

Reporting against our ambition

Continued improvement and greater transparency

This year, we have demonstrated improved performance against our priorities. We made the improvements we had targeted for our employees and contractors, and we reduced injuries to members of the public very significantly. Our priorities show that we are ambitious to improve further, to play our part in the transition to a net zero energy system and to deliver this in a manner that is sustainable for the wider communities in which we work.

Commitment from the top and at every level

Executive remuneration

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

Sustainability outcomes accounted for 25% of the maximum potential reward from the Short Term Incentive Plan set for 2019/20. The Long Term Incentive Plan set in that year and which runs until 2022 included elements for environmental outcomes, targets linked to fuel poverty and long-term asset management, including mains replacement. Together these elements account for over 20% of the maximum potential return. The actual return calculations are weighted to ensure remuneration is based on achieving stretched targets. The measures reflect our ability to reduce our business carbon footprint; to reduce our impact on the environment by further reducing our avoidable waste to landfill (with a goal of eliminating it completely); and keeping our people and the public safe with a measure of the safety of our operations. It is our expectation that the Short Term Incentive Plan measures for 2020/21 will include a larger weighting towards safety, sustainability and network replacement and will be further stretched to build on areas of strong performance.

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

New measures for a new decade

Against the measures we used in the previous regulatory framework, we have reduced our estimated greenhouse gas emissions by 70% from 1990 levels as compared to the 2020 target of a 45% reduction. Similarly, we have reduced our business carbon footprint by both reducing the amount of energy we use in our depots and offices, and procuring lower carbon energy to meet the remaining demand.

As we revise our business model in preparation for R10-2 price control, we will change which activities and what proportion are delivered internally or by our contractors.

Goal for 2019/20

Occupational Safety

Our ambition is to prevent all injuries associated with our activities. Our goal for 2019/20 was to achieve a Lost Time Injury Frequency Rate per million hours worked - below 0.9 for employees and contractors.

Public Safety

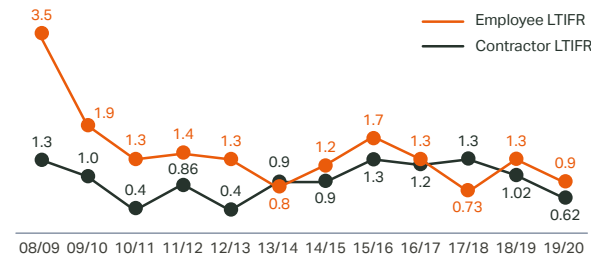
Our ambition is to ensure that no one is injured as a result of our activities. Our goal for 2019/20 was for no increase in the number of serious injuries. Most of the injuries suffered by members of the public are from falling over near our streetworks.

Environment

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

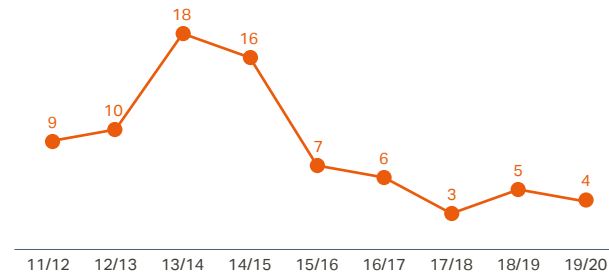
Progress in 2019/20

Employee and contractor LTIFR



Our measure of Lost Time Injury Frequency Rate includes all work related injuries which result in an individual not attending work on a scheduled work day. It excludes injuries from pre-existing conditions, injuries not related to work, and those associated with ordinary commuting. It is measured as a rate per million hours and does include assumptions on average hours worked where an individual does not submit timesheets.

Serious injuries to members of the public



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

Serious environmental incidents

Year	Number of incidents
2012/13	1
2013/14	0
2014/15	2
2015/16	1
2016/17	2
2017/18	0
2018/19	0
2019/20	0

In 2019/20, for the third year in succession, there were no serious incidents associated with our activities.

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

Goal for 2020/21

Our target for 2020/21 is for no more than 0.70 lost time injuries per million hours worked. Both these metrics improved in 2019/20 and we aspire to improve further.

Priorities for 2020/21:

- Our Safety Improvement Groups will focus on reducing driver safety risk, promoting site safety to prevent injuries to members of the public and avoiding underground cable strikes.
- We will continue to implement our simplified management systems and reinvigorate our zero harm culture.
- We will focus on more visible safety leadership for managers and front-line staff and including our office locations. Our aim is to build on our good performance in making improvements after an accident or near miss, to become better at identifying, removing and learning from the hazards before they lead to near-misses. We will measure progress on this through safety culture surveys and our safety performance.

To achieve this we will:

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

- Continual improvement across all sites in their environmental baseline score, a 50+ environmental survey for all depots.
- Deliver environmental awareness training for employees.

Reporting against our ambition

Goal for 2019/20

Resource Management

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

Energy and emissions

As a responsible, regulated business we aim to reduce our business carbon footprint ('BCF'). Our goal for 2019/20 was to reduce our business carbon footprint, as defined by Ofgem, by 5%.

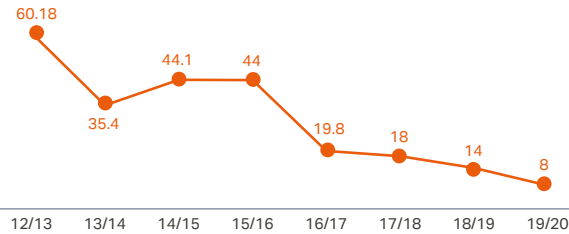
Greenhouse Gas ('GHG') Emissions

Our overarching goal is to reduce our greenhouse gas emissions to net zero by 2050.

Our most important reduction activity is the mains replacement programme.

Progress in 2019/20

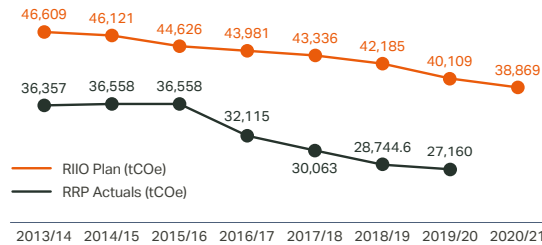
Percentage of waste to landfill – (Depots / Office waste only)



In 2019/20 we sent 8% of our waste to landfill, making great progress against our target of zero waste to landfill for 2021/22.

Does not include GDSP spoil waste from PE pipe replacement programme.

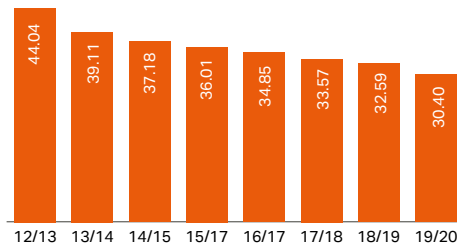
Business carbon footprint vs target (tCO₂e)



In 2019/20 we reduced our BCF by 5.5%. This follows relatively strong performance in prior years and as a result we are ahead of our long-term carbon emissions reduction trajectory.

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

Emissions – percentage of baseline



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

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

Goal for 2020/21

- Further improve facilities for waste segregation at depots and increase employee awareness.
- Embed new recycling activities including barriers, signage and cones from street works.
- Engage with suppliers to minimise packaging and other waste at source.

Our priorities for 2020/21 are to:

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

Our 2021/22 target is to reduce BCF by 17% from 2013/14 levels.

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

Goal for 2019/20

Social Performance

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

Safety Satisfaction Engagement

Progress in 2019/20

- Improved our customer satisfaction scores in all three primary customer facing areas, but improvement is still needed.
- Improved our same-day closure rates for complaints to over 70%.
- Issued carbon monoxide safety advice to 294,990 customers and ran 151 carbon monoxide awareness classes for school children.
- Supplied over 20,609 carbon monoxide alarms to customers at elevated risk.
- Supported over 4,600 households in fuel poverty.
- Engaged over 20,000 customers on a wide range of issues relating to our customer service.
- Exceeded our three year target for the Alzheimer's Society with over £200,000 raised.
- Leading the way to establish a single Priority Services Register across all utilities.

Goal for 2020/21

- Improve our understanding of vulnerability to target our support in the right way.
- Establish partnerships and work with third parties to meet the needs of customers in vulnerable situations where we do not have the expertise to help directly.
- Actively target subsidised connections to the gas grid for eligible households to help tackle fuel poverty.
- Continue to support our customers following the COVID-19 pandemic.



Protecting our customers – Whaley Bridge

We don't usually get involved with incidents which aren't gas related, however in August 2019 that was about to change. We were made aware that the Toddbrook Reservoir in Whaley Bridge, Derbyshire could burst its banks at any moment and the police had declared a major incident and were evacuating 6,500 residents. We were part of the multi-agency response to the ongoing emergency situation in Whaley Bridge and the surrounding area, as we protected the gas network.



Rapid response to emergencies

Over the past year, the North West network has blazed the expansion trail with a successful trial of the bikes where engineers reached potentially life threatening incidents 50% faster, than by van. The motorbikes enable our engineers to get to incidents faster but with enough onboard storage capacity to still carry the tools and equipment they need to safeguard life and property.



Decarbonising our fleet

We are decarbonising our own HGV distribution fleet, by converting to compressed natural gas (CNG), which will reduce our greenhouse gas emissions by more than 500 tonnes per year. In addition, we are running three CNG vans in our North West and West Midland networks to understand how these will work with the demands of roadside working. In addition to CNG, we're also running operational trials of electric vans and hydrogen cars in our fleet in North London.