Utility Regulator (UREG), as well as our non-regulated business entities.

We are supported by a significant number of suppliers and contractors to keep our customers safe and warm, while our joint venture partners enable us to develop new technologies and alternative heat solutions.

We work closely with suppliers to ensure their values on issues, such as safety, environment and modern slavery, are upheld throughout our supply chain. Our Supplier Relationship Management (SRM) programme helps enhance performance and strengthen relationships to deliver mutual value, through meetings with strategic suppliers.

In March 2022 the biggest ownership changes since the Group was formed some 17 years ago were completed. Two of the original three shareholders, SSE and OMERS sold their shareholding, as did the more recent investor ADIA. This was undertaken in two separate deals and brought two new investors into our Group. The new

investors are Brookfield Super-Core Infrastructure Partners (Brookfield), a Canadian global asset manager, and Global Infrastructure Partners (GIP), a US based global independent infrastructure fund manager. Brookfield has a 37.5% share and GIP has a 25% share. As part of the transactions, Ontario Teachers' Pension Plan, our third original investor, increased its ownership from 25% to 37.5%. All three shareholders oversee the three regulated operating companies in Scotland, Southern England and Northern Ireland as well as the holding company and a number of unregulated companies.

Following the sale completion, all modern slavery provisions in SSE contracts were novated to SGN contracts, where applicable.

3 Our Policies and procedures on Slavery and Human Trafficking

SGN's approach to the risks of slavery and human trafficking can be found within several of our policies and practices.

Purpose, Vision and Values

Our purpose, vision and values are as follows:

- Our purpose: Serving our communities by keeping everyone safe and warm.
- Our vision: To give our customers the best clean energy experience.

Our values: Reliability, Innovation, Respect, Openness and Safety.

To meet these values, particularly those of safety and respect, it is essential that we continue to actively maintain our zero-tolerance approach to modern slavery.

Code of Conduct

Our Code of Conduct (Code) sets out the behaviours and principles of behaviour expected at SGN to supplement our existing policies and procedures. The Code applies to all SGN colleagues (meaning permanent, fixed term and temporary employees, any third-party representatives or sub-contractors, agency workers, volunteers, interns and agents engaged with us). We ask and expect all our colleagues to:

- Know and uphold our prohibitions on modern slavery, child labour, forced labour, human trafficking, physical punishment and any other harmful activity.
- Meet the expectations set out in the Code, to maintain and foster a positive culture by doing the right thing, and to speak up when something doesn't seem right.

Our Code of Conduct also refers to our Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy, both of which are designed to prevent unlawful behaviours and unauthorised movement derived from crime (including crime from modern slavery).

We also expect our partners and other third parties to follow our Sustainable Procurement Code and share our commitment of doing the right thing.

Verification and Vetting

To ensure that modern slavery does not exist within SGN's own direct operations, SGN undertakes a robust approach in our recruitment processes, ensuring that all employees within SGN have the appropriate rights to work in the UK. The UK Government's right to work checklist outlines simple right to work checks to be conducted before an individual is employed and this is strictly adhered to by SGN.

Following this guarantees that the right to work is evidenced for all direct workers and relevant verification and vetting checks are carried out. Further to this, all new and existing employees are subject to prescribed right to work checks to ensure that SGN does not employ illegal workers thereby ensuring compliance with UK immigration laws and regulations.

SGN's Vetting and Verification procedure provides details on what levels of checks are carried out as standard and the expectation is set that contractors and staffing agencies are subject to the same standards.

Living Wage

In addition, all staff directly employed by SGN are paid the Living Wage or above and in 2020 SGN achieved the goal of becoming an accredited Living Wage employer through the Living Wage Foundation. SGN's commitment to paying the Living Wage and its accreditation as a Living Wage employer includes no unlawful deductions of wages or working extended periods of time without breaks.

Procurement

In 2022 our Sustainable Procurement Code was issued to all current suppliers. This is clear that we expect all our suppliers to respect basic human rights as established by the European Convention on Human Rights, and to adhere to legislation against child labour, forced labour, modern slavery, and discrimination.

Supporting this expectation, our procurement contracts contain two clauses to mitigate the risk of modern slavery and hold suppliers accountable for ensuring they are taking appropriate action:

- Our modern slavery clause is included in all new goods, works and services contracts and requires that the service provider (and procure that its supply chain) shall comply with modern slavery legislation and take all reasonable steps to ensure that slavery and human trafficking are not taking place in its business or its supply chain.
- Our living wage clause is included in all new works and services contracts and requires that the service provider agrees to pay all its directly employed personnel (in respect of the services) not less than the living wage and ensure all employees of its contractors and subcontractors performing the services are paid not less than the living wage.

In addition to the above, our onboarding process and annual assurance checks include validation that a Modern Slavery Statement is published by all vendors who meet the threshold for publishing a Modern Slavery Statement.

Speak Up

SGN has a Speak Up (Whistleblowing) Policy whereby SGN employees or those working on our behalf can raise concerns in confidence about wrongdoing through both internal and external mechanisms. Within the Policy we specifically encourage reporting on slavery and human trafficking, as well as other ethical matters.

If an individual would prefer not to raise their concern with an SGN manager or HR, then they can use SGN's Speak Up Hotline or directly contact one of the key contacts outlined in the Policy. When incidents are reported, they are referred to SGN's Ethics and Compliance team for investigation with outcomes reported and fed back through our Ethics and Compliance Committee to the Audit Committee.

4 Training on Slavery and Human Trafficking

Modern Slavery is included within our Compliance Training Strategy and SGN is partnered with the Supply Chain Sustainability School which provides high quality training and resources on various topics, including modern slavery. In 2022/23 we implemented risk-based training internally to 3,189 of our people to help them to understand and identify the risks of modern slavery as part of an ongoing training programme. Modern Slavery training forms part of our mandatory compliance training package for all new starters.

The training educates employees on the issues and risks surrounding modern slavery and what to do if they suspect that modern slavery is happening internally or within our supply chain. The training programme is risk based and includes enhanced training material for our Procurement and Supply Chain (P&SC) and Human

Resources colleagues. For example, our training for P&SC professionals highlights the obligations that the P&C function must explore, alongside areas of expenditure that represent a higher risk of modern slavery.

In 2021/22 we also engaged with 72 of our key suppliers and invited them to participate in the Supply Chain Sustainability School (SCSS). The school platform provides thousands of learning resources on all aspects of sustainability, which our suppliers can access free. In 2022/23, this increased to 105 of our suppliers which represents 80% of our supplier spend. We are currently, engaging with our suppliers to undertake specific training programmes on the SCSS, one of which relates to modern slavery.

5 Due Diligence and Risk Assessment Processes

In terms of managing the risk of modern slavery existing within our supply chain, SGN operates several mechanisms to deter this from occurring.

Supplier Registration

All suppliers are required to register on to our Supplier Registration System (SRS), which is externally managed by Achilles Information Ltd (Achilles). This informs SGN that suppliers are committed to our core values and objectives.

The suppliers who intend to tender for regulated procurement activity through the Achilles database are also required to register on the Utilities Vendor Database (UVDB), which is a utility industry pre-qualification system widely used across the UK and EU. UVDB is also operated by Achilles, who conduct independent audits of certain suppliers registered on the system against the information they have provided in the questionnaire. The use of the UVDB ensures that the highest standards of supply chain assurance are achieved.

Our pre-qualification (PQQ) template includes robust questions on modern slavery for potential suppliers, which are consistent with the questions being asked by others in the utility sector.

The Procurement function is supported by a centralised Standards and Assurance team who manage several audits throughout each financial year.

Supplier Engagement

We have now engaged with 105 of our key suppliers specifically on modern slavery which represents 80% of our annual spend and confirmed 96% of respondents comply with our requirement to publish a Modern Slavery Statement, indicating the measures they have in place to manage this risk. Through continuous engagement

with our suppliers and issuing our Sustainable Procurement Code, we are striving to hold our entire supply chain to the same high standards, regardless of the type of supplier/operation and country of operation.

6 Ongoing Commitment

SGN understands that we have a responsibility to continue to assess and mitigate the risk of modern slavery in the long-term and we fully intend to do so. As part of our commitment to continual improvement we achieved several of our objectives for 2022/23, including:

- Acted on the output of the enhanced supplier risk review and engaged with 105 of our key suppliers, representing approximately 80% of our supplier spend, to establish whether they have a Modern Slavery Statement in place indicating the measures they have in place to manage this risk.
- Invited them to participate in the Supply Chain Sustainability School. The school provides thousands of learning resources on all aspects of sustainability, which our suppliers can access for free.
- Implemented awareness training for all SGN employees and developed more tailored training for key employees.
- Developed a new Group Joint Venture (JV) Policy to help ensure that all JVs are structured, governed and operated in a way that is consistent with our goals and culture.

In 2023/2024 we aim to progress with the following activities:

- Further review the nature of the risk of modern slavery within SGN and our supply chain. Review the current controls in place to manage these risks and put plans in place to improve these, if necessary.
- Engage further with suppliers, to publish a Supplier Guidance Document, which will set out the roadmap and specific steps expected towards a transition to achieve sustainability goals.
- Develop our broader Environmental, Social and Governance (ESG) reporting to align further with the World Economic Forum (WEF) framework, which includes the following metric/disclosure:

Risk for incidents of child, forced or compulsory labour

'An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.'

Public document

- Conduct risk-based assurance activity to ensure that our joint ventures comply with the provisions of the Modern Slavery Act and take all reasonable steps to ensure that slavery and human trafficking are not taking place in their business or supply chain.

7 Governance Framework

The SGN Board has reviewed and signed off this Statement. The Board will continue to annually review and sign off SGN's Modern Slavery Statement.

Modern Slavery falls under SGN's Principal Risk 'Legal and Compliance'. Modern Slavery is included within the Legal and Compliance, HR and Procurement and Supply Chain Operational Risk Registers and is considered at regular Operational Register Review meetings.

This statement was approved by the SGN Board of Directors on 27 September 2023.

SIGNATURE:

DocuSigned by:

812D87E00D78491...

Nicola Graham-Shand

SGN Group Company Secretary

Date: 27 September 2023