

SGN Sustainable Procurement Code

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SGN

Your gas. Our network.

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1. About the Supplier Code

As part our transition to a more sustainable future, and our commitment to Net Zero by 2045, we have compiled this Supplier Code to enable our supply chain stakeholders, including contractors, service providers, suppliers, and partners to understand our plans.

- This Document sets out SGN’s sustainable procurement practices and our ambition to procure goods and services in a way that achieves value for money along with social benefits which includes the local and wider community and the environment.
- As part of our Environmental, Social and Governance (ESG) commitment, SGN Board has approved 21 specific ESG topics across 4 pillars. This Supplier code adopts the ESG metrics from this framework ensuring alignment between SGN and our suppliers.
- The 4 pillars and 21 themes are as follows:
 - **Governance pillar (covering 6 key governance themes)**
 - Setting purpose
 - Governance body composition
 - Material issues impacting stakeholders
 - Anti-corruption
 - Protected ethics advice and reporting mechanisms
 - Integrating risk and opportunity into business process
 - **People pillar (covering 6 key social themes)**
 - Diversity and inclusion (%)
 - Pay equality (%)
 - Wage level (%)
 - Risk for incidents of child, forced or compulsory labour
 - Health and safety (%)
 - Training provided (#, £)
 - **Planet pillar (covering 4 key environmental themes)**
 - Greenhouse gas (GHG) emissions
 - TCFD implementation
 - Land use and ecological sensitivity
 - Water consumption and withdrawal in water-stressed areas
 - **Prosperity pillar (covering 5 key social themes)**
 - Absolute number and rate of employment
 - Economic contribution
 - Financial investment contribution
 - Total R&D expenses (£)
 - Total tax paid
- We are committed to the UN Sustainable Development Goals (SDGs) and this document is based on SDGs that are material to SGN. The SDGs are at the heart of our environment strategy. Our material SDGs are:





- To read more about our environment strategy and the SDGs that are material to us, please visit our website.
- We consider sustainable procurement as a vital tool in managing risks, maximising opportunities, assessing value and monitoring performance, while enabling stronger relationships with our supply partners. As a minimum, we expect all suppliers and contractors to comply with applicable laws and regulations.
- Alongside this document, we also propose to present a Supplier Guidance Document, which will set out the roadmap and specific steps expected towards a transition to achieve sustainability goals. The document will lay out clear guidelines and timeframes, which will assist our suppliers in this change.
- The Supplier Guidance Document will be compiled after engagement and discussions with our Suppliers. Due consideration will be given to the cost of implementation, relative size of the business, area of operation, employee numbers and geographic limitations.
- SGN strive for organisational resilience and expect the same from our supply chain. We expect our suppliers to have sufficient business continuity plans in place to ensure they can continue to provide us with services in the event of operational disruptions. These plans should consider impacts such as: loss of people, loss of workplace, loss of IT and telecoms and any disruption to their own supply chain.
- SGN will provide further detail during procurement processes and through individual contract negotiations. SGN will also, review the organisational resilience arrangements as part of ongoing contract management.

TCFD is the Taskforce on Climate-related Financial Disclosures. The TCFD online knowledge hub is available here: <https://www.tcfhub.org/>

Our suppliers are encouraged to visit Support the Goals website, to learn more about the SDGs and how to support these. <https://supportthegoals.org>

2. Environmental, Social and Governance guidelines

2.1. Introduction

SGN considers sustainable procurement as a vital tool in managing risks, maximising opportunities, assessing value and monitoring performance, while enabling stronger relationships with its supply partners. We want to lead from the front on the path towards a sustainable future. We will work with our suppliers and identify common objectives will ensure a harmonious transition.

2.2. Respect for the environment

We have set a target to be net zero by 2045 and our RIIO-GD2 Environmental Action Plan include actions and commitments for us to make progress towards this target.

SGN expects all suppliers to comply with the applicable environmental legislations applicable to their field of operations, including possessing all the necessary permits. We will work with our suppliers to improve their data reporting and improve the environmental impact for projects and services they provide to us.

We will work with our contractors, suppliers, and service providers to ensure that our procurement processes embed the lifecycle perspective and investment decisions have due regard for the environment by:

- Minimising environmental impacts including carbon emissions, energy intensity, resource consumption, habitat destruction and hazardous or harmful components of products and services
- Taking responsibility of any uncontrolled damage in relation to climate change and adopt adaptation and mitigation measures as required

In the short term we will:

- Agree relevant data to be reported to SGN from our supply chain. This will include as appropriate data on waste, material use, transport and relevant scope 1 and 2 carbon emissions.

In the medium to long term, we expect our supply chain to identify carbon emission reduction targets and report actions and progress to us.

The relevant SDGs under this category are:

- SDG 7 - Affordable and clean energy
- SDG 12 - Responsible consumption and production
- SDG 13 - Climate Action

2.3. Respect for people

Our ethos is to ensure everyone is home safe and well, every day. We expect all our suppliers to respect basic human rights as established by the European Convention on Human Rights, and to adhere to legislation against child labour, forced labour, modern slavery, and discrimination.

We are fully committed to achieving high standards regarding wages, health, and safety. We promote the adoption of UK living wage, occupational health, and safety policies, and adopt the preventive measures set out in current legislation in the UK, always ensuring compliance with applicable regulations.

The relevant SDGs under this category are:

- SDG 3 - Good health and well-being
- SDG 5 - Gender equality
- SDG 11 - Sustainable cities and communities

2.4. Respect for ethical processes

SGN expects all its suppliers to allow for transparency and accountability within its operations. We have a strict zero tolerance policy towards any form of malpractices within our supply chain, including, but not limited to, bribery, extortion, corruption, and any other illegal practice. We lead by example in this, and we are committed to a fair business environment. The relevant SDGs under this category are:

- SDG 8 - Decent work and economic growth
- SDG 9 - Industry, innovation, and infrastructure

2.5. Sustainable Procurement Metrics

As part of our transition towards Net Zero, we propose to mandate our Suppliers to report to us on specific metrics. These metrics cover the 4 pillars and 21 ESG themes and are as follows:

- **Governance pillar (covering 6 key governance themes)**
 - Setting purpose
 - Governance body composition
 - Material issues impacting stakeholders
 - Anti-corruption
 - Protected ethics advice and reporting mechanisms
 - Integrating risk and opportunity into business process
- **People pillar (covering 6 key social themes)**
 - Diversity and inclusion (%)
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 - Absolute number and rate of employment
 - Economic contribution
 - Financial investment contribution
 - Total R&D expenses (£)
 - Total tax paid

3. ESG implementation roadmap

We are keen to ensure there is a smooth transition towards integrating ESG themes into our sustainable procurement practices. Therefore, our first short term step is to collect data from our supply chain. In the long term we will identify suitable targets for our supply chain to make improvements in line with our own ambitions.

As part of our process, we will work with our suppliers to identify and quantify material risk during the transition. Risks identified could be cost, compliance, standards, delivery, schedules along with other risks which may be uncovered. We will build a risk matrix covering key risk themes, as below:

- **Risk 1 – ESG baseline performance** – with the help of questionnaires, we will identify key areas of strengths and weaknesses within ESG topics. This will be useful in developing a strategic and targeted solution-based approach with each individual supplier.
- **Risk 2 – Supplier spend** – as part of our Ofgem commitments, we need to cover at least 80% of suppliers, by spend, under the supplier code. Hence, one key aspect we will identify is the value of the contracts we hold with the suppliers. Higher value contracts, especially with low ESG baseline, may need to be identified, so that bespoke solutions and support can be identified.
- **Risk 3 – Replaceability** – we are keen to work with our suppliers and want to engage in them in the long term. As part of our risk management process, we want to identify specific categories where we do not have viable options within the supply chain. Hence, for key suppliers, we will need to ensure we work together on the transition.
- **Risk 4 – Cost of ESG improvement** – we are a partner of the Supply Chain Sustainability School. Anyone in our supply chain can become a member for free which will provide them with materials, webinars, workshops and other training material at no cost, for topics covering ESG. We will work with the Supply Chain Sustainability School to support our supply chain on their journey on identifying and improving ESG improvement.
- **Risk 5 – ESG outcomes** – we envisage ESG targets and themes to become more stringent in the future. Hence, as part of the transition, we want to ensure our suppliers are aware of the changes and challenges across the UK industry. We want to identify key risk areas early and ensure mitigation plans are in place. As a part of a smooth transition, we want to highlight topics and suppliers where we feel efforts will bear fruit earlier and where there will be more effort and resources required.

In the short term we will baseline our suppliers' ESG performance. In the long term we plan to put targets and metrics in place. These will be aligned to SGN's own ambitions and appropriate for the type of supplier we are dealing with as per our risk matrix outlined above. We will engage with our Suppliers and implement a phased approach towards this transition.

We will also expect ESG reporting to become more regular in the future. In the long term we will ask our suppliers to provide us with their ESG performance overview at regular intervals. These will be aligned with our reporting requirements towards Ofgem and other key stakeholders. Overall, we are looking at the following roadmap:

- **Phase 1** – Actions which can be implemented from now until October 2022 – baselining supplier performance, questionnaires, surveys, engagement and building a risk profile based on specific responses
- **Phase 2** – Actions which can be implemented from Oct 22 till March 2026 (end of RIIO-GD2) –inclusion of some targets and KPI's, with reporting and monitoring in line with SGN's own roadmap
- **Phase 3** – Actions which can be implemented beyond RIIO-GD2 – April 2026 and beyond – continuous improvement, including regular reporting and monitoring

As part of our methodology, we will engage with our different Suppliers and build a realistic road map.

4. Our promise to our suppliers

4.1. To support on training and skills development

As part of our commitment to our staff and suppliers, we are a partner of the Supply Chain Sustainability School (SCSS). This allows for interested parties to use a wide range of training resources for free. We promise to help our suppliers embark on the path of sustainability.

4.2. To follow fair and impartial selection processes

We believe, a comprehensive, fair, and competitive supplier selection process is essential. As such, our procurement practices are determined by the following six best practice principles:

- **Comprehensive procurement:** To use competitive processes for all projects and procurements
- **Robust competition:** To ensure transparent and equal treatment for potential bidders
- **Efficient operating model:** To ensure appropriate weightage to the value and technical complexity of works
- **Transparency:** To ensure efficient data and conflicts of interest management
- **Fairness:** To ensure fair and reasonable processes, along with mandated evaluation criteria
- **Customer outcomes:** To ensure outcomes are purely in the interests of existing and future customers

4.3. To communicate openly and regularly

We commit to report on a regular and consistent basis, both internally and externally, on our sustainable practice integration. Additionally, we will provide feedback to suppliers regarding improvements in their sustainable development performance. We promise to be open and honest in our communications to help our suppliers integrate better sustainable practices.

4.4. To lead by example

We firmly believe, to be a good leader, actions speak louder than words. We do not expect our suppliers to do anything, we wouldn't do ourselves. As a result, we are looking at revalidating and maintaining our ISO14001 certification, procuring software to effectively monitor our carbon footprint and we have committed to achieve net zero by 2045. We promise to constantly improve our environmental performance and set stretching targets as part of our roadmap.

For further details, please contact

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