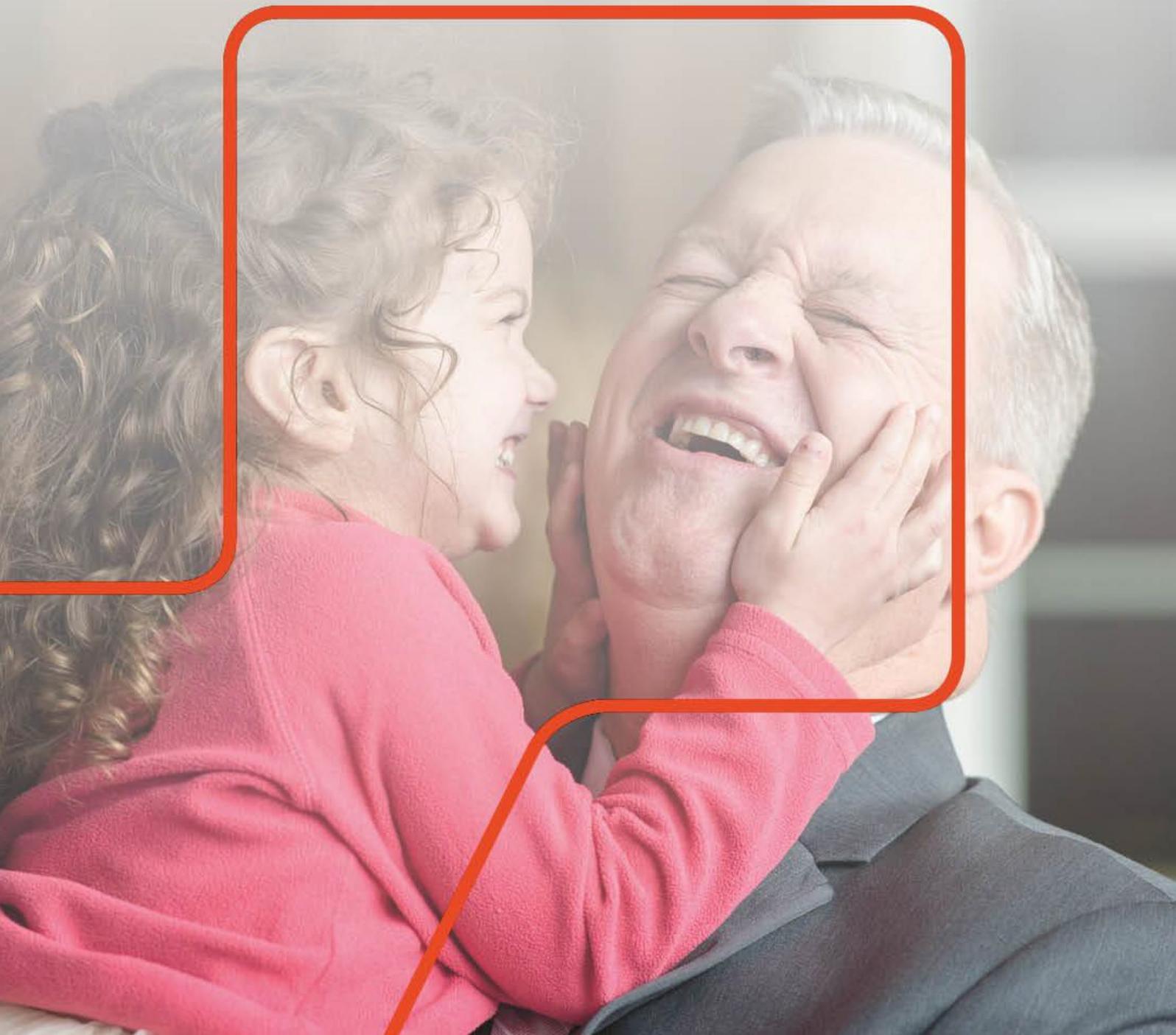


Cadent

Your Gas Network

Appendix 07.05.00 – Trust Charter

Trusted to Act for Our Communities



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INTRODUCTION – TRUST AND TRANSPARENCY

We recognise that every interaction we undertake with our customers, stakeholders and communities has the potential to build, or damage, trust in Cadent.

Business planning for RIIO-2 has provided us with an opportunity to focus on activities through which we can make a distinct difference for, and build trust with, our customers.

Opportunities to engender trust come in both our direct contact with customers and through our delivery of the operational activities that our customers depend upon.

Additionally, our corporate actions, which do not relate to our direct interactions with customers, can increase or erode the esteem in which we are held.

By recognising our wider social responsibility, and acting upon it, we can deliver RIIO-2 outcomes that make a real and sustainable difference to the communities we support and build customer and stakeholder trust in how we operate.

Our July submission to Ofgem reflected the views our customers and stakeholders revealed through the early phases of our enhanced engagement programme. The submission built upon Ofgem's three outcome areas with the inclusion of a fourth customer outcome area entitled 'Trusted to Act for Society'.

Since that submission we have undertaken a comprehensive programme of business options testing with our customers and stakeholders. Their in-depth feedback, which is discussed at the beginning of each chapter of this appendix, has led an evolution to our thinking on trust and the commitments we are making to customers. One key piece of feedback during the programme related to the title of this outcome area. The word 'society' confused customers and didn't resonate with them. We explored together wording that they did engage with and agreed on a new title of 'Trusted to Act for Our Communities'.

Chapter 7.5 of our Business Plan outlines in more detail the engagement process we undertook in developing this Charter including how and why we engaged on this outcome area. This document considers the lessons taken from that process, the good practice we have assessed in other organisations and how we have applied the insights we have garnered.

In considering how we can be 'Trusted to Act for Our Communities' we focus on five customer priority areas that emanate from our customer engagement. They are:

How we will recommit to building trust through every operational interaction with customers and stakeholders	1. Building trust through every action
The RIIO-2 activities that we will undertake to go the extra mile for customers and communities	2. Making a positive difference to our communities
How we will continue to engender trust by taking action on the insights we draw from customer engagement	3. Sustainable engagement to drive better outcomes
The actions we take to support Cadent people and help them develop	4. Create an environment for our employees to thrive and be proud of the service we deliver
How we are socially responsible in our corporate activities and build trust through transparency	5. Transparency in how we operate

Customer-Led Refocus

The customer-led revision of our fourth Outcome, Trusted to Act for our Communities, is one example of how our customers have co-designed our Business Plan.

Initial Engagement

In developing our bespoke RIIO-2 outcome we have undertaken in-depth engagement with consumers.

During our initial deliberative customer workshops, participants often talked about the importance of transparency and accountability. They noted frequently, for example, that if part of their bill goes towards Cadent, they should be informed of that. Most had no comprehension of how Cadent was funded or the proportion of their gas bill made up by Network costs.

They also raised 'know your customer better' and 'collaborating across the industry', as potential new priorities.

Some similar comments were raised in phase 1 stakeholder interviews, with stakeholders suggesting new outcomes relating to corporate social responsibility and responsiveness to change.

This feedback enabled us to shape the original themes into customer outcomes that directly represented the feedback we received through this stage of engagement. For example, the priorities raised relating to getting to know customers better have fed directly into our Stakeholder Engagement Strategy and those related to collaborating across the industry have fed into Chapter 6 of our Business Plan – Net Zero and a whole-system approach.

We added a fourth customer outcome, 'trusted to act for society', to capture elements such as transparency, corporate social responsibility and fairness, which did not fit into any of the three outcome areas that OFGEM highlighted through their business plan guidance documentation.

Engaging on Trust

Feedback from engagement experts that sit on our Customer Engagement Group and from our external engagement delivery partners (such as Savanta) informed us that engaging with customers on the subject of trust can be very difficult. We therefore contacted Severn Trent Water who, it was noted, engaged well regarding trust during the PR19 process. They explained their process and introduced us to Britain Thinks who they had contracted to support them through the process. We appointed Britain Thinks in late Spring 2019.

During July 2019 Britain Thinks facilitated four day-long deliberative workshops with Cadent customers. Each workshop comprised of 16 domestic customers and eight customers from small and medium sized businesses.

The findings demonstrated that many customers struggle with the idea of building trust with a company like Cadent.

In part this is derived by the fact that customers are not aware that Cadent exists and they struggle conceptually with the idea of trusting something or someone that they do not know.

While, for some customers, the question of trust is also seen to depend on whether or not the regulator is trustworthy or reliable. This presents a further challenge, as Ofgem is also relatively unknown among our customers.

Finally, some customers questioned whether they need to trust Cadent, as they have not needed to know about them up until this point, saying instead that it is the gas suppliers and Ofgem who need to trust Cadent.

However, when thinking about trust in a general sense, the factors that are raised as most essential in building trust in a company are largely related to consumer interactions, including the cost and quality of the product and the level of customer service received.

Trust Begins with the Basics

Insight:

Customers think about trust in a relatively straightforward way; companies need to get the basics right.

Our Trusted to Act for Society Outcome, which formed a key component of our July submission to Ofgem, focused on the trust practices that went beyond the norm for Cadent.

Our Customer Engagement Group were very supportive of the inclusion of the Outcome.

“We particularly welcome the inclusion of this fourth commitment area ‘trusted to act for society’ which seeks to go beyond the regulatory minimum, reflecting CEG challenge and changing views of stakeholders.”

However, our Customer Engagement Group let us know that they felt more clarity could be provided regarding why we had prioritised certain issues of trust.

“The chapter of the BP sets out a series of proposals that are supposed to be additional to others on vulnerable customers, environment, etc. Together all these measures are meant to demonstrate Cadent's approach. It would benefit Cadent to review the drafting of the introduction to this chapter to make sure that these links are fully made and the reader is left clear on the breadth of Cadent's ambition. Cadent, like other energy companies, is vulnerable to criticism and this is a great opportunity to explain itself thoroughly.”

Meanwhile, our customers, during our detailed engagement regarding trust issues, strongly indicated that their primary concern was that Cadent focus on deepening trust through direct customer interaction.

They indicated that trust begins with the day-to-day operational interactions. Therefore, it became apparent that we must go back to basics and consider the concept of trust, customers perceptions of Cadent, and our ambition to be Trusted to Act for our Communities in a holistic cross-business manner. We did this through deliberative workshops, exploring which companies and brands customers trusted and the attributes those companies possessed that engendered trust. We then explored what it would take for Cadent to engender this same level of trust from our customers.

This led to the creation of a new priority: **Building trust through every action**

Engaging on “Acting for Society”

Insight:

Customers struggle to engage with the idea of ‘trusted to act for society’; individual relationships with companies are front of mind.

As discussion progressed during customer deliberative workshops, we introduced the concepts from our fourth RIIO-2 Outcome, Trusted to Act for Society.

It was apparent through the workshops that whether a company is seen to be ‘acting for society’ is not front of mind for customers.

Participants tended not to have a clear account of what ‘acting for society’ looks like in practice but most adopt a ‘customer-lens’ and feel that good consumer interactions are a marker of whether a company is acting for society.

When probed specifically on the idea of ‘going above and beyond’ to be ‘trusted to act for society’, members of the public raise the following:

- Being environmentally friendly/ enhancing the environment
- Treating staff well (eg paying a fair wage, providing mental health support)
- Supporting/ investing in charities or local communities
- Supporting, educating and engaging younger generations (eg delivering educational programmes in schools)
- Paying taxes fairly (mentioned by a minority)

Following the process described above provided us the opportunity to consider detailed feedback from our customers and set ambitious targets on their behalf.

Our July submission to Ofgem was developed through the identification of key outcomes based on best practice research, Ofgem guidance and feedback from our many customer touchpoints.

It also committed to further in-depth engagement with customers regarding our initial proposals.

Our detailed engagement with our customers and our Customer Engagement Group has helped us to better understand the wishes of our customers.

That this has led us to refocus the Trusted to Act for Society outcome, to address our Communities, demonstrates that our customers have truly co-created our Business Plan.

Trust is bigger than Outputs

Insight:

Customers are more impressed by concrete commitments to action than by disclosure

As a result of the feedback we have received from our CEG and customers we have also come to recognise that regulatory Output Cases are not an appropriate vehicle to consider trust in a holistic way. Customers are more interested in the commitments Cadent makes and the actions we take than disclosure to our regulatory bodies.

Therefore, we will undertake a different approach to our Trusted to Act for our Communities Outcome which is a direct result of our customer co-design.

A more holistic approach to the consideration of trust issues enables us to ensure fairness for all customers. This is because, while Ofgem provide companies with flexibility in developing outputs and note that their proposed output categories are not intended to be restrictive, Outputs are inherently linked with incentivisation.

Having considered Output Cases on trust issues in depth with our customers we have come to the strongly held view that it is essential that being Trusted to Act for Our Communities is not associated with a desire to gain incentives.

Therefore, while each section of this Appendix defines customers' needs, assesses best practice, and proposes measurement options and standards where appropriate, we have moved away from the Output based consideration of trust which we follow for the other outcomes.

That is not to say that we do not recognise that being Trusted to Act for Our Communities will be of long-term benefit to Cadent, our staff and our shareholders. That is a secondary benefit, not the overarching motivation.

The difference is that we do not consider or propose these matters through a lens of competition and incentivisation.

Trusted to Act for Our Communities

Insight:

While customers initially struggle with the concept of being ‘trusted to act for society’, especially for a company that does not have a relationship with customers, they outline clear priorities for how companies can act responsibly and give back to the community.

Our engagement also showed that customers prefer commitments to be action-oriented. They are less interested in disclosure.

While customers do expect Cadent to go further in its disclosure of information about financial arrangements and corporate governance, this is less likely to move the dial for customers on whether or not Cadent is seen as trusted to act for communities.

Ultimately, customers expect Cadent to go above the industry standards in disclosing information, but perceive ‘best practice’ to have minimal impact on them.

Actions that customers think would most clearly signal that Cadent is ‘trusted to act for society’ relate to the local community and the environment.

These were particularly relevant in light of Cadent’s monopoly status. Protecting the environment was universally important to customers and investing profits into community funds had the biggest impact on customer perceptions of Cadent.

CUSTOMERS' PRIORITIES FOR RIIO-2

Insight:

Customers and stakeholders prioritise getting the basics right and giving back to our communities.

The clear feedback we received from customers is that they value several key areas when considering trust in companies. By exploring each in greater detail, we identified five customer focus areas (or priorities) which had a very clear hierarchy of importance placed on them.

The first and significantly the most important to customers is **building trust through every action**. For Cadent that means fulfilling our network stewardship responsibilities of safety and continuity of supply, the quality of our service, our individual customer interactions, and paying our taxes.

The second priority, which was also seen as very important to customers, relates to how we **make a positive difference for our communities**, by investing profits into and support local communities through funded projects and environmental improvement schemes.

Whilst customers volunteered the top two priorities, the remaining three required more prompting and exploration by our facilitators. However, through discussions, they emerged as important factors to building trust.

The third priority area relates to how we **create an environment for our employees to thrive and be proud of the service we deliver because**, when given time to reflect, customers include having ethical policies for staff as a demonstration that a company is acting for society.

The fourth priority area recognised the requirement for Cadent to be better known to them in order to engender trust. Customers also acknowledged how ongoing engagement not only helps us to deliver our plans, but also allows them to understand our work more and potentially support us in delivering better overall outcomes. Therefore, we consider **sustainable engagement to drive better outcomes**.

Finally, while customers are less interested in the detail of our governance, during engagement they express the hope that the appropriate authorities are undertaking oversight duties on their behalf. For that reason we continue to address the issue of **transparency in how we operate**.

1. BUILDING TRUST THROUGH EVERY ACTION

Insight:

Customers initially struggle to define and explain what drives their trust in organisations and, when prompted, they relate it directly to customer service, service provision and price.

What insights into building trust have shaped our thinking?

Through our engagement we have deepened our understanding of our customers' views regarding how we should undertake our core network stewardship role well, in order to fulfil our obligations to our communities and building trust. 'Getting the basics right' and 'doing what we say we will' are the most common pieces of feedback that customers gave when explaining how they will come to trust the standards we set. This feedback has guided the development of our commitments in our other outcome areas relating to network resilience, the quality of our service and our environmental action plan.

There is one other factor that customers, particularly young people, believed to be part of our basic role, for which our standards must not drop - our tax contributions.

Issues around governance and transparency are rarely mentioned spontaneously in customer engagement as they are not directly relevant to customers' priorities. However, the exception to this relates to tax. Tax was spontaneously mentioned in some groups as a driver of trust.

Cadent's UK tax contribution is considered important information that can positively impact trust. There is general agreement from customers that paying UK taxes and meeting their legal obligations is a positive and should therefore be communicated loudly and clearly.

There was also a fear that details shared could be hidden by the use of financial jargon and would therefore be inaccessible.

So, clear and simple communication on meeting its tax obligations could potentially augment trust in Cadent among its customer base.

While most customers feel they would be unlikely to actively seek tax information themselves, they feel that it is important that it is available for those who do want to have access to it and the mere fact that someone could check this information would lead Cadent to embody more responsible behaviours.

Interestingly, as customers felt Cadent's current actions in the publication of tax information largely sufficient, they deemed the requirement for further external accreditation too burdensome for the reward. Certainly, customers do not want to pay for Cadent to do this, especially small and medium business customers. Stakeholders also emphasised that only the headline tax figure is needed to reassure the public. However, we note that provision of a headline tax figure in isolation may not provide a clear picture of a company's tax practices.

1.1. This Customer Trust Charter

Commitment:	We will follow this Trust Charter, with its clear and measurable customer commitments, across the RIIO-2 period.
Key Good Practice Messages:	
<ul style="list-style-type: none"> • A customer charter goes beyond a service guarantee. 	
<ul style="list-style-type: none"> • A high-quality customer charter will publish specific service standards based on extensive research, state outcomes of below standard performance, provide a visible and accountable appeal system, and publicly and regularly report on performance against promises. 	
<ul style="list-style-type: none"> • A high quality charter requires transparent, regular reporting and Tangible, measurable target setting. 	
Good Practice Case Studies:	
<p>The Coventry Building Society has been recognised as one of the most trusted brands in the UK. A key reason for this is the way that they publish their performance against a small number of very SMART commitments that they set out, in consultation with members each year. They explain the link between dividends, profits and their performance against the commitments, demonstrating how both the organisation and members are mutually benefitting from the actions that they are taking.</p> <p>Yorkshire Water’s Customer Charter is available for customers on its web-site. It outlines its promises to customers on areas such as customer contacts, inconvenience caused, appointments, water quality and pressure, planned and unplanned work, water shortages, frozen pipework, leaks, new supplies, meters and sewer flooding. Each commitment is explained using clear graphics to indicate response times (where appropriate) and compensation payment levels and payment methods in the event of failure to keep each promise. The charter also provides details of the complaints procedures available to customers, and how customers in vulnerable circumstances or those struggling to pay their bills can access additional support.</p>	

This Customer Trust Charter, and the commitments embedded within, demonstrate our commitment to build trust through every action we undertake during the RIIO-2 period.

In assessing our July submissions our Customer Engagement Group provided constructive criticism of the high-level trust objective.

“Adopting this [Trust] as an objective for RIIO2 implies that there will be a wider change in culture and values across the organisation to ensure that all employees behave in the right way. It is not yet clear how this will be achieved.”

In assessing our October submission our Customer Engagement Group challenged us to “make the commitments that we are making clearer, setting targets that more precise or where this cannot be done before the December final plan submission date to commit to doing so within a longer timetable”.

This comprehensive Customer Trust Charter addresses our Customer Engagement Group’s initial concern making firm commitments in areas our customers prioritised as important to them. It further commits to establishing smarter measures where we have not yet been able to establish them.

Additionally, against the October draft plan, the CEG challenged us to publish additional performance data relating to our adherence with planning dates for our streetworks. This is not something that came out as a customer or stakeholder priority in the engagement work that we completed. It led us to develop an additional commitment – that we will engage with customers periodically and at least annually through our customer forum and online communities to refresh our understanding on the data that they would like us to publish and how they would like us to publish it.

This Trust Mission Statement outlines how we will work during RIIO-2 to engender customer trust. These same activities will also benefit Cadent as customer trust in us grows as, in making the commitments embedded in this document, and acting upon them during RIIO-2, we hope to increase our customers’ trust in us through every action we take.

We are committing to report annually on our performance against the commitments that we are making in this charter and using our CEG and regional Stakeholder Groups to review our delivery against the targets we have set. We are proposing the development of a reputational price control deliverable output to demonstrate our transparency and firm commitment to building trust from our customers and stakeholders. This is explained in Chapter 7.5 of our business plan.

1.2. Provide a quality experience to all our customers, stakeholders, and communities

Commitment:	We will engage with customers and communities throughout the delivery of our work, being clear what to expect and delivering what we promise. Additionally, we will engage with our customer forum, online forum and consider other avenues to periodically (at least annually) assess the key measures that are important to customers and build these into our charter.
Key Good Practice Messages (from within Cadent):	
<ul style="list-style-type: none"> • The Cadent carbon monoxide awareness programme • The Cadent Priority Service Register 	
Good Practice Case Study (from within Cadent):	
<p>Our carbon monoxide programme has gone beyond the RIIO-1 output commitments associated with carbon monoxide awareness discussions and issuing alarms. We are proud of the work we've done, focusing on groups of customers who are most at risk by going into schools to educate early Key Stage children through our pioneering Safety Seymour campaign. Over the last four years we have reached around 9,000 school children and their families and in doing so we have confirmed the importance of this work having seen the scale of the opportunity to raise awareness of carbon monoxide risks. Our Safety Seymour initiative has now been adopted by all the UK Gas Distribution businesses.</p> <p>We have been at the forefront of improving the PSR by leading a cross industry group to develop a common set of 'needs codes' that can help network companies target their services towards customers' individual needs. In addition, we have trailed and developed referral schemes where we can refer customers to appropriate sources of support that may not be known to or easily accessible to more vulnerable customers (examples include Local Authority support services and our partnership with National Energy Action).</p>	

The customer feedback we received during the summer of 2019 was clear. Customers viewed the early iterations of our trust output commitments, that focused on disclosing information, as a common-sense way to demonstrate transparency. However, they found it difficult to connect with it. Instead, customers stated that getting the basics right is key to trusting that an essential service provider is fulfilling its obligations to society.

This has helped us to understand that we cannot consider trust in isolation, but that it must be considered in a holistic manner across all our activities.

Throughout our business planning for RIIO-2 we have been committed to the provision of a quality experience to all of our customers, stakeholders and communities. It is clear from customer feedback that delivery against the commitments within this outcome area (Chapter 7.3 of our Business Plan) will assist us to engender trust with customers. In particular, we hope our commitment 'to set standards that all of our customers and stakeholders love' will build customer trust in Cadent.

1.3. Tax Transparency

Commitment:	We will continue to publish our total tax contribution as part of our Tax Strategy and assess opportunities to extend our best practice in this area.
Key Good practice messages:	
<ul style="list-style-type: none"> Accounting Standards provide detailed disclosure rules in respect of current and deferred tax liabilities, and corporate tax payments to government (i.e. HMRC). 	
<ul style="list-style-type: none"> HMRC have also been increasing the public disclosures on UK taxation and the Finance Act 2016 introduced legislation that requires certain large UK companies and groups to publish a Tax Strategy. This requirement included a stipulation that the provision of certain information is mandatory. 	
<ul style="list-style-type: none"> Cadent has published its Tax Strategy Statement in accordance with this legislation for the years ended 31 March 2018 and 2019 on its company website. 	
Good Practice Case Study:	
SSE plc have chosen to obtain independent accreditation through the Fair Tax Mark – the first FTSE 100 company to do so. As part of the 100 Group of Companies, SSE like Cadent, participates in the annual Total Tax Contribution publications where, in addition to disclosures on tax, details on capital investments and employee numbers are disclosed.	

Customers can rightfully expect to Cadent to be responsible in our approach to paying tax which is a contribution back to society.

Interested customers should be able to find out more detail about how we pay tax and the amount of tax we pay.

However, the intricacies of our tax affairs are not of interest to many of our customers. The taxation issue that interests them more is fairness.

Our customers, who pay Cadent gas bills and their own taxes, should have confidence that Cadent is, in turn, contributing to our communities by paying a fair proportion of tax as determined through fulfilment of tax obligations set by Government and avoidance of artificial tax planning.

Our current approach

Insight:

Customers see fair tax contributions as an important component of trusting a company to act for society. Clear communication on tax could improve trust, though it is not customers' highest priority.

Cadent has published its Tax Strategy Statement in accordance with this legislation for the years ended 31 March 2018 and 2019 on its company website.

However, since our change of ownership in March 2017 we have increased the information we provide about our tax affairs from this minimum requirement.

We have done so because we are committed to being a responsible and compliant taxpayer.

Tax is considered in all of the significant commercial transactions we undertake. The tax team actively collaborate and consult with the relevant business teams to ensure that relevant and timely taxation advice is considered and factored into our commercial activities.

In making the disclosures we provide in our Annual Report and Accounts and the Tax Strategy Statement we publish under Finance Act 2016 we choose to include details of the amount of UK taxes borne and UK taxes collected (our total tax contribution). This information provision is over and above statutory requirements and therefore meets and exceeds current best practice.

Our Tax Strategy statement also sets out our approach to a number of key tax policies including our approach to tax governance and risk management, our attitude towards tax planning, our risk appetite in relation to UK taxation and our approach to dealing with HMRC.

We will continue with this practice because we think it is important to provide transparency to all our stakeholders regarding the total amount of tax we are contributing to the UK Exchequer in a given year.

As a very large business and employer in the UK, we also take an active part in shaping future UK tax policy where we can, responding to HMRC consultations and other proposals on UK tax policy which may impact the group.

Decisions on significant UK tax matters are taken against a Board approved delegations framework, ensuring appropriate oversight to tax matters which can represent a significant cost. On significant matters we also seek external advice from our advisers. This may be because of the complexity of UK tax rules or uncertainty as to their application to our business. As part of an open and transparent approach we also engage with HMRC in these instances.

The RIIO-2 Period

Insight:

Despite their enthusiasm for learning more about Cadent taking full responsibility for its tax commitments, customers admit that they are unlikely to be proactive and seek this information out.

To engender customer and stakeholder trust in our corporate and financial activities we commit to the ongoing provision of a transparent view of our organisation's total tax contribution.

As described above, the target we will deliver in RIIO-2 is the continued publication of information regarding our tax and corporate affairs that is over and above the statutory minimum, including the disclosures we provide in our ARA and the Tax Strategy Statement and information published under the Finance Act 2016.

We remain committed to provide transparency to our stakeholders on our overall tax contribution. As an important aspect of this disclosure is the way we communicate the information with our customers and stakeholders.

While our annual report is the main route to publishing this information, we believe there are other methods we can use to make the information we disclose more widely available.

In that spirit we have considered Ofgem's suggestion that we adopt the Fair Tax Mark.

We are supportive of the intent behind Ofgem's ongoing consideration of the merits, applicability, and potential introduction of the Fair Tax Mark as a requirement on companies. We are also aware that other utility organisations have sought and successfully achieved the Mark.

However, this particular accreditation is not available for a company of Cadent's ownership structure. In addition, the Fair Tax Mark only covers corporate taxes and therefore would be accrediting less than 20% of our tax contribution.

As such, given the information we already publish achieves and surpasses the intent of the Fair Tax Mark and that we provide Ofgem with our tax disclosures, we do not see additional value for customers in seeking this accreditation.

That there is no requirement for further external accreditation was also clearly articulated to us by customers as part of engagement.

Therefore, we will continue with our existing arrangements and practices during RIIO-2. This will demonstrate and fulfil our ongoing strong commitment to transparency regarding our contribution to the UK Exchequer in a given year.

2. MAKING A POSITIVE DIFFERENCE TO OUR COMMUNITIES

2.1. What customer insights regarding community impact are shaping our thinking?

The exploration phase of our RIIO-2 customer and stakeholder research programme identified that stakeholders and customers would like us to go beyond our current activities and invest further in our services and communities.

Participants in the West Midlands suggested that we finance environmental schemes. These suggestions were echoed in stakeholder interviews, where some stakeholders suggested we invest directly in our communities, for example, through supporting organisations who provide information-giving services to communities.

Stakeholders in the Birmingham regional workshop recommended that we act responsibly by measuring the social benefits of our initiatives, for example, using the tools developed by Northern Powergrid. We have subsequently implemented a similar tool to the benefit of our customers.

At the same time, we can also keep in mind some of the general priorities that customers and stakeholders have raised in our engagement with them, including:

- Having a better understanding of vulnerability in our communities
- Keeping people safe and warm in their own homes, especially those at greater risk of gas safety issues
- Tackling affordability and fuel poverty

In July 2019, Britain Thinks facilitated four day-long deliberative workshops with our customers to explore these ideas further. They found that when asked about 'going above and beyond' to be 'trusted to act for society', members of the public raise the following:

- Being environmentally friendly/ enhancing the environment
- Treating staff well (eg paying a fair wage, providing mental health support)
- Supporting/ investing in charities or local communities
- Supporting, educating and engaging younger generations (eg delivering educational programmes in schools)
- Paying taxes fairly (mentioned by a minority)

2.2 Community fund – the Cadent Foundation

Commitment:	We will invest over 1% of our profits each year into our stakeholder informed community fund
Key good practice messages:	
<ul style="list-style-type: none"> • Significant contributions to communities and charitable causes is increasingly seen as a baseline expectation. 	
<ul style="list-style-type: none"> • There are a range of options in terms of how this is funded, including a share of overall profits and sharing specific forms of outperformance (with Severn Trent's 1% being the highest proportion of profit shared in the examples we considered). 	
<ul style="list-style-type: none"> • Different approaches are adopted for the distribution of funds. Some are extremely focused such as Anglian Water (see case study below). Others are spread more widely eg. Western Power Distribution assisted 318 separate charitable and non-charitable organisations as part of a commitment of over £265,000 in 2018. 	
Good Practice Case Study:	
<p>Anglian Water identified the town of Wisbech as a community facing more challenges than most towns, which is also at the heart of their operating area. Anglian committed to a long-term role in the community, working with leaders of the local and regional councils, MP and other local partners to help regenerate the town and its surrounding area. By concentrating on improving a single town in a collaborative way, they believe that they can make a lasting difference to local people's lives.</p>	

We want to make a clear statement of public purpose and commitment to sustainability. Therefore, we are in the process of establishing a community fund, investing at least 1% of our post-tax annual profits to support those in vulnerable situations, “green” community projects and act on other priority areas highlighted by our stakeholder research.

Insight:

Beyond delivering on its core obligation of ensuring a continuous, safe gas supply, further development of the community fund is likely the best way for Cadent to demonstrate it is trusted to act for our communities and meet customers' expectations.

The fund will be known as the **Cadent Foundation**. The establishment of the Cadent Foundation is an opportunity to support those in vulnerable situations while also understanding more about different customer groups and their service needs, helping our journey to embed social purpose in its business.

We also hope that the Cadent Foundation will complement our efforts to raise our public profile as “going beyond” the expectations of our stakeholders and will increase the level of trust customers have in our brand. The Cadent Foundation Board will set its target beneficiary groups. These will be primarily aligned to our customers and networks but will also allow for broader opportunities to create value in our communities in areas not directly related to our core activities.

The Cadent Foundation will ensure that its funds reach intended beneficiaries by a combination of beneficiary identification, rigorous review of funding proposals against criteria, beneficiary due diligence and review.

The Cadent Foundation is a strong demonstration of our desire to serve, and act in the interests of, our communities, as well as meet customers' expectations.

Who are the target beneficiaries?

Insight:

The community fund is most closely connected to customer's understanding of and priorities for being 'trusted to act for society', particularly if it invests in community projects and local environmental schemes.

The Cadent Foundation will focus on impactful "big ticket" benefits, but it will also consider broader societal benefits than just energy or gas projects and, where appropriate, smaller benefits consistent with the ethos of the social contract.

The Cadent Foundation will develop a clear set of criteria to allow grant requests to be assessed for potential support. These will be developed, tested and refined with the assistance of the charity partner and/or with an experienced third sector professional.

A **Cadent Foundation Manager** will have an important role to ensure that the CFB has the right assistance to set the funding criteria (bringing suitable expertise to the CFB). Once the fund is operational, this manager will be the gateway, responsible for ensuring applications for funding are prepared to the standard required, so that the CFB can properly review them against grant criteria.

We will ask that the CFB review, test and refine the draft funding criteria with the assistance of the charity partner and/or with an experienced third sector professional.

23. Matched Giving

Commitment:	We will match the contribution to charity of our employees' fund-raising efforts. We anticipate this to total around £0.2m but this could increase to c.£10m if every employee maximised their fundraising efforts.
Key Good Practice Messages:	
<ul style="list-style-type: none"> • Many companies offer matched giving schemes to support the fund-raising efforts of their employees. 	
<ul style="list-style-type: none"> • The tends to be subject to a cap per employee, per year – for example, United Utilities match individual employee fundraising efforts to any UK-registered charity up to £250 per person per year. 	
<ul style="list-style-type: none"> • The Charities Trust notes that such schemes boost morale and promote a culture of giving. 	
Good Practice Case Study:	
Thames Water encourage and support their employees' own charitable giving by matching fund-raising efforts pound for pound up to £2,000. Last year, their employees raised nearly £67,000 for good causes, which qualified for over £54,000 matched funding. In addition, employees are offered the facility to support their favourite charities with a payroll giving scheme, Give as you Earn. To further increase their support for charitable causes and to encourage even more employees to give as they earn, Thames Water contribute an additional 10 per cent to employees' donations. All administration costs are paid for by Thames Water, to ensure that every penny donated goes straight to the charities.	

While the Cadent Foundation will become the flagship for our support for our communities, we will continue with our existing charitable practices. These include matching the charitable giving of our employees when they seek to raise money for good causes.

Under our policy to match employee fund-raising and donations, we will match every our employee's fund-raising or donations to a maximum of £400 in each financial year.

During the 2017/18 financial year, 151 applications for matched giving were made by our employees. Of £43,962 raised, £33,427 was eligible for matched giving.

There are three significant benefits to the continuation of matched giving. The first is the benefit this brings to charities and communities. By 2021, we aim to have provided matched giving totalling £270,000 over a four-year period.

The second benefit is that employees may donate to any UK registered charity. This means our matched giving policy has the potential to support good causes that do not come under the umbrella of the Cadent Foundation.

Finally, the continuation of the matched giving policy demonstrates to our employees that as an organisation we remain committed to supporting them and the causes they value.

24. Charity Partner

Commitment:	We will build on our work with Alzheimer's Society by continuing the practice of having a charity partner, making a minimum commitment of £100,000 per year to charity.
Key good practice messages:	
<ul style="list-style-type: none"> Companies are increasingly favouring long-term strategic partnerships, and this represents best practice. Data gathered by the London Benchmarking Group showed that more than 70% of its members gave strategically. 	
<ul style="list-style-type: none"> The Institute for Fundraising also recognises the trend towards more 'strategic' charity relationships allowing more time to embed and build partnerships that go beyond the provision of 'cash' to achieve an agreed vision. 	
Good Practice Case Study:	
Npower and Macmillan began their chosen charity partnership in 2004. 2007 saw the launch of the Npower Macmillan fund supporting people living with cancer by capping their energy bills and writing off debt. In 2014, the Energy Advice Team was launched - offering advice to people with cancer who are struggling to pay their utility bills. By 2015 they had given over £8 million to the partnership, helping over 32,000 UK households affected by cancer.	

In 2016 we introduced a charity partner scheme and selected Alzheimer's Society as our first charity partner following a shortlisting and employee vote.

The contract with Alzheimer's Society runs until June 2020. Our employees have raised £115,000 on behalf of Alzheimer's Society since the partnership began, while we have benefited from the development of enhanced dementia awareness plans for all our individuals in customer-facing roles.

The partnership has increased awareness of dementia for over 3,200 members of our workforce (approximately 72%). This includes the majority of our operational field force, customer contact centre and Executive Committee. This is enabling us to become a dementia friendly utility focussing on key areas of people, processes and places across our functions.

It is our intention to again run a selection process to attract and recruit a new charity partner after June 2020. This will be a charity working in an area aligned to our wider strategy and goals (eg support for those in vulnerable situations).

The process of selecting a new charity partner will consist of:

- External marketing campaign to promote the partnership opportunity and a website to receive applications
- Application vetting, longlisting and shortlisting by a panel (which will include external stakeholders)
- Employee voting, which may include incentives to vote
- Agreement on the defined period for the partnership
- The establishment of clear parameters, commitments and goals for the duration of the partnership
- Promotion of the new charity partner internally

2.5. Supporting Employee Volunteering

Commitment:	To encourage at least 60% of our employees to participate in volunteering during the RIIO-2 period. (12% per year)
Key Good Practice Messages:	
<ul style="list-style-type: none"> Companies increasingly offer employee volunteering schemes where employees give their time, skills and enthusiasm to community projects. 	
<ul style="list-style-type: none"> The London Benchmarking Group notes the benefits for employees of such schemes both in terms of skills development, but also quality of life and outlook. 	
<ul style="list-style-type: none"> Of the examples considered, the percentage of employees involved varies, but some companies (such as SSE and ScottishPower) offer this to all of their employees. 	
<ul style="list-style-type: none"> Generally, each employee is offered one day of paid leave to support community projects, however, some allow more eg Thames Water allow two volunteer days per employee and United Utilities allow up to three days per employee. 	
Good Practice Case Study:	
<p>Scottish Power have a strong culture of employee volunteering across the company and every employee is offered the opportunity to take one day's paid leave each year to volunteer. In 2018, over 500 members of staff took part in volunteering activities organised by ScottishPower and they contributed over 1,600 hours during paid company time.</p>	

One way we can contribute to both our communities and our employee team is by assisting our people to give of their time volunteering.

As well as giving back to the community, volunteering provides challenging and rewarding experiences for our people.

While the decision on whether to volunteer is a personal one, we want to ensure that we support and encourage our people to spend a proportion of their time at work volunteering.

Our staff benefit from the opportunity to develop new skills or build on existing experience and knowledge.

Following our separation from National Grid, we engaged Volunteering Matters as a provider of volunteering opportunities for our staff.

We formally began to measure employee volunteering programme from August 2018. Since then, 72 volunteers have provided 644 hours of their time, with over 32,000 direct beneficiaries. However, we know that a large volume of volunteering took place without it being formally recorded.

Across all their programmes, Volunteering Matters report that 91% of volunteers increased their sense of pride in working for their employer and 86% of volunteers feel they have an impact on the community. Additionally, 85% of volunteers feel more positive about their employer overall.

We therefore know that volunteering is a great benefit for communities and to our staff, as well as to Cadent as an organisation. Our team learns new skills and enjoys the positivity that results from being able to assist others.

3. SUPPORTING OUR EMPLOYEES

We recognise the value of our people in the delivery of our increased ambitions for our customers. To achieve this increased ambition we must set out to transform experiences for our employees as well. We want to create an environment within which our employees can thrive and for them to be proud of the service that we deliver to customers. This aligns with the customer insights we have received, that customers are more likely to trust a company that treats its employees well.

What customer insights about supporting our employees are shaping our thinking?

Britain Thinks facilitated deliberative workshops with our customers and this provided an interesting insight into customers' views regarding how large companies interact with their own employees.

For example, while customers highlighted companies' obligations to staff as well as customers and wider society.

When given time, customers described 'ethical' policies in relation to staff as an action that would demonstrate a company is acting for society. These included paying a fair wage to all staff and looking after staff by providing mental health support.

Treating staff well is viewed by customers as a reflection of wider company values. Ensuring the wellbeing of frontline staff is important for Cadent as they are the main touchpoint for customers.

3.1. An inclusive and diverse workplace

Commitments:	<ul style="list-style-type: none"> To provide unconscious bias training for all managers across the organisation by 2021 To achieve an increase in Black, Asian and Minority Ethnic (BAME) talent by 2026 Show a demonstrable increase in the number of BAME senior managers
Key Good Practice Messages:	
<ul style="list-style-type: none"> Investors in People¹ note that diversity is about increasing people's actual participation, not just their symbolic participation. Best practice includes taking action on employees' unconscious biases, ensuring the hiring process shows transparently how someone has been assessed, and creating earlier training opportunities for hires from underrepresented groups. Diversity is essential if organisations want to create cultures of sustainable innovation. 	
Good Practice Case Study:	
<p>UK Power Networks has created a new application process for apprentices and graduates, aimed at ensuring fairness of assessment. Recruitment teams, managers and business leaders have been trained to recognise and reduce unconscious bias. Courses to improve inclusive behaviour are embedded into individual employees' development programmes. Staff equality and diversity data is collected, and inclusivity is regularly discussed by Board Directors with accountability for diversity and inclusion resting with the Executive Management Team. UK Power Networks has Gold Investors in People accreditation and received the Company Recognition Award at the Association for Black and Minority Ethnic Engineers' UK Awards.</p>	

To be a successful business and deliver what our customers expect from us, it is important to have an inclusive and diverse culture.

Our current workforce demographic shows imbalance in some areas. For example, female representation at Board and senior leadership levels are 18% and 15% respectively. This is partially symptomatic of our industry, where 83% of the energy and utility sector's workforce is male.

However, we are seeking to redress that imbalance and achieve greater diversity. It is our policy that people with disabilities are treated fairly in relation to job applications and opportunities for training, career development and promotion. When employees are unable to continue working in their current role due to disability, every effort is taken to make reasonable adjustments, provide suitable training and identify alternative roles, if required.

It is our ongoing intention to represent the diversity of our customers through fair and equitable recruitment processes to build a workforce that truly represents the communities in which we serve.

Insight:

Valuing and paying staff well reflects that they really are an ethical business.

In the same way as we are targeting inclusion and accessibility of our services for our customers, we are striving to create an environment that embraces diversity and allows people to be themselves and bring the best of their skills to the workplace every day. We have several focus areas to ensure we are attracting and retaining a diverse range of talent, for example improving our gender pay gap, encouraging more diversity in our field force recruitment, supporting faith requirements and improving disability awareness.

We support flexible working opportunities and provide tools to allow remote working where feasible. We require assurance across our processes to ensure consistent and fair approaches are taken, such as

¹ <https://www.investorsinpeople.com/knowledge/workplace-diversity/>

performance and pay reviews; and we have an Inclusion and Diversity Conscience Group to ensure that this remains a key focus for our business.

3.2 Supporting women in the workplace

Commitments:	<ul style="list-style-type: none"> • Ensure a 50:50 ratio of male and females being recruited through our graduate development programme • Increase the proportion of females joining our apprentice scheme • Increase the number of females in management positions • Increase the number of females in Director roles • Review the support provided for flexible working arrangements prior to 2021 • Include flexible working arrangements in all jobs roles by 2021
Key Good Practice Messages:	
<ul style="list-style-type: none"> • Female representation in top management brings informational and social diversity benefits to the top management team, enriches the behaviours exhibited by managers throughout the firm, and motivates women in middle management². 	
<ul style="list-style-type: none"> • Best practice for supporting women in the workplace includes gathering data about the current situation, achieving senior management buy-in, increasing accountability for gender diversity, developing mentoring programmes for women and promoting flexible working for everyone. 	
Good Practice Case Study:	
<p>SSE has invested heavily in recruitment, training, mentoring and agile working to improve diversity, but it has also worked to quantify the financial impact, carrying out innovative research with inclusion specialists Equal Approach. It found that for every £1 invested in gender diversity initiatives it had returned £4.52 and this is expected to increase to £15 once the full impact of SSE's work is embedded in further years to come. SSE has focused on building inclusion at every point in the employee lifecycle. SSE has introduced enhanced parental leave to offer more support to families at a critical time, agile working which offers employees the ability to work from home or change start and finish times, inclusive hiring training for managers, mentoring programmes to support employees in their development as well as reviewing its recruitment processes to attract a more diverse pool of candidates. It has also set gender targets in response to the Hampton Alexander review which looks at increasing not only the number of women at Board level but also in its most senior roles beneath board level in the organisation.</p>	

We are focussed on increasing the diversity of our workforce and will continue to promote our successful development programmes for women within Cadent. As a responsible employer, we recognise the need to raise the profile of our sector through consistent engagement with our peers.

To drive change and work collaboratively to attract, recruit and retain a more diverse talent to the sector we have signed up to EqualEngineers and the Energy and Utility Skills Sector Inclusion Commitment along with 32 other leading employers. Furthermore, we are part of the Talent Source Network and offer the Springboard development programme for female employees. By leveraging the expertise of similar businesses, through the Talent Source Network, we have entered into an agreement to recycle talent, with the aim of retaining industry skills and raising the profile of our sector.

We support the development of our employees, with initiatives such as the Spring Forward programme, designed to coach, train and support women in the workplace.

We are conscious that we have not included numerical targets for all of our commitments above. In some cases, in particular those related to our ambitions in respect of diversity and inclusion, it is difficult to set firm 'SMART' targets as opposed to aspirational targets because there are many unknown factors

² A study by Dezsö and Ross (2012) found that "female representation in top management leads to an increase of \$42 million in firm value."

that could influence our progress. We do not believe that setting aspirational targets (that cannot be robustly backed up by quantifiable action plans) is consistent with our customers' ask of transparency and clear target setting. Therefore, in these cases, we commit to report on our progress against the various initiatives that we are operating and trialling to improve performance levels and publish the results of these in our annual assessment of our Trust Charter (see commitment 5.5 below). We will continue or extend those initiatives that are having a positive impact and fail fast in other areas. In this way we are reporting progress against positive action, rather than aspirational targets and where, through experience of running initiatives over time this allows us to establish meaningful targets, we will do so.

3.3. Continue to change lives for the better through EmployAbility

Commitment:	We commit to continue to operate this and promote its inclusion by other local organisations.
Key Good Practice Messages:	
<ul style="list-style-type: none"> Companies can benefit from hiring people with disabilities through: improved employee loyalty, reliability and productivity; an improved company image; greater productivity and innovation; and an inclusive work culture with greater ability awareness. Initiatives that can demonstrate a company's commitment to diversity and disability include: ensuring that recruitment processes are equitable and fair for disabled applicants; actively attracting disabled applicants for graduate and internship programmes; ensuring that staff have received appropriate disability and equality training; setting up a mentoring programme for disabled employees; and setting up a disabled employees network. 	
Good Practice Case Study:	
National Grid has an internal disability network and has a long-standing relationship with the Business Disability Forum, Inclusive Employers and Business in the Community. It is a Disability Confident employer. It is also an active member of Midlands Ability Group – sharing best practice with other industry leading organisations. The EmployAbility scheme is an employee-led supported internship programme for young people aged 17- 25 with Special Educational Needs and Disabilities. It began in 2013 as a partnership between National Grid and Round Oak Special Educational Needs School in Warwick. Its purpose is to raise aspirations and significantly improve the likelihood of a young person with learning disabilities achieving paid employment by the provision of supported work placements.	

Our 'EmployAbility – Let's Work Together' programme is a great example of how we are encouraging a more diverse range of talent but also giving our existing employees development opportunities.

In delivery of the programme we work with the not-for-profit organisation EmployAbility that is dedicated to assisting students and graduates with all disabilities, including dyslexia or long-term health conditions, into employment.

The supported internship scheme builds confidence, develops skills, raises aspirations and provides a step on the career ladder for students with special educational needs and disabilities (SEND).

The programme has enjoyed long-term success rates, with 73% of interns achieving paid employment, against the national average for this group of just 6%. We commit to continue to operate this programme and promote its inclusion by other organisations.

34. Keeping our people safe

Commitment:	To achieve long-term reductions in our lost time injury frequency rate (LTIFR)
Key Good Practice Messages:	
<ul style="list-style-type: none"> It is not enough to provide safe equipment, systems and procedures if the culture doesn't encourage healthy and safe working. Regularly communicating health and safety procedures and updates in health and safety documentation coupled with expert health and safety training is essential when it comes to creating a positive health and safety culture. 	
Good Practice Case Study:	
<p>United Utilities seeks to improve employees' health, safety and wellbeing through targeted improvements and benchmarking against peers. Its Health, Safety and Wellbeing policy was updated in March 2019 and there is a structured risk management process in place. There is a dedicated, City & Guilds accredited, training facility: employees are provided with role-specific training and everyone regularly receives health, safety and wellbeing related information, instruction or training. The process safety steering group includes senior business leaders, determines areas of focus and identifies opportunities for continuous improvement and risk management. The management system is accredited to OHSAS 18001, and the business has RoSPA Gold Award accreditation.</p>	

Safety is paramount to all that we do. We are committed to ensuring the safety of our people, our customers, and the general public.

We will never compromise on safety, as we keep energy flowing safely and reliably to meet the needs of our customers today and tomorrow. We endeavour to prevent any incident, accident or injury. Our safety management system provides strength in depth through multiple layers of risk control and protection. This encompasses the actions we take to keep our people and contractors safe; to protect members of the public from the risks of using gas as a fuel; and to ensure safety standards around our street works and other activities. Our efficient national gas emergency service protects the public from the hazards of natural gas and carbon monoxide. We take a responsible approach to managing the risks posed by our assets and the fuel they carry, known in the industry as Process Safety.

Ensuring the safety of our people and our contractors undertaking their day-to-day work activities is our top priority. Everyone has the right to return home from work as fit and healthy as they arrived. We have implemented an effective safety management system and a set of Golden Rules for safety when carrying out potentially high-risk activities. We have built a strong focus on key risk areas, including underground service pipes, safe driving, and linked occupational health activities, to raise awareness of the risks of musculoskeletal injury. We work hard to ensure that we have a culture of safety in our business, where everyone takes responsibility for their own safety and the safety of those around them. Our aim is to achieve long-term reductions in our lost time injury frequency rate.

Our safety performance has come a long way over the last decade or so, and we have reduced our LTIFR from nearly 20 per million hours worked, to less than 1. The severity of injuries is also decreasing: workforce injuries today are predominantly down to slips, trips and falls, and manual handling of heavy or bulky tools and equipment.

We will always strive to improve our safety performance and create an environment to look after our people and have developed a three-year plan to reinvigorate our safety culture, with visible leadership for safety at all levels in our organisation.

We are refreshing our safety management system with a 'back to basics' approach, and more effective communication of safety risks and issues, using real-time communication tools and other advances in technology.

3.5. Bringing in new talent

Commitment:	We continue to bring in new talent with apprenticeships, graduate schemes and our Engineering Training Programme.
Key Good Practice Messages:	
<ul style="list-style-type: none"> Attracting talent with the right skills and expertise is a challenge for utilities. Thirty-five per cent of vacancies are hard to fill in the UK electricity, gas and water sectors, compared to the national average of 23%³. 	
<ul style="list-style-type: none"> To meet these demands, it is necessary to take an inclusive approach to recruitment and work with schools and colleges to inspire and attract more young people. High quality apprenticeships are a key part of this. 	
Good Practice Case Study:	
Each year, National Grid sponsors and hosts a high-quality, week-long residential engineering experience at its National Training Centre with 100 year 10 students, 50% of whom are girls. The course was designed with the intention of attracting students with the aptitude to study STEM subjects at A level and beyond.	

As we look forward to supporting the transition to a low carbon energy future it is vital that we build the capability to deal with a changing climate, to innovate and embed new technologies. We continue to bring in new talent with apprenticeships, graduate schemes and our Engineering Training Programme. We recruit around 100 apprentices each year. This year, the first cohort completed the new ‘Gas Network Craftsperson’ apprenticeship standard. We also recruited nine graduates onto our Graduate Development Programme and five onto our Engineering Training Programme to help improve and sustain our talent pipeline. We have also completed a strategic review of the graduate development programme and are implementing changes with a focus on engineering graduates. We won the **Number 1 Apprentice Employer in the Job Crowd Top 50 Companies**, and 20th place in the Top 100 Graduate Employers across all sectors. In Energy and Utilities, we were named best Apprentice Employer.

Our Education & Skills Strategy focuses on STEM enrichment, careers inspiration and work experience. By building relationships with a number of schools in our recruitment hotspots, we provide opportunities for our people to volunteer as mentors across a range of subjects and age groups. We are collaborating with energy and utility organisations to promote engineering as an interesting, exciting and valuable career proposition. As a member of the Energy & Utility Skills and CEO Skills Partnership, we have led the sector’s Apprentice and Technical Education Advisory Group. We support the new ‘Talent Source Network’ programme, which focuses on the engagement, attraction and awareness of key target audiences, including:

- Women;
- Black, Asian and Minority Ethnic (‘BAME’)
- Service leavers
- Parents
- Unemployed
- Not in Education, Employment or Training (NEETS)

³ <https://www2.deloitte.com/content/dam/Deloitte/es/Documents/energia/Deloitte-ES-Energia-el-empleado-conectado.pdf>

3.6. Fair and transparent reward and recognition

Commitments:	<ul style="list-style-type: none"> • Continue to benchmark our salaries with recognised third party organisation for all roles • Pay at least the national real minimum wage to our directly employed employees and agency employees working in our main sites • Continue to operate our Cadent Congratulates rewards scheme • Develop an annual Chairman’s Award for all employees to enter • Maintain at least market median pay and reward schemes for all employees
Key Good Practice Messages:	
<ul style="list-style-type: none"> • Recognising effort and results has an incredibly strong effect on employees’ productivity and morale. 	
<ul style="list-style-type: none"> • Increasingly, organisations are encouraging peer recognition, often enabled by technology. 	
<ul style="list-style-type: none"> • Flexible / tailored benefits schemes offering a range of benefits such as share investment plans and dental, medical or travel insurance are also increasingly offered by companies. 	
Good Practice Case Study:	
<p>Anglian Water’s Reward & Recognition platform is designed to motivate and give something back to their staff. This platform enables colleagues to easily recognise and reward each other’s contributions by sending: personalised thank you cards, digital messages, or certificates; cash awards, scratch cards and charitable donations; travel awards, tickets to events or experience days; or vouchers / points towards a team celebration.</p>	

Our company purpose to ‘Keep the energy flowing’ and our core brand and values were developed based on feedback and the views of our employees (indeed we won a platinum award for our employee engagement process).

Our values reflect those that employees wished to retain, and were proud, commitment and community. They also incorporate aspirational new values of curiosity and courage which our people felt were important for us going forward. These values are linked to personal development plans and our reward system is based on successful demonstration of these behaviours. In addition, our reward system for executives, managers and staff are all linked to the delivery of customer outcomes and creating an environment that enables all our employees to deliver outcomes we can be proud of.

We also encourage the demonstration of our values through the ‘Cadent Congratulates’ programme which enables employee to nominate colleagues for recognition of high performance.

We have also developed an annual Chairman’s award process to be overseen by the Chairman to recognise outstanding demonstration of our values.

3.7. Ethics and ‘doing the right thing’

Commitment:	We encourage a strong culture of business ethics through our ‘doing the right thing’ programme. This involves a charter of the behaviours we want to exhibit and online training on aspects such as fraud and bribery training, competition law and General Data Protection Regulations. We operate an independent business ethics support line to allow employees to raise any concerns.
Key Good Practice Messages:	
	<ul style="list-style-type: none"> • Companies must strive to create a culture where it is in employees’ interests to do the right thing and feel encouraged to come forward to report misconduct and that they will be protected if they do.
	<ul style="list-style-type: none"> • Rules and regulation are only part of the solution. Senior managers must lead by example and training and awareness programmes also have a role to play, helping employees to understand the consequences of fraud and corruption.
	<ul style="list-style-type: none"> • In the EY fraud survey of 2017⁴ only 24% of UK respondents had frequently heard their senior management communicate about the importance of maintaining ethical standards in business and 42% believed that their senior management would act unethically to help a business survive.
Good Practice Case Study:	
<p>Thames Water acknowledges the United Nation’s Guiding Principles on Business and Human Rights, and has policies and procedures in place to ensure compliance and enforcement throughout the business. A culture of honesty and integrity is promoted in all business dealings, and acts of fraud, dishonesty, bribery, corruption or theft of assets or data from the business are not tolerated. The Code of Conduct and Honest and Ethical Behaviour policies provide a clear, ethical and legal framework for employees, customers and stakeholders, and clearly set out the minimum behaviours expected. There is a confidential 24-hour Employee Assistance Helpline available and a robust whistleblowing process in place for any of employees to ask questions or raise concerns. Contractors and alliance partners must also agree to follow the provisions of this code.</p>	

We encourage a strong culture of business ethics through our ‘doing the right thing’ programme. This involves a charter of the behaviours we want to exhibit and online training on aspects such as fraud and bribery training, competition law and General Data Protection Regulations. We operate an independent business ethics support line to allow employees to raise any concerns as well as employee assistance programme which provide external support and counselling. Our strong culture general assurance approach is demonstrated by our track record of self-reporting issues that have arisen from our internal reporting processes. We have a network of ethics champions across the organisation who support teams in considering their approach in this area.

⁴ <https://www.ey.com/uk/en/newsroom/news-releases/17-04-05-uk-companies-failing-to-foster-culture-of-ethical-behaviour-reveals-ey-fraud-survey>

3.8. Skills and training

Commitments:	<ul style="list-style-type: none"> • Continue to support our employees with over 24,000 training days per annum • Run at least 30% of training on-site • Ensure all employees have the technical competencies to do their role • Offer every employee the opportunity to develop a personal development plan, overseen by their management team • Provide dedicated training centres at such as those at Hitchin and Hollinwood. and satellite centres at Windsor Street and Slough. • Focus on STEM enrichment, careers inspiration and work experience.
Key Good Practice Messages:	
<ul style="list-style-type: none"> • High-quality and continuous training and skills development is essential for workplace safety and productivity as well as staff retention and recruitment. 	
<ul style="list-style-type: none"> • In order to respond with agility to the changing technological environment and future decarbonisation challenges, businesses need to invest in skills development. 	
<ul style="list-style-type: none"> • All employees should have a personal development plan that they can discuss with their managers and managers should be empowered to think about creating development opportunities, such as secondments, for their staff. 	
Good Practice Case Study:	
<p>United Utilities has a specialist technical training centre for engineers and apprentices in Kearsley. The facility boasts four interactive training rooms as well as dedicated practical training areas for all the technical disciplines. This includes a simulation sewer environment for confined spaces training, more than 30 metres of pressured water pipework, live electrical and chlorine rigs and a replica water treatment works. The 'One Curriculum' approach gives every employee, regardless of age, the chance to learn the skills they need to advance their career. The company aims to spot talent early with employees put on the Aspiring Managers Programme where appropriate.</p>	

We believe in supporting our people with training and development, to ensure their safety, and help them to thrive within their chosen career. We have established an Organisation Development team comprising 40 employees, a mix of experienced technical trainers and professionals in leadership, new talent and planning. During 2018/19 we delivered 23,400 training days, with 93% of these focused on safety and technical skills.

We have modified training approaches, in conjunction with on-site inspections and technical updates, to assure the competence of our staff. The proportion of on-site training rather than bringing colleagues to our training centres rose from 17% last year to 33% in 2018/19. Our Leadership & Capability Catalogue has been completely overhauled to align with our new Competency/Behaviour frameworks and will launch in July 2019.

We are moving increasingly towards digital e-learning solutions; providing many more options for our people to shape their personal learning journeys; when, where and how they need it and to support them at the point of transition to a new role or level.

Our new IS platform is creating new opportunities to improve our ways of working, increasing collaboration and learning from peers. We are making strong progress in building our core capabilities curriculum in areas of commerciality, change and customer engagement. We have also added a rich range of e-learning from the Institute of Contract and Commercial Management to support learning.

Our two main dedicated training centres at Hitchin and Hollinwood are now supported by satellite centres at Windsor Street and Slough which came on line this year to improve local delivery and operational productivity. We plan to expand our specialist 'Gas Pressure Control' training facility at Windsor Street to incorporate Pipelines, Electrical and Instrumentation training, with a view to being self-sufficient by March 2020.

3.9. Happy, Healthy and Here

Commitment:	We will continue to run our employee assistance programme which provides external support and counselling.
Key Good Practice Messages:	
<ul style="list-style-type: none"> • Staff with positive mental health are more likely to work productively, interact well with colleagues and adapt to changes in the workplace 	
<ul style="list-style-type: none"> • ACAS suggest that employers can assist their people by taking steps to understand mental health, commit to improve mental health in their workplace, take steps to improve the workplace, educate the workforce about mental health and know where to go for further support 	
<ul style="list-style-type: none"> • The best companies create a culture of openness and awareness by encouraging people to talk about mental health. 	
Good Practice Case Study:	
Companies House Wales were awarded Gold employer status by mental health charity Mind in 2017/18. They signed Mind's Time to Change Wales Employer Pledge, promoted their continued commitment to tackling mental health stigma and discrimination and got people in the organisation talking. They then used a Workplace Wellbeing Index and gained their staff's perspective on their support for Mental Wellbeing.	

Health and Wellbeing is integral to the success of our business. Employees who are Happy, Healthy and Here at work are our greatest asset. We are building a culture of personal ownership by employees for their health and wellbeing with reasonable business support, increasingly focused on early, proactive engagement and targeting risks. Our vision is to embed a culture and offer supportive programmes that have a positive impact on the health and wellbeing of all our people. In 2018 we established our Executive led group to champion and lead communications around this issue in our business and improve the ways in which we handle cases of poor mental health in the business.

Insight:

Treating staff well is seen as a reflection of wider company values. Ensuring the wellbeing of frontline staff is important for Cadent as they are the main touchpoint for customers.

We are embedding our Wellbeing engagement platform 'Cadent BeWell' and using this to promote a comprehensive range of support services, tracking its use at a depot level so Wellbeing Leads can identify areas to focus on. We are working with our health care provider to develop innovative ways to encourage employees to register on our BeWell service to evaluate their wellbeing and set personal targets to improve their health.

Mental health conditions are the second highest reasons for our employees to be absent from work across all employment sectors. For a variety of reasons, it is also one of the most challenging to identify and provide effective support to employees. However, against this background we are committed to a step-change in awareness, culture and provision of support to employees and managers to help manage this growing health issue. We have established an Executive led group to drive improvements in the way we handle cases of poor mental health in the business. We have piloted Employee Mental Health Awareness training modules which will now be rolled out more widely alongside Mental Health First Aid Risk Assessment tools and training. We recognise that to deliver our step change we need expert support. That is why we are working with the national mental health charity MIND to benchmark the level of provision we have and build a year-on-year action plan to improve our mental health provision against their baseline.

4. SUSTAINABLE ENGAGEMENT TO DRIVE BETTER OUTCOMES

Commitment:	<p>We will continue to engage widely with customers and stakeholders and demonstrate how we are turning insight into action. We will:</p> <ul style="list-style-type: none"> • Improve the way we use business as usual insights • Continue Cadent Customer Forums • Evolve the Customer Insights Forum to add even more value • Continue to operate Regional Stakeholder Groups • Commit to a Customer Engagement Group (CEG) throughout RIIO-2 • Evolve stakeholder engagement on whole system thinking • Develop our online forum
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4.1. What customer insights about engagement are shaping our thinking?

We have received a strong message from customers that they are not aware of Cadent and that we should do more to inform customers of our role and activities.

This message arose as a consistent theme throughout our exploratory engagement feedback at the beginning of our preparation for RIIO-2, in response to our public survey and in deliberative customer workshops.

However, our deliberative workshops also acknowledged that if we were fulfilling our role correctly the majority of the public would never notice our activities.

Stakeholders interviewed as part of the same Business Plan development research were generally more aware of Cadent, although at earlier workshops with stakeholders during 2017, some were confused by our recent name change, and the difference between us and National Grid.

At our regional stakeholder workshops, there was also broad support for greater collaboration. In Birmingham, stakeholders felt strongly that there should be more collaboration on long-term goals across the different networks, including a cross-utility policy that enables renewables, and we should lead this. Others noted that differences between networks could be an obstacle. In London, some stakeholders emphasised collaboration across networks as crucial to a whole systems energy approach while others felt that this would be very difficult as the electricity network lagged gas and water in terms of modernisation and upgrading.

At the stakeholder workshop run by the ENA and Accent, some stakeholders noted that a whole systems approach needed to be balanced and factor in demand on the electricity system for electric transport. They worried that electrification might not achieve the appropriate balance of resources to optimise decarbonisation.

4.2 Increasing Awareness of Cadent

Key Good Practice Messages:

- Brand awareness establishes brand trust.
- In many cases, energy suppliers are working to create a positive brand that customers trust by emphasising their environmental credentials.

Good Practice Case study:

As a growing number of customers are recognising the importance of energy-efficiency, brands such as OVO are capitalising on this by offering intrinsic value to consumers through smart meters and green energy sourced from renewable generators. Alongside this core value proposition, OVO has partnered with technology company Ubitricity to transform 50 London lamp posts into charging points for electric cars demonstrating the brand's dedication to creating a larger and long-term shift in behaviour. The company is also running a vehicle-to-grid trial and using smart meter data to tailor energy efficiency actions.

As a gas distribution company, we don't have a regular relationship with most of our customers in the way that their supplier does.

Insight:

Customers feel that they should not absorb any additional costs of Cadent running an awareness raising campaign, indicating that this is not really a priority area for them.

Therefore, our interaction with customers can be infrequent and limited to occasions such as street works or emergency repairs.

On such occasions it is important that the information customers need, and value, is readily available and that they know how they can contact us.

To enable customers to understand the implications of our work on issues such as heating their home, keeping their business running, their daily commute and their safety in an emergency, it is necessary that our purpose and activities are understood.

The Current Situation

Since we became independent from National Grid in 2016 customer awareness of the organisation has been low.

We recognise that brand awareness for awareness sake is neither necessary nor desired by customers. Moreover, during engagement our customers have been clear that they have no desire to pay for brand awareness activities.

However, there are instances, particularly related to gas safety, when a customer's awareness of their network company is necessary.

Additionally, customers have clearly indicated that they must know Cadent as an organisation to be able to trust us to undertake our network stewardship roles on their behalf.

The RIIO-2 Period

Therefore, to be trusted and transparent, it is important that we raise our profile and share information with customers and stakeholders in a way that best serves them.

Enabling customers to easily access the information they require will engender trust in Cadent as an organisation.

We have received a large amount of feedback regarding the ways in which customers prefer to be engaged.

While a myriad of different communication mediums exist, respondents reported a broad support for more informal, colloquial language and communication techniques including the use of infographics to make things more readily understandable. Using suitable communication channels and content with customers in vulnerable situations is a priority as they may have different communication requirements.

If we do not use appropriate channels to facilitate customer understanding of the network contribution to their energy bill, provide streetworks information or promote emergency advice customer trust levels will be negatively impacted.

We can prepare a range of information regarding our transparency, but it will have limited impact on levels of consumer trust unless we are able share it in a manner that proves informative for our customers and stakeholders.

Good communication will act to reinforce the benefits of our other commitments relating to transparency.

While we recognise that our profile is a low priority for customers when compared to issues such as safety and reliability it was recognised by participants in our focus groups with hard-to-reach individuals stated that increased awareness and knowledge of Cadent would increase trust in the company as a whole.

4.3. Firm Commitments to Ongoing Engagement

Key Good Practice Messages:
<ul style="list-style-type: none"> • Research related to trusted organisations and trusted brands points to quality, two-way engagement between organisations and customers as a key enabler of trust.
<ul style="list-style-type: none"> • Sustainability First argues that the Business Plan should be reframed as a “social contract” communicated throughout the business and iterated with customers⁵.
<ul style="list-style-type: none"> • Quality data analytics can create insights to enable more effective decision making and better results from actioneg SAS Analytics and Aviva used ‘text mining’ of notes to identify the most common root causes of complaints that were likely to cause a customer to leave.
Good Practice Case study:
<p>Severn Trent Water have established three teams to drive customer participation in their long-term decision making:</p> <ol style="list-style-type: none"> 1. The innovation team: with specialist innovation management roles, including a front-end team that focuses solely on innovation needs and idea generation 2. The customer insight and analytics team, who implement behavioural analysis, modelling and analytics across the business. 3. App technology team, who devise and develop mobile apps that can enhance customer experience and help progress the business overall.

Engendering customer trust through each customer interaction is critical. Every positive customer interaction develops customer confidence in our ability to deliver and their combined effect will develop public trust in our ability to act for wider society, one of our four strategic outcomes for RIIO-2.

Feedback received from our deliberative customer workshops demonstrated a desire for Cadent to explicitly commit to understanding customer needs and priorities. This customer desire, combined with the strong message from best practice and research in this area, demonstrates the necessity to continue to engage with customers, to take insights from that engagement and to act on those insights.

One of the ways we can increase trust is by acting to improve when customers and stakeholders provide us with insights regarding how we can serve them better.

It is also important to acknowledge that we stand to benefit from increased trust from our customers. A study by Accenture in 2018 highlights the importance of maintaining consumer trust from a company’s perspective. After studying 7,000 companies, they found that more than half (54%) of the companies examined experienced a material drop in trust at some point during the previous two and half years. A material drop in trust of its key stakeholders and customers was found to have a negative impact on revenue growth and EBITDA (earnings before interest, tax, depreciation and amortisation) growth.⁶

Our Current Approach

We recognise the importance of addressing the needs and requirements of our customers. Customers and stakeholders expect to be able to engage with organisations that provide vital services and it is incumbent upon us to use this engagement to ensure continuous improvement.

As part of our RIIO-2 specific engagement we have collected an unprecedented level of customer and stakeholder insight to prepare our business plan.

To ensure this engagement has been worthwhile we used the customer insight received to develop and underpin all of the commitments in our Business Pfflan. This one-off engagement is the starting point

⁵ [Sustainability First: Fair for the Future.](#)

⁶ https://www.accenture.com/us-en/insights/strategy/trust-in-business?c=strat_competitiveagilmediarelations_10394050&n=mrl_1018

for engagement during the RIIO-2 period when we will seek to embed feedback into our day-to-day operations.

We are also working to take insights from our interactions with customers to make improvements to our business now, rather than waiting for the next price control.

In RIIO-1, we established a Customer Performance Directorate, creating a single point of accountability for our customer strategy and elevating 'customer' to the top table. Part of this Directorate's role involves systematically analysing information we receive from customers and driving improvements in response.

In 2018, we established our Customer Insights Forum which brings together leaders from across our business to consolidate customer and stakeholder insights and develop action plans.

The improvements we are already making as a result of customer and stakeholder insight include:

- Establishing 4 'customer charters' to respond to some of the key messages we have heard. These are customer transparency, reinstatement, respect for customer and property and service transformation.
- Decentralising operational functions to our individual networks, making them more responsive and closer to our customers.
- Our Service Transformation programme will build upon the "perpetual experience" toolkit we have adopted (Business Plan page 123) to establish a new way of working, starting with each of the six core connections services that we offer. This includes introducing an account management process, investment in a new customer management IT system and moving accountability for certain activities to our networks.
- Our website has been fundamentally redesigned based on customer feedback to make it easier to navigate and search.
- We have significantly improved our complaints handling performance, moving from around 40% complaint resolution in day to around .80%.

The RIIO-2 Period

Commitment 1: Improve the way we use business as usual insights

During RIIO-2 we will continue to invest in AI and machine learning, as well as developing of our own customer data lake sitting in Amazon's Web Services cloud solution (the leading provider of this capability). Over £2m of investment will be made in RIIO-1 to ensure that we have the necessary team structure and IT platforms to leverage throughout RIIO-2 to capture business as usual insights.

Commitment 2: Establish Cadent Customer Forums

We held deliberative workshops in our first phase of engagement for our Business Plan. It quickly became apparent that customers wanted to continue to talk to us and we established face-to-face regional customer forums offering both evening and weekend forums.

Our intention is to continue to engage on at least a quarterly basis in all regions to assess progress against our commitments and capture evolving areas of interest or challenge throughout the RIIO period.

We will also use customer engagement on an ad hoc basis to try out service improvements and ensure we are making improvements in the areas that customers require.

We recognise that customers will drop in and out of the forums based on personal circumstance and preference. We will refresh our community every year to ensure we keep a broad customer base across our networks.

Commitment 3: Evolve the Customer Insights Forum to add even more value

We are committed to using the insights from ongoing engagement activities to continually improve the service levels we offer our customers.

The Insights Forum feeds directly into our operational and customer performance governance framework and ultimately reports to our Board.

We will maintain this forum into RIIO-2.

Commitment 4: Continue to operate Regional Stakeholder Panels

We have repurposed our national Stakeholder Advisory Panel to create four, network-aligned regional stakeholder panels.

We trialled this through stakeholder engagement events in November, which were very successful, and these will operate alongside and compliment the national Customer Engagement Group.

- Specific customer / stakeholder groups
- Biomethane developers
- Powergen / CNR
- New users (mainly the common framework work for our customers)
- MOB's community
- Welfare services review
- Local authority joint planning with DNO (Chapter 6)
- Employee rule – perpetual experience and experiential engineer - ideas in action
- Engage on future role of gas through innovation projects
- Behavioural insights one of key innovation themes
- Off-grid communities through commitments
- Co-ordinating with other utilities
- Role in local infrastructure board and LEP

We will also build relationships with expert stakeholders who can help us to benchmark our company performance on an ongoing basis. We began this through the enhanced engagement programme to determine our RIIO-2 Plan and commitments, and we will extend these networks. Examples of expert stakeholders include environmental specialists such as Green Alliance and WWF and customer service specialists such as Citizens Advice.

Commitment 5: Retain a Customer Engagement Group (CEG) throughout RIIO-2

We will continue to operate with an externally appointed and independent Customer Engagement Group.

Whilst the make-up of the forum may change to ensure that we are receiving a diverse and wide-ranging level of challenge, we will continue to work with a CEG throughout RIIO-2. It will have a direct feed into our Board.

Commitment 6: Develop Cadent's Online forum

We have engaged a provider of an online customer forum service to work alongside our Customer Forums. We are using a series of pop-up events as part of our RIIO-2 engagement plan, which we will learn from and feed into this process.

We will run some 'pop-up' online forums as part of preparation for our Business Plan. We can continue to gain insights from this established community on an ongoing basis during the RIIO-2 period.

Commitment 7: Stakeholder Engagement Incentive Scheme

This scheme will evolve to focus on the important area of future energy scenario development and whole system solutions – more detail can be found in Chapter 6 of the Business Plan.

Commitment 8: Building Brand Awareness

This will build upon customer feedback and focus around supporting the delivery of output commitments in the Plan.

Commitment 9: Filling our Expertise Gap

As we develop our internal engagement capabilities we have worked with a number of consultancies to support our overall delivery. We are investing in training our own staff during RIIO-1 so that this becomes a skillset we hold in-house, to enable us to continually deliver value through ongoing engagement.

Commitment 10: Stakeholder Engagement throughout our plan and output commitments

4.4. Facilitating Whole Systems Thinking

Key Good Practice Messages:
<ul style="list-style-type: none"> Ofwat is working with water companies to encourage them to demonstrate that they have customer interests at heart so they can succeed in encouraging the adoption of radical measures such as grey water systems, water recycling and other water efficiency measures.
<ul style="list-style-type: none"> Strategic partnership approaches to stakeholder engagement can facilitate whole systems thinking.
<ul style="list-style-type: none"> The concept of open innovation suggests that innovation needs to move outside of company boundaries, and that cooperation with competitors and suppliers is necessary to deliver customer value.
<ul style="list-style-type: none"> Collaboration is an area of increasing focus. For example, in the charity sector, recent research by the Foundation for Social Improvement found that 66% of charities surveyed collaborated in some way, from networking and strategic alliances to full mergers and joint ventures.
Good Practice Case study:
<p>Water companies included several performance commitments relating to partnerships with stakeholders and whole systems thinking in their PR19 business plans. For example, Thames Water included a reputational incentive based on independent assessments of their engagement with a small number of key stakeholders and United Utilities included a financial incentive if they could increase their use of 'systems thinking' based on an independent assessment.</p>

A stakeholder engagement incentive was introduced for RIIO-1. This aimed to reward high quality stakeholder activities undertaken by GDNs and the outcomes they deliver beyond business as usual activities.

All GDNs have received rewards under the Stakeholder Engagement incentive. The feedback from the independent panel is that the stakeholder engagement incentive in RIIO-1 has driven significant improvements in how GDNs engage proactively with, and are responsive to the needs of, a wide range of stakeholders.

In particular, the incentive has driven a focus on stakeholder engagement in relation to the future role of gas, the challenges facing customers in vulnerable situations, development of cost benefit analysis for measuring the benefits of stakeholder engagement, and development of different tools and strategies for engagement. The use of objective criteria to assess the performance in this area has also helped development year on year.

The UK-wide challenges facing the energy sector during RIIO-2 and the necessity to consider those challenges via a whole systems approach will necessitate significant engagement with consumers.

Whilst firm foundations have been established around ongoing stakeholder engagement, given the size and nature of the challenge and significant societal benefits possible, we believe that a stakeholder engagement incentive should be created to stimulate and reward additional innovation in engagement-led outcomes relating to whole system thinking.

This would be a reward-only incentive and assessed by an Independent Panel who could judge the value that has been added from above and beyond engagement-led initiatives. We describe this in detail in our Stakeholder Engagement Incentive Scheme output case and in Chapter 6 of our Plan – Net Zero and a whole-system approach.

We have embraced whole system thinking

Ofgem are focused on facilitating flexible capacity on the networks and on delivering benefits for customers through this flexibility. In pursuit of this aim, the regulator is encouraging different parts of the energy industry to work together to unlock further value – a whole energy system approach.

We have considered some thematic areas where we can apply this thinking to the benefit of customers:

Fuel Poverty – trialling an approach to bring together funding streams from a number of sectors to deliver the best fuel poverty actions in England (starting in our West Midlands network) as well as delivering a new fuel poor identification tool which can be used to identify homes to target for both energy company obligation services and fuel poor network extensions.

Going beyond to strive to never leave customers vulnerable without gas – Reaching beyond our traditional boundaries to developing services to ensure customers can get reconnected with gas supply following a disconnection. Pre-empting disconnections by supporting gas servicing and safety checks in the home.

Supporting customers in vulnerable situations – Joining up the Priority Services Register Needs Codes; identifying services required and creating partnerships to deliver services to customers in a one-stop way.

Improving the environment and facilitating the energy transition – The major thematic area where it will be essential to understand and apply customer feedback is in addressing the challenge posed by the energy transition. Given the potential impact on customers of the transition it is imperative that customers voices are heard by the network companies, Ofgem and Government policymakers.

To date however, a whole energy system coordinated vision has been insufficient and co-ordination of customer engagement in this area has been equally limited. We have been playing an active and leading role in applying whole energy system thinking to the development of the future energy system architecture and we have championed the requirement to link whole systems initiatives and value for our customers or stakeholders.

The insights gathered from engagement in this area would be crucial in supporting policymakers to as they make difficult decisions related to decarbonising the energy system. There are no options for decarbonising heat and transport that do not have some impact on the electricity and gas networks.

Given the scale of the change that could result from the energy transition, it is essential that customers trust that policy makers and the energy networks are taking appropriate decisions on their behalf. Doing so will require significant, focused customer engagement.

5. TRANSPARENCY IN HOW WE OPERATE

5.1. What Customer Insights into Transparency are shaping our thinking?

During our deliberative workshops with our customers, facilitated by Britain Thinks in July 2019, issues around governance and transparency were rarely mentioned spontaneously as these are not directly relevant to customers' priorities. Aside from knowing who owns Cadent, details on how it is run is seen to be the domain of shareholders, regulators and journalists.

Therefore, while customers want governance information to be available online, they report they would be unlikely to read it themselves. While some customers did recognise the importance of governance structures, they are primarily seen as important when something goes wrong i.e. when accountability becomes more important.

Customers provide a similar message in relation to bill transparency. Throughout our engagement customers have articulated a desire for justifiable charges for the utilities they use, for example, participants in focus groups with hard-to-reach groups noted the importance of fair pricing. In our domestic customer survey, a substantial majority of respondents (92%) felt that an affordable, transparent and fair bill was 'important' or 'very important'. Additionally, respondents to our public survey emphasised the importance of understandable utility bills and suggested that suppliers provide a more detailed cost breakdown showing where customer money is spent.

Again however, during our deliberative workshops, customers provided clear feedback that they do not engage with the detail of bills they receive and do not see further information on the breakdown of our costs as very important. Instead customers articulated a belief that the detail of bills should be available for others to see.

This feedback underlines the challenge of providing information in a manner that will aid customer understanding and the limited scope bill transparency provides to raise our profile with consumers, and as a result, engender further consumer trust through this communication medium.

Similarly, executive pay was not a priority area for customers during engagement.

Britain Thinks found that customers are generally positive about our current procedures for deciding Executive Pay, particularly linking remuneration to customer outcomes in order to ensure executives and companies are focussed on delivering a good financial performance.

Customers are also broadly reassured by the existence of sufficiently independent directors on our remuneration committee. Independent committees deciding remuneration are seen as important, as customers don't want executives having a say in setting their own pay.

However, some question the extent these directors are actually independent – with some feeling that they are still likely to be 'from the same world' as the executives and to hold similar views on how much executives should be paid.

Some also worry that these directors could be outvoted in decisions on remuneration by the rest of the committee. While we understand this concern we note that our Remuneration Committee is chaired by a Significantly Independent Director (SID) and has a second SID as a member. To be quorate the committee must have two SIDs and two Investor Directors present.

Our stakeholder advisory panel (a precursor of the CEG) highlighted the risk of linking incentives to bonuses and, in particular, tying executive bonuses to performance. They thought this could lead to 'gaming' or 'making the numbers' rather than acting in the spirit of the measure.

However, customers are pleased to see that we link our executives' bonuses to customer outcomes and that we include long-term targets as well as short-term targets (which can help prevent short-term thinking).

Moreover, customers reported that the current weighting on customer outcomes feels about right, they were pleased to see that the weighting has increased from last year.

The examples given for Operational Excellence in the LTIP appear to align with customers' own priorities (i.e. keeping the network safe, having a positive impact on the environment and investing in communities), reassuring them that their interests are being taken into account.

Disclosing information about Executive Pay is seen as relatively less important. There is a sense that people are unlikely to access this information, and even if it is known there is little customers feel they would be able to do about it.

5.2 Executive Pay

Commitment:	<ul style="list-style-type: none"> Reporting annually on executive pay and how our executive team are incentivised to deliver for customers
Key Good Practice Messages:	
<ul style="list-style-type: none"> The Corporate Governance Code 2018 sets standards of corporate governance for fully listed companies in the UK to promote transparency and integrity in business. Key principles include: executive pay aligned to company purpose and values; the use of formal and transparent procedures for setting executive pay; and that Directors should exercise independent judgement and discretion. 	
<ul style="list-style-type: none"> The Wates Corporate Governance Principles also apply to listed companies and reinforce these principles. They also note that consideration should be given to remuneration throughout the organisation to reinforce a sense of shared purpose and that Boards may wish to delegate responsibility to a remuneration committee. 	
Good Practice Case Study:	
<p>As part of the PR19 process, Ofwat has assessed whether executive pay policies demonstrate a substantial link to stretching performance delivery for customers, for example related to ODIs, totex or other regulatory mechanisms.⁷ United Utilities were identified by Ofwat as an example of leading practice. Under their current incentive arrangements, 60% of annual bonus and 33.3% of long-term incentives are directly linked to delivery for customers through measures related to ODIs, delivery of capital programmes to time, cost and quality and customer service excellence. However, Ofwat stated that no company fully met their expectations in this area⁸.</p>	

Executive pay is one of the ways we can ensure that our leaders are firmly incentivised to act in the best interests of customers and deliver against our customer outcomes.

Given the media attention on executive pay the issue also provides an opportunity to build trust in our organisation by ensuring that our executive and leadership rewards are fair, transparent and closely linked to the successful delivery of outcomes.

Our objectives for executive pay are inspired by the best practice guidance described below:

- The rationale regarding how executive pay is set should be explained
- Executive pay should be aligned with the delivery of our customer outcomes
- Executive pay should be transparent and overseen by independent governance
- Executive pay should be based on a clear structure

Our approach to executive pay is in line with these objectives and, despite not being a PLC, broadly in line with the best practice outlined in the Corporate Governance Code 2018.

⁷ <https://www.ofwat.gov.uk/wp-content/uploads/2018/04/Benefit-sharing-decision-statement-FINAL-for-publishing.pdf>

⁸ <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/PR19-initial-assessment-of-plans-Summary-of-test-area-assessment.pdf>

Setting Standards on Executive Pay

Our reward principles are aligned to the business strategy, with remuneration linked to performance. As part of the 2018 and 2019 Staff Pay Deal, the annual performance bonus targets for all Executives, managers and staff-graded employees are now the same. These targets are transparent, with progress tracked and reported across the business on a monthly basis.

Insight:

When deciding executive pay, customers agree that it is important to balance the financial needs of the company with customer outcomes.

For 2019, the weighting in the annual bonus measures based on Customer Excellence has increased from 20% to 35%, with a corresponding decrease in the weighting for the financial measures. In addition, the new Long-Term Incentive Plan for the period 2019–2022 is heavily weighted (40%) towards the RIIO-2 Customer Business Plan.

Our Remuneration Committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the other members of the Executive Committee and for the Chairman, and for implementing our remuneration policy. Our Remuneration Committee is chaired by one of Cadent's Sufficiently Independent Board Directors (SID), with a further SID sitting on the committee and the Chairman (also a SID) also attending.

Our remuneration committee is responsible for recommending to the Board the remuneration policy for Executive Directors and the other members of the Executive Committee and for the Chairman, and for implementing our remuneration policy.

We have appointed PwC as our Remuneration Committee Advisers, which ensures appropriate input is provided from specialists, along with ensuring that we are up-to-date with best practice at all times.

The RIIO-2 Period

Achievement of the measures that impact remuneration are beneficial to both our customers and our shareholders. They benefit our customers through achievement of our standards of service and through their bills. They also benefit our shareholders through bills and income.

During RIIO-2 we commit to the continuation of disclosure broadly in line with the best practice outlined in the Corporate Governance Code 2018.

This best practice is in line with the legal requirements placed on listed companies. This is best practice disclosure in line with the Corporate Governance Code and at a higher standard than the majority of non-listed organisations such as Cadent.

In 2018, we published a Director's Remuneration Report as part of the Annual Report. PwC has advised that last year's remuneration report was ahead of typical market practice for unlisted companies.

In line with this approach we are considering the inclusion of the executive pay ratio in the 2020 Annual Report, which is when this will be a required component of listed company reports.

Given the feedback from customers that they are reassured by the presence of our remuneration committee and pleased to see the link between executives' bonuses and customer outcomes we are reinforcing our commitment to continued best practice throughout RIIO-2.

5.3. Corporate Governance

Commitments:	<ul style="list-style-type: none"> • Transparent reporting of shareholder dividends with demonstrable links to meeting customer commitments • Our Annual Report, which will provide detail regarding our governance that is beyond statutory requirements • Continuing the good practice in the publication of an annual sustainability report
Key Good Practice Messages:	
<ul style="list-style-type: none"> • The FRC Lab has identified good practice for reporting of dividends as the disclosure of dividend policy to provide an understanding of the Board’s rationale (with sufficient detail to understand how the policy will operate) and provision of the Board’s considerations (including the availability of dividend resources) in applying the policy. 	
<ul style="list-style-type: none"> • As part of their PR19 price control methodology, Ofwat introduced requirements for companies to set out their dividend policies in their business plans, and explain how these take into account delivery for customers, service and cost performance, employee interests and financial resilience. 	
<ul style="list-style-type: none"> • The Corporate Governance Code 2018⁹ includes guidance around other aspects of transparency, including appointments to the board, internal and external audit functions, financial and narrative statements and executive pay. Support for transparency in these areas is echoed in the Wates Corporate Governance Principles for Large Private Companies¹⁰. 	
Good Practice Case Study:	
<p>United Utilities was identified as a high performer by Ofwat as part of the PR19 assessment of business plans: UU will provide company funding for £71m towards financial support schemes for financially vulnerable customers, before considering dividends. Dividends above a certain threshold will be shared with customers on a 1:1 basis through either reduced bills, targeted financial assistance or a community fund.</p>	

Since the completion of the sale of a majority stake in the business by National Grid and the launch of Cadent, we have developed in line with our strategic aims as described in the strategic report.

Our Board recognises that to support this strategy they have a duty to continue to provide and develop a sound framework of corporate governance within the new Company structure.

Our Board has built on the framework of sound corporate governance practices in place at the time of the sale and is committed to the progressive development of the corporate governance framework and practices which will support the business and its employees to deliver its strategic objectives for the benefit of all of our stakeholders over the longer term.

Our Board seeks to follow best practice in corporate governance appropriate to our size and the regulatory framework that applies to it. Our Board recognises the importance of adopting good corporate governance practices to manage the business in the best interests of all stakeholders.

We are not a listed company and therefore are not required to report on compliance with the UK Corporate Governance Code 2016 (the Code) issued under the UK Listing Authority’s Listing Rules. However, we have the requirement under paragraph 9 of Standard Special Condition A30 of our gas transporter licence to include a corporate governance statement with the coverage and content of a corporate governance statement that a quoted company is required to prepare under the Code.

⁹ <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>

¹⁰ <https://www.frc.org.uk/getattachment/31dfb844-6d4b-4093-9bfe-19cee2c29cda/Wates-Corporate-Governance-Principles-for-LPC-Dec-2018.pdf>

We understand the importance of communicating to our stakeholders how we have applied the provisions and principles of the Code and you can find how we do that within the corporate governance section of our Annual Report and Accounts.

Our stakeholder communication will also include transparent reporting of shareholder dividends with demonstrable links to meeting customer commitments.

We will continue to monitor developments in corporate governance practice, in particular the proposed changes to the Code by the Financial Reporting Council and the proposal for a set of broad governance principles for large privately held businesses.

As a regulated business, we are engaged with our regulator, Ofgem, on the proposed introduction of RIIO accounts and the associated corporate governance reporting requirements. We will aim to ensure that readers of both our Annual Report and Accounts and the proposed RIIO accounts receive a clear and concise view on how our corporate governance practices operate.

54. Bill Transparency

Commitments:	<ul style="list-style-type: none"> Enhanced data provision to both shippers and customers to aid better customer understanding of the impact we have on their bill
Key Good Practice Messages:	
<ul style="list-style-type: none"> A number of organisations have taken steps to help customers understand their bills in regulated markets: Ofgem, Ofwat and Citizens Advice all have guidance on their websites, but can be limited in its scope and detail, particularly in relation to network costs. 	
<ul style="list-style-type: none"> The information provided by energy suppliers varies, but some (eg British Gas and SSE) provide an analysis of the underlying composition of bills. 	
<ul style="list-style-type: none"> Gas distribution companies are required by licence to provide price notification documents and charging statements. Separately, most networks provide a domestic bill analysis as part of their annual regulatory reporting obligation. Any information provided tends to be buried within company websites and subject to inconsistencies in approach. 	
<ul style="list-style-type: none"> Several pieces of research corroborate our customers' views. The UK Energy Research Centre's 2019 report on 'Paying for the energy transition' recommended greater transparency and accountability in energy costs. 	
<ul style="list-style-type: none"> Citizens Advice has also published a range of research around the topic. They have challenged networks and the regulator to provide transparency around the charges. 	
Good Practice Case Study:	
Local councils provide analysis of how Council Tax charges are comprised with Council Tax bills, for example providing net expenditure, and capital charges by service line, highlighting changes relative to the previous year.	

Gas Distribution Network (GDN) revenue determinations and charging methodology are highly complex areas, and the information produced by both networks and Ofgem is not always accessible or digestible for the everyday consumer.

Perceptions of unjustified returns in RIIO-1 have exacerbated a misconception of the function of allowed returns and outperformance, and their relative prominence within the GDN contribution to consumer energy bills.

We are keen to ensure customers have the straightforward access to information about how our stewardship of the gas network contributes to their bills.

So, over the course of our RIIO-2 Business Plan development we have considered best practice and undertaken detailed engagement with customers on these options to increase bill awareness:

- Maintain the current levels and format of information provision and engage with key informed stakeholders to increase the audience we reach.
- Use insight from engagement with key stakeholders and Gas Shippers to refine the information we currently provide and make simple adjustments to our existing formats.
- Transform the format we use to engage customers, developing new content and engaging a range of communication channels to share content with end users in an accessible format. This would involve specific investment to develop web content and to promote it through.

The RIIO-2 Period

Insight:

Engagement with bills is low among customers, with some not reading them at all, and few looking beyond the headline cost.

Having considered best practice in the industry and the detailed feedback received during engagement with our customers we have determined that a successful outcome in this area would:

- Demonstrate that customer engagement supports the output need
- Provide consistent information content for customers across all GDNs
- Allow customers to see how transportation charges are comprised in an easy-to-find and understandable way
- Allow customers to understand how and why charges have varied to the levels indicated at the start of RIIO-2
- Allow customers to obtain a view of transportation charges relevant to them (eg by location and consumption)
- Provide customers with a forward projection of anticipated bill levels, and the reasons for changes
- Systematically capture feedback from customers of different types, to ensure that solutions are meeting the need
- Result in no material additional cost to customers

To address these requirements we will undertake four measures during the RIIO-2 period.

1. Build on existing obligations with Gas Shippers

Gas networks currently have an obligation under the Uniform Network Code (UNC) to provide five-year rolling revenue forecasts on a quarterly basis. The core reporting obligation is provided via a standard-form Excel spreadsheet published on the Joint Office of Gas Transporters website. GDNs also provide supporting narrative and analysis in slide deck form for presentation to Shippers at industry forums, although the content is at the discretion of GDNs. The supporting information is also published on the Joint Office website.

Although we are aware that this information is used readily by the large shipper organisations, it is unclear the extent to which the information is utilised more widely. In the interest of promoting and facilitating fair competition amongst Gas Shippers (which is also an objective for the Charging Methodology within the Licence), there is therefore an opportunity to measure, and subsequently increase awareness of the information provided for industry parties. This could be achieved through industry communication channels operated by the Joint Office and / or ENA, although it is important to note that use of these channels cannot favour or discriminate against any particular GDN.

Information content is periodically reviewed on an informal basis via industry forums, albeit with limited input from Gas Shipper organisations. Given that the reporting obligation is enshrined within the UNC, a holistic review of the obligation and required content in the light of RIIO-2 developments could be achieved by a lead GDN raising a code modification. The code modification process is open to any organisation signed up to the UNC to input, with additional interested parties by approval from Ofgem.

Having reviewed the information provision obligation via code modification, initiatives to measure quality of delivery could be implemented. An annual survey that rates each GDN based on the criteria that matter most for users could be established (for instance, forecast accuracy, transparency, quality of supporting analysis and narrative, quality of risks and sensitivities, clarity of variation from RIIO-2

proposals, etc.). Uptake / penetration of information usage could also be measured by survey response volumes.

This option is likely to involve minimal additional cost, because to a large extent, this relates to the performance of existing code obligations.

There may be low-level costs associated with survey design and administration.

2. Create partnerships with key stakeholders

Developing stronger relationships with “informed stakeholder” groups that represent customers could be a powerful means of driving transparency and promoting awareness on network costs.

Such organisations include: Citizens Advice, National Energy Action, Age UK, the National Union of Students, the Major Energy Users Council, the Federation of Small Businesses, the Confederation of British Industry and the Chamber of Commerce.

The current level of awareness, interest and information requirements would need to be assessed in the first instance.

We could consider issuing tailored information to these stakeholder groups depending on interest and need. This is unlikely to drive significant additional cost as can be built off existing reporting capabilities such as the information already provided to shippers and captured by regulatory reporting.

Stakeholder groups could be asked to rate GDNs in pertinent areas of performance via an annual survey, for example:

- Accessibility, clarity, scope and transparency of information
- Approach to and success in reaching end consumers

There would be an additional cost associated with administering an additional external survey relative to the first option, as it would need to be designed and hosted outside of industry communication channels. However, given the frequency of survey and number of respondents, this should not be material.

Developing relationships with these groups might provide additional reciprocal benefits, for example their websites including links to ours / our content, which could be helpful in the light of the next option.

3. Use Social Media to Reach Consumers

There is an issue with end customer awareness of Cadent and our activities that extends beyond customer bill awareness. Significant effort could be spent on creating information that customers have told us they need, only for it to fail to reach the target audience.

Therefore, in addition to content considerations, the effectiveness of different communication channels used to reach end consumers should be fully considered. For instance, social media channels are a low-cost way of reaching large numbers of people and provide the benefit of growth in message penetration through onward sharing. These could be used to direct consumers to improved bill related content.

4. Drive Higher Standards

Some of the tools we currently produce could be developed to provide additional functionality. For instance, our charge calculator tool currently only provides for a current year orientation. This could be expanded at minimal additional cost to provide users with a forward projection of rates based on their location and consumption.

As an organisation Cadent should consider the extent to which it wants bill information to be a central part of its website content. Depending on appetite, this could lead to more interactive approaches to the provision of bill information, but with the associated development costs.

We will work with stakeholders to build customer awareness of billing information, and we will enhance the existing tools we provide. Separately, we will consider different ways to get this information to our customers (for details, please see our separate output case on transparency communication).

This recognises the potential costs associated with developing new content and communication approaches to sharing this with a large audience. Our proposals to engage with key stakeholders will allow us to access hard-to-reach groups, whilst we can make use of existing channels such as social media at a low cost.

5.5. Annual assessment against our Trust Charter

Commitments:	<ul style="list-style-type: none"> We will publish an annual report detailing progress against our Trust Charter and the measures within it. We will consult with our CEG, customer forum and regional stakeholder groups in developing the report which will be published on our website, to our customer forum and published via social media to ensure transparency across multiple channels.
Key Good Practice Messages:	
<ul style="list-style-type: none"> A number of organisations publish aspects of their performance Bristol Water publishes an annual trust assessment, which includes a number of clear and SMART measurements 	
Good Practice Case Study:	
Coventry Building Society establishes a commitment each year with its members and publish an annual assessment against this annually, detailing performance and the impact on profit and benefits to members	

We have proposed a bespoke output measure in our Business Plan to document an annual assessment against this Trust Charter. We will seek input from our CEG, Customer Forum and some regional stakeholder groups. This will be published on our website, directly to our Customer Forum and through social media to reach a wide section of our customers and stakeholders. This will be a reputational ODI. This is described in more detail in Chapter 7 of our Plan.