SGN Independent Stakeholder Group Terms of Reference

These Terms of Reference will be reviewed annually, or sooner if Ofgem issues guidance that affects the role of the group.

Introduction

SGN owns and operates the UK's second largest gas distribution network, supplying energy to around 5.9 million homes and businesses. The company recognises the scale of its impact — from the charges it sets to the reliability and safety of the services it provides — and is committed to acting responsibly, transparently, and in the best interests of the communities it serves. Building trusted, long-term relationships with customers and stakeholders is central to SGN's approach, helping ensure its services reflect what matters most to the people who rely on its network.

Ofgem has specified that all Gas Distribution Networks, including SGN, should have an Independent Stakeholder Group (ISG) which will:

- Provide challenge and scrutiny to SGN both as it develops its business plan and on an enduring basis in the delivery of its plan.
- Have a role in ensuring SGN engages widely and openly with its stakeholders.
- Represent and act in the best interests of consumers and stakeholders.
- Play an important role in holding SGN to account in respect to the delivery of its Business Plan commitments.

The Group's responsibilities

In line with Ofgem Business Plan Guidance the ISG has played a key role in the development of SGN's Business Plan for GD3, including responding to Ofgem's Call for Evidence with its reflections on the Plan.

Going forward the ISG is expected to play an important role in holding SGN to account in respect to the delivery of its GD3 Business Plan commitments. In doing so it will:

- Focus on those areas that are of greatest priority to consumers and stakeholders.
- Avoid duplicating the work of Ofgem where it is best placed to monitor and hold companies to account.
- Continue to encourage change towards a culture of more consistent, relevant and more effective stakeholder engagement by the company.
- Provide insights and feedback to SGN, drawing on the experience and expertise of the group, to help SGN in decisions it faces as it looks to deliver its Plan.

The ISG will produce an annual report setting out the work that it has undertaken during the year and will provide views to Ofgem on specific topics as required, including on significant reopeners.

The ISG is not expected to discuss or review specific financial topics, undertake cost assessment or benchmarking or scrutinise matters of cyber technology / physical security.

The ISG does not have decision-making powers nor does it jointly 'own' any business plans that SGN submits. The ownership of the business plan sits entirely with SGN. Engaging with its ISG is not a substitute for SGN's engagement with its consumers, end users and other stakeholders.

Membership

The Independent Stakeholder Group consists of up to eight independent members, selected for their expertise, experience, understanding of the communities SGN serves, and ability to represent a broad range of customer and stakeholder perspectives.

The Group will include expertise in:

- Consumer vulnerability and fuel poverty
- Stakeholder and customer engagement
- Industrial & commercial customers
- Local government and community energy
- Whole system decarbonisation (technical and policy)
- Environmental performance
- Network operations, safety, resilience & security

Members should act in an independent capacity and not solely as a representative of a particular organisation, or group of consumers or stakeholders.

All members are required to declare any potential conflicts of interest, keep SGN information confidential by signing a Non-Disclosure Agreement, and comply with all legislative and regulatory requirements relating to inside information. Members must not make statements that could risk a breach of these requirements without prior approval from SGN's Chief Strategy & Regulation Officer.

The Group will be chaired by one of its members, with SGN providing a Group Secretariat to support meeting organisation and administration.

Chair

The Chair is appointed by SGN and is responsible for leading the Group and ensuring it operates effectively and collaboratively. Key responsibilities include:

- Chairing meetings and facilitating constructive, balanced discussion.
- Clearly communicating decisions and areas of agreement to SGN.
- Encouraging the Group to proactively raise issues important to customers and stakeholders.
- Working with SGN's Executive Committee and Senior Leadership to review the Group's effectiveness.
- Coordinating with ISG members and SGN before, during, and after meetings to oversee ongoing work.
- Representing the Group externally, including at Ofgem-hosted meetings.

- Acting as the Group's external voice to Ofgem, the SGN Board, and, where appropriate, in public communications.
- Meeting regularly with members of SGN's Strategy, Stakeholder and Environment Committee and providing an annual update to the SGN Board.

The Chair is appointed for a five-year term, subject to full participation. The appointment will be reviewed every two years, and SGN—consulting Ofgem where appropriate—may end the appointment if performance is deemed unsatisfactory. If the name of the Group changes during the term, or if there are refinements to its purpose, the Chair's tenure will be treated as continuous.

Other ISG members

The Chair is responsible for recruiting ISG members and appointing a deputy chair.

At least one ISG member will sit on SGN's Environmental Advisory Panel and one on the Vulnerability Steering Group, subject to the Terms of Reference of these groups.

Members are appointed for a five-year term, subject to their full participation. Appointments are reviewed annually, and the Chair—consulting with SGN as appropriate—may end an appointment where changes to the Group's requirements make continued membership unnecessary. If the name and/or purpose of the Group changes during the appointment period, members' tenure will be regarded as continuous.

All new members will receive an induction covering SGN's operations, key functions, health and safety approach, and the Group's rules, including confidentiality and conflict-of-interest requirements.

Regular meetings may include site visits and training to help members maintain an up-to-date understanding of SGN's operations and the needs of its customers and stakeholders.

Secretariat

SGN will provide a Secretariat to support the Group. The Secretariat is responsible for:

- Developing the annual work plan, setting meeting dates, and issuing invitations in consultation with the Chair and relevant SGN senior leaders.
- Preparing, circulating, and maintaining meeting minutes.
- Tracking SGN requests for Group feedback (and Group requests of SGN) and ensuring responses are recorded and followed up.
- Providing agendas and meeting papers at least one week in advance of meetings.
- Supporting members to understand SGN's operations and the needs of its customers and stakeholders.

Group workload and frequency of meetings

The Group will meet at least three times a year, with additional meetings held as needed. Meeting frequency is expected to increase once GD4 Business Plan development starts. Meetings will typically last a full day, and members are expected to attend wherever possible. Videoconferencing will be available where appropriate.

SGN's Chief Strategy & Regulation Officer, Director of Strategy & Regulation, and Head of External Affairs will attend meetings. SGN's CEO will routinely provide updates, and relevant Executive or Leadership Team members will attend to present and discuss areas within their remit.

The ISG may also meet independently where appropriate

Individual ISG members will have focus areas of interest which may involve direct meetings with the nominated SGN lead in that area. Individual members may also participate in selected customer and stakeholder engagement activities during the year.

SGN and the Chair will monitor member workload to ensure expectations remain appropriate and manageable.

Accountability, decision-making and routes into SGN

The Chair and SGN's Chief Strategy & Regulation Officer will maintain regular two-way communication on the overall operation of the Group.

The Secretariat will manage day-to-day matters, including meeting planning and forward agendas, consulting with the ISG Chair, SGN's Chief Strategy & Regulation Officer, Director of Strategy & Regulation, and Head of External Affairs as required.

The ISG is not a decision-making body. Its role is to provide independent advice and perspectives to SGN and Ofgem. The Chair will seek to ensure the Group's views reflect a balanced, consensus-based position.

If a member has concerns about the conduct of the Chair, they should raise these with the Secretariat, who will arrange a discussion with an independent non-executive member of SGN's Board. Any other concerns should be raised directly with the Chair.

Code of Conduct

Members agree to work respectfully, courteously, and inclusively, valuing different perspectives and being mindful of the impact of their behaviour on others.

Remuneration

Remuneration will be paid on a daily-rate basis for agreed activities, and reasonable travel and accommodation costs will be reimbursed in line with SGN's expenses policy.

The Chair's remuneration will be based on a monthly rate.

Remuneration will be reviewed on an annual basis with expenditure jointly monitored and managed by the ISG Chair and SGN.

Where participation in an internal or external event is requested in an ISG capacity, SGN may fund reasonable attendance, travel and accommodation costs. Any such support will be agreed in advance and provided in a manner that preserves the independence of the ISG and its members.

Participation in SGN governance groups, such as the Environmental Advisory Panel or Vulnerability Steering Group, will be remunerated at standard ISG rates.

All time and expense claims should be submitted within three months of the month in which the work was undertaken.