

**Shaping a better  
tomorrow, today.**

# Welcome to our Safety & Sustainability report.

This report reflects the actions we have taken to deliver our business activities in a responsible way, remaining focused on meeting the needs of our customers, reducing our impact on the environment and ensuring safety remains the foundation of everything we do.



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# We are Cadent. Keeping people warm, while protecting the planet.

We provide the energy our customers need to stay safe, warm and connected.

Our responsibility is to look after the gas pipes so they can continue to deliver safe, reliable, low carbon energy for years to come.

We are continually finding smarter and more sustainable ways to develop our networks and work closely with local communities to deliver the high-quality service our 11 million customers expect.

Keeping people warm, while protecting the planet.

## What to look out for within this report

### More information available:

-  Follow the story online
-  In other Cadent published reports
-  Within this document

### Our sustainability framework



Delivering our safety commitment



Providing a resilient network



Tackling climate change and improving the environment



Delivering a quality experience for all our customers and stakeholders



Trusted to act for our communities

## Our purpose

# Keeping people warm, while protecting the planet.

What we do

We maintain, repair and replace gas pipes and associated infrastructure to ensure the safe and reliable flow of gas to homes and businesses.

Mains replaced

**1,743km**

(2020: 1,809km)

 [Read more on page 14](#)



We are leading the way for industry on the future potential of hydrogen, and tackling climate change as demonstrated in our Environmental Action Plan ('EAP').

Highly commended for the

**Net Zero Award**

at the Utility Week Awards 2021

 [Read more on page 24](#)

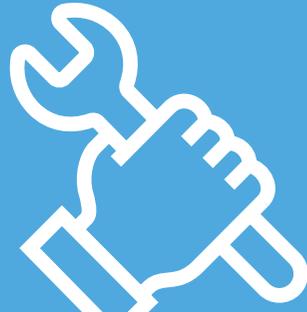


We connect homes, businesses and renewable gas suppliers to our network.

Network extensions and connections to support those in fuel poverty

4,291

 Read more on page 18



We manage the National Gas Emergency Service for all gas customers in the UK. If something goes wrong, we are the first point of call to make sure it's dealt with calmly, quickly and safely.

Emergencies responded to within the hour

99.1%  
(2020: 98.0%)

 Read more on page 48



We provide extra care for those who might need it in a gas emergency.

Small grants to charities and groups delivering to the most vulnerable

£125,000

 Read more on page 40



### What we don't do

We don't produce gas.

We don't own or sell the gas that flows through our pipes.

We don't repair gas appliances.

We don't send out gas bills. The cost of our services is included in the customer's gas bill.



## Looking to the future

Chair of Sustainability Committee

"As a Board we want customers and stakeholders to see us as a force for good and our safety performance and sustainability agenda are key to achieving this."

Perry



### Our priorities for 2021/22

Firstly, I would like to thank my colleagues at Cadent for their outstanding commitment and dedication during the past year. Everyone truly stepped up to the challenge of continuing to safely deliver energy to our customers during unprecedented times through hard work and determination. I am very proud of what has been achieved over the last 12 months and excited by what the future will bring.

At Cadent, we are constantly striving to demonstrate to our customers and broader stakeholders that we are a force for good; an organisation committed to *easier warmth*, *fairer opportunities* and a *greener society*. Underpinning this commitment is a relentless focus on customer service and safety, of our employees and the public.

As a monopoly license holder we have responsibility and opportunity to continue to deliver sustainable services for the long term public good. We'll continue to operate efficiently and drive innovation to benefit society and our customers.

We are committed to keeping all of our customers on gas, without interruption, throughout the year. To continue to do so will require the upgrade of over 1,640km of our pipeline network each year for the next five years. This will not only improve the safety and reliability of the network, but also reduces the level of gas leakage from aged iron pipes, cutting CO<sub>2</sub> emissions and future-proofing the network so that it can safely transport the low-carbon gases of the future, such as hydrogen.

Our safety performance this year has been outstanding. One example is that we will arrive at the scene of a potential gas escape in an average of 35 minutes from the reported time, against our regulated target of one hour. And we continue to be committed to responding as quickly as possible within the hour to keep our customers safe.

I spoke above about enabling *easier warmth* as an essential element of being a force for good in the eyes of our customers and broader stakeholders that includes our colleagues at Cadent. It is estimated that over 2-million households within our network live in

fuel poverty and we serve many customers who find themselves in vulnerable situations. We will continue to offer support and numerous additional services, that go considerably beyond our regulatory obligations, designed to address fuel poverty and protect vulnerable customers in need.

*Easier warmth* is not just about today, but also about the future, which is why we are continuing to engage with thousands of customers and key stakeholders to ensure that the UK's energy transition is customer-centric in design reflecting the needs of different customer groups. No two customers are the same.

Becoming a force for good is also about creating *fairer opportunities*. We will do this in a number of ways. We continue to promote a company culture that provides equal opportunities for all, creating a truly diverse and inclusive working environment. But we are aiming to go further, extending our reach beyond Cadent, into our supply chain and the communities we serve. We have a role to play in helping to create the workforce of the future, working with schools and other educational providers, to identify the skills required to pursue a successful career in a hydrogen-powered world.

Our core business activity is to transport natural gas from the national transmission system into millions of homes and businesses. Methane natural gas is a fossil fuel and a greenhouse gas. Both the leakage of methane from our network, and the burning of methane once delivered to our end customers, releases greenhouse gases and contributes to climate change. Being a force for good means endeavouring to create a *greener society*. Our long-term focus is replacing the natural gas with low-carbon alternatives, such as hydrogen, but in the shorter term we have set ourselves some very stretching science-based targets to reduce our carbon footprint, supporting biodiversity and reducing waste.

For the UK to achieve net zero greenhouse gases by 2050, it will be necessary to decarbonise the provision of heat and Cadent will need to adapt to facilitate achieving this. We recognise that we have a significant role to play in ensuring a green, responsible and sustainable future. As a key player in the current and future energy landscape of the UK, we have a responsibility to set an example in the way we operate as a business, and we will seek to minimise our day to day environmental footprint.

Through the Cadent Foundation, we are investing at least 1% of annual post-tax profits into community schemes based on the three Force for Good themes described earlier enabling us to make an even greater difference in these areas.

Finally, I want to touch on COP26. It represents an important opportunity to showcase how innovation can position the UK as a leader in the development of a hydrogen economy on the world stage. We have several key priorities for the next period, focusing on developing the case for hydrogen, undertaking extensive consumer research to inform our thought leadership and demonstrating hydrogen at scale safely. We will be progressing our support for the regulatory framework that will enable hydrogen blending with natural gas to become a reality.

This is important as it will unlock significant demand for hydrogen that will in turn stimulate producers to increase their investment and scale up production. Lastly, we will progress our plans to demonstrate how a town conversion to hydrogen could happen safely, whilst also building on our economic assessments and consumer research, to ensure that heat decarbonisation is fair and just.



**Perry Noble**  
Chair of the Sustainability Committee

## Foreword

Welcome to our 2021 Safety & Sustainability Report



**Dr Tony Ballance**  
Chief Strategy & Regulation Officer

"We're passionate about fuelling a thriving world, providing easier warmth, fairer opportunities and a greener society."

Tony



We're committed to putting our colleagues, customers and the environment at the heart of everything we do, to make a positive and lasting difference to the communities that we serve.

We want to do more than simply survive and grow as a business, by fueling a thriving world where we make things easier, fairer and greener. As we work towards fulfilling this ambition, we strive to be known for delivering exceptional performance in terms of safety, customer experience, equality, diversity and inclusion, and the environment.

This past year has exposed just how vulnerable society is to unexpected natural events and made the threat of climate change even more apparent. The good news is that this realisation is spurring on change: sustainability has become a global priority across public and private sectors, and with policymakers and individuals alike. At Cadent, we're working with our stakeholders to ensure sustainability is at the core of our business strategy, and every day we work alongside customers and partners to ensure their decarbonisation journeys are just as ambitious as ours.

The Coronavirus pandemic brought with it a challenge never encountered before, and I thank every one of my colleagues who has worked tirelessly to distribute gas safely to our customers. In continuing our operations, we've supported our colleagues by adopting new ways of flexible working, with no-one placed on the government's furlough scheme. Of course, we are now also realising the environmental benefits of flexible working and we will ensure these practices continue to have a positive effect on the environment in the future.

Perry talked a little about our force for good strategy in his introduction and I'd like to elaborate a little on each of the three themes.

### Easier warmth

We want to see a world of *easier warmth*, where everyone has easy access to secure warmth, today and into the future. Our role goes beyond delivering our core services and this can often have the greatest impact on the lives and communities we serve every day.

Part of this means never leaving a customer vulnerable without gas. In the rare occurrence when their gas supply is interrupted, we offer an extensive suite of additional welfare options, ranging from portable heaters and showers to meal vouchers and even temporary alternative accommodation. Our new innovative 'welfare decision tool' app allows emergency engineers to tailor welfare products and services for customers who might find themselves in a vulnerable situation, especially those on the Priority Services Register ('PSR').

We recognised the need to make it easier for engineers to get the right support quickly, with customer safeguarding training delivered to all front line colleagues every year. This year we supplemented the training to include content specific to the Coronavirus pandemic, including how front line engineers could go above and beyond, for example in buying groceries for shielding customers.

We're proud to be the only Gas Distribution Network to be noted by our regulator, Ofgem, for going above and beyond expectation in this area, and whilst we're not experts in vulnerability, we have over 80 strategic partnerships in place with Fire and Rescue Services, NHS Trusts, and numerous charities who advise us on our strategy and expand our reach to support customers with various additional requirements.

Carbon-monoxide awareness is another area we're passionate about. This includes spreading the word about the dangers of carbon-monoxide poisoning to school age children in key stage 1 and 2 as we moved both our Safety Seymour and CO Crew programmes to a virtual platform.

### Fairer opportunities

We want to see a world where there are *fairer opportunities* for all.

Part of this is about how we communicate with our customers. We recognise that customers expect choice and we have invested into several new communication channels to deliver this. These include digital channels such as WhatsApp and SMS (offering up to the minute updates on the engineering work we're completing) and updating more traditional methods to be more inclusive (e.g. publishing leaflets and our web content in multiple languages and using videos).

We have continued our charitable partnership with Alzheimer's, which has now raised over £400,000 through a combination of employee fundraising, Cadent matched giving and additional charitable contributions. During the pandemic, with the restrictions and lifestyle challenges imposed, the amount raised through fundraising in the first half of the year was significantly lower than in previous years. To support this, we took the decision to quadruple the funds matched by the business to £4 for every £1 raised between October and December 2020. In addition to this, the most innovative fundraising ideas could be matched by up to £10 per £1 raised. The result was a fantastic success with over 82 Matched Giving claims being made during the quarter leading up to Christmas, with colleagues raising over £38,000 and the company donating over £70,000 through our Matched Giving Scheme.

And I'm delighted that the work of The Cadent Foundation continued over the last 12 months. 100 new grants have been awarded to charities and organisations that can support some of the most deprived communities across our networks, that amounts to just over £4.8m.

### A greener society

We are fully committed to our role in tackling climate change, seeing ourselves as an enabler for decarbonisation, with the future role of gas being an exciting part of a low-energy emissions system solution.

In November 2020, the government published its ten-point plan for the UK's green recovery which further cemented our crucial role in shaping and decarbonising the energy industry. We are demonstrating the benefits of hydrogen energy to heat homes through the launch of Hydrogen Homes, our HyNet project in the North West region of the country, and work leading the Transport Pathways project for hydrogen-powered vehicles.

Our track record in reducing Greenhouse Gas emissions is evident and our commitment to lead the way to net zero is demonstrated by setting new carbon reduction targets in line with the latest science-based methodology, joining over a thousand companies who are committed to real climate progress through the setting of Science-based targets. Our new Scope 1 and 2 emission targets are incentivised annually in employee reward packages – making it a personal challenge as well as a collective one.

Our polyethylene mains replacement programme continues to contribute to a reduction in leakage as well as future proofing our network ready for low-carbon alternatives such as hydrogen.

We have started to introduce zero-emission vehicles into our operations and company car scheme, and will continue to implement infrastructure to support this transition.

Reducing our environmental impact through streamlined waste segregation is another area of increased focus, and we continue to minimise the amount of waste we send to landfill; last year recycling or diverting over 96% of our general waste (excluding spoil from excavations) and at the same time ensuring our contract partners share the same sustainability ambitions as we do. And we're not only reducing our waste but we're ensuring that the resources we buy are used to their maximum. Part coil PE pipe is now re-issued for use, limiting the amount of new PE pipe we have to buy.

We have successfully continued certification of our Environmental Management System against the ISO14001:2015 standard and are proud to have held this standard for 23 years. We are focusing on improving biodiversity through our new strategy which will enable us to enhance the communities where we work whilst contributing to the net zero agenda.

We are committed at every level of our organisation, and we monitor and measure our commitments through stretching targets together with Board-level oversight through both our Safety and Sustainability Committees. We've also ensured our executive remuneration is aligned to our long term sustainability ambition, a bold move approved by our Board.

I'm personally excited that Cadent has ambition to lead the way in all areas of sustainability and would like to thank all our colleagues for their continued hard work to move us forward to a low-carbon future.



**Read more about our commitments online at**

<https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/Commitments-2021-2026.pdf>

# Our sustainability framework.

## Responding to challenges

We are committed to responding to a changing world, the new challenges and trends that may affect our ability to meet our business objectives and to doing business responsibly. Some of the most significant challenges include:

- climate change;
- resource scarcity;
- social inequality in the communities in which we operate; and
- maintaining outstanding safety performance.

## Supporting the United Nations Sustainable Development Goals ('UN SDGs')

The 17 UN SDGs show us what a sustainable future looks like. They provide a framework for businesses to work together with governments and other partners to tackle climate change and fight inequality on a global scale.

These goals will not be achieved without genuine collaboration. We have reviewed the Global Goals to understand how they relate to what we do, and identify where we can make the biggest contribution. We believe that nine goals are particularly relevant to our activities, and will work towards them by achieving our own internal targets.



## Delivering our safety commitment

Safety is the foundation of our business. We are committed to ensuring the safety of our people, our customers and the general public.

### Supporting the Goals



We will maintain our focus on ensuring our colleagues and contractors are safe whilst at work, and that members of the public are safe in the vicinity of our works. We will work hard to address the risk of damaging underground assets, both in terms of our impact on other utilities, but also the impact of third-party encroachment or damage of our assets.



## Providing a resilient network

Renewing our network for the future, and delivering a reliable and resilient network to keep the energy flowing safely and reliably to all of our customers.

### Supporting the Goals



We will continue in going above and beyond to be more flexible and focused on minimising disruption. We recognise our services need to be as inclusive and accessible as possible, understanding the diversity and geographical differences in our communities. We will continue to deliver and improve our service reliability performance for our customers, reduce service disruptions and renew our network for the future.



## Tackling climate change and improving the environment

We are committed to our role in tackling climate change and as a responsible company for the communities we serve.

### Supporting the Goals



Our environmental ambition is underpinned by three primary commitments:

- Reduce the impact of climate change by implementing mitigation and adaptation measures.
- Ensure environmental sustainability is considered in our decision-making and inspire our people to consider it in everything they do.
- Improve our environmental management system to protect the environment and reduce the risk of environmental incidents.



## Delivering a quality experience for all our customers and stakeholders

We are committed to creating a culture where people feel valued, included, and have equal opportunities to succeed to support the creation of an environment where we can deliver outstanding customer experiences time after time.

### Supporting the Goals



We will continue to engage extensively with customers and stakeholders to:

- Provide insights into improving our current service levels.
- Inform our thought leadership relating to the future energy transition.
- Allow us to continually look forward as we prepare for RIIO-3.

We will strive in creating fairer, accessible and inclusive communications for all, aligning our targets and incentives and improving customer experiences through efficient use of technology and focused innovation.

Ensure the resilience of our colleagues through:

- Training & development.
- Attracting new talent through graduate and apprentice schemes.
- Health & wellbeing initiatives.
- Celebrating success.



## Trusted to act for our communities

Our Board and leadership at all levels are committed to operating as a responsible and ethical business, from our regulatory commitments and practices to our social actions.

### Supporting the Goals



Our social impact ranges across multiple levels, including how we engage ethically with our supply chain, our fundraising, charity partnerships, our EmployAbility programme and employee volunteering opportunities.

It is vital for us to create social value by benefitting the most vulnerable in our societies, contributing to our local communities to reduce the impact of our operations and work together to reach our net zero ambitions.

Key initiatives we will look to deliver include:

- Never leaving a customer vulnerable without gas.
- Developing a universal Priority Services Register.
- Training colleagues to deliver social value.
- Tackling fuel poverty.
- Making a statement for Human Rights and Modern Slavery.

## Reporting against our ambition

# Commitment from the top and at every level.

### Executive remuneration

Maintaining a focused and driven senior management team is a critical element to delivering our safety and sustainability performance. We have structured our reward mechanisms to ensure remuneration is based on performance and is linked to clear and measurable outputs.

Sustainability outcomes accounted for 30% of the maximum potential reward for the company performance measures from the Short-Term Incentive Plan ('STIP') set for 2020/21:

- 10% related to mains replacement programme;
- 10% to safety 'Lost Time Injury Frequency Rate; and
- 10% to sustainability (Reduction in business carbon footprint and a reduction in waste to landfill).

For 2021/22 STIP, this will increase again to make up 35%:

- 15% Tier 1 replacement;
- 10% safety 'Lost Time Injury Frequency Rate; and
- 10% sustainability (reduction of waste).

These targets are set each year by the Remuneration Committee of the Board, following recommendations made by the Safety and Sustainability Committees. The outcomes are measured at the end of the year and reported in the annual report and accounts. These same measures are used to underpin bonus awards to managers to support alignment throughout the business.

The Long-Term Incentive Plan ('LTIP'), a three year scheme, for senior leaders also includes elements for environmental outcomes, with targets linked to fuel poverty, long-term asset management and mains replacement. Together these elements account for over 20% of the LTIP. The proportion relating to sustainability is increasing for the 3-year period of the LTIP we are setting in 2021. It will amount to 50% in total, 20% is based on mains replacement expenditure and carbon reduction with a further 30% on energy system transition.

### New measures for RIIO-2

As we move into a new price control period, we will begin to set ourselves new targets and reporting goals as set out in our Environmental Action Plan, annual regulatory reporting performance and Ofgem's new Annual Environmental Reporting.

### Sustainability Committee

In 2021, we separated our Safety & Sustainability Committee into two committees. Our Sustainability Committee meets four times a year and provides focused oversight and assurance of the management of sustainability issues on behalf of the Board. The Committee is supporting us in developing a forward-looking, goal-oriented strategy to deliver more sustainable outcomes for our customers, the environment and communities that we serve.

In April 2021, we committed and published our greenhouse gas target aligned to the latest science-based methodology and following a well-below 2°C global temperature rise pathway. We continue to align our activities to deliver against the UN Sustainable Goals and have recently become a corporate member of Support the Goals achieving a five-star rating.

Our Sustainability Committee membership and attendees reflect our commitment to the importance of this area of our business. The Committee consists of the following leaders:

#### Sustainability Committee (Board Members)

Perry Noble Chair	Catherine Bell	Ed Fidler
Howard Higgins	Simon Fennell	Paul Smith
Steve Hurrell	Howard Forster	

#### Sustainability Committee (Attendees)

Tony Ballance Chief Strategy & Regulation Officer	Steve Fraser Chief Executive Officer	Diane Bennett General Counsel & Company Secretary
Howard Forster Chief Operating Officer		

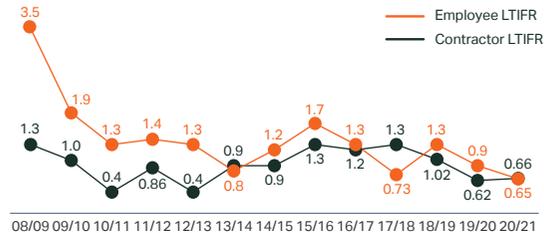
**Goal for 2020/21**

# Occupational Safety

Our ambition is to prevent all injuries associated with our activities. Our goal for 2020/21 was to achieve a Lost Time Injury Frequency Rate, ('LTIFR'), per million hours worked – below 0.7 for employees and contractors.

**Progress in 2020/21**

**Employee and contractor LTIFR**



Our measure of Serious Injury to Members of the Public includes all injuries arising from our network or our work activities which require medical treatment. This includes injuries from contact with our street works as well as any injuries received through gas escape or explosion arising from a fault on our network. A small number of reported injuries are removed from this measure where it is established that an injury was not related to our activities or assets.

**Goal for 2021/22**

Our target for 2021/22 is for no more than 0.65 lost time injuries per million hours worked. This metric improved in 2020/21 and we aspire to improve further.

Continuing priorities for 2021/22:

- Our Safety Improvement Groups will focus on reducing driver safety risk, promoting site safety to prevent injuries to members of the public and avoiding underground cable strikes.
- We will continue to implement our simplified management systems and reinvigorate our zero-harm culture.
- We will focus on more visible safety leadership for managers and front-line staff and including our office locations.

Our aim is to build on our good performance in making improvements after an accident or near miss, to become better at identifying, removing and learning from the hazards before they lead to near misses. We will measure progress on this through safety culture surveys and our safety performance.

**Goal for 2020/21**

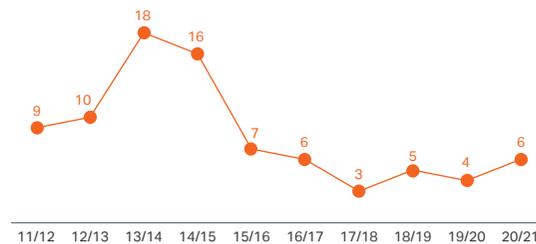
# Public Safety

Our ambition is to ensure that no one is injured as a result of our activities.

Our goal for 2020/21 was to focus on the safety on our employees, contractors and members of the public around excavations and during the reinstatement process. To progress this we worked to reduce the time that excavations are open in public areas.

**Progress in 2020/21**

**Serious injuries to members of the public**



Our measure of Serious Injury to Members of the Public includes all injuries arising from our network or our work activities which require medical treatment. This includes injuries from contact with our street works as well as any injuries received through gas escape or explosion arising from a fault on our network. A small number of reported injuries are removed from this measure where it is established that an injury was not related to our activities or assets.

**Goal for 2021/22**

We will continue to:

- Focus on the safety on our employees, contractors and members of the public around excavations and during the reinstatement process.
- Work to reduce the time that excavations are open in public areas.

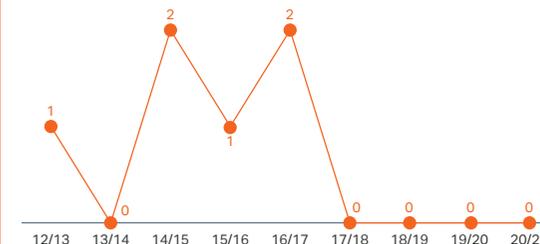
**Goal for 2020/21**

# Environment

We are committed to ensuring that there are no serious environmental incidents as a result of our operations, and we will ensure that we manage risks and put in place plans to prevent all serious incidents.

**Progress in 2020/21**

**Serious environmental incidents\***



2020/21 was the fourth year in succession where there were no serious incidents associated with our activities.

\* Serious Environmental Incident – a significant environmental damage, pollution, breach of permits or legislation that leads to enforcement action by the Regulator.

**Goal for 2021/22**

- Continual improvement across all sites in their environmental baseline score, a 50+ environmental survey for all depots.
- Deliver environmental awareness training for employees.
- Roll out biodiversity audits for all of our sites.



**Read more in our Annual report and accounts 2021**

<https://documents.cadentgas.com/view/75804728/>



## Reporting against our ambition continued

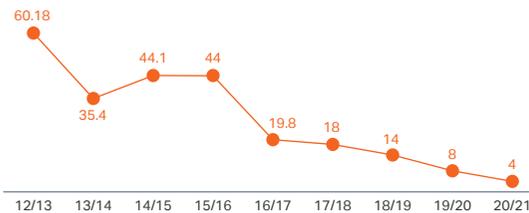
### Goal for 2020/21

## Resource Management

We believe that no avoidable waste should be sent to landfill. Our goal is for zero avoidable waste to landfill by 2021/22.

### Progress in 2020/21

Percentage of waste to landfill – (Depots / Office waste only)\*



In 2020/21 we sent 4% of our waste to landfill, making great progress against our target of zero waste to landfill for 2021/22.

\* Does not include contractors' spoil waste from Polyethylene ('PE') pipe replacement programme.

### Goal for 2021/22

Work to support our target of zero waste to landfill by the end of 2021/22 through continued improvement of facilities for waste segregation at depots and ensuring employee awareness.

- Reinforce and embed new recycling activities including barriers, signage and cones from street works.
- Engage with suppliers to minimise packaging and other waste at source through our work linking them with the Sustainability School.

### Goal for 2020/21

## Energy & Emissions

As a responsible, regulated business we aim to reduce our business carbon footprint ('BCF'). Our goal for 2021/22 was to reduce our business carbon footprint by 17% from 2013/14 levels. We are currently outperforming this with a reduction by 2020/21 of 28%.

### Progress in 2020/21

Business carbon footprint vs target (tCO<sub>2</sub>e)



In 2020/21 we reduced our BCF by 3.8%. This continues the relatively strong performance in prior years and as a result we remain ahead of our long-term carbon emissions reduction trajectory.

To ensure consistency with our regulatory reporting obligations this measure excludes non-fuel related emissions from mains replacement contract partners, and may therefore be subject to change going forward if the scope or scale of work undertaken by partners changes.

### Goal for 2021/22

Our priorities for 2020/21 are to:

- Procure 100% certified renewable electricity.
- Further reduce business travel and increase technology use for meetings.
- Support greater use of low emissions and hybrid vehicles.
- Work with contract partners to reduce their emissions.

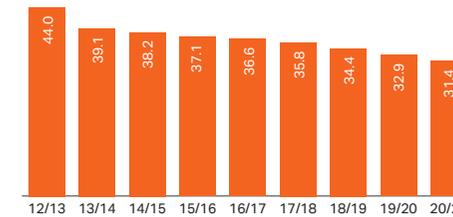
### Goal for 2020/21

## Greenhouse Gas ('GHG') Emissions

Our overarching goal is to reduce our greenhouse gas emissions to net zero by 2050. Our most important reduction activity is the mains replacement programme.

### Progress in 2020/21

Emissions – percentage of baseline



We have committed to medium- and long-term targets to reduce our greenhouse gas emissions.

We have already successfully reached our 2020 target ahead of schedule (70% – 2019/20 vs 2020 target of 45%) and refocusing on our target to achieve net zero by 2050.

### Goal for 2021/22

- Ensure continued delivery of our mains replacement programme.
- Engage with all stakeholders and regulators to highlight the environmental benefits of continued and accelerated mains replacement.



**Goal for 2020/21****Social Performance**

We are committed to delivering improved levels of customer service. We are particularly focused on three things that matter most:

- Safety
- Satisfaction
- Engagement

**Progress in 2020/21**

- Improved our accessible and inclusive communications for all including improved signage.
- Increased use of opt-in SMS and WhatsApp services.
- Led communications for all safeguarding events and activity.
- Moved Safety Seymour initiative to complete virtual learning online. Launched CO Crew initiative and delivered a teacher portal.
- Improved literature for the Priority Services Register, carbon monoxide awareness and fuel poverty.
- Used British Sign Language and translations across video content.
- Targeted communications for non-English-speaking customers with eight language options.
- Established over 80 strategic partnerships and worked with all Fire and Rescue Services in our networks.
- Worked with our partners to tackle social isolation in a variety of ways.
- Delivered over 4,500 network extensions and connections to support those in fuel poverty.
- Increased match giving donations by allocating £4 for every £1 raised.
- Funded over £4.8m to local charities and communities through the Cadent Foundation.

**Goal for 2021/22**

- Raising awareness through direct conversations, partnerships and colleague training in relation to Priority Services.
- Raising awareness of the dangers of carbon monoxide across our networks.
- 1.25% of post-tax profits invested back into our communities through our charitable foundation.
- Simple, clear and comprehensive reporting against all of our customer commitments.
- Supporting our colleagues giving back to our communities through volunteering.





# Continuing to keep our people and partners safe.

Safety remains at the heart of our business and foremost in the minds of our employees; it is who we are and the foundation on which the business is built. We are trusted to keep the nation's households safe and warm every day of the year and we take that trust very seriously indeed. We aim to ensure that every aspect of our work is as safe as it can be, whether that's as part of our gas operations or in our non-operational activities. We also understand that only by being transparent about our performance can we continue to deserve that trust.





### Working safely

We have maintained our focus on ensuring our colleagues and contractors are safe whilst at work, and that members of the public are safe in the vicinity of our works. We have also worked hard to address the risk of damaging underground assets, both in terms of our impact on other utilities, but also the impact of third-party encroachment or damage of our assets. We have continued to improve our safety record, delivering a Lost Time Injury Frequency Rate of 0.66. In addition, we have seen improvements in our main safety metrics compared to 2019/20.

We have updated and simplified our Safety Management System to allow our colleagues to ensure that gas is delivered safely and reliably. We work actively to manage both personal safety and major hazard safety (often referred to as process safety). This has included training our senior leaders in process safety and introducing a higher proportion of leading measures into our monitoring of process safety performance. We share learning from incidents at the monthly Safety and Engineering Committee and have a dedicated Board Safety Committee to ensure we set the right tone from the top.

We have several Safety Improvement Groups which have been set up to drive improvements in areas of risk for us: these include Culture, Process Safety, Cable Avoidance, Road Safety and protecting the general public from our works. These groups are chaired by Operational Directors who report regularly on their plans to drive continuous improvements in our ways of working.

### Safety Improvement Programme

Our main measure for safety is known as the Lost Time Injury Frequency Rate ('LTIFR'). Over the last year, we reduced this rate from 1.13 injuries per million hours worked at the end of 2018/19 to 0.70 as at the end of March 2020, ahead of the target of 0.90. In addition to this, we have also seen improvements against key metrics this year.

Our goal is to achieve a further improvement in our safety performance and deliver on our safety commitments. We recognise that we need to do more to ensure all employees understand what is required of them and to do the right thing every time. To achieve this, they will be involved in a range of improvement and engagement activities underpinned by a clear Safety, Health, Environment and Security ('SHES') framework.

An important part of building a strong foundation for safety was to redesign our SHES management system. This redesign simplifies the system, making it easier to understand. We have continued our work on culture and behaviour across the company, using workshops and leadership visits to reinforce this focus.

## Cable strikes

The accidental striking of an electrical cable, known as a cable strike, is a significant risk that our people and contractors are exposed to when working on our buried pipes and equipment. We are focused on reducing these cable strikes as a priority both to reduce the potential injuries to our people and to reduce damage to other's assets.

## Process Safety KPIs

Process Safety Risk Management is controlled by the adoption of 12 Risk Control Standards, each addressing a part of a 'Process Safety' management system that covers a specific risk or activity. For each Risk Control Standard, we have developed separate measures designed to provide a comprehensive measure of the health of these controls.

Following the review of existing process safety KPIs and learning from IChemE training, we are in the final stages of introducing revised, simplified process safety KPIs to provide greater visibility and focus. This has resulted in an increased number of leading indicators.



## Did you know?

### Lost Time Injury Frequency Rate

# 0.66

compared to last year 0.7

## Responding to emergencies

We operate the National Gas Emergency Service contact centre, taking calls and giving safety advice on behalf of the UK gas industry. In 2020/21, we answered 1.3m gas emergency calls of which 91% were answered within 30 seconds. During the year, we attended 328,698 reported gas escapes. Of these, approximately 68,809 were directly related to our network. The rest of the calls were for other matters such as suspected carbon monoxide, faulty boilers or meter problems for which we provide assistance to ensure public safety.

Responding to gas emergencies	2020/21		2019/20		% change
	Total	%	Total	%	
Calls to emergency number (for the whole of the UK gas sector)	1.35m		1.6m		-18%
Answered within 30 seconds	1.2m	91%	1.4m	92%	-14%
Reported gas escapes	328,698		356,879		-8%
Escapes related to Cadent's network	68,809	21%	75,297	21%	-9%
Escapes related to other matters (CO, boilers etc. – including from other gas distribution networks)	295,930		281,582	79%	5%

We aim to respond to gas escapes and potential risks from carbon monoxide poisoning as soon as possible. In 2020/21, our average response was 32 minutes (34 minutes in 2019/20) for those cases where the reporter was unable to remove the hazard based on our safety advice.

The table below shows that our standards of service exceeded the regulatory target for response times, which is 97% within one hour for uncontrolled\*\* escapes and 97% within two hours for controlled\* escapes.

Standards of service	East of England	North London	North West	West Midlands
2020/21 Controlled*	99.3	99.0	99.4	99.7
2020/21 Uncontrolled**	98.7	98.9	99.0	99.4

\* Controlled refers to those gas escapes where the customer has confirmed that they have turned off their supply at the emergency control valve and the smell of gas has ceased.

\*\* Uncontrolled refers to all other escapes.

## Springers into action: The pawsome sniffer dogs assisting North West gas engineers

Our pipes can run for long distances underneath footpaths and verges, gardens and driveways. It is hugely disruptive if engineers need to dig it all up to find the source of problems such as leaks or water in our pipes. We heard about former police dog instructor Steve Foster and his specially trained English Springer Spaniels, and brought them to the North West network. Over two days, they worked in Skelmersdale, Huyton, Blackburn, Stockport, Oldham and Middleton, looking for previously elusive points through which water was getting into gas pipes. The clever canines amazed even the most experienced engineers by tracking down small hairline fractures in the underground gas pipes; the dogs are going to be a great asset for us. We're determined to find innovative ways to tackle this and prevent our customers from losing supply. Introducing the gas detection dogs into the network has seen fantastic results.





# Transforming our operations

We have continued with our operational transformation to a customer-focused organisation. Our operational teams have worked tirelessly throughout the pandemic to deliver the critical services needed to support our communities and colleagues during a challenging period of uncertainty and significant change.





### Our operational performance

Our customers have told us what is important to them and what they expect from us; going above and beyond to be more flexible and focused on minimising disruption. We recognise our services need to be as inclusive and accessible as possible, understanding the diversity and geographical differences in our communities.

### Delivering on our commitments

Our four networks have 28 Customer Operations areas with clear accountability for meeting their own customer, regulatory, safety and financial targets and have the capability to deliver Emergency, Repair and Domestic Connection activity. The 28 Customer Operations Area Managers are undertaking a tailored training programme with customer service at its heart. They are supported by local contracts; in areas such as backfill and reinstatement support to drive increased customer satisfaction levels, improved performance and local strategies to reflect the communities we serve.

Our newly appointed Construction Management Organisations in each network are now in place to lead and support over 38 Local Delivery Partners delivering our mains replacements programme. These arrangements reflect pilot arrangements that have already been driving improvements in our delivery and the overall customer experience over the last 18 months.

Each network also controls their own Investment Planning Office and has completed a delivery plan that meets the commitments we have made in our RIIO-2 Business Plan. A significant amount of planning and preparatory work has been the focus for us this year, as we have embedded the new structures across all operations and our customer-facing teams lead with autonomy and insight to improve our customer experience commitments.

As well as developing these new arrangements and despite the impacts of COVID-19, we've continued to drive the programme to deliver against our RIIO-1 Ofgem and Health Safety Executive ('HSE') targets with delivery rates, outside of lockdown restriction periods, the highest of the prior eight years.

Further structural change has seen newly created leadership positions and teams:

- Heads of Customer Experience, lead with a responsibility for understanding current customer experience journeys and working collaboratively with operational leaders to drive change and enhance levels of satisfaction.
- Our Commercial Director, leads the teams to manage and improve supply chain relationships and drive better performance throughout our local partnerships.
- As we have made these changes to our operating model we have welcomed 600 colleagues who are now directly employed by us and who bring their talent, knowledge and experience into the business.

### Providing a reliable gas supply

Last year we delivered an overall network reliability of 99.998% ensuring our customers had gas when they needed it. We operate over 131,000 km of pipeline and this can present us with a range of challenges. On the rare occasions when things do go wrong our customers expect us to respond quickly and get them back on gas promptly. This has resulted in a reduction of 15% in the number of unplanned interruptions experienced compared to the previous year. Our performance for our customers living in multi-occupancy buildings has been particularly strong with a further 25% reduction in the number of interruptions. These improvements are the result of improved and innovative techniques to keep customers on gas, supported by regular performance monitoring and the attention of our field engineers and managers.



## Did you know?

### Emergencies responded to within the hour

# 99.1%

### Network reliability

# 99.998%



### Read more in our Innovation Annual Summary 2020/21

<https://documents.cadentgas.com/view/647422605/>



#### Complaints handling

All networks have improved through enhanced data insights, jeopardy management, network and local ownership. Volumes are down 20% on the previous performance year.

#### Improving service in multi-occupancy buildings

Our work in multi-occupancy buildings was significantly impacted by COVID-19. Risk assessments meant that activities taking place inside communal areas and flats could not be carried out. Despite these constraints, we completed 8,805 surveys of our assets, and replaced or refurbished 1,044 riser pipelines. We continue to develop our customer engagement strategy and have developed Memorandums of Understanding with several boroughs and building owners to improve how we work together in the future, making life easier for all involved.

#### Reducing disruption

Following excellent customer and stakeholder feedback we have significantly increased the use of our CISBOT robotic technology, delivering over 28.2km (17km in 19/20) of refurbishment and expanding its use to our other networks. CISBOT contributes to a reduction in leakage on large diameter pipes, and work is carried out without interrupting supply to our customers and with no need to close busy roads.

## Never leaving a customer vulnerable without gas

In order to maintain and upgrade our network and respond to gas emergencies, occasionally we have to isolate a customer's gas supply, leaving them without gas for a period of time; this is when the true impact of having no gas supply is really understood. On average customers can expect to have their gas supply interrupted once every 40 years, so it isn't something many have ever experienced.

Anyone can find themselves in a vulnerable situation when this happens and therefore, we offer an extensive suite of additional welfare options, ranging from portable heaters and showers, to meal vouchers and even temporary alternative accommodation. Our innovative approach of recognising the transient nature of customer vulnerability and supporting customers when they are off gas was recognised by Ofgem in their final determination of our business plan. We were the only Gas Distribution Network to be noted for providing a customer value proposition that goes above and beyond expectations.



In North London, by building on our relationship with Transport for London, we have agreed to join The London Infrastructure Alliance ('the Alliance'); driven by our customers' request for us to reduce disruption caused by our works. The Alliance is being created to facilitate the planning and delivery of coordinated street works and brings together The Greater London Authority, Transport for London, London boroughs and utility companies. The Alliance will develop and deliver coordinated outcomes including reduced disruption, improving co-ordination, integration, efficiency and transparency.

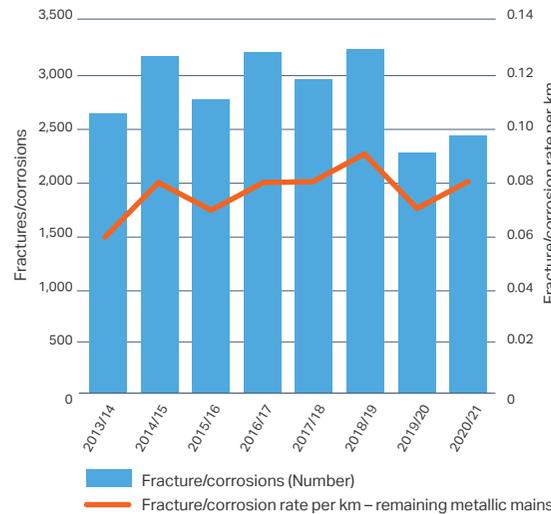
**Renewing our network for the future**

Our RIIO-1 investment plan was completed last year which resulted in upgrading and replacing assets throughout our networks, from high pressure above ground installations taking gas from the National Transmission System all the way through our pipeline system to the Emergency Control Valves in our customer's properties. This investment ensures we improve safety and reliability, whilst reducing operational costs.

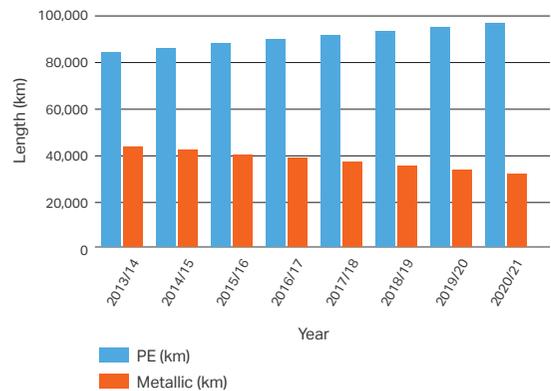
The largest element of our investment programme is the replacement of iron mains with tough modern polyethylene. Since 2012/13, we have replaced over 12,000km and had plans in place for accelerated delivery in 2020/21 to ensure we delivered our full programme by the end of the price control period. COVID-19 constrained our work and whilst we replaced the same length in 2020/21 as we had the previous year, some of our work will be completed in the future.

Several of our asset investment programmes were less impacted and we delivered the necessary work to meet our target risk reductions. Our asset investment considerations are preparing for low carbon fuels such as biogas and hydrogen to meet our net zero future.

**Iron fractures/corrosion and rate**



**Metal and plastic mains population**



**Putting customer preference at the forefront of the energy transition debate**

In November 2020, we undertook a comprehensive customer research study to assess customers' understanding of, and attitudes towards the UK's net zero targets and the implications for how they heat and power their homes. We believe that the energy transition will be shaped predominantly by customer preference and the decisions that they make.

Our study built upon the insights that previous work in this area had generated and has provided a much richer understanding of preferences and how these differ between different segments and demographics. The study revealed a strong preference for future home energy systems to operate in much the same way as their current systems, with minimal disruption (from time off gas or changes to their homes). It also revealed that those living in fuel poverty prioritise the ability to control the cost of heating their homes higher than the absolute cost itself, and those living in vulnerable situations often have a much higher emotional attachment to their current solutions and a lower willingness to change. It is these customers who, if the energy transition is not fully thought through, are likely to be left behind and as we undertake more research in this area, we will be focusing on how policies need to be shaped in order to mitigate this risk.



## Angels in orange spread their wings at Utility Week Awards

During the virtual awards night in February 2021, we were awarded the Customer Experience award, recognising the lengths to which our engineers went to restore gas supplies quickly and safely to the small town of Wirksworth, in Derbyshire, 2019.

A water main burst in Wirksworth in October 2019, damaging a gas main which resulted in over 10,000 litres of water flooding the local gas network. 900 homes and businesses – including 215 priority service customers – lost their gas supply, which we immediately responded to by mobilising over 200 colleagues for several days to restore supplies as safely and quickly as possible.



Utility Week  
AWARDS  
2021

## Utilities unite as we roll out robots to deliver vital work faster in historic Whitechapel

The streets of Whitechapel have seen many famous and infamous events take place over the centuries and in December 2020, we collaborated with other utilities to ensure the historic area stays connected to safe and reliable gas and water supplies in future years. By working together, we reduced time spent working in the area by up to 28 days. Working in partnership with Thames Water to deliver the essential work, we worked in partnership with the London Borough of Tower Hamlets and Transport for London (TfL).

Our work involved using CISBOT to give an ageing 170m section of gas mains a new lease of life. The innovative robotic technology enables work to be done much faster than using traditional methods with fewer and smaller excavations. It has the additional benefit of being able to work in live gas mains, meaning gas supplies will not need to be turned off during the work. In addition to the trailblazing robots, we also used high-tech real time information boards during the initial phase of the project.

This approach allowed TfL and the London Borough of Tower Hamlets to plan essential work during this time. Cadent Area Manager Kane McLoughlin said: "It's great how everyone has come together to agree a plan which will deliver great future utility services for the local community with minimal inconvenience to local residents and commuters."



### Did you know?

Mains replaced since 2012/13

# 12,000km

1,743km during 2020/21

Refurbishments delivered through CISBOT robotic technology

# 28.2km

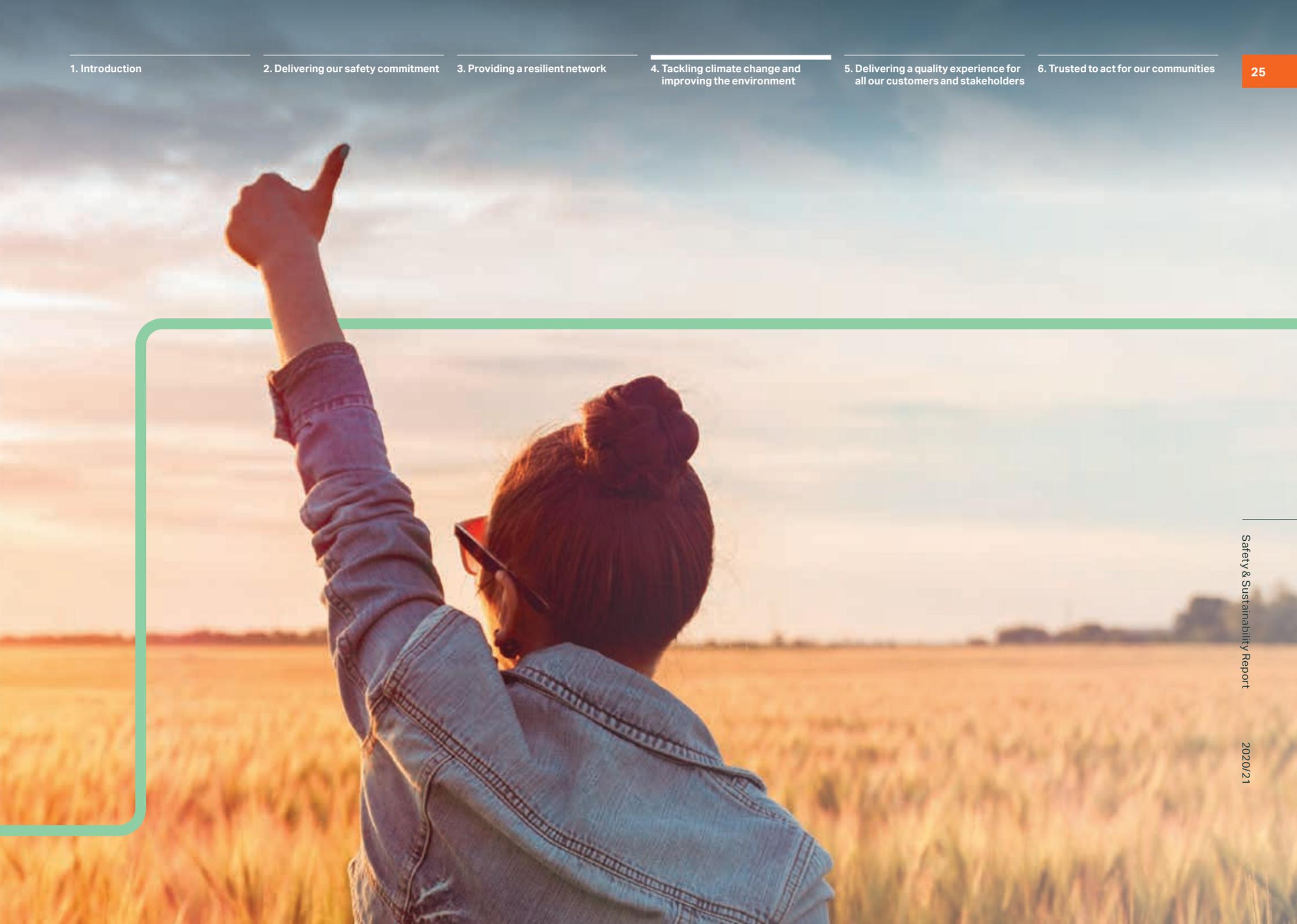
up from 17km in 19/20



# Connecting the UK to a greener future.

"As a responsible company, we are fully committed to our role in tackling climate change."

**Dr Tony Ballance**  
Chief Strategy & Regulation Officer



## Climate change statement

# Our commitment to tackling climate change was clearly signalled by our robust and very ambitious business plan submission to Ofgem.

Our Environmental Action Plan ('EAP') sets out our role for the next five years and demonstrates our leadership in tackling climate change through innovation and creating pathways to decarbonisation.

Cadent is an industry leader in determining/establishing the future potential of hydrogen and we are increasingly confident that hydrogen will form part of the future energy mix. We are actively engaging with Government and regulators to build awareness of the opportunities offered by green gases in the journey towards net zero.

At the 26th UN Climate Change Conference of the Parties (COP 26) in November 2021 we hosted a panel event to discuss our innovation projects which demonstrate the viability of hydrogen networks including HyDeploy – blending of hydrogen into the gas network; and HyNet North West where we have secured funding to design the pipeline to bring hydrogen to industrial users in the region.

We are actively seeking ways to reduce our own carbon footprint through our mains replacement programme, use of electric vehicles for our First Call Operative ('FCO') fleet and gas-powered HGVs. We recognise our responsibility to support the UK to meet its greenhouse gas target and have committed to short-, medium- and long-term targets to reduce our greenhouse gas emissions. High standards of environmental performance are core to our ambition to become a net zero organisation protecting and enhancing the environment through continuous improvement, and key innovations will reduce our footprint and create long-term benefits for society.

Our environmental ambition is underpinned by three primary commitments:

- **Reduce the impact of climate change** by implementing mitigation and adaptation measures.
- **Ensure environmental sustainability** is considered in our decision-making and inspire our people to consider it in everything they do.
- **Improve our environmental management system** to protect the environment and reduce the risk of environmental incidents.

It is vital for us to create social value by benefitting the most vulnerable in our societies, and contributing to our local communities to reduce the impact of our operations and working together to reach our net zero ambitions. The importance of climate change can be seen by our two issuances under its Transition Bond Framework highlighting strong investor appetite to support the energy transition in the UK.

The financial resilience to climate change has also been considered by assessing the financial impact of different net zero scenarios. We have concluded that our network can be adapted to use alternative technologies and hence its lifespan be extended beyond future net zero ambition that are in-line with our policy published pathways to net zero made by the Climate Change Committee and others show that hydrogen has a key role in enabling net zero to be met. The infrastructure assets that we own will form an important part of this transition by being re-purposed to transport hydrogen. The regulatory funding model used by Ofgem underpins our investment in the network, and provides a strong basis for the future recoverability of our assets and to estimate the long-term cash flows for inclusion in our asset valuations.

We support and are committed to implementing the recommendations of the Task Force on Climate Related Financial Disclosures ('TCFD') starting with this year's annual report and accounts. The processes we use to identify, assess and manage risks are embedded in the business and have been used to address the climate change risk.

### Governance

The Board maintains oversight of the company's Future of Gas and Environmental Improvement programmes which encompasses a strategy to decarbonise energy and develop pathways that will help the UK to achieve net zero. The Board is supported by the work of the Sustainability Committee, which was established as a standalone Committee in December 2020.

Our climate-related risks and opportunities are identified and managed by our Executive Committee with specific focus areas delegated to the Safety and Engineering Committee, Net Zero Transition Committee and the RIIO-2 Environment Steering Group.

These groups meet monthly, led by Executive Members, to monitor progress of action plans and provide assurance of commitments made to prepare the business for transition to net zero. Our RIIO-2 Environment Steering Group undertook a readiness review for delivery of our Environmental Action Plan from the start of RIIO-2 and graded our readiness as green. The Board and the Sustainability Committee have oversight of the work of these management committees.

Our current risk and opportunity assessment takes account of the long-term risks to the business in relation to the UK's net zero commitment, and wider environmental agenda.

Our initiatives to manage these risks and capitalise on the opportunities are detailed throughout our Tackling Climate Change and Improving the Environment section of this document.

Our three action plan areas are summarised here with further supporting actions:

#### Decarbonising our business operations

Over 97% of our business carbon footprint ('BCF') relates to leakage from our iron and steel pipe networks. Our RIIO-2 plan is funded to further reduce this leakage through continued replacement of these iron and steel pipes with polyethylene ('PE') pipes. This is supplemented with the continued application of monoethylene glycol ('MEG') where iron and steel networks remain. We align closely with the Government's net zero pathway and have further committed to reach a net zero non-leakage BCF by the end of the RIIO-2 period; we are prioritising activities to reduce leakage in order to achieve this. This target net zero ambition excludes most shrinkage-related emissions, but we have included our own use gas within this key climate change commitment.

#### Reducing our environmental impact

As a responsible business, it is incumbent on us to become more resource-productive, to manage our consumption of finite natural resources and reduce the amount of waste material that we dispose of. We have embedded a highly effective environmental management system and supporting control measures to avoid or mitigate environmental impacts, and have used the system to show how we can drive even greater performance through the RIIO-2 period.

We have already made significant progress in improving our waste management practices and have driven significant reductions in our waste production. Our contract partners are routinely exceeding Ofgem's target of sending less than 10% of waste spoil and excavation waste to landfill.

We have applied a parallel focus on managing waste from our direct operations. In 2015/16, over 25% of our waste was sent to landfill. This was reduced to 20% by 2018 and is currently below 4%. Through mapping our waste management chain, we have identified that there are key opportunities for us to improve further. In particular, we will address behavioural, organisational and technical factors that are resulting in some recyclable materials and natural resources being either landfilled or incinerated as fuel rather than being recovered.

We have partnered with the Supply Chain Sustainability School, achieving Gold member status, and have used their resource videos to help educate our colleagues/supply chain on sustainability topics including waste management. At present, 83% of our supply chain attributable to the scheme are registered, representing an approximate annual spend of £750m. This provides an opportunity for us to increase knowledge and help our colleagues to support sustainable practices. The School connects us with products and services across the world, improved continuity of supply, protecting against reputational damage and enabling the potential for new partnerships.



### Read more about our Environmental Action Plan ('EAP') here

[https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/APP\\_CAD\\_07-04-00-Detailed-Environmental-Action-Plan.pdf](https://cadentgas.com/nggdwsdev/media/Downloads/business-plan/APP_CAD_07-04-00-Detailed-Environmental-Action-Plan.pdf)

### Facilitating the low carbon/emission system transition

Our EAP sets out how we are responding to the urgent need to decarbonise the energy system. It describes how we are applying whole energy system thinking to support decarbonisation and the energy system transition, as well as wider stakeholder-driven environmental and economic considerations.

We show a pathway where energy efficiency and low carbon gases and hydrogen combine to deliver the climate change targets. This also sets out how we are determined to drive this transformation to secure a net zero future.

We had previously undertaken scenario analysis in the development of our strategies, particularly in the area of decarbonising the network and how the costs of the varying options influenced strategic direction.

However, many components of these scenarios became redundant following passing of legislation in 2019 requiring the Government to reduce the UK's net emissions of greenhouse gases by 100% relative to 1990 levels, effectively making the UK a 'net zero' emitter. The Government's 10-point plan removed the option of fossil fuel gas as a form of energy use in the future.



These changes have influenced our strategy, but we recognise the need to undertake scenario planning in the coming months for our networks due to each having different characteristics and a 'one size fits all' approach not being appropriate.

It is clear from the 10-point plan that hydrogen is going to play a major role in the future of energy provision for customers. Therefore, we will continue to be a leading force in our development work with hydrogen, enabling networks to support this as much as possible through future-proofing our networks via our repex programme. This work not only makes networks hydrogen ready it also improves leakage reduction in our current state.

The financial resilience to climate change has also been considered by assessing the financial impact of the different scenarios.

We have concluded that our network can be adapted to use alternative technologies in line with our policy. We have also considered the impact of net zero on our underlying cash flows used in valuation of assets and concluded that our valuation methodology remains appropriate and consistent with the regulatory model used by Ofgem.



### Risk management

Our climate change risks are managed in line with our overall risk management framework. This includes a thorough, consistent and documented approach to identifying, assessing, treating, monitoring and reporting risks. All our risks are recorded in our enterprise risk management system, and are scored on a unified scoring scale, providing consistency, comparability and visibility of risks and how they are being managed. Risks are managed by an assigned owner within our overall governance structure.

The risk that we 'fail to respond to climate change and biodiversity' is one of our 'Principal Risks', which is overseen by our Executive Committee and Safety and Engineering Committee.

Ultimately our climate-related risks and opportunities can be categorised as having one of two main causes:

- Physical impacts that need to be adapted to, such as increased severity of extreme weather events (acute) including storms, droughts and floods or longer term shifts in weather patterns (chronic).
- Transitional impacts: associated with the transition to a low carbon economy, for instance from changes to policy and legal actions, technology, market and reputational concerns.

Our climate-related opportunities arise from the transition to a low carbon economy, and in finding new ways of meeting our customers' needs in that context.

### Metrics and targets

Our metrics and targets have been developed through engagement with not only company strategy and risk but also to satisfy our regulators and customers.

Our Scope 1 and 2 metrics are well developed. We have made good progress in reducing our business carbon footprint, as defined, and reported throughout our RIIO-1 regulatory reporting. We have outperformed Ofgem's targets set for 2020/21 and will continue to drive further reductions in areas within our direct control.

Overall, the target was to reduce our aggregate Scope 1 and 2 emissions by 20% during RIIO-1 from a 2012/13 level of 48,691 tonnes CO<sub>2</sub>e (excluding shrinkage).

For Scope 1 emissions, we targeted a 5% reduction over the RIIO-1 period and have achieved a 9.71% reduction.

For Scope 2 emissions, we targeted a 27% reduction over the RIIO-1 period and have achieved a 43% reduction.

We have outperformed our emissions targets throughout the RIIO-1 period. For emissions defined in BCF as Scope 1 and 2, we have outperformed having achieved an overall reduction of -27% compared to our 1990 baseline (at the end of 2020/21).

For each area of our business carbon footprint, we have identified an ambitious set of actions, which we have stretched to make them as challenging as possible.

We are improving depth and accuracy of our Scope 3 metrics in conjunction with our suppliers through our Global Supplier Code of Conduct which requires all suppliers to meet the standards we set in environmental and social performance. As part of this, we require specific disclosure of data relating to emissions impact. During RIIO-1, (eight financial years from April 2013 to March 2021), we recorded and reported on indirect, Scope 3 emissions embedded in pipe and fittings used in mains replacement and contractor vehicle usage.

Through the RIIO-2 period we will extend our accounting and reporting of Scope 3 emissions to include other principal indirect emissions and engagement more widely in our supply chain.

We will account for the indirect emissions associated with the management of waste, initially using Department for Environment, Food and Rural Affairs ('DEFRA') conversion factors to establish baseline values. We will work with our waste management contractors to establish emissions from the transport and other related activities arising from the management of our wastes. This would include any potential emissions gain through the use of our waste as feedstocks in waste to energy facilities.

We will work with our in-house Estates Team and third-party providers to develop the data to account for the indirect emissions due to our use of cloud-based computing solutions in parallel with the reduction in our own energy use. This would help prevent masking of direct emissions reductions by exporting the emissions to a third party.

We will also implement a common standard for sustainability options appraisal and carbon accounting in construction and other capital projects. This has been piloted within the Integrated Security Solutions project and has led to new best practice. This includes using hydrogen fuel cell lighting on our construction sites and a major redesign of key aspects of the civil engineering design.

Accounting for carbon will be used as a decision support tool in design and project delivery, optimising material usage and transport which are frequently the most carbon intensive elements of a project.

Contractor vehicle emissions will be measured and subject to the same goals as for our own direct operations.

We have linked aspects of performance against targets to employee remuneration incentives, to further embed our culture of sustainability. We have also developed our waste targets and are baselining our biodiversity targets.

Over the coming 12 months and beyond we will review our current climate-related risks and opportunities with a view to greater application of TCFD recommendations providing clearer and more relevant targets to reapply to our risks and opportunities.

Our continuing TCFD journey will focus on:

- further refining and quantifying our significant climate-related risks and opportunities;
- enhancing governance and management of climate-related issues; and
- developing our scenario analysis to further assist with our assessment of the impact of climate-related risks and opportunities on our business.



### Did you know?

#### Target reduction for Scope 1 emissions

# 9.71%

against a 5% target

#### Target reduction for Scope 2 emissions

# 43%

against a 27% target

## Transforming the environment

### Positive environmental action

Managing the environment is more than just minimising our impact and the impact it has on us; it's about taking positive action to be resilient when faced with environmental changes while providing a greener, more responsible and sustainable future. High standards of environmental performance are core to our ambition to become a net zero organisation. Protecting and enhancing the environment through continuous improvement and key innovations will lighten our footprint and create long-term benefits for our customers, people and stakeholders.

We are committed to reducing our carbon footprint in line with the latest science methodology. A key goal to achieve our ambition will be to ensure our targets are verified by the Science Based Targets Initiative ('SBTi').

Our scope 1 and 2 targets are in line with the latest science-based methodology and we have made this commitment through the SBTi. The target is consistent with our RIIO-2 Environmental Commitments. The target is defined as a reduction of -43% relative to our 2019/20 Scope 1 and 2 emissions over 15 years, and is based on a 'well below 2°C' absolute contraction approach. The target is primarily derived from the volume of iron mains replacement we have been funded for in our current regulatory price control, between 2021 and 2026, as estimated losses from our iron mains represents over 97% of our current emissions.

We view this target as an interim step that reflects our current regulatory settlement. However, our longer term ambition is to significantly accelerate investment in our assets, subject to Ofgem regulatory approval, and to facilitate the introduction of green gas into our network, which will enable us to move towards a more aggressive 1.5°C profile thereby bringing forward the date Cadent will achieve net zero to nearer 2040.

We are committed to continually improve and will pursue signing up to the United Nations 'Race to Zero', a commitment to achieve net zero ambitions and minimise temperature rise to 1.5°C. We continue to align our activities to deliver against the UN Sustainable Goals and have recently become a corporate member of Support the Goals achieving a five-star rating.

### Environmental Management System ('EMS')

The EMS defines our key objectives, ensures compliance with our obligations and supports our employees to drive continual environmental improvements. Our operations are covered by an EMS, which in 2020 continued to be certified to the latest ISO14001:2015 standard. The EMS sets out our environmental procedures to identify, manage and control potential environmental impacts of our operations and activities. During 2020/21, we completed a series of internal environmental audits to ensure compliance across the business, and to provide assurance for the environmental management at our depots.

We have progressed our environmental baseline exercise to assess the status and quality of the environmental practices at every occupied site. The results have provided a comprehensive insight into our risks and areas for improvement year-on-year. Based on these findings, we have established action plans and targets that will ensure we can deliver targeted and measurable improvements in both the short and medium term.

In 2020, we submitted our second Global Real Estate Sustainability Benchmark ('GRESB') Assessment. GRESB is the environmental, social and governance ('ESG') benchmark for infrastructure. We have successfully improved our 2019 score of 66% by nine percentage points to 75% in 2020 and maintained its four-star GRESB rating. We will widen our ESG reporting in 2021/22 to include Sustainalytics and MSCI benchmarks.





## Say Hy to the home of the future

# Hydrogen Home

The UK's first public homes with household appliances fuelled entirely by hydrogen are now built in Low Thornley, Gateshead, providing the public with a glimpse into the potential home of the future where no carbon emissions are released.

The two semi-detached homes, funded with the help of the UK Government's Hy4Heat Innovation programme, Cadent and NGN, opened in April 2021, showing how hydrogen has the potential to be used as a clean replacement to natural gas in the home.

Now 86% of homes in the UK use gas to heat their homes. The new hydrogen homes will use 100% hydrogen for domestic heating and cooking appliances including boilers, hobs, cookers and fires. Unlike natural gas, which is responsible for over 30% of the UK's carbon emissions, hydrogen produces no carbon at the point of use, with the only by-product being water.

The project secured a £250,000 grant from the Government's Hy4Heat Innovation programme and is being run by Cadent and NGN, who have both input £250,000 of funding each.

The houses will open to members of the public, who will be able to view appliances and see how they compare to existing ones. Local schools, colleges and universities will also be welcome to learn about the new technology, as well as potential careers in the emerging green economy and in science, technology, engineering and maths ('STEM') subjects.





### Reducing our greenhouse gas emissions

We recognise the responsibility to support the UK to meet its greenhouse gas target and have committed to medium- and long-term targets to reduce our greenhouse gas emissions. Our target was to reach 45% by 2020 and we have successfully reached 69%. Moving forward, we have set a GHG target with the help of the Carbon Trust and using the latest science-based methodology the target is a 43% reduction by 2023.

More than 97% of our greenhouse gas emissions are from gas lost from our network, known as shrinkage. Through our repair, maintenance and mains replacement programme we have replaced damaged or low-quality pipes with new plastic alternatives which resulted in lower leakage from the network. Leakage from our network in 2020 was 0.4% of total throughput and our mains replacement programme will continue to deliver this year and in future years.

### Streamlined energy carbon reporting

Whilst the majority of our greenhouse gas emissions are from shrinkage, other significant sources are energy consumption in offices and other business premises, along with fleet vehicles, primarily vans and company cars.

We have implemented an energy management system across the business that monitors performance and identifies opportunities for reducing energy consumption. The majority of greenhouse gas emission data is captured at corporate level. To meet the requirements for the Regulatory Reporting Business Carbon Footprint table, an apportionment methodology has been applied to report data by network.

We ensure that we procure efficient vehicles for our fleet and have placed a cap on company car emissions, and offer 'green' incentives to company car users. These incentives are aimed at encouraging efficient, low emissions choices which are taken up by 43% of drivers. Our new company car scheme offers electric vehicles only and a cash alternative voucher will encourage the purchase of low/zero emissions vehicles.

For 2020/21, we decreased our overall BCF emissions by 22% compared to the previous year. The data reflects the climate in which we worked throughout the year due to the pandemic. All office colleagues worked at home where possible and our operational programme mainly consisted of essential works.

Scope 1 emissions: In 2020/21 Scope 1 emissions (excluding shrinkage) decreased by 2.1% compared to 2019/20. The emissions for business mileage (company cars) were 36% lower compared to 2019/20, reflecting the change in working practices throughout the year due to travel restrictions, a continued focus on reducing business mileage and increasing uptake amongst colleagues of low/no emission company cars. Direct (Cadent owned) commercial vehicle emissions are 3.4% higher than for the previous year, reflecting an increase in direct labour activity across our networks.

Of the gas consumed at operational and non-operational sites, in 2020/21 we saw an overall 6% decrease in emissions ('tCO<sub>2</sub>e').

Scope 2 emissions: Emissions related to electricity consumption across operational and non-operational sites has decreased in 2020/21 by 12%. This reflects a reduction in electricity use across our occupied sites and a reduction in the published DEFRA conversion factor. We procure 100% renewable electricity through our energy provider, certified by a Renewable Energy Certificate.

Scope 3 emissions: Overall emissions decreased by 38% compared to 2019/20. This was due to a decrease in tCO<sub>2</sub>e emissions associated with polyethylene ('PE') pipe procurement through the reporting year compared to 2019/20. Emissions associated with travel (including air, rail, and casual mileage via car hire) decreased by 98% compared to 2019/20. The pandemic was the main contributing factor for this and saw use of air, rail and hire cars cease throughout the 2020/21 year.

We have made good progress in reducing our business carbon footprint, as defined, and reported throughout our RIIO-1 regulatory reporting. We have outperformed Ofgem's targets set for 2020/21 and will continue to drive further reductions in areas within our direct control. We are committed to leading on sustainable gas usage and have identified wider use of the renewable compressed natural gas as transport or heating fuel as a route to delivering a low carbon future.

### Renewable energy

Through our energy procurement contracts, we secured access to certified renewable sources of electricity. Through 2020/21 we procured 100% renewable energy, reducing our Scope 2 carbon footprint. This energy covers approximately 95% of our locations.

A small amount of our depot locations are leased and therefore use the energy procured by the landlords. We have contracted for the provision of 100% certifiable renewable energy to meet the electricity needs of our offices and depots by 2024, reducing this element of our business carbon footprint emissions to zero and we are targeting reducing all utility energy consumption by over and above the 43% reduction we have already achieved throughout the RIIO-1 period.

### Managing our resources

We engage our people and work with external partners to minimise the avoidable waste we produce. Through 2020/21, optimisation of waste management at specific locations helped improve our recycling rates and cost efficiency.

Our Gas Distribution Strategic Partners are incentivised to recover, reuse or recycle 90% of the spoil they generate from excavations and street works, and use less than 30% first-use aggregate for backfilling. Overall, our partners are outperforming these targets, currently diverting 97% of spoil from landfill and only importing 17% of first-use aggregate. In 2016, we introduced our goal of zero avoidable waste to landfill by 2021/22, acknowledging that a small proportion of waste will not be able to be diverted or recycled. In 2021/21, 3.71% of our non-operational waste went to landfill, which is a 3.2% reduction from 2019/20. We will continue to develop our recycling waste streams and facilities, educate our colleagues to change behaviours and embrace innovation to deliver further improvements.

### Reducing our waste

We have removed all single-use plastics such as cutlery from our offices and depots through a combination of incentives and removal of unsustainable choices such as plastic packaging for materials. Over the past year we have been working with our supply chain to target the removal of single-use plastics and have an ambition to eliminate all avoidable plastic across the supply chain by 2025. We ask potential suppliers to demonstrate how they will support this objective during the tendering process including the reduction of packaging or substitution for more sustainable alternatives.

We'll also continue to work with our waste management provider to optimise recycling waste streams and ensure our sites display best practice to further improve waste segregation and reduction. Moving forward we will target and incentivise colleagues to reduce overall total tonnage of general waste to support a reduce, reuse and recycle culture.

### Environmental training

To ensure that our people have the knowledge and skills to manage the environment in their day-to-day activities, we provide environmental awareness training. The training course not only offers employees the background information for energy, waste and environmental management, but the interactive sessions enable them to have the confidence to identify ways to manage environmental risk and impacts.

### Limiting our environmental footprint and improving biodiversity

Although greenhouse gases and waste are considered our primary environmental issues, we also address other environmental impacts including monitoring water consumption in offices and depots, and reducing the impact on biodiversity from our projects.

Our new biodiversity strategy will ensure that we always deliver a net neutral impact on the environment as a result of our operations, but wherever possible the ambition is to deliver a net gain. Although we don't have a large landholding, we'll work to improve the land we do occupy, and we will undertake the Wildlife Trust's Biodiversity Benchmarking accreditation to ensure that our action plans are robust and conform to externally assessed standards. We'll start to improve our sites by completing habitat surveys to identify suitable sites and our Warrington depot will be used as a pilot project to demonstrate part of a baseline in site biodiversity.

### Greenhouse gas emissions reduction

# 69%

Our target was 45% by 2020

### Suppliers

# 83%

are members or partners at the Supply Chain Sustainability School



## Our future

### The importance of green gases in the delivery of net zero

Our focus is on enabling an effective transition of our gas network to green gases, and over the past year, the UK has embraced the net zero challenge as the impacts of both climate change and a global pandemic have offered a rare opportunity to both think about and tackle things differently.

We have organised ourselves to be the most effective in thinking about the near-, medium- and long-term solutions where the existing infrastructure, that our customers have already paid for, can be repurposed to carry low carbon gases. We have invested significantly in our Future of Gas programme over the past year, which has created a positive momentum both across our research activities, but also in providing a clear pathway for hydrogen as a viable energy source for the future.

This covers both blending hydrogen into the gas network at a concentration of up to 20% and then later, a full transition to 100% hydrogen in the gas network. Our work, combined with the collective work across the sector, culminated in November 2020 with the Government including hydrogen as a key component of the 10-point plan for a green industrial revolution and the commitment to the production of a Hydrogen Strategy for the UK in 2021.

There is now more certainty of the role that hydrogen will play in the future of the UK. The UK's gas pipe network is an asset of enormous value and one which we can operate and should continue to serve the country for many years to come. Fortunately, this network can be adapted to deliver low carbon green gases, such as hydrogen and biomethane. Over the past year hydrogen has been discussed as a central component of achieving net zero, because of its ability to support the decarbonisation of areas previously thought difficult to reach.

Due to the flexibility of hydrogen as an energy vector, it is expected to play a significant role in the decarbonisation of industry, aspects of transport and heat. Hydrogen is recognised as a key component in creating a balanced and resilient energy system, allowing the peak demands of winter energy needs in the UK to be met at lowest cost to the customer. Hydrogen is a place to store energy and utilising the gas network for this, plays to the strengths of the sector allowing electricity and gas to work in tandem. The amount of hydrogen required in the future is still an area of much debate, but most net zero pathways centre around a figure close to 300 TWh of hydrogen per year. This is as large as the current annual UK electricity demand. Kick starting the hydrogen production has already begun, with a focus around the industrial clusters in the UK (e.g. Aberdeen, Teesside, Humberside, Merseyside).

Supported by the Government's industrial decarbonisation mission, these locations will be where hydrogen happens first, and we are pleased to share more about the progress made with the HyNet North West project here. The role of hydrogen in domestic heat is also becoming more certain as the strengths of utilising the gas system are becoming clearer from both a safety aspect, but also the technical feasibility of both blending hydrogen into the gas grid and the successful development of hydrogen-ready appliances. Hydrogen provides a low disruption pathway to heating homes for consumers, without the potential hassle associated with some of the electrified options on offer.





## Our first hydrogen-powered construction site

Off-grid energy generators are required to power welfare facilities at our construction sites where a connection to the electricity power grid is not possible. Traditionally this would be a diesel-powered generator.

We are targeting the first hydrogen-powered construction site through a pilot project due to begin this summer. We approached GEOPura supplier of off-grid renewable solutions, to see if they could work with us to help reduce the emissions we generate from our major construction projects recognising that we need to look across our work activities to deliver a net zero ambition. Meriden Water, dubbed the greenest re-development in London was chosen to pilot our ambition to deliver net zero construction projects and this involves powering our construction site with zero emissions hydrogen.

A hydrogen fuel cell will be placed in a storage container on site, powered by a tanker full of hydrogen which will remain on site until low in supply, at which point the tanker will be replaced with a full one enabling the site to be supplied with clean, hydrogen-fuelled power. If the project were to go ahead and be traditionally powered then 28,066 tonnes of CO<sub>2</sub> equivalent would be emitted into the atmosphere, we hope to save this amount of CO<sub>2</sub>, the equivalent uptake of 2,200 trees, by trialling our first hydrogen-fuelled construction project paving the way for this to become the new way of working in the future.



### External engagement

Our external affairs team together with senior members of the business have spoken at over 300 events over the past year, made possible through the increased use of online webinars, conferences and forums bought about by the pandemic. This has included speaking at webinars, political engagement, cross-sector working, and collaborative workshops, including groups such as the Energy Networks Association and their Gas Goes Green campaign, as well as the Confederation of Business Industry and the Hydrogen Taskforce. The teams have used these platforms to share the research and trial outputs, in support of the case for including hydrogen in the UK's energy plans. Our close engagement with key members of the Government and their advisers, has already helped influence the Government's 10-point plan, where the language has moved away from banning boilers, to moving to hydrogen-ready boilers and referencing large scale blending trials and industrial clusters, such as our own flagship project, HyNet.

We know how important it is to bring our stakeholders and employees along with us and have successfully launched both internal and external web content this year on the Future of Gas programme, such that our own employees can act as educators and ambassadors; this also includes launching the first ever hydrogen chatbot.



Our flagship industrial cluster project, HyNet, has delivered on the pre-engineering design work and is now able to progress to the front-end engineering design and consenting phase. Our role in the consortium is the construction of the UK's first regulated hydrogen pipeline, that will distribute 100% hydrogen to multiple users and to blending points for the cities of Manchester and Liverpool. The consortium has gained much political interest over the year as we have bid and won the competition for funding from the Industrial Decarbonisation Challenge led by UKRI. Regional interest is high, due to the potential to both provide significant carbon emissions reduction, but to support the boost to much needed jobs and skills in the region. We are pleased that Ofgem have recognised the importance of HyNet and included the project in our RIIO-2 capital programme as a price control deliverable. HyNet is the only industrial cluster that covers the whole value chain for hydrogen, carbon capture and storage.

Biomethane producers are currently required to add propane when injecting into our network, in order to bring the Calorific Value of the gas in line with our current billing method of Flow Weighted Average Calorific Value. This practice is both a cost and reduces the green credentials of the gas. Over 2020/21, Cadent's NIC project, Future Billing Methodology, has explored ways to alter the way we bill, which would avoid the need to add propane and inform how we look at hydrogen blending in the future. The project concluded in March 2021 and the resultant recommendations are now being shared with industry, to then be taken forward for further exploration.

### COP26 and beyond

2021 is likely to be a pivotal year for the gas sector. The Government will publish its Hydrogen Strategy, which will set out the UK's ambition to build a hydrogen economy.

Similarly, there are expected to be key announcements relating to hydrogen, carbon capture and storage, that underpin the decarbonisation of industrial clusters, ahead of COP26 ('United Nations Conference of Parties'). COP26 itself is expected to be an opportunity for the UK to showcase how innovation in hydrogen sets the UK in the lead on the world stage.

We must continue to focus on developing the safety case for hydrogen in the gas grid and homes, this will enable the next phases of demonstration projects and pilots to happen. We will also progress our support for the regulatory framework enabling hydrogen blending. This is important as it unlocks a significant demand centre for hydrogen producers. Lastly, we will progress our plans to demonstrate how a town conversion to hydrogen could happen, whilst building on our economic assessments and consumer research, to ensure that heat decarbonisation is fair and just.

### Biomethane producing plants

# 36

Generating enough biomethane for

# 228,180 homes

## Transport pathways

Over the past year, we have led a study, in conjunction with the other gas networks, to understand the transition from the economy today to a decarbonised economy, focusing on how the transition is achieved, and the competing and complementary nature of different low emission fuels and technologies over time. Whilst the project has considered the whole economy, it focuses predominantly on transport, especially HGVs, as an early adopter of green gases and as a key enabler to net zero emissions.

The project has highlighted that biomethane has an important role to play in the pathway to net zero but will need to ramp up quickly to maximise its potential. Biomethane and hydrogen-powered trucks represent a substantial opportunity for green gases to accelerate transport decarbonisation by 2030.

A large-scale deployment of these trucks would lead to a 38% reduction in emissions from trucks by 2030, compared to just 6% if decarbonisation efforts in this segment focus solely on zero-emission options. Beyond 2030, hydrogen trucks are expected to begin deployment at scale, but they will not initially compete for the same use cases as gas trucks, as early hydrogen vehicles are likely to be better suited to medium-range applications. The project also explores the associated infrastructure needs, suggesting that around 170 re-fuelling sites for gas trucks will need to be deployed over the next decade to meet the growing demand for these vehicles.

The project has therefore enabled development of a green gas decarbonisation narrative, supported by a wide range of stakeholders which clarifies the path ahead and demonstrates how the use of biomethane and hydrogen are scaled up over time, and how they compete and complement one another.



## HyNet

HyNet North West is a full chain hydrogen / carbon capture, utilisation and storage ('CCUS') project located in the North West, which is aimed at delivering full industrial decarbonisation across the cluster and providing the backbone for wider cross-sectoral decarbonisation. HyNet North West plans to be producing around 3.8GW of low carbon hydrogen by 2030, nearly 80% of the UK's target set out in the Government's 10-Point Plan. In development since 2016 by Cadent and partners Progressive Energy, HyNet North West has been through origination, feasibility and Front-End Engineering and Design ('FEED') pre-phases.

In 2020, we have seen the emergence of the HyNet consortia, which consists of Progressive Energy (project integrators), ENI (CO<sub>2</sub> transport and storage), Essar (hydrogen production), Cadent (hydrogen network), Inovyn (hydrogen storage), CF Fertilisers (capture plant) and Hanson Cement (capture plant). Our role in the consortium is the delivery of a FEED and consenting package for the hydrogen network. This past year has been dominated by completing a Pre-FEED on the hydrogen pipeline, assembling a Basis of Design ('BoD') and Scope of Work ('SoW') for the FEED and consenting.

There have also been several smaller work packages looking at detail in potential pipeline routes and some high-level Hazard Operations Assessments, to ensure that there is a level of integration across the hydrogen production, distribution and storage work packages. On the 1 March 2021 the FEED and Consenting phase commenced, which will ultimately lead to a final investment decision for the baseline projects in 2023 and operation in 2025.



## HyDeploy

In 2019, HyDeploy became the first project in the UK to inject a blend of up to 20% by volume of hydrogen into the existing gas supply.

Over the 17-month trial period at Keele University, the project focused on the safe management of the blending process. The project followed a strict management regime, which included checks on how the blend smelt, how it burned and how safe it was. There were also regular gas quality checks, to ensure the incremental increases in blending over the trial period could be safely managed, allowing up to 20% concentration of hydrogen to be blended into the gas network and on to the end user.

The project has proved successful, with the hydrogen blends having been safely and efficiently distributed to a broad range of users within the Keele gas network. This includes 100 domestic properties and up to 30 university campus buildings, such as, office blocks, lecture theatres and laboratories.

During the trial, COVID-19 led to restricted site access and reduced demand on the network, with students returning home. The project was therefore extended until March 2021, to provide the opportunity to undertake further blending over what would be a vital winter period, with high probability of increased gas demand.

The HyDeploy project has been very successful in realising what it was set out to deliver. Consumers noted no difference between the hydrogen blend and that of their former gas supply and are proud to be advocates for this innovative project. The outputs of this project will be crucial in closing the evidence gaps needed to facilitate the future roll out of hydrogen blends.



## Developing a decarbonisation pathway for Greater Manchester

We collaborated with Electricity North West on a sector-first piece of whole-systems planning to show how Greater Manchester ('GM') could reach its ambitious target of being net zero by 2038, 12 years ahead of the UK's legally binding target. The scale of change required for GM's urban fabric, its residents' lifestyle and the way businesses operate is unprecedented. It will require concerted effort from all stakeholders. GM's existing building stock will have to be upgraded and heating technology replaced with zero carbon options (such as hydrogen and hybrid heating systems), at a rate of 400 properties a day – a scale which has never before been demonstrated anywhere in the world.

Commuters will be encouraged to walk or cycle, whilst all transport will be decarbonised. Industrial processes will have to be re-engineered to run on renewable electricity and low-carbon hydrogen instead of conventional fuels. The work produced a pathway of cross-sector actions that need to take place over the remaining timeframe for GM to reach its goal. It also provided near to mid-term certainties over the future of energy in order to stimulate investment in low carbon technologies, inform stakeholders' net zero plans and signpost political lobbying and the necessary supportive regulatory framework.

The Greater Manchester Combined Authority has been positive about the work, which is now informing Local Area Energy Plans being developed for its 10 local authorities. It has also led to continued collaboration between Cadent, Electricity North West and the Combined Authority to progress actions on the pathway. Further collaboration took place to develop decarbonisation pathways for Lancashire and Cumbria in the North West and we are also working with Scottish Power Energy Networks to develop a plan for the Liverpool City Region, Cheshire West, and Chester and Warrington local authority areas.



## Zero-emissions vehicles that will get our engineers to emergencies pollution free

We're taking the road to a greener future by starting the journey to convert our fleet to zero-emissions vehicles enabling our gas engineers to respond to emergencies across our London network pollution free. Engineers are now using five electric vans and five hydrogen response cars to patrol our North London network which includes parts of Berkshire, Buckinghamshire, Surrey and Essex. The new cars are hydrogen-fuelled Hyundai's with a range of almost 400 miles. The only product of their emissions is water. The fleet decarbonisation initiative has seen demonstration vehicles operating in the North West and Eastern networks. The new vehicles have been bought as part of our commitment to introduce zero-emission First Call Operative ('FCO') vehicles and to have over 1,000 zero-emission vehicles across all our networks by 2026. This ambition provides a unique opportunity to encourage the development and supply of a new product, hydrogen vans, into the UK market.

The new hydrogen fuel cell cars and e-vans are a first for us and represent a major step forward in working to achieve our RII0-2 environmental goals. The London network was chosen as the first recipient of the new vehicles because of the availability of charging points and fuelling stations.

Our growing green fleet includes a pair of Iveco repair CNG vans in the North West and West Midlands network, with another CNG van expected to join the North West Network soon. For movement of large items, we have invested in a fleet of nine biomethane trucks. These vehicles will significantly reduce greenhouse gas emissions and help improve air quality. The trucks are cheaper to run, generating savings of around 38% compared to diesel.

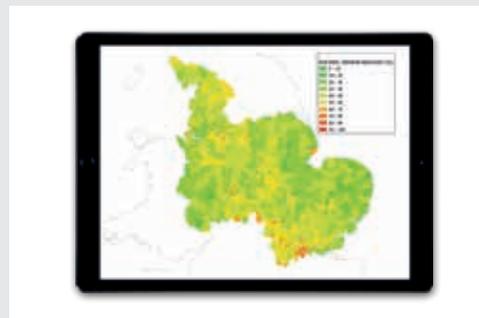


**"It's a really exciting time to introduce these vehicles to our fleet as the required infrastructure is growing and developing rapidly. These vehicles will allow us to gain valuable feedback which will be used to determine our pathway to reducing the emissions of our fleet."**

**James Harrison**  
Director of North London network

## MyHeat

Our regional modelling tool, MyHeat, has been developed to serve two purposes. Firstly, to assist us in modelling future net zero pathways for the impact on our network, so that we can ensure we invest in the right infrastructure going forward, and secondly to assist in visualising to Local Authorities how the impact of net zero pathways might impact on their planning needs. With the independence provided by Element Energy, we have created a model that enables us to compare how some of these aspects influence the applicability of specific technologies in the home. The MyHeat model allocates homes based on their Energy Performance Certificate data to a specific archetype. This archetype is then assigned a merit order of applicable low carbon heating solutions, based on both the lowest whole life cost and specific applicability of that heating system to the home archetype. This enables us to explore street by street the likely low carbon heating solutions of the future, based on best fit for the home. Our model enables a view both on choices that might be made on the lowest whole life cost of a technology, but also on the lowest upfront cost. The outputs of the model include information on the specific heating technology changes required, along with information on future hydrogen and electricity demand.



## Future Billing Methodology

As we move to a network that conveys low carbon gases, such as hydrogen and biomethane, we need to develop a way of recognising the wider energy range of the gas we supply. The Future Billing Methodology project led by Cadent, is exploring ways to attribute energy values that are reflective of the gas being supplied at a local level. This will remove the cost of enriching biomethane to standardise energy content and enable hydrogen to be blended into the network, while ensuring consumers are billed in a fair and equitable way.

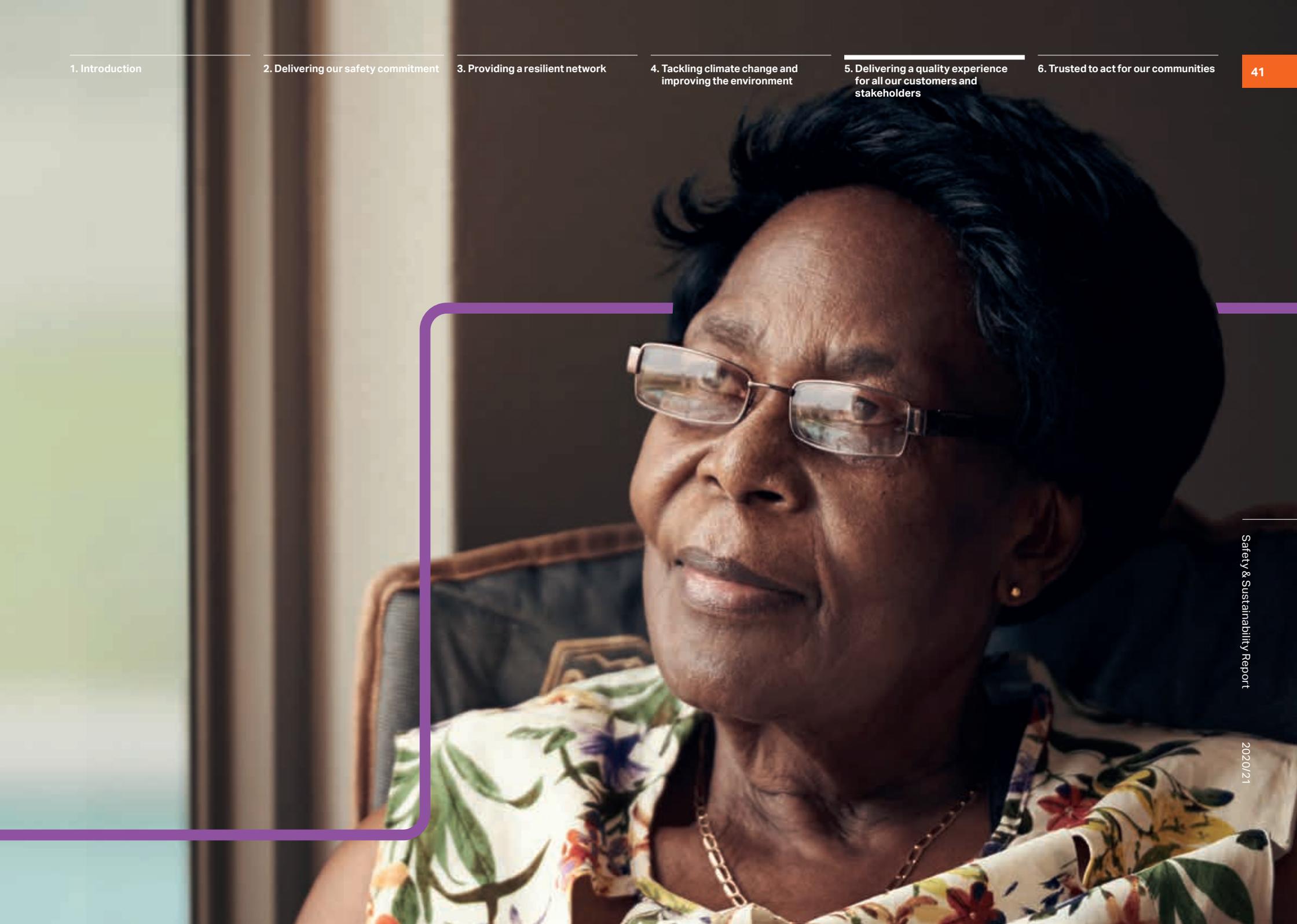
The project has involved the installation of sensors within the network to validate modelling software used across the industry today. The software has the ability to model zones of influence and mixing of gases from different sources to allocate energy content at a local level for consumer billing. The ultimate objective of the project is to 'prove the concept' and provide a recommendation of a future billing methodology that unlocks the full potential of the gas network to deliver low carbon energy.





# Creating an environment where we can deliver outstanding customer experiences time after time.

Although our customers do not pay us directly, a proportion of their energy bill goes towards supporting the services we provide and they are directly impacted by the work we do in the communities we serve.



## Our customers

# Our customers are those directly impacted by the work we do in the communities we serve.

### Enhanced engagement and real-time insights

Listening to our customer and stakeholders and acting on what they tell us sits right at the heart of what we do. We have invested heavily in establishing many ways to engage with customers and stakeholders, including our Customer Forum of over 150 customers from across the regions in which we operate, who have now been working with us for over 18 months. This year we established our Critical Friends Panel, which is a committee of experts brought together to challenge us on behalf of our customers and communities, and to use their experience of best practice they have seen elsewhere to support our ambitions.

Our enhanced engagement programme is fully embedded across the organisation and feeds three separate but related requirements:

- Providing insights into improving our current service levels.
- Informing our thought leadership relating to the future energy transition.
- Allowing us to continually look forward as we prepare for RII0-3.

We have taken positive steps forward in providing data insights through Microsoft Power BI and invested in a series of comprehensive data dashboards which cover all key performance insights, allowing our teams to understand their historic performance and supporting them to target specific areas for improvement. This puts real time, accurate and relevant data into the hands of our colleagues who are accountable for delivering customer service.

All key insights are available, from key regulatory customer metrics through to our own internal channels and all associated operational metrics which we know influence the overall customer journey. This enhanced approach has allowed us to support segmentation and personal development. Our ability to understand how different demographics of our customer base feel about our services is critical in the evolution of our strategy.

### Creating fairer, accessible and inclusive communications for all

We recognise that customers expect choice and we have invested in new ways to do this. We have increased the use of opt-in SMS and WhatsApp services, to provide updates about the work we are doing; informing about progress and arrival times. We have updated our website to enable two-way dialogue by introducing two chatbots and improved our channels for those with communication and accessibility needs; including videos and literature available in up to eight languages.

We have focused on refining our communications process for the rare occasions when we don't meet expectations. This is an important element of our approach and allows us to maintain timely contact, with an ability to recognise indications of dissatisfaction and ensure we act promptly to put in place action to resolve any concerns.

Utilising geotargeting on Facebook has proved a positive step forward in how we reach a wider demographic of customers; allowing us to provide quick and effective updates about our works, provide latest operational updates and give greater context into what we are doing.

We have made several improvements to accessibility and user experience for our overall website, and for infrastructure projects impacting larger communities we have commissioned bespoke webpages which customers can access via QR codes. This allows for video content and additional materials to explain information about the work we are doing in their area. We have made great steps forward in improving our on-site communication by delivering a range of improved signs from Heras fencing to smart digital boards which can be translated into multiple languages on site.

### Aligned targets and incentives

We have discussed many topics with our customers, including how we should reward and incentivise our employees. Through a series of focused workshops, our customers have told us that they thought our incentive schemes should be weighted to customer service. The total reward package of every single employee is now influenced by our overall customer service scores; encouraging our colleagues and service providers to deliver outstanding service first time. This empowers individuals to make decisions at a local community level to make sure it is relevant to individual customers based on the assessments they have made. We have put this in place across our emergency and repair process, where we have seen our four networks improve significantly this year, with scores averaging over 9.5/10.

### Strategic partnerships

# over 80

with Fire and Rescue Services, NHS Trusts and numerous charities who support customers with various additional requirements

### Customer satisfaction

Performance by Network*	Emergency Response & Repair		Planned Works		Connections	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
East of England	<b>9.56</b>	9.49	<b>8.68</b>	8.47	<b>8.25</b>	8.46
North London	<b>9.41</b>	9.08	<b>8.42</b>	7.97	<b>8.28</b>	8.73
North West	<b>9.55</b>	9.49	<b>8.45</b>	8.41	<b>9.01</b>	8.34
West Midlands	<b>9.52</b>	9.47	<b>8.13</b>	8.11	<b>8.50</b>	8.05

\* Scored out of 10.

During this RIIO-1 period we have met or exceeded all regulatory customer targets. There has been a large increase in Emergency Response and Repair. This is due to significant improvements in processes with all networks noting an overall improvement. Reinforcing the success, we've seen from strategy implementation detailed through this section.

### Technology-driven efficiencies and automation

An effective customer relationship management system not only drives efficiency but can help our people to provide a seamless customer experience. Access to the right technology is critical for our people to be able to provide consistently great services. This includes tools to help rapid response and quotations for our Connection services.

It allows customers with additional needs to engage with us. These advanced solutions include enabling those who are hard of hearing or deaf to call us, provides free locking cooker valve installations to provide reassurance to family, friends and carers and easy assist emergency control valve ('ECV') for those with mobility issues.

### Supporting customers in vulnerable situations

A core element of our force for good strategy is our customer vulnerability approach structured to maximise our reach, expertise and legitimacy of our actions, creating a fairer world for our customers. This allows us to apply a focused lens on engaging with those customers who need extra support from us. We recognise that we are not experts in all areas of vulnerability and our extensive partnerships not only bring this in, but also help us to target our initiatives where they will add the most value, particularly as some of the most vulnerable people in our networks are the hardest for us to reach.

We have over 80 strategic partnerships in place with fire and rescue services, NHS Trusts and numerous charities who support customers with various additional requirements.

We have considered several factors in this area, including what we mean by vulnerability, and the outcomes that customers and stakeholders tell us that they want. We have created our definition of vulnerability alongside numerous expert stakeholders (e.g. Citizens Advice) and have subsequently tested it with Customer Forums.



Read more in our Customer and stakeholder engagement website area

<https://cadentgas.com/about-us/engagement/customer-stakeholder-engagement>



## Our colleagues



### Developing our people

The last 12 months has seen a transformation in the shape of the organisation, by changing our operating model to increase our direct workforce from 3,938 to 5,258. Our operating model has also seen significant changes, taking decision-making and accountability much closer to our customers to ensure we continue to deliver for our diverse range of communities and stakeholders.

We have developed a suite of Microsoft Power BI dashboards to give us a holistic view of our people data to enable us to drive change and efficiencies across the business. The dashboards have successfully helped our leaders to make informed decisions and focus on key areas such as gender pay, diversity and inclusion. Our Education and Skills strategy has grown as we have implemented components to support our talent pipeline for the future.

Our strategy focuses on three elements: STEM enrichment (science, technology, engineering and maths), careers inspiration and experiences. We have continued to build relationships with schools despite being unable to deliver face to face activities.

We have built relationships with key strategic partners including Careers and Enterprise Companies, Colleges, Charities and third-sector organisations across the network. These include Leadership Through Sports and Business, The Black Country Consortium, Leicester & Leicestershire Enterprise Partnership ('LLEP'), where we have two Ambassadors, Elevate EBP, Blackpool Responsible Business Network, Bury College and Hopwood Hall. We have supported several presentations to schools including to students with neurodiversity or other special educational needs.

This has included a virtual tour of our Hollinwood training centre where students were set project tasks and existing resources were adapted for alternative provision.

Our efforts in education and skills have been recognised through the Youth Employer Award, and we were awarded for recognition of our strategy supporting young people into employment.

We contribute to the wider sector skills challenge through several methods, largely through collaboration with Energy and Utility Skills ('EUS') and through our membership with the Apprentice and Technical Education Advisory Group.

We have supported the implementation of the Energy and Utility Workforce renewal and skills strategy 2020 to 2025 and many of our activities support this. As part of The Energy & Utilities Skills Partnership ('EUSP') we are actively driving parts of the plan and have committed to our inclusion in the working group for both 'Reflecting the population that the sector workforce serves' and 'Delivering the competencies and skills we need'. Contribution in these groups will support our Diversity and Inclusion and Training Strategies. We support a number of external events, such as Industry and Parliamentary Trust groups and All Party Parliamentary Groups; providing our view on skills, the economy and apprenticeships.

We are actively involved in the development of hydrogen skills and support the creation of the skills matrix, competency frameworks and technical standards for Hy4Heat. It is critical we remain at the heart of this development to ensure that skills for hydrogen are prepared for with accuracy and employer involvement; this includes providing our own colleagues with the right skills and supporting new people joining the industry.



## Health and wellbeing

We continue to build a culture of personal ownership; for individuals to take care of their health and wellbeing with business support, increasingly focused on early, proactive engagement and targeting risks. We have focus areas that correspond to our main health and wellbeing risks along with promotion of healthy lifestyle choices and support services. We provide mental health support services such as the Employee Assistance Programme and psychological support services. Our annual health surveillance programme for colleagues exposed to vibration at work through the operational tools they use, was delivered via telephone consultation in line with HSE COVID-19 secure requirements. This demonstrated that we have increased our compliance by achieving 98% of those affected.

## Our commitments

- Reducing stigma around mental ill-health through a series of targeted communications based on shared lived experiences to normalise common mental health conditions such as anxiety, depression and stress.
- Increasing knowledge and literacy on mental health across our business in the following areas:
  - Developing a Mental Health First Aiders Network so those who are training can share and support each other with additional training needs.
  - Reviewing feedback to understand how our managers have greater confidence and have informed conversations since attending these courses.
  - Developing tools to support positive mental health such as stress risk assessments and wellness action plans.
- Reassessing and refocusing our plans in March, we participated in the MIND workplace wellbeing index to help assess the work undertaken and provide an impartial assessment of areas for improvement. We have been awarded a Silver level recognising the work we have done.
- We are bringing our Occupational Health Services in house so that we can tailor our support to ensure a greater quality of care.

## Disability Confident Employer

We have achieved Disability Confident Level 2 status and continue to work on integrating inclusive practices and environments for people with disabilities.

In addition to signing the Social Mobility Foundation Pledge, we have signed the Youth Friendly Employer pledge, the BAME Apprentice Alliance Pledge and the Race at Work Charter.

We have also had discussions with several organisations representing service families, care leavers, females, victims of domestic violence and organisations representing ethnic specific minority groups including black males. As we move into the new regulatory period, we will be developing employment and training opportunities which are appropriate for everyone to actively engage with.

## Social Mobility Pledge

Earlier this year, we signed up to the Social Mobility Pledge. Low social mobility is both a cause and consequence of growing inequalities, impacting social cohesion and growth. A lack of opportunities can have far-reaching consequences on present and future generations. The Social Mobility Pledge represents a powerful shift towards being a truly purpose-led organisation committed to social mobility.

Organisations taking steps to boost social mobility is more important than ever as we face the challenges of a growing opportunity gap. The three key elements of the Pledge are: outreach, access and recruitment.

We have several schemes that are currently working towards improving the social mobility of the areas that we operate in.

### 1. STEM enrichment

As part of our STEM enrichment strategy, we visit schools and introduce two senior female engineers to act as ambassadors. The activities are linked to the curriculum but focus on demonstrating how science and engineering are exciting when applied in practice.

### 2. Careers inspiration

This strand of the programme offers students careers guidance through online and telephone mentoring with our ambassadors, covering the various routes into engineering, including apprenticeships.

### 3. Work experience

We're developing two structured experience programmes to see young people gain practical, hands-on experience in business support and operational roles. In addition, we are working towards providing opportunities to support employees who want to arrange ad hoc work experience.



### Attracting new talent

We have made key strides in our recruitment strategy and practices. We have implemented the 'Applied' platform; a tool that ensures our adverts, copy and job descriptions remove gender bias language. We have added a new diversity and inclusion statement to our equal opportunities form to highlight to applicants that we are an inclusive employer. Our attraction methodologies and partnerships have been expanded to attract a more diverse talent mix – including community groups that support young people, schools that support SEND and businesses that mentor individuals from black, ethnic minority and disadvantaged backgrounds. We have utilised our partnerships with WES and Energy and Utility Skills; to support our strategy to drive inclusivity. We have hosted and taken part in virtual targeted diversity and careers events where we have showcased diverse employees within our business to illustrate careers as well as widened our targeted schools and universities with greater diversity groups.

### Apprenticeships

Our apprenticeship schemes have continued to run as normal with no break in learning and our apprentices have continued to learn at work, and undertake activities to broaden their skills. Those near the completion of their programme undertook adapted virtual and socially distanced assessments with our assessment organisation. We have recruited the largest number of technical apprentices ever, with 85 joining us in November 2020. Taking part in virtual inductions and training has now started under strict guidance.

We diversified our apprenticeships in other areas and our first formal development scheme for current employees undertaking the Team Leader Apprenticeship at Level 2 completed their programme and a second, larger cohort have started. Other areas, with single, or a small number of apprentices, include Accountancy and Tax, Engineering Design and Draughtsperson and Digital Engineering Technicians. We are concluding our plans to launch a Customer Service Practitioner apprenticeship for internal employees.

Our apprentice levy pay bill has increased due to the increase in direct employees and our levy drawback has also increased. The total returns this year were 70%.

### Our graduate scheme

This year our largest cohort were welcomed into the business. 17 graduates joined our scheme in business support functions and engineering. Our graduates, along with our Engineering Trainees and Commercial Project Management Trainees started in September 2020 and received face to face inductions.

We are well placed in the JobCrowd top companies to work for; placing 11th (up from 29th last year) out of 100 for graduates and 9th out of 50 for apprentices (up from 21st last year).

Our continued focus to bring in new talent across our varied programmes and entry points remains a critical part of our skills strategy and a commitment as part of RIIO-2. It is recognised across the business that these programmes help us to provide a range of talented people to our operational and support functions, with each individual bringing diverse skills and knowledge.

### Training

We have successfully reviewed and amended training delivery methods to enable operational competence requirements to be met. Many of our training courses have been adapted to enable the virtual delivery of content, increasing the use of digital technology whilst successfully meeting learning outcomes. This success means our approach will remain as a prominent delivery method long after the relaxation of COVID restrictions. Training requirements that do not meet the criteria for virtual delivery have been delivered face to face, with social distancing and other adaptations implemented to support their delivery.

We set up new training delivery methods to allow both trainers and delegates to carry out safe training practices. This resulted in the volume of delegates attending our courses being halved, which in turn resulted in more colleagues using our training facilities than in previous years.

We've invested in our training infrastructure by enhancing our offering at our existing sites. We have developed a smaller, bespoke training centre in Peterborough to support specialist Electrical and Instrumentation training, reducing the reliance on third-party specialist providers.

We have seen many of our new employees join the organisation who now fall within our remit for providing training. The TUPE transfer of almost 650 staff in 2020, combined with in excess of 1,000 new recruits into our Operations business to redress the pre-existing contractor ratio has increased ongoing training demand significantly. We will ensure that we retain greater clarity and ownership of training for these individuals moving forwards.

We continue to review our training programmes and look to our future requirements to ensure we support our colleagues with the most effective training in order for us to continue to thrive. This will include focusing on green skills and helping our colleagues to understand our net zero ambitions; including critical problem-solving skills to think in a green way, as well obtaining the technical skills.

### Celebrating success

Celebrating success and sharing that recognition is highly valued. We celebrate individual stories and share great work and behaviours re-enforcing what success looks like.

Our recognition scheme Cadent Congratulates is now well established and is designed to make it easy to say 'thank you' to colleagues. Our people use a Social Wall to post their gratitude for their colleagues, which is a great away of sharing fantastic achievements across the business.

In addition to the Social Wall, colleagues can nominate each other for a monthly Value Award. Recognition is linked to our values and we select up to five nominations per value per month. Nominations are considered by a Recognition panel with representatives from across the business to ensure a consistent approach when it comes to selecting the best nominations. Successful nominations receive a financial reward and a pin badge. Each quarter, we award CEO Spotlight Awards. These recipients are selected as the best from the nominations in the last quarter and demonstrate outstanding work or behaviours. Winners receive a financial reward and a CEO Spotlight trophy.

This year, we have taken the opportunity to further improve Cadent Congratulates and our new provider has made it even easier to say thank you. This year we have introduced a new category allowing nominations for fantastic customer service.

## Celebrating International Women in Engineering Day

This year's annual celebration showcases the 'the best, brightest, bravest women in engineering, who recognise a problem, then dare to be part of the solution.'

Our West Midlands Network Director Kate Grant has been named in the Women's Engineering Society's Top 50 Women in Engineering. Kate is a champion of renewable technologies and finding solutions to the climate change crisis. Her journey has taken her all the way from South Africa to the West Midlands, where she now manages a 15,000+ mile underground gas distribution network from North Staffordshire to Herefordshire, and the M1 to the Welsh border.

"I am thrilled and honoured to be among such company," said Kate. "There can be no better feeling than being acknowledged by your peers for doing something you really care about and love doing."

Achieving anything in life is not done independently; it is so important to surround yourself with a network of support – family, friends, work colleagues. You also need to learn flexibility and resilience – our profession is continually evolving, and you need to keep broadening your knowledge, so that you're ready for what's coming next."

The head of our Eastern Network Investment Planning Office, Monisha Gower, is among a further 50 women named in a highly commended list. Monisha joined Cadent four years ago and established an engineering delivery unit to deliver improvements to our asset health. Now, and another step up the ladder, she leads the new Investment Planning Office ('IPO') for the Eastern Network, covering asset management, network design, and delivering £1.2bn of asset investment over the coming years.

As a member of our diversity and inclusion steering group, Monisha challenges our supply chain partners to promote gender and ethnic minority representation in their workforce, with the launch of our new contracts. "I'm passionate about securing the Eastern IPO's resource 'pipeline' through new talent initiatives such as Apprenticeships, Industrial Placements, Engineering Training Programme and Graduate schemes. I am a Member of the Association for Project Management ('APM') and Institution of Engineering and Technology ('IET') with ambition to secure charterships. I also have the honour of mentoring a number of very talented young professionals through their career journeys."





# Our social purpose

We are now at a pivotal point to reflect on the critical role we play in our communities; from transforming our operations and culture to maintaining safety and service levels, investing in our people, processes and systems.



## Our social purpose

# Our role goes beyond delivering these core services and this can often have the greatest impact on the lives and communities we serve every day.

Our social impact ranges across multiple levels, including how we engage ethically with our supply chain, our fundraising, charity partnerships, our EmployAbility programme and employee volunteering opportunities.

Over the past 12 months we have invested in our colleagues who are responsible for delivering our environmental, social and carbon monoxide awareness ambitions and we have appointed Board and Executive sponsors for each area. We have tried to help wherever we can in our communities, and this was exemplified by the extensive volunteering activities that so many of our colleagues signed up for during the year. The pandemic has highlighted the way in which we consider customer vulnerability and has shown that anyone can find themselves in vulnerable circumstances. We have worked incredibly hard to increase the inclusivity of our services, making them accessible for everyone, irrespective of their personal situations. It is vital for us to create social value by benefiting the most vulnerable in our societies and contributing to our local communities to reduce the impact of our operations and work together to reach our net zero ambitions.

### Customer vulnerability strategy

Our customer vulnerability strategy recognises that everyone is unique and that their individual circumstances today could be different tomorrow. It reflects the need to understand and prepare for these changes before they happen so that we can adapt and respond to provide the services all our customers love. Our strategy has been developed with customer insight and feedback from stakeholder engagement, including experts in consumer vulnerability.

### Developing a universal Priority Services Register ('PSR')

We have been at the forefront of developing a single Priority Services Register for all energy customers, with defined needs codes that allow all energy companies to better understand customers' requirements and respond accordingly. As the industry project sponsor, we brought together electricity networks and water companies to create this much needed change to drive smart actions and better experiences for customers.

Our insights informed us that customers who are unaware of the PSR are far less likely to understand the essential benefits and range of additional safeguarding services that are available to them. We have seen our PSR registrations increase on average by 30% year on year, allowing over 17,000 customers to access the support and safeguarding services they need to keep them safe, warm and independent in their homes.

### Training colleagues to deliver social value

We have created a range of tools to help all our customers understand the safeguarding services we provide and the range of additional external support services available. We have created a Safeguarding Knowledge Portal ('SKP') to support our 6,000 employees, whether they are on a customer's doorstep or talking over the telephone, so they can access information and guidance to support our customers. This has created a consistent approach and equal access to the services we offer by fully informing our employees. The SKP includes information about the PSR and how to register a customer, our range of safeguarding services and products, and our bespoke safeguarding training including Utilities Against Scams.

## Tackling fuel poverty

1.5m customers living in our networks are currently experiencing fuel poverty. This is 11.7% above the national average. In the most severely affected area, 1 in 5 customers live in fuel poverty. We are committed to playing our part with the wider industry and Government to tackle affordability and reduce fuel poverty.

In partnership with our trusted delivery partner Affordable Warmth Solutions we have invested in excess of £5.5m to extend our network and connect 4,291 customers living in fuel poverty. We have further supported customers receiving a connection by facilitating grants for the installation of gas central heating systems and other in-home measures.

Despite the challenges to the installation of in-home work presented by the pandemic, the Connected For Warmth scheme still offered invaluable support to a large number of low-income private sector homes. The pandemic presented many challenges to both customers living in fuel poverty and the delivery of schemes designed to support them. We adapted our strategy to ensure that customers still received the support needed; we used our social media channels, digital vans and lettering to continue our engagement activities.

Connected For Warmth facilitated 609 first-time gas connections and funded the installation of 360 gas-central heating systems. Customers were also offered support to reduce their energy bills and supported through the Connect For Help initiative to stay warm in their home.

## Our approach to human rights, modern slavery and ethics

Modern slavery is a serious global issue and we recognise the important role we can play in tackling it. Our modern slavery statement sets out steps that we have taken to prevent slavery and human trafficking taking place in Cadent and our expectations from our supply chain.

The statement outlines our commitment to support our staff to ensure factors such as having the appropriate working conditions, being treated with respect and paid fairly have had the appropriate due diligence. Our policy framework, training and awareness programmes incorporate the commitment we make towards the respect for human rights in Cadent. We have taken positive steps forward by improving our policies, processes and training to mitigate the possibility of exploitation within our supply chain.

We are a member of the Utilities Modern Slavery working group which collaborates with the Slave Free Alliance. As part of this working group, we are reviewing our procurement processes to keep them in line with best practice in the Utilities Sector; hence preventing enforced labour, human trafficking and slavery in a coordinated manner within our industry.

Our modern slavery statement is updated annually and published on our website in line with the Modern Slavery Act requirements. To find out more about our ongoing commitments to tackling slavery and human trafficking you can read our modern slavery statement on our website.

## Promoting a 'Speaking Up' culture

We continually promote a culture of 'Speaking Up' which is supported by the numerous channels available to all employees and the wider population to raise concerns. We have confidential helplines available internally and externally that operate 24/7. We take all allegations of potential ethical misconduct very seriously and have a dedicated Ethics and Business Conduct team trained to independently investigate all reported concerns sensitively and thoroughly and take the relevant remedial action.

## Living Wage

Whilst we are not a member of the Living Wage Foundation we do commit to paying the real Living Wage to all of our direct employees. The real Living Wage is based on the cost of living and is voluntarily paid by over 7,000 UK employers.

## Our employee communities



### Women in Cadent

Creating a network of colleagues from across our business, who are all committed to creating equality and supporting women's professional and personal development.



### Embrace

Raising awareness of the different faiths, discuss issues that affect colleagues from an ethnic minority background, and to help develop a workforce that reflects the communities we serve.



### Cadent Military Community

Actively supporting service leaders entering the business, our current reservists and those that have previously served. We are proud signatories to the Armed Forces Covenant, and it is important that we demonstrate that we are an Armed Forces friendly employer.



### Pride at Work

Allowing current and future generations of LGBTQ+ colleagues to feel comfortable, safe and included at work. Our employee-led community, Pride at Work, is a welcoming and safe space where our Lesbian, Gay, Bisexual, Transgender, Queer ('LGBTQ+') and allied members can thrive.



### Thrive!

Raising awareness of and supporting disabilities in the workplace. Our community is made up of both disabled and non-disabled employees who share a common vision of focusing on ability and making our workplace accessible and supportive to all. We raise awareness of the spectrum of disabilities, what this means to our people and how we can support the business to become a leading employer for those with disabilities.

## Our commitment to racial equality

We have joined over 570 employers and become the first UK gas distribution network to sign up to the Race at Work Charter, an initiative designed to improve outcomes for Black, Asian and minority ethnic employees in the UK. Launched in partnership with the UK Government in 2018, the Charter builds on the work of the 2017 McGregor-Smith Review, which found that people from Black, Asian and minority ethnic backgrounds were still underemployed, underpromoted and under-represented at senior levels.



By signing the Charter, we join a community of signatories across a wide range of sectors in the UK, who are committed to embedding the five calls to action in everyday business.

Ranjit Blythe, Executive Sponsor for Diversity & Inclusion said: "We are holding ourselves accountable for ensuring equal opportunities for people of all ethnicities. We're proud of the work that's already underway to make Cadent an increasingly inclusive environment for all, and we're committed to going further with each passing day."



## Major community outreach launched in Central Lancashire with support of the region's utility networks

Age Concern Central Lancashire, along with partners – Electricity North West and United Utilities – forged a new and exciting collaborative venture, alongside the Preston North End Community and Education Trust, to reach and support greater numbers of people in vulnerable situations. The project takes the form of a 7.5-tonne, 56-square-metre vehicle, to bring information and advice to communities. The Mercedes Atego van, secured through Preston City Council, had a £50,000 refit to convert it into a Mobile Advice Centre ('MAC'). Its complete overhaul includes two consultation booths, open space for group activities and talks, air-conditioning and facilities to make refreshments. In addition, it is specially designed to be dementia friendly and is accessible for people of any age and ability to get the information and advice they need.

All three of the utility networks will be offering MAC attendees free advice on safety and energy efficiency measures, as well as tips on how to stay safe and warm in their homes. The vehicle will be used at supermarket car parks, community events both large and small, and throughout Lancashire's towns and villages with a full schedule of locations to be released in due course and once COVID-19 restrictions allow. Residents across the county will be able to ask Age Concern Central Lancashire about support regarding independent living, memory loss and dementia care, benefits advice and legal services.



### A responsible taxpayer

Due to the size of our business, we pay and collect significant amounts of tax on behalf of HMRC. We recognise the importance of this to society and we are committed to being a responsible and compliant taxpayer. Our aggregate contribution in respect of UK taxes borne and collected during the year was £612m and consequently our relationship with HMRC is very important to us. We publish annually our Tax Strategy Statement which sets out our approach and management of tax matters. We seek to foster a constructive relationship, sharing information on the business and tax issues in an open and timely manner with the aim of minimising uncertainty and avoiding disputes with HMRC, entering into real-time dialogue where possible. We recognise that we have an important role to play in shaping future UK tax policy so we take an active role in responding to HMRC consultations and other proposals on UK tax policy which are relevant to our industry.

### The bear on a non-stop mission

In April 2020, we led the creation of the collaborative Safety Seymour website. The innovative, fun and engaging website allows all Gas Distribution Networks ('GDNs') to reach more schools, children and parents outside the classroom and helps create a consistent carbon monoxide ('CO') message. We also hosted a Pipeline Industries Guild webinar educating children and their families on CO safety using a specially adapted Safety Seymour session.

We have partnered with Project SHOUT, who are also members of the All-Party Parliamentary Carbon Monoxide Group ('APPCOG'), to promote the Safety Seymour website and the importance of buying an audible CO alarm. With 90% of UK shoppers using Amazon, we were able to create a Safety Seymour advertising banner for amazon.co.uk on pages selling CO alarms with a direct link to our website, which saw a total of 748 visits and over 200 CO alarms purchased via this route.

We adapted the Safety Seymour programme to ensure children could still access our important messaging outside the classroom and stay safe at home.

### Helping to spread the word

Following the success of Safety Seymour, we created the CO Crew with a specialist education provider to target older children and increase the breadth of our carbon monoxide awareness and gas safety messaging. The CO Crew is delivered virtually for schools and is completely free and teacher led. Learning is supported by the interactive website, which is accessible, informative and fun with various activities ranging from dances and craft through to spotting the signs and symptoms of carbon monoxide: <https://www.thecocrew.co.uk/>

### Fire and Rescue Services

Partnerships have played an integral role in helping us to extend the reach of our services by gaining access to additional expertise and building trust in our communities. We work with all 24 Fire and Rescue Services ('FRS') and these key strategic partnerships allow us to access the most vulnerable people living within our networks. By utilising their experts, we have been able to extend our reach beyond what we could achieve alone. Through their 'safe and well' home visits, the FRS target areas and households where they believe there is a higher risk of fire and promote our safeguarding services.

Working with Derbyshire Fire and Rescue Service, we have sponsored two community vehicles that make home visits to people living in vulnerable situations, often living in areas that have a high Income Deprivation ranking. These vehicles display gas safety advice, promote the signs of carbon monoxide and the importance of installing a carbon monoxide alarm.



## Gas safety campaigns

We recognise our responsibility to educate local communities about gas safety, providing key information and simple tips to access gas supplies safely and reliably.

This year we increased our engagement to tackle this critical issue, conducting extensive research into gas safety awareness with 8,000 customers across the UK, with the support of the Energy Networks Association and our fellow gas distribution networks.

Since then, we have used this insight to improve our approach to gas safety education, using trends from the research to identify 'hotspots' that require further education on this topic, and identify methods we can use to effectively reach out to these communities.

Our 'Be Winter Ready' campaign saw us distribute 5,000 information packs and resources to local communities via established, trusted partners such as Fire and Rescue Services and Carers Trust. We were also delighted to launch our new animated awareness campaign, to educate our communities in a simple, accessible format.

We supported national campaigns Gas Safety Week and CO Awareness Week, using a new collaborative approach to provide joint information and advice with partners Gas Safe Register and Derbyshire Fire and Rescue Service. This included new webpages, two radio campaigns tailored to the hotspot areas identified by our research, personal case studies from emergency engineers, and Q&A videos launched across social media and surveys to engage our employees in the conversation.



## Tackling social isolation in rural communities

We have partnered with Warwickshire Rural Community Council ('WRCC') to deliver a network of Warm Hubs across the Warwickshire and Solihull area. Warm Hubs create a safe, warm and friendly space for communities to come together to combat the issues of social isolation and loneliness.

Our first Warm Hub was successfully launched in December 2020, with warm festive breakfasts being delivered to 126 village residents near Stratford upon Avon, many of whom were isolated and elderly. With the continued challenges presented by the pandemic, we've also developed a mobile Warm Hub. This is a repurposed, upgraded vehicle which drives to deprived, often isolated communities, bringing a Warm Hub event to those in the community who may not be able to travel by car or access public transport. Our ambition is to expand our network of hubs in Warwickshire and engage other regional partners across our footprint.

# 15,000

information packs distributed during our 'Be Winter Ready' campaign

Working in collaboration with Electricity North West, we distributed over 60,000 educational gas safety leaflets about the dangers of carbon monoxide and the different services available to gas and electricity customers living in vulnerable situations. This was supplemented by over 200 pharmacies in the North West including leaflets inside prescription bags.

## Fundraising

Supporting our colleagues to donate to good causes is a key element of our corporate social responsibility. During the pandemic, with the restrictions and lifestyle challenges imposed, the amount raised through fundraising in the first half of the year was significantly lower than in previous years. We provide all colleagues with up to £400 Matched Giving each year and in order to give employee fundraising a much-needed boost, we took the decision to quadruple the funds matched by the business to £4 for every £1 raised between October and December 2020. In addition to this, the most innovative fundraising ideas could be matched by up to £10 per £1 raised. The result was a fantastic success with over 82 Matched Giving claims being made during the quarter leading up to Christmas, with colleagues raising over £38,000 and the company donating over £70,000 through our Matched Giving scheme.

## Matched Giving donations

# £88,712

in 2020/21 (up from £45,596 in 2019/20)

## Alzheimer's Society

The Alzheimer's Society has been our corporate charity partner since July 2017 and we encourage our colleagues to raise money for Alzheimer's Society as well as other good causes. Our corporate charity was chosen with input from colleagues and this year we donated over £89,000. Our daily interactions allow us to understand the tailored solutions needed for those living with dementia. The services we offer allow us to spot the signs when we enter homes or engage in conversations face to face or over the phone. Enabling our colleagues to become Dementia Friends allows us to provide additional support such as free locking cooker valves and easy assist Emergency Control Valves. We will move to a new corporate charity partner in 2022.

## Volunteering

Each year colleagues are offered one day per year to volunteer for a local good cause. From April to September 2020 we offered all colleagues a two-days-a-month volunteering allowance to enable them to support our communities during the national lockdowns. This led to an increase of 39.5% in volunteering hours that year.

Our volunteering activities included:

- Age UK and Volunteering Matters telephone befriending calls.
- Alzheimer's Society Companion Calls.
- Social Mobility Foundation mentoring.
- Careers Enterprise Ambassador support.
- COVID-vaccination centre support.
- Shopping collection and delivery for people that were shielding/isolating.
- Supporting local foodbanks.



## Committed to a better future: Cadent Foundation

The Cadent Foundation was established as a Donor Advised fund in July 2019, funded from a share of Cadent's profits.

The Foundation operates across some of the most disadvantaged areas in the country. In fact, eight out of the top ten most deprived local authority districts in England are within our network. This means that millions of people are facing daily struggles due to low income, unemployment, physical and mental health issues, inadequate housing and barriers to accessing support services.

We are uniquely placed to see the real-life impact income deprivation, fuel poverty, low energy efficiency and poor living environments have on the people in our communities. The Cadent Foundation was set up to help play a part in addressing these inequalities.

Its aim is to make a positive and lasting impact by working with charities that address the root causes and consequences of these complex social issues, in order to make a real difference to the communities in which we operate.

Over the last 12 months, the Cadent Foundation has awarded 100 new grants to charities and organisations which can support these communities, amounting to just over £4.8m.

The Foundation has secured impactful national partnerships with The Trussell Trust and Groundwork UK that will drive long-term change and we have begun the first stages of exciting new research studies which will help the UK take a step forward in achieving green energy for all.

The Cadent Foundation has launched its very first impact report, detailing the huge benefits it has brought to local communities in its first year of operation. The report is full of inspirational examples of the positive difference made by these grants.



Donated over

**£170,000**

to Alzheimer's Society and other worthy causes



