


SGN MidCo Group – Section 172(1) Statement

2024/25



SGN

Your gas. Our network.



Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires a Director of a Company to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing so Section 172(1) requires a Director to have regard (among other matters) to:

- a. The likely consequences of any decisions in the long term.
- b. The interests of the Company's employees.
- c. The need to foster the Company's business relationships with suppliers, customers and others.
- d. The impact of the Company's operations on the community and environment.
- e. The desirability of the Company to maintain a reputation for high standards of business conduct.
- f. The need to act fairly between members of the Company.

In discharging their Section 172 duty, the Directors of the Company have regard to the factors set out above. We acknowledge that every decision the Board makes will not necessarily result in a positive outcome for all of our stakeholders.

During the period, the Directors received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk and the outcomes of specific pieces of engagement (for example, the results of customer and supplier surveys and focus groups).

As a result of this, the Directors have had an overview of engagement with stakeholders and other relevant factors which allows them to understand the nature of the stakeholders' concerns and to comply with their Section 172 duty to promote the success of the Company.

We have set out below an example of how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) when discharging their Section 172 duty and the effect of those on decisions taken by them.

Engaging with Stakeholders

We believe we make better decisions for our customers and stakeholders when we understand their needs and priorities.

Engaging with our stakeholders is fundamental not just to our day-to-day activity, but also to the long-term success of our business. It's this invaluable, continual insight generously shared by our wide range of stakeholders that helps the Board shape policies and practices, best predict future developments, and react to emerging threats and trends.

We encourage genuine two-way engagement with our six key stakeholder groups to gain valuable insight and expertise to help inform our decision-making.

SGN key stakeholder groups:

- 1. Customers
- 2. Our people
- 3. Communities and the environment
- 4. Suppliers, contractors and partners
- 5. Government and regulators
- 6. Shareholders and debt investors

The pages that follow set out some of the most notable ways in which we engaged with each of our six key stakeholder groups and, where relevant, the impact of that engagement on our strategy.



1. Customers

We safely and reliably deliver gas to over 6 million homes and businesses, every day.

How we engaged

The Board considered our customer responsibilities, with emphasis on satisfaction, vulnerable customer support, and a fair energy transition. Stakeholder engagement informed enhancements to our RIIO-GD3 vulnerable customer strategy, broadened the VCMA fund scope of services, and improved digital channel services. Research focused on identifying the lived experience of vulnerable households. The Board approved continuing our vulnerable customer assistance programme, training for frontline and Safe & Warm teams, and outreach initiatives to shape our business plan. The Board continued to support our pathway to decarbonisation, exploring least-cost options and alternative routes for consumers.

2. Our people

We employ on average approximately 4,674 highly skilled and dedicated people.

How we engaged

The Board engaged closely with employee priorities, including compensation, EDI, and provision of high-quality equipment. We endorsed a Transformation Plan to improve ways of working, approved remuneration benchmarking strategies, and supported the People Plan's development and delivery. The Board promoted greater use of the 'Safe to Speak Up' mechanism, focused on employee recognition and development opportunities, and maintained high employee engagement scores.

3. Communities and the Environment

We've established multiple strategic and long-term partnerships with third-sector organisations representing hard-to-reach and vulnerable groups within our communities, as well as environmental bodies.

How we engaged

Recognising our operational impact on the environment, the Board supported our target to cut operational carbon footprint by 46% by 2030, with a focus on reducing methane leakage. We continued to invest in our pioneering projects on our path to net zero. The Board redefined SGN's Environmental Action Plan in line with this emissions reduction target.

4. Suppliers, Contractors and Partners

Our suppliers and contractors help keep our customers safe and warm, while our joint venture partners enable us to develop new technologies and alternative heat solutions.

How we engaged

The Board monitored relationships with suppliers and contractors, focusing on ESG compliance, resourcing challenges, and procurement process automation. Key outcomes included introducing online stakeholder engagement processes, enhancing supplier accessibility through the Fairmarkit sourcing tool, and implementing new IT Supplier Services Frameworks to support project delivery. The Board approved the Modern Slavery Statement and various IT and service contracts.



5. Government and Regulators

We work collaboratively with both UK and Scottish Governments as well as regulatory bodies such as Ofgem, UREGNI and the HSE.

How we engaged

The Board engaged proactively with government and regulators on price controls, decarbonisation, cyber security, and operational resilience. We continued to invest in our Cyber Security Programme and enhanced political engagement on decarbonisation and consumer vulnerability. The Board approved further investment in cyber security measures, improvements to compliance policies, and the RIIO-GD3 Business Plan.

6. Shareholders and Debt Investors

Our solid shareholder base features large infrastructure and pension funds, and a diverse debt investor base across public bonds, private placements and bank lending.

How we engaged

The Board maintained active dialogue with shareholders and debt investors through the AGM, financial reporting, and ongoing engagement. Recognising that shareholder priorities can differ, the Board aimed to act fairly between members. During the year, the Board oversaw the appointment of new Board Directors, conducted investment performance reviews, and approved financing strategies, including debt raising exercises in both the Public Bond Market and Private Placement Market.

Conclusion

The Directors believe these activities demonstrate how they have had regard to the matters set out in section 172(1) of the Companies Act 2006 during the year in promoting the long-term success of the Company for the benefit of its members as a whole.