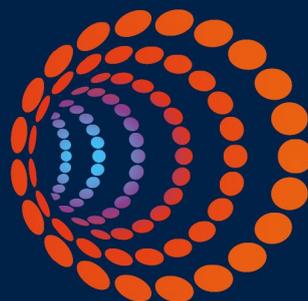


Scotia Gas Networks Modern Slavery Statement 2021

Approved by the Board of Directors on 22 September 2021



SGN

Your gas. Our network.

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

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

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

1 Introduction

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

This statement is made in accordance to section 54(6) of the Modern Slavery Act 2015 and constitutes SGN's modern slavery statement for the financial year ending on 31 March 2021.

2 Our Business and Supply Chains

SGN is one of the UK's biggest utility companies with a supply chain value of over £500 million per annum, operating across Scotland, Southern England and in Northern Ireland. We manage the network that distributes natural and green gas to 5.9 million homes and businesses. We employ over 3,700 highly skilled employees who work within our businesses regulated by the Office for Gas and Electricity Markets (OFGEM) and the Northern Ireland Utility Regulator (UREG), as well as our non-regulated business entities.

SGN is jointly owned by SSE plc (33.3%), Apple Newco Limited (25%), Borealis Infrastructure Europe (UK) Limited (25%) and Blue Spyder B 2016 Limited (16.7%). All four shareholders oversee the three regulated operating companies in Scotland, Southern England and Northern Ireland as well as the holding company and a number of unregulated companies.

SSE provides corporate services to SGN, including payroll and procurement, under a master services agreement.

3 Our Policies on Slavery and Human Trafficking

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

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

Following this guarantees that the right to work is evidenced for all direct workers and relevant verification and vetting checks are carried out. Further to this, all new and existing employees are subject to prescribed right to

work checks to ensure that SGN does not employ illegal workers thereby ensuring compliance with the Immigration, Asylum and Nationality Act 2006.

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

In addition, all staff directly employed by SGN are paid the Living Wage or above and in 2020 SGN achieved the goal of becoming an accredited Living Wage employer through the Living Wage Foundation.

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

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

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

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

Modern Slavery is included within our Compliance Training Strategy and in 2020/21 SGN partnered with the Supply Chain Sustainability School which provides high quality training and resources on various topics, including modern slavery.

4 Due Diligence Processes for Slavery and Human Trafficking

In addition to the above, SGN carries out further due diligence processes to identify and mitigate the risk of modern slavery in our supply chain.

Our Procurement and Commercial (P&C) professionals have received training to raise awareness of the Modern Slavery Act. This training highlights the obligations that the P&C function must explore, alongside areas of expenditure that represent a higher risk of modern slavery. The Procurement function is supported by a centralised Standards and Assurance team who manage a number of audits throughout each financial year.

In terms of managing the risk of modern slavery existing within our supply chain, SGN operates several mechanisms to deter this from occurring. All suppliers are required to register on to our Supplier Registration System (SRS), which is externally managed by Achilles Information Ltd (Achilles). This informs SGN that suppliers are committed to our core values and objectives.

The suppliers who intend to tender for regulated procurement activity through the Achilles database are also required to register on the Utilities Vendor Data Services (UVDB), which is a utility industry pre-qualification system widely used across the UK and EU. UVDB is also operated by Achilles, who conduct independent audits

of certain suppliers registered on the system against the information they have provided in the questionnaire. The use of the UVDB ensures that the highest standards of supply chain assurance are achieved.

Our pre-qualification (PQQ) template was enhanced in 2020/21 to align with work undertaken by the Utilities Modern Slavery Group (of which SGN is a member) and now includes more robust questions on modern slavery for potential suppliers, which are consistent with the questions being asked by others in the utility sector.

Each year a desk based modern slavery risk assessment is carried out which maps modern slavery risk to our tier 1 procurement expenditure depending on category of spend and country of origin, based on the location of the paid address, by further location data reconciliation or the companies location as recorded on the Companies House database. In 2020/21 this assessment was enhanced to include a new category risk review. All expenditure categories were assessed in terms of high, medium and low risk of modern slavery to assess our 2020/21 expenditure. This enhanced process was carried out by the category managers and reviewed by a central team and we intend to repeat it going forward. The findings will help inform SGN as to where we need to target further action and engagement with our supply chain.

5 Ongoing Commitment

SGN understands that we have a responsibility to continue to assess and mitigate the risk of modern slavery in the long-term and we fully intend to do so.

In 2021/2022 we aim to:

- Further review the nature of the risk of modern slavery within SGN and our supply chain, including the output of the enhanced supplier risk review.
- Review the current controls in place to manage these risks and put plans in place to improve these, if necessary.
- Implement awareness training for all SGN employees and develop more tailored training for key employees.
- Deliver our Code of Conduct, setting out the behaviours and principles of behaviour expected at SGN to supplement our existing policies and procedures.
- Deliver our Supply Chain Sustainability Charter and Code, which will focus on three key areas: tackling climate change, human rights and doing the right thing.
- Establish some key performance indicators to measure the effectiveness of SGN's actions and progress over time.
- Conduct assurance activity to ensure that our joint ventures comply with the provisions of the Modern Slavery Act and take all reasonable steps to ensure that Slavery and Human Trafficking are not taking place in their business or Supply Chain.

6 Governance Framework

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

SGN operates an Ethics and Compliance Committee made up of Procurement, Legal, Compliance, HR, Finance and Audit professionals who meet at least once every quarter and are responsible for assisting SGN's Executive

Committee and Board in the oversight of various ethics and compliance requirements across the SGN Group, including modern slavery.

The Ethics and Compliance Committee is accountable to the Audit Committee, a subcommittee of the SGN Board. The Head of Audit and Compliance delivers bi-annual reports to the Audit Committee on the Annual Compliance Plan.

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

This statement was approved by the SGN Board of Directors on 22 September 2021.

SIGNATURE:



Nicola Graham-Shand

SGN Group Company Secretary

Date: 22 September 2021