

Annual Environmental Report

2026

Welcome to our Annual Environmental Report 2025/26

We have prepared this report in accordance with the RIIO-GD2 Environmental Reporting Guidance provided by our regulator Ofgem. It includes data for the reporting period 1 April 2025 to 31 March 2026.

RIIO-GD2 is a five-year price control period, set by Ofgem. We are publishing this report as part of our licence obligations for the RIIO-GD2 price control, which runs from April 2021 to March 2026.



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The production of the report is an Ofgem licence obligation and covers Southern Gas Networks and Scotland Gas Networks, collectively called SGN.

To stay up to date on our latest news please go to:

- sgn.co.uk
- @SGN
- @SGNgas
- @SGNgas



Overview

SGN will play an important role in making the energy transition fair and affordable. We have a robust environmental strategy to support this role.



SGN at a glance

We deliver the energy our customers need, keeping gas flowing safely, securely and increasingly sustainably.

We support UK energy security and resilience by efficiently delivering natural and green gas through our network to millions of homes and businesses.

5.8 million homes

We transport natural and green gas from the national transmission system and local biogas plants to households.

189,000 industrial and commercial customers

Our I&C customers account for 40% of the energy our network delivers and support millions of jobs.

75,408km of pipelines

We operate and maintain one of the largest energy networks, part of the UK's critical national infrastructure.

Our values

Our commitment to keeping our customers safe and warm is underpinned by our purpose, vision, mission and values:



Operations throughout the UK

Scotland

Our Scotland network distributes gas to 1.8 million Scottish homes, including a number of remote communities (SIUs).

Southern England

We distribute gas to over 4.0 million homes in south and south-east England including south London.

Northern Ireland

Our Evolve network serves customers in the western region of Northern Ireland.



Our purpose

Delivering the energy our customers need today and tomorrow



Our mission

We keep the gas flowing safely, securely and increasingly sustainably



Our vision

We are a highly skilled engineering organisation that designs, builds, operates and maintains the energy systems of today and tomorrow



Our values

Safety, Respect, Reliability, Openness, Innovation

The SGN brand portfolio

As our business expands, so does our portfolio under both our regulated and non-regulated activities.

Regulated business

Our regulated businesses form the core of our activities in providing a safe and secure supply of gas to our customers throughout our three gas networks.



Non-regulated business

Beyond our regulated operations, we engage in complementary business ventures, leveraging expertise and diversifying the Group's portfolio.



Five years of sustained investment in our network has delivered real results: reduced emissions, stronger climate resilience and a growing role in the UK's low-carbon energy transition.

Reflecting on RIIO-GD2 and preparing for the future

As we conclude RIIO-GD2, this report reflects on the progress we have made to reduce our environmental impact, strengthen the resilience of our network and support the transition to a low-carbon energy system.

Throughout RIIO-GD2, we have worked to reduce emissions from our operations, improve our environmental performance and prepare our network for a changing climate. We have also continued to explore the role that low-carbon gases, including hydrogen and biomethane, can play in supporting the UK's transition to net zero while maintaining a secure and reliable energy supply.

Reducing our operational emissions

This remains a key priority. Our most significant environmental impact continues to be the leakage of natural gas from our network, making our safety-driven mains replacement programme one of the most effective actions we can take to reduce emissions. Shrinkage, which includes leakage from our network, accounts for 97% of our Scope 1 and 2 emissions.

During RIIO-GD2, we have replaced 4,556km of ageing metal mains with new polyethylene (PE) pipe, helping to reduce leakage, improve network resilience and lower greenhouse gas emissions. As a result, shrinkage emissions have reduced by 19% compared with our 2019 baseline.

While there is still more work to do, the progress made during RIIO-GD2 demonstrates the value of sustained investment in network modernisation and emissions reduction.

Building climate resilience

Climate change continues to present significant challenges for our network. More frequent and severe flooding, extreme temperatures and other weather-related hazards are increasing the risks faced by our assets and operations.

In the price control period, we recorded over 100 incidents where flooding or erosion damaged our pipelines, and carried out 157 projects to repair and protect them. This shows the impact of extreme weather and why continuing to invest in climate adaptation across our network matters. Understanding and managing these risks remains a critical part of our long-term planning.

For the fourth consecutive year, we have reported against the Task Force on Climate-related Financial Disclosures (TCFD) framework, helping us assess and communicate the climate-related risks and opportunities facing our business.



Further information can be found in our latest TCFD disclosures within the **SGN Annual Report**.



“

As we reach the end of the RIIO-GD2 period, we can reflect on the progress we have made in reducing our environmental impact while continuing to deliver a safe and reliable gas network for the communities we serve.

This year, we continued to strengthen the resilience of our network, reduce emissions through our mains replacement programme and support the development of low-carbon alternatives through hydrogen projects such as H100 Fife and LTS Futures as well as our growing biomethane programme.

The challenges of climate change and the transition to net zero remain significant, but our commitment is unchanged. We will continue working with government, regulators, industry partners and our stakeholders to reduce emissions, adapt to climate change and support the delivery of the government's net zero ambitions.

As we enter the next price control period, we remain focused on building a cleaner, more resilient energy future.”

Simon Kilonback
CEO

Our Environment Advisory Panel provides independent challenge and expert advice to support the delivery of our environmental commitments.

A statement from the SGN Environment Advisory Panel

The SGN Environment Advisory Panel was established in 2021 and comprises five external environment and sustainability experts, supported by key SGN staff. The Panel provides independent challenge and external perspectives to support SGN in improving our environmental performance and delivering our environmental commitments.

As SGN reaches the end of the RIIO-GD2 price control period, it's an opportunity to reflect on progress made over the past five years. During GD2, the Panel has seen SGN strengthen our approach across a range of environmental areas, including reducing emissions from our network, improving biodiversity, supporting the development of lower-carbon gases and increasing our focus on climate resilience.

There have also been areas where progress has been more challenging. Throughout our discussions, the Panel have encouraged SGN to be transparent about where ambitions have not been achieved and to understand the lessons that can inform future delivery. In particular, we have discussed the challenges associated

with decarbonising SGN's operational fleet and reducing waste to landfill, alongside the importance of maintaining momentum in these areas during GD3.

Reducing emissions from the gas network remains one of SGN's most significant environmental priorities. The Panel recognises the contribution that the mains replacement programme has made to reducing leakage during GD2 and has discussed the potential for measures such as Advanced Leakage Detection (ALD) to support future reductions. We have also challenged SGN to maintain a credible long-term pathway to net zero, recognising the uncertainty associated with the future energy system and the importance of continued innovation.

Our discussions have increasingly considered the wider environmental challenges facing SGN. This has included the resilience of the network to a changing climate, biodiversity, circular economy principles and the environmental impacts associated with SGN's supply chain. The Panel welcomes SGN's continued work to understand these interconnected issues and encourages the business to consider

environmental impacts across the full lifecycle of its activities and investment decisions.

Looking ahead to RIIO-GD3, the Panel welcomes the opportunity to continue providing independent challenge and external scrutiny as SGN move from setting their ambitions to delivering them. In particular, we look forward to monitoring progress against SGN's GD3 Environmental Action Plan and, following its publication, the commitments and actions set out in SGN's first Climate Transition Plan.

The transition ahead will present both opportunities and difficult choices. The Panel will continue to challenge SGN to demonstrate measurable progress, be transparent where challenges arise and ensure that environmental considerations remain embedded in their decision-making throughout GD3.

Alan Hendry

Technical Director of Sustainability, Mott MacDonald. Member of the SGN Environment Advisory Panel

The experts



Anna Graham

Head of Environment, Science & Innovation at the Scotch Whisky Association



Alan Hendry

Technical Director of Sustainability, Mott MacDonald. Member of the SGN Environment Advisory Panel



Maxine Frerk

Chair of SGN's Independent Stakeholder Group



Roddy Yarr

Independent consultant



Stephen Farrant

Independent Director, Advisor and Sustainable Business Consultant

Throughout RIIO-GD2, our Environment Strategy has guided our approach to reducing environmental impacts, supporting the transition to net zero and strengthening the resilience of our network.

The strategy remains central to our ambition to achieve net zero carbon emissions across our operations and value chain by 2045.

Informed by the United Nations' Sustainable Development Goals (SDGs), our Environment Strategy provides a framework for decarbonising the energy system, reducing the environmental footprint of our operations and

preparing our network for the impacts of climate change.

Our strategy is built around five core pillars that reflect our long-term environmental priorities:

1. Achieve net zero business carbon emissions (Scope 1, 2 and 3).
2. Engage in meaningful supplier partnerships.
3. Drive towards a circular economy transition.
4. Protect and enhance biodiversity.
5. Support the introduction of greener fuels like biomethane and hydrogen.

The SDGs help us communicate our purpose and impact in a global context. We have identified and adopted as a priority six goals that are particularly relevant to our business and stakeholders.

Throughout this report, we demonstrate how our activities contribute to these goals, from reducing operational emissions and supporting low-carbon gases to improving biodiversity and strengthening climate resilience.

Our Environment Policy

Our Environment Policy translates the ambitions of our Environment Strategy into practical actions and standards across our business. It reinforces our commitment to preventing pollution, reducing environmental impacts and operating in a responsible and sustainable manner.

As part of our company-wide Safety Management Framework, we maintain an Environmental Management System (EMS) to identify, assess and manage environmental risks and opportunities across our operations.

Our EMS has been certified to ISO 14001 since SGN was established in 2005. This internationally recognised standard provides a framework for managing environmental risks, improving performance and embedding environmental considerations into decision-making throughout the business.



SGN focus Local environment

By improving the environmental quality and biodiversity of sites we own and manage, we can have a positive impact on the wellbeing of our colleagues and communities. We're also committed to making our network more resilient to climate change.

See pages 31–34 →



SGN focus Efficient resource use and circular economy

The circular economy means doing more with less – preventing waste, using sustainable resources and prolonging product life through reuse, repair and remanufacturing. Where materials reach end of life, they should be recycled.

See page 30 →



SGN focus Contribution to energy system decarbonisation

Central heating accounts for up to a third of the UK's carbon emissions – tackling this is essential to meeting net zero targets. We're exploring low-carbon alternatives to natural gas, including biomethane and hydrogen, to heat homes safely while addressing the climate emergency.

See pages 15–20 →



SGN focus Sustainable procurement

Over 70% of our carbon footprint (excluding shrinkage) comes from our supply chain. Our ambition is to ensure at least 80% of our suppliers by spend meet our Sustainable Procurement Code, engaging them to implement practices that reduce our carbon footprint.

See page 29 →



SGN focus Innovating for decarbonisation and to protect the environment

Meeting the decarbonisation challenge requires innovation – developing new energy carriers, improving energy efficiency and creating new markets for carbon and other by-products as part of an increasingly circular economy.

See page 21 →



SGN focus Climate change mitigation

We have set an ambitious target of reaching net zero emissions across both our networks by 2045. This covers our direct emissions including network leakage (Scope 1), purchased energy (Scope 2) and indirect emissions from our value chain (Scope 3).

See pages 22–28 →

We measure and report our greenhouse gas emissions in accordance with the Greenhouse Gas Protocol, the internationally recognised standard for carbon accounting.

The Protocol categorises emissions into three scopes:

- **Scope 1** – direct carbon emissions from our own sources, including gas shrinkage and combustion of fuel in our vehicles and heating systems.
- **Scope 2** – indirect carbon emissions from the generation of energy we purchase.
- **Scope 3** – all other indirect carbon emissions across our value chain, including those from goods and services we procure as well as business travel.

Environmental, Social and Governance (ESG) reporting

Transparent reporting helps us understand and communicate our environmental performance. We continue to disclose our Environmental, Social and Governance (ESG) performance

through our Annual Report, helping stakeholders understand our progress against key sustainability objectives.

Our disclosures align with recognised reporting frameworks, enabling us to measure performance consistently while supporting our commitment to transparency and continuous improvement.

As extreme weather events become more frequent and severe, we continue to see the impacts of climate change on our infrastructure and operations. We remain committed to understanding these risks, managing climate-related challenges and identifying opportunities to strengthen the resilience of our network.

For the fourth consecutive year, we have reported against the Task Force on Climate-related Financial Disclosures (TCFD) framework, helping us assess, manage and communicate climate-

related risks and opportunities across our business.

Benchmarking our performance

Throughout RIIO-GD2, CDP reporting has provided an important benchmark for understanding our environmental performance and tracking progress against our environmental commitments.

We have now disclosed through CDP for nine consecutive years, enabling us to benchmark our performance against more than 24,000 organisations worldwide. Reporting through CDP helps us meet stakeholder expectations, identify environmental risks and opportunities, and measure our progress against industry peers.

In 2025, we received a ‘C’ score on Climate and Water, as well as a ‘B’ score for our Supplier Engagement Assessment. We are actively reviewing our CDP submission, aiming to improve our ‘C’ scores in 2026.



As we conclude RIIO-GD2, this report reflects on our progress – reducing emissions, strengthening environmental governance and exploring the role of low-carbon gases in the UK’s net zero transition. The foundations built during RIIO-GD2 give us a strong platform for the next price control period, as we continue improving our environmental impact to performance and supporting a more sustainable energy system.”

Carolina Karlstrom
Head of Sustainability



The gas network will remain important as energy evolves, providing resilience and flexibility while supporting the transition to low-carbon energy. We're proud of the progress in RIIO-GD2 that reduced our environmental impact and supported decarbonisation, laying the foundations for future investment and innovation."

Antony Green
Chief Strategy and
Regulation Officer

Over the RIIO-GD2 price control, we have made progress towards the commitments we made in our Environmental Action Plan 2021-26:

Total carbon footprint reduction

↓ **19%**

We have reduced our operational carbon footprint (Scope 1 and 2 location-based emissions, including shrinkage) by 19% compared with our 2019 baseline.

Business carbon footprint (Scope 1 and 2 location-based emissions, excluding shrinkage)

↓ **21%**

We have reduced our business carbon footprint (Scope 1 and 2 location-based emissions, excluding shrinkage) by 21% compared with our 2019 baseline.

Progress on zero waste to landfill (% diverted)



94%

Office and depot waste
diverted from landfill



97%

Spoil waste has
been recycled

Biodiversity improvements



128

Sites surveyed



64

Biodiversity
improvement projects



Dashboard indicators

An overview of our environmental performance through some key facts and figures.





Environmental impact and KPI	2025/26 performance
Contribution to energy system decarbonisation	
Biomethane Annual addition of low-carbon and renewable energy connected to the network	831,459scm/h
Equivalent customers of households* able to receive biomethane	8,776
Innovating for decarbonisation and to protect the environment	
Innovation investment Annual investment in ongoing innovation activities that are primarily supporting decarbonisation and/or protecting the environment	£73.2m
Climate change impact	
Carbon footprint excluding shrinkage Annual change in business carbon footprint excluding shrinkage	18,404tCO₂e 3% increase
Carbon footprint excluding shrinkage Annual change in business carbon footprint excluding shrinkage in comparison to the end of RIIO-GD2 target	6% higher
Shrinkage emissions Annual change in total shrinkage	617,831tCO₂e 11% decrease
Sustainable procurement	
Suppliers meeting Sustainable Procurement Code Proportion of suppliers (by value and criticality) meeting the environmental supplier code or equivalent	96%

* Homes-equivalent figures are calculated using Ofgem's annual household gas demand of 11,500kWh. They represent annual production capacity connected to our network rather than the volume of biomethane injected in any individual year, which varies according to plant output and operating conditions, which is outside SGN's direct control.

Environmental impact and KPI	2025/26 performance
Efficient resource use and circular economy	
Total waste produced Annual total waste (office, network, depots, construction)	298,070 tonnes 15% decrease
Office and depot waste Recycled	986 tonnes (0.33%)
Landfill	112 tonnes (0.04%)
Energy from Waste (EfW)	627 tonnes (0.21%)
Anaerobic digestion	45 tonnes (0.02%)
Spoil waste Recycled	280,957 tonnes (94.26%)
Landfill	9,111 tonnes (3.06%)
Local environment	
Investment in local environment Annual investment in schemes to enhance or restore local environmental quality	£503,211
Area with biodiversity improvement Land area being treated in schemes to enhance or restore local environmental quality	38.7 hectares
Biodiversity studies Number of biodiversity baseline studies carried out at our sites	0 All biodiversity baseline studies complete
Biodiversity improvement Number of biodiversity projects carried out across our network areas	37
Biodiversity improvement Net change in biodiversity units from network development projects granted planning consent in the year that impacted the local environment	N/A
Environmental incidents Number of reportable environmental incidents with a risk of land or water pollution	2



Environmental commitments and impact

We are committed to improving our environmental impact and making our business more sustainable.



● Target has not been met ● Target has been met

Initiative	Description	Target year	Target met	Comments
Climate change mitigation – reducing business carbon footprint				
Reduce emissions from company car business travel to reduce Scope 1 carbon emissions	Encourage the uptake of hybrid and zero-emissions company cars, and reduce the allowance of gCO ₂ e/km for eligible company cars	March 2026	●	We reduced average carbon emissions from 40.0gCO ₂ /km to 36.5gCO ₂ /km, against a target of no more than 95gCO ₂ e/km. 92% of our company cars are now hybrid or electric. See page 27 for further details on fleet.
Transition to a zero-emissions operational fleet to reduce Scope 1 carbon emissions	Transition our commercial fleet with up to 50% zero-emissions vehicles, where possible	March 2026	●	We had 25 electric vehicles within our commercial fleet at the end of GD2. See page 27 for further details on commercial fleet.
Install charging infrastructure to support a zero-emissions operational fleet to reduce Scope 1 carbon emissions	Install 355 EV charging points at our depots and offices	March 2026	●	We installed 50 charging points across our network, but no commercial charging points, as multiple depots required substantial power supply upgrades. See page 27 for further details on charging points.
Energy efficiency improvements to reduce Scope 2 location-based carbon emissions	1. Install building management systems 2. Install LED lighting 3. Net zero mapping of our property portfolio	March 2026	●	We upgraded building management systems at one site, installed LED lighting at 19 sites and completed net zero mapping of our property portfolio. See page 26 for further details on LED lighting.
Renewable energy on selected occupied sites to reduce Scope 2 location-based carbon emissions	Install direct-feed solar PV	March 2026	●	Solar PV is now operating at five of our sites. See page 26 for further details on Solar PV.
Climate change mitigation – reducing carbon of products, projects and services				
Identify tools and methodology for measuring embodied carbon to reduce Scope 3 carbon emissions	Measure and eventually manage the embodied carbon of key projects (with a value of >£20m), products and materials	March 2026	●	We developed an internal methodology to measure embodied carbon on large-scale projects. Apart from H100 Fife, we have no projects valued over £20m. See page 28 for further details on Scope 3 carbon emissions.
Sustainable procurement				
Target 80% of suppliers (by spend) to meet the Sustainable Procurement Code	Engage with our supply chain to improve and apply best practice	March 2026	●	96% of Critical Strategic Managed Outsource suppliers have agreed to comply with our Sustainable Procurement Code. See page 29 for further details on Sustainable Procurement Code.
Set KPIs and improvement targets to improve supply chain performance	Establish relevant KPIs to improve environmental impacts in collaboration with our supply chain	March 2026	●	76% of Critical Strategic Managed Outsource suppliers have established KPIs to improve environmental performance. See page 29 for further details on supply chain.

● Target has not been met ● Target has been met

Initiative	Description	Target year	Target met	Comments
Efficient resource use and circular economy				
Embed principles of circular economy and measure the outcomes	Better understand what a circular economy means to our business in practice	March 2026	●	During RIIO-GD2, we developed our understanding of circular economy principles and applied this through practical initiatives, including the repair and reuse of barriers and identifying opportunities to improve the circularity of other material streams. See page 30 for further details on circular economy.
Zero office depot waste to landfill	Practice of waste hierarchy – to avoid waste, promote reuse and recycle	March 2026	●	This ambitious target was not met, though in 2025/26 we recycled 94% of office and depot waste. See page 30 for further details on office and depot waste.
Zero avoidable waste to landfill across the business	Practice of waste hierarchy – to avoid waste, improve reuse and recycle	March 2026	●	In 2025/26, 8,617 tonnes of waste that could have undergone alternative treatment was sent to landfill – 3% of waste from reinstatement works and major projects. See page 30 for further details on landfill waste.
Reduce the use of virgin aggregate	Reduce the use of finite resources	March 2026	●●	In Scotland, we targeted no more than 20% virgin aggregate use and achieved 7%. In Southern, we achieved just over 1%, against a target of under 1%. See page 30 for further details on virgin aggregate.
Maintain ISO 14001 accreditation	Maintain our Environment Management System to an accredited standard	Ongoing	●	Certified to ISO 14001. Maintained our ISO 14001 certification throughout the RIIO-GD2 price control period. See page 7 for further details on ISO 14001 certification.
Local environment				
No net biodiversity loss	Perform biodiversity surveys and implement improvement activities to target biodiversity net gain	March 2026	●	By the end of RIIO-GD2, all 128 biodiversity baseline surveys were undertaken and 64 improvement projects completed. See page 31 for further details on biodiversity.
Climate change adaptation	Identify and procure climate change mapping datasets to assess sites and identify action	March 2026	●	Climate mapping datasets are available. In 2025/26, 25 pipeline washouts highlighted the continued impact of climate change on our operations. We carried out 157 remediation projects over the year. See page 34 for further details on climate change resilience.

Biomethane

Biomethane is a renewable gas produced when organic materials, such as food waste, agricultural residues, sewage and energy crops are broken down through anaerobic digestion. Once upgraded, biomethane can be injected into the gas network and used in homes and businesses in the same way as natural gas.

Increasing biomethane within our network supports the decarbonisation of heat. While transporting biomethane doesn't reduce our operational carbon footprint directly, it delivers wider benefits by displacing fossil natural gas and reducing emissions across the energy system.

At the start of RIIO-GD2, we set an ambition to connect sufficient biomethane capacity to supply the equivalent of 450,000 homes by

the end of the price control period. As RIIO-GD2 concludes, we have connected sufficient biomethane capacity to supply the equivalent of 360,422 homes. While we did not achieve our original ambition, the period has seen continued growth in biomethane connections and has reinforced the important role that renewable gases can play in supporting the UK's energy transition.

Building on the foundations established during RIIO-GD2, we have set a new ambition for RIIO-GD3 to provide sufficient network capacity at connected biomethane plants to supply the equivalent of one million homes with biomethane by the end of the next price control period.

New biomethane connections
During 2025/26, we successfully connected one new biomethane plant within our Southern network area.

We are proud of the role we have played in supporting the development of the UK's biomethane sector. For more than a decade, we have worked closely with developers, customers and industry partners to help bring renewable gas projects onto the network.

At the end of RIIO-GD2, 46 biomethane plants were connected and injecting renewable gas into our network.

Connection studies
Connection studies help developers understand whether sufficient network capacity exists for a new biomethane

connection and identify any reinforcement that may be required.

During 2025/26, we completed connection studies representing more than 30,000 scm/h of potential biomethane capacity. Several of these projects have progressed to connection agreements and may be commissioned over the coming years, subject to commercial viability, planning approvals and other external factors.

The continued demand for connection studies demonstrates the ongoing interest in biomethane and its potential contribution to the decarbonisation of the gas network. However, in order to realise future benefits, continued government support is critical.



Biomethane connections	Unit	Region	2025/26	2024/25	2023/24	2022/23	2021/22
Enquiries	Count	Scotland	45	34	54	52	24
		Southern	59	72	57	66	39
Connection studies	Count	Scotland	10	16	10	12	11
		Southern	12	8	10	8	4
Capacity of connection studies	Scm/h	Scotland	17,550	32,250	14,100	20,700	19,400
		Southern	13,080	15,270	17,000	15,370	11,600
Connections	Count	Scotland	0	3	4	0	2
		Southern	1	0	1	0	0
Capacity connected	Scm/h	Scotland	0	4,100	4,300	0	1,500
		Southern	1,050	0	700	0	0
Volume (energy value) of biomethane injected	GWh	Scotland	0	116,637,978	982,557	0	535,364
		Southern	9.04	0	0.73	0	0
Average monthly flow rate (all connections)	Scm/h	Scotland	517	635	635	706	573
		Southern	305	445	410	460	410

Ongoing work and standardisation of connections

Over RIIO-GD2 we aimed to reduce the carbon intensity of biomethane. Biomethane on its own has a very low carbon intensity, but as producers need to add propane (propanation), a fossil fuel, to maintain a consistent gas quality and energy content for the end consumer, this increases the carbon intensity. Reducing propanation would also lessen the financial burden on biomethane plant owners.

At our Girvan, Scotland biomethane plant, we've installed a propane management system that significantly reduces the propane required, and are developing seven more propane-blending projects, expecting a 20-60% reduction in propane at these facilities.

Carbon intensity varies by feedstock type, but adding propane increases the lifecycle carbon intensity of biomethane. Reducing the amount of propane required therefore helps preserve biomethane's carbon benefits and will become increasingly important as biomethane production continues to decarbonise.

We are also collaborating with other gas distribution networks to standardise network entry and improve the connection process to our network for new biomethane plants. This is enabled through standardisation of entry unit designs and by providing transparency of capacity availability on the gas networks. The aim is to provide a user-friendly capacity map showing where capacity is available to biomethane producers who want to connect new facilities.



End of RIIO-GD2
360,422
equivalent homes supplied
with biomethane

Hydrogen

Hydrogen is a clean-burning alternative to fossil fuels that could play a role in the future energy system, particularly in sectors where other forms of decarbonisation may be more challenging. When produced using renewable electricity, green hydrogen can provide a low-carbon source of energy, with potential applications including industry, power generation and transport.

We have continued to work with Britain's other gas networks, government and

industry to build the evidence base for the potential future use of hydrogen and our existing gas infrastructure. The research and demonstration projects undertaken during RIIO-GD2 have strengthened our understanding of the opportunities and challenges associated with hydrogen. This evidence and experience will ensure we are well placed to support its deployment where appropriate, should future government policy identify a role for hydrogen within the energy system.

Key projects

H100 Fife

H100 Fife is our hydrogen-to-homes demonstration, delivering 100% green hydrogen through a dedicated gas network directly into homes for heating and cooking.

Located in Buckhaven and Denbeath, the project will supply zero-carbon hydrogen, produced using renewable electricity, to over 200 homes. Because the hydrogen is entirely green, no carbon is released when it's used,

offering a significant environmental benefit.

Over its two-year trial period, H100 Fife is expected to avoid around 2,650 tonnes of CO₂ emissions. That's roughly the equivalent of half the participating households removing their cars from the road.

H100 Fife will support the UK government and DESNZ by providing evidence to inform future decisions on the role hydrogen may play in achieving net zero.



2,650

tonnes of CO₂ emissions avoided over two years



LTS Futures

LTS Futures successfully repurposed a 30km stretch of the Local Transmission System (LTS) between Grangemouth and Granton for carrying hydrogen, marking the first time in the UK that engineers have safely repurposed a high-pressure pipeline to carry hydrogen.

In summer 2025, the project added two new connections to the pipeline while hydrogen was still flowing through it – a world first.

The findings of LTS Futures could be used to inform how to potentially repurpose the wider LTS network to hydrogen.

The trial drew on close collaboration with INEOS and other partners,

demonstrating both the infrastructure and workforce readiness needed for a hydrogen future.

Hydrogen blending

The UK government has taken a strategic policy decision to support blending of up to 20% hydrogen with methane, subject to Health and Safety Executive (HSE) approval of evidence and associated network safety case.

We are working with the other gas distribution networks (GDNs) and National Gas Transmission to deliver a programme that will make the network blend-ready and support the changes to Gas Safety (Management) Regulations (GS(M)R) 1996 needed to make this possible.

This includes an Operational Readiness workstream covering the impact on assets, processes, systems and people, with an implementation plan to support the transition. In parallel, a Market Frameworks workstream is developing the Uniform Network Code (UNC) changes needed for a blend-ready network.

We are also exploring the potential opportunities of hydrogen blending at our National Transmission System (NTS) offtakes.

30km

of high-pressure pipeline successfully repurposed to carry hydrogen

World-first

Two techniques never before used on a live hydrogen pipeline



How LTS Futures proved gas pipelines can carry hydrogen

The LTS Futures project proved, for the first time, that Britain's gas transmission pipelines can be safely repurposed to carry hydrogen.



The LTS Futures project set out to answer a practical question: can the UK's 11,000km Local Transmission System (LTS) network, built to carry natural gas, be securely and economically repurposed to carry hydrogen instead?

Putting it to the test

We selected a live, 30km stretch of pipeline running from Grangemouth to Granton, chosen because it is representative of the wider LTS network. Working with project partner INEOS, we built a new hydrogen supply pipeline into the Grangemouth refinery and, on 30 June 2025, commissioned a live hydrogen trial on the repurposed pipeline – the first time this had been attempted in Great Britain.

Solving the technical challenges

Before working on the live pipeline, our teams tested every step offsite with DNV at its Spadeadam facility.

We removed a 50m section of the pipeline and used it to develop and test the methods needed to join new pipework onto a pipeline carrying hydrogen, and to safely shut off the flow of gas when required.

Those same methods were then used on the live pipeline itself. Our teams successfully welded and connected a new section onto the pipeline while hydrogen was still flowing through it and proved they could safely isolate a section of pipe from the rest of the network when needed.

Safety was built in from the beginning of the project. We thoroughly checked the pipeline's condition through surveys, inspections and a pressure test at one-and-a-half times its normal operating level, and assessed the risks involved in both the repurposed pipeline and the new hydrogen supply line.



Our operational teams, already experienced with natural gas, were given extra training specific to hydrogen, covering emergency response, spotting problems early and securely reducing pressure in the pipeline if and when needed. Before the trial began, we submitted a full safety case to the Health and Safety Executive who confirmed the trial could go ahead.

The result

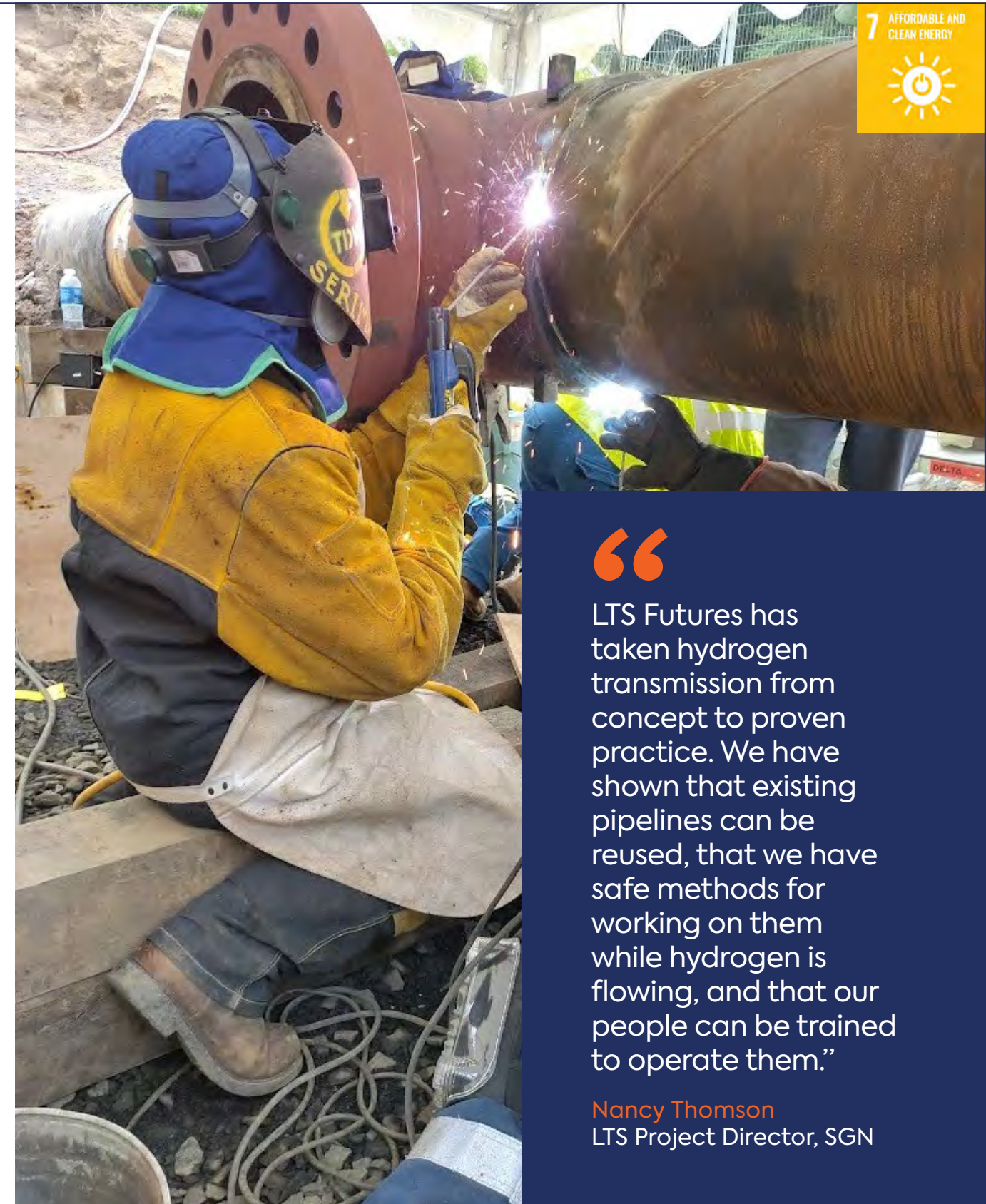
The trial ran safely from 30 June until 20 August 2025, when we placed the pipeline in a safe standby condition by refilling it with nitrogen rather than hydrogen. Over that period, the project demonstrated that:

- Existing high-pressure gas pipelines can be repurposed for hydrogen;

- The techniques needed to work on them safely – welding, hot-tapping and flow-stopping – while hydrogen is flowing are proven and repeatable; and
- Our workforce can be trained to operate a hydrogen network safely.

What's next

The Grangemouth to Granton pipeline is now on standby, ready to be reconnected for future hydrogen supply and demand across the Greater Edinburgh region. The project has also produced a blueprint: a repeatable methodology for repurposing LTS assets for hydrogen, published in June 2026. With over 11,000km of LTS pipeline across the UK still carrying natural gas, the blueprint gives future hydrogen projects a proven route to convert existing infrastructure.



“LTS Futures has taken hydrogen transmission from concept to proven practice. We have shown that existing pipelines can be reused, that we have safe methods for working on them while hydrogen is flowing, and that our people can be trained to operate them.”

Nancy Thomson
LTS Project Director, SGN

Innovation plays a critical role in decarbonising the energy system and protecting the environment.

Throughout RIIO-GD2, innovation has helped SGN explore new technologies, develop low-carbon energy solutions and identify practical ways to reduce environmental impacts across our operations and networks.

As we conclude the RIIO-GD2 price control period, our innovation portfolio reflects the growing importance of preparing the energy system for a low-carbon future. Through our Future of Energy portfolio, we are investing in projects that support decarbonisation, improve environmental performance and build the knowledge and capabilities needed to deliver long-term energy system transformation.

In 2025/26, we invested £73.2m in innovation activities. This includes flagship projects such as H100 Fife and LTS Futures, alongside a range of smaller, targeted projects.

Our approach to innovation extends beyond technology trials. It enables us to work with customers, suppliers, academia and industry partners to test new ideas, understand emerging challenges and develop solutions that can be deployed at scale.

As we move into RIIO-GD3, innovation will remain central to our environmental strategy, helping us reduce emissions, strengthen climate resilience and support the UK's energy transition.



Check out our **2025/26 Innovation Annual summary** on our website.



By the end of RIIO-GD2 we reduced our Scope 1 and 2 emissions by 19% compared with our 2019 baseline.



Our target covers direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2) and emissions associated with our supply chain (Scope 3).

In RIIO-GD2, we set a target to reduce our Scope 1 and 2 (location-based) emissions, excluding shrinkage, by 25% compared with our 2019 baseline. By the end of the price control period, we achieved a 21% reduction.

While we did not meet our original target, progress was impacted by the slower-than-anticipated transition of our operational fleet to zero-emission vehicles, reflecting wider market challenges around vehicle availability, operational suitability and charging infrastructure.

Despite this, we have made significant progress in reducing emissions from our operations and continue to identify opportunities to improve environmental performance.

Looking ahead to RIIO-GD3, we have committed to reducing our Scope 1 and 2 emissions by 44% by 2031 compared with our 2019 baseline. This target includes shrinkage emissions and reflects the important role that leakage reduction, network innovation and operational decarbonisation will play in achieving our long-term net zero ambition.

Shrinkage

As a gas distribution network, the largest source of our carbon emissions is the natural gas that escapes from our network. Known as shrinkage, these emissions include fugitive emissions from gas leakage, theft of gas and our own operational gas use. Shrinkage is reported as a Scope 1 emission and remains the most significant contributor to our carbon footprint, accounting for 97% of our total Scope 1 and 2 emissions.

Throughout RIIO-GD2, reducing shrinkage has been a key priority. By combining investment in network modernisation with innovative leakage-reduction technologies, we've continued to reduce emissions while maintaining a safe and reliable gas supply.

At the end of RIIO-GD2, annual shrinkage emissions across our networks were 617,831 tCO₂e. This represents a reduction of more than 19% compared with our 2019 baseline and an 11% reduction compared with 2024/25.

The reduction achieved during RIIO-GD2 has been driven primarily by two areas: our mains replacement programme, which replaces ageing metallic pipes that are more susceptible to leakage, and the deployment of innovative pressure management technologies that optimise network pressures and reduce gas losses. The following case study highlights how these initiatives have contributed to reducing emissions across our network.



Tackling emissions through smarter detection

A new generation of emissions-detection technology is set to transform how SGN finds, measures and fixes gas leakage – paving the way to a net zero network.

Shrinkage is the gas lost from the network, mostly through leakage from older metallic pipes. Like all UK gas networks, we currently calculate leakage using the industry's Shrinkage and Leakage Model, which applies a set leakage rate to every pipe based on its material and size – giving an overall view of estimated leakage, but not a precise picture of where individual leaks are occurring.



Throughout GD2, we've reduced leakage by 14.4%, primarily by replacing leak-prone iron pipes with modern plastic pipes. Beyond planned replacement work, however, finding individual leaks has largely depended on the public reporting the smell of gas.

Advanced Mobile Leak Detection (AMLD) changes that. Specially equipped vehicles survey the network from the road at night, five days a week, using onboard gas analysers, anemometers and GPS to detect emissions from below-ground pipes, pinpointing their location and measuring how much gas is escaping.

When a survey identifies a potential leak, the response is tiered by risk. The largest emissions, those above a set safety threshold, are treated with the same urgency as a public-reported gas escape, with immediate action to locate and repair. Smaller readings are assessed separately and may trigger planned follow-up investigations, prioritised by risk, location and leakage history.

This means we can target repairs proactively, prioritising the biggest leaks first. A small fraction of leaks can account for a disproportionately large share of total emissions, so finding and fixing these 'super emitters' delivers outsized environmental benefit.

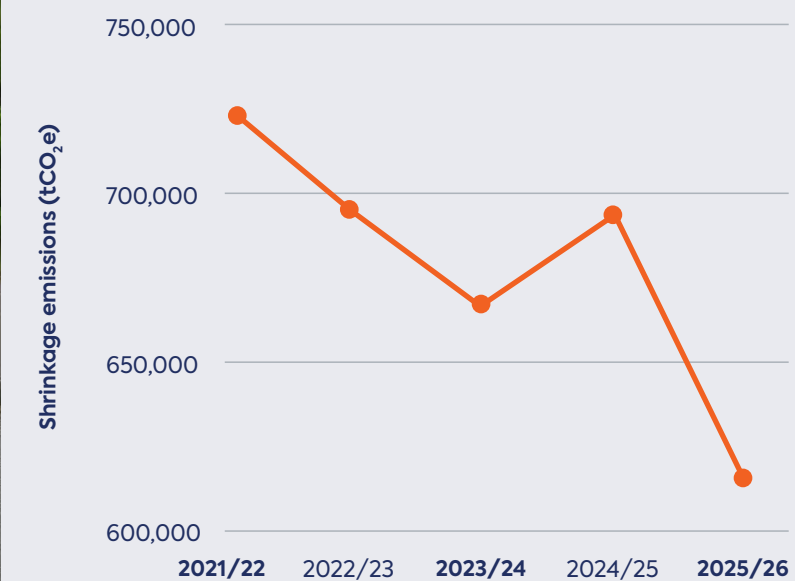
The survey data gathered will feed into the Digital Platform for Leakage Analytics (DPLA), a joint innovation project across the UK gas distribution networks in which we're a senior partner, due to be adopted by GB GDNs before GD4 begins. By improving the quality and granularity of leakage data, DPLA should support more accurate measurement, better prioritised interventions and stronger regulatory reporting. In time, the ambition is to replace the current calculation methodology across the UK's gas networks.

Rollout is under way, with up to six survey vehicles operating across our Scotland and Southern networks with technology partner Picarro. Over the programme's

first two years, every visible iron main will be surveyed – a commitment agreed with the Health and Safety Executive, the UK's workplace safety regulator – and repeated annually for the rest of the price control period. Alongside this, we'll complete full surveys of two starter regions, and by year four, the entire visible low- and medium-pressure network will have been surveyed.

It marks a step change in emissions measurement, helping GDNs prioritise operational intervention on a viable pathway towards a net zero, gas-tight network.

Shrinkage emissions



“

This exciting project allows us to utilise the very latest in smart technology to identify and prioritise the largest emissions on our network for remedial action, accelerating the pathway to a net zero future.”

Peter Morgan
Network Planning Manager



While shrinkage remains the largest source of our carbon emissions, we are also focused on reducing emissions associated with our day-to-day operations. This includes the energy used in our buildings, fuel consumed by our operational fleet and other activities required to operate and maintain our network.

Throughout RIIO-GD2, we have invested in a range of initiatives to improve energy efficiency, reduce fuel consumption and support the transition to lower-carbon technologies. Together, these measures have helped reduce our operational carbon footprint and support progress towards our net zero ambition.

The following sections outline our performance across the key sources of Scope 1 and 2 emissions, excluding shrinkage, during 2025/26.

We have reduced total carbon emissions from our electricity and gas use by 62% – from 8,559tCO₂e to 3,232tCO₂e.

Our Scope 2 electricity emissions from building energy use are measured in two ways: location-based and market-based. Location-based methodology uses the average carbon intensity of the UK national grid. The market-based approach uses the emissions factor associated with our electricity tariffs. SGN have 99% renewable green energy tariffs in place, meaning our reported Scope 2 market-based emissions are much lower.

In 2025/26, our location-based Scope 2 carbon emissions totalled 2,795tCO₂e.

As we are committed to reducing the carbon footprint of our buildings, we developed three key programmes during GD2: installation of renewable energy, implementing smart building technologies and LED lighting.

Renewable energy

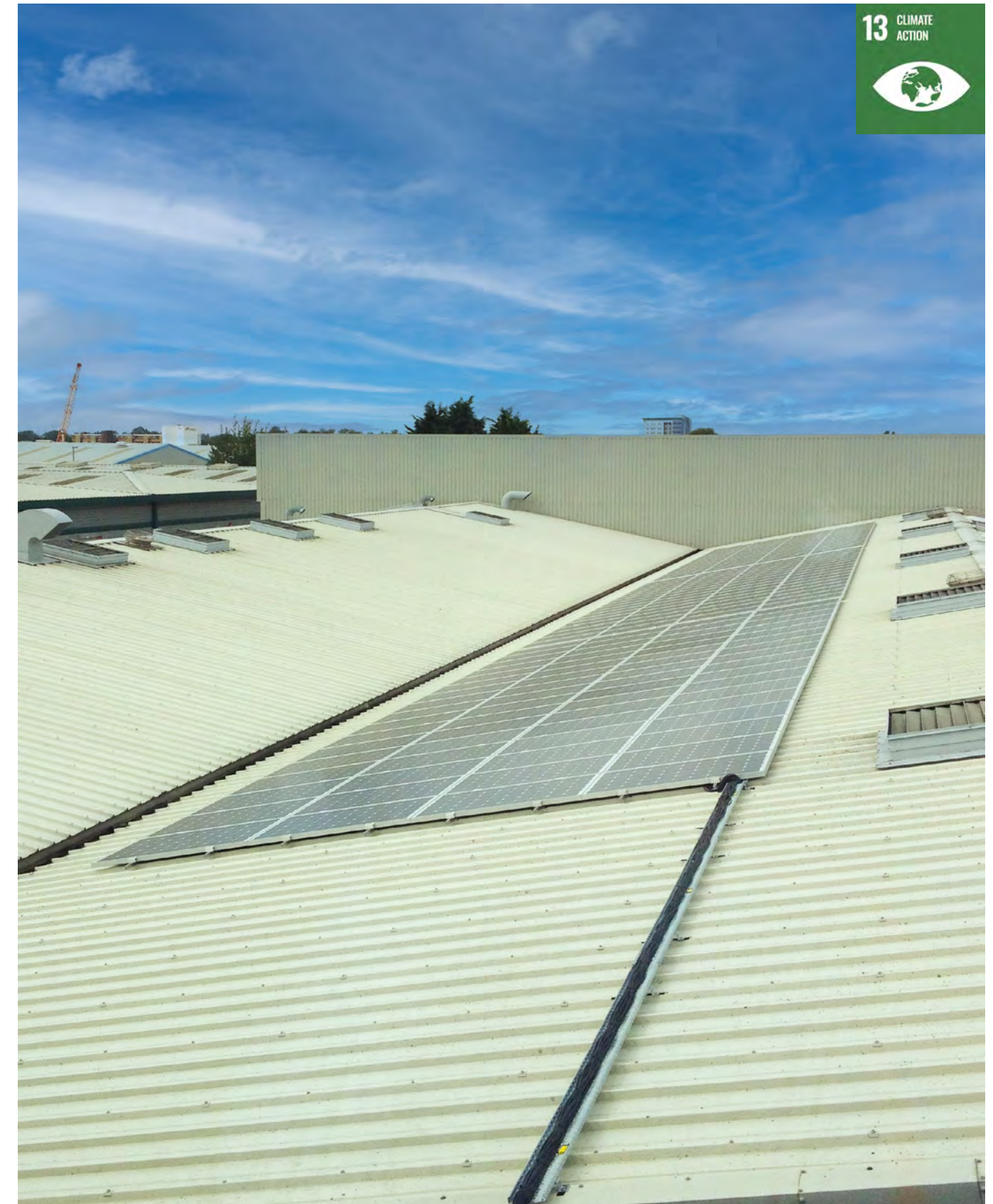
In 2025/26, we installed solar PV at one site, taking our total sites with solar PV to five. Looking ahead to GD3, we will be continuing to install solar PV across our property portfolio, where appropriate.

Building management systems

By the end of RII0-GD2, we upgraded our building management systems at one of our sites. We plan to integrate more smart building technologies into our sites moving forward.

LED lighting

Plans for 2025/26 committed to installing LEDs at six of our sites. Over the year we have installed LED lighting at 19 sites, surpassing our goal and improving lighting efficiency.





275

small electric vans by
the end of RIIO-GD3

92%

of our company cars are
either electric or hybrid

Excluding shrinkage, fleet emissions are our largest source of operational carbon, but electrification is accelerating.



Commercial fleet

In 2025/26, our Scope 1 carbon emissions from commercial fleet vans accounted for almost 93% of our total Scope 1 emissions (excluding shrinkage).

Our initial ambition to transition 50% of our commercial fleet to zero-emission vehicles by 2026 has not been achieved. We have experienced several challenges around EV range, particularly for operational vehicles that require power take-off units and have payload restrictions and towing issues with the current EV models. There are also difficulties with charging infrastructure and charging time, particularly at our remote sites.

By the end of RIIO-GD2 we had a total of 25 EVs in our commercial fleet.

Company cars

We currently have 535 company cars, 92% of which are either electric or hybrid. This supports our ongoing commitment to reduce emissions since our baseline year, 2019. By increasing the percentage of company cars that are electric and hybrid cars, we have reduced the average emissions of our car fleet by 15% in the past year. We also offer an employee car salary sacrifice scheme that focuses on zero-emission and hybrid cars. This scheme includes a carbon emissions limit to ensure that the cars chosen align with our overall environmental targets.

Charging points

We recognise that we have not achieved our target of installing 355 charging points over the RIIO-GD2 period. This is largely due to multiple depots requiring substantial power supply upgrades to facilitate EV charging points. Therefore, this initiative will continue into the RIIO-GD3 period, with a scaled-down ambition of installing 75 double charging points and five rapid charging points. We will also explore options for home charging where feasible to enable a mix of solutions.

Our Scope 3 carbon emissions represent indirect emissions not owned or operationally controlled by us.

We capture Scope 3 carbon emissions data from purchased products and services, business travel, waste in operations and fuel and energy-related activities.

Our Scope 3 Category 6: Business Travel emissions have been through independent limited assurance; the rest of our Scope 3 carbon emissions in this report have not. We report this data to show our progress in capturing more of our Scope 3 footprint.

This year, approximately 10% of our Scope 3 carbon emissions are categorised as purchased goods and services – circa 4,467tCO₂e in 2025/26. As we improve our data gathering, we expect Scope 3 emissions to increase in the coming years.

Capital goods represent approximately 28% of our Scope 3 carbon emissions. Data from our PE pipe suppliers shows emissions of circa 12,075tCO₂e this year. We will work with more suppliers during RIIO-GD3 to gather further data, and expect emissions in this category to also increase.

Scope 3 improvement programme

We engage extensively with our supply chain to improve Scope 3 data, working closely with data suppliers on accuracy and completeness.

These improvements will continue into RIIO-GD3 and beyond.

This year we started looking at how to expand our capture of Scope 3 data. It's challenging to report on all areas of Scope 3, but we intend to improve each reporting year. As part of this, we're looking at finance-based emissions reporting – estimating emissions based on spend with a supplier where actual data isn't yet available – and prioritising the suppliers and sectors most likely to contribute the most to our Scope 3 emissions, based on what they supply to us.

We've worked with our travel providers to gather data for hire car, flights and trains, and for the first time are reporting emissions from employee hotel stays. As in previous years, we're also reporting energy usage on shared sites with SSE and helicopter pipeline survey data. Improvements to our data capture process in 2025/26 give us greater confidence in the Scope 3 data we're capturing and monitoring.

A full breakdown of the Scope 3 carbon emissions we've directly captured this year is in the emissions data in our appendix.



Business travel

Our business travel emissions in 2025/26 were 1,376tCO₂e, a 24% increase on last year. This year's figures include hotel-stay emissions for the first time – 187tCO₂e, responsible for 17% of the year-on-year increase. Changes to our travel booking platform mean we've been unable to capture ferry-travel emissions; these are minimal and not material to our operations.

Industry collaboration

The impact of streetworks can be reduced by working in collaboration with other utility companies. There are many benefits to this, such as reducing the social and environmental impacts of streetworks. Over 2025/26 we completed 12 collaborative streetwork projects.

Overall, this saved 30tCO₂e through a the reduced number of trips and journey times. Additionally, the combined durations of the projects were shortened by 198 days, which made a huge difference to residents.



In 2025/26 emissions associated with our contractors and supply chain accounted for approximately 70% of our reported emissions when shrinkage is excluded.



This demonstrates the significant contribution of our contractors and suppliers to the emissions we can influence more directly.

However, when excluding emissions from shrinkage, contractor and supplier emissions made up approximately 70% of our remaining absolute emissions.

Therefore, positively impacting our supply chain will play an important role in helping us reduce our environmental impact and progressing towards our sustainability goals. Continuing to engage with suppliers and contractors is a key part of our environmental action plan.

Sustainable Procurement Code

In 2025/26, 96% of our key suppliers (by value and criticality) acknowledged and supported the principles of our Sustainable Procurement Code. As many as 75% had their own sustainability metrics or KPIs in place. Our Sustainable Procurement Code has been reviewed in the past year and no changes were required.

Supply Chain Sustainability School

We continue to recognise the value of the Supply Chain Sustainability School (SCSS) in supporting supplier capability, covering key topics such as carbon management, social value, and sustainable procurement. Participation in the SCSS enhances suppliers' knowledge and contributes to improved sustainability performance.

In 2025/26 we have continued to encourage suppliers and contractors to engage with the school and make use of its many free resources to help organisations improve on their environmental impacts.



The latest **Sustainable Procurement Code** version is available on our website.

Using resources efficiently and minimising waste are key components of our environmental strategy.



Throughout RIIO-GD2, we have worked to improve the circularity of our operations by increasing recycling, reducing landfill disposal and identifying opportunities to reuse materials across our network activities.

To support this ambition, we set the following RIIO-GD2 targets:

- Send zero waste to landfill from our office depots, reinstatement and construction/major projects by 2026, including non-hazardous waste from our gas holder dismantling programme;
- Recycle 93% of total materials and reuse 6.5% of total materials by 2026; and
- Reduce the use of virgin aggregate to less than 20% in Scotland and 1% in our Southern network.

RIIO-GD2 performance

During 2025/26, we generated 298,070 tonnes of waste across our operations. Approximately 96% was recycled or recovered, while 3% was sent to landfill. The remaining 1% was treated through energy from waste or anaerobic digestion. Total waste generated decreased by 15.3% compared with the previous financial year, largely due to lower volumes of spoil waste from reinstatement activities.

While we did not achieve our zero-waste ambition, we have made progress in reducing landfill disposal

Waste type	2025/26		2024/25		2023/24		2022/23		2021/22	
	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste
Depot and office waste	1,770	<1%	1,770	<1%	2,063	1%	1,384	1%	2,081	1%
Spoil waste (reinstatement)	290,068	97%	346,374	98%	300,615	94%	228,371	94%	190,582	95%
Non-depot waste	6,232	2%	3,886	1%	11,714	5%	12,455	5%	8,803	4%
Total	298,070	100%	352,030	100%	314,391	100%	242,210	100%	201,466	100%

Treatment type	2025/26		2024/25		2023/24		2022/23		2021/22	
	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste	Tonnes	% of total waste
Recycling/recovery	287,061	96%	303,899	86%	294,663	94%	227,612	94%	191,242	95%
Energy from Waste (EfW)	627	<1%	551	<1%	677	<1%	561	<1%	936	<1%
Incineration (without energy recovery)	0	0%	0	0%	1	<1%	257	<1%	0	0%
Anaerobic digestion	45	<1%	36	<1%	10	<1%	8	<1%	20	<1%
Preparation for reuse	0	0%	0	0%	90	<1%	5,045	2%	1,253	1%
Landfill	10,337	3%	47,340	14%	18,950	6%	8,984	4%	7,999	4%
Other	0	0%	204	<1%	0	0%	0	0%	0	0%
Total	298,070	100%	352,030	100%	314,391	100%	242,210	100%	201,466	100%

and improving resource efficiency across our business. In the price control period, we introduced new recycling streams, improved waste segregation, strengthened data collection and reporting processes and increased employee and contractor

engagement. This has helped embed more sustainable waste management practices across our operations.

We have also increased our focus on circular economy principles, identifying opportunities to extend the life of

materials and reduce the demand for virgin resources. Examples include the reuse and recycling of temporary barriers, reducing waste associated with PE pipe and personal protective equipment, and increasing the use of recycled materials where operationally appropriate.

Biodiversity underpins healthy ecosystems and provides many of the essential services that people rely on, including clean water, food production and climate resilience.

However, biodiversity continues to decline in the UK and globally as a result of habitat loss, climate change and other environmental pressures.

At SGN, we recognise the important role we can play in protecting and enhancing biodiversity across the land we own and manage. Through our environmental strategy, we are committed to improving habitats, supporting local ecosystems and helping our network become more resilient to the impacts of climate change.

As part of RIIO-GD2, we committed to:

- Improve or restore environmental quality and/or biodiversity on sites we own and manage;
- Enhance the environment at other locations within the communities we serve; and
- Increase the resilience of our network and operations to climate change.

RIIO-GD2 performance

A key milestone during RIIO-GD2 was the completion of biodiversity baseline surveys across all 128 sites identified within our estate. These surveys have provided a robust understanding of existing habitats

and helped inform where enhancement activities can deliver the greatest environmental benefit.

Building on this, we have delivered biodiversity projects across our networks. During 2025/26, we completed 37 enhancement projects, bringing the total delivered during RIIO-GD2 to 64 projects.

These projects have included habitat creation and restoration, tree and wildflower planting, and measures to support protected and priority species. Collectively, they have helped improve local biodiversity, strengthen ecosystem resilience and support our wider environmental commitments.

Looking ahead to RIIO-GD3

As we move into RIIO-GD3, we will continue to build on the foundations established during RIIO-GD2. We will maintain and monitor existing enhancement sites, undertake resurveys where required and continue identifying opportunities to improve biodiversity across our estate.

The baseline surveys completed in RIIO-GD2 provide a strong platform for measuring future biodiversity improvements and assessing biodiversity net gain over time. We look forward to continuing this work and delivering further environmental benefits for the communities and environments we serve.



A strong year for biodiversity work

In 2025/26, we completed 37 biodiversity improvement projects across our Scotland and southern England networks – more than in any other year of RIIO-GD2.

Since 2021, we have been working to enhance biodiversity across our estate – from operational sites and depots to redundant land. It began with baseline surveys: between 2021 and 2024, we commissioned biodiversity net gain feasibility studies at 102 sites – 52 in the south of England and 50 in Scotland – establishing a biodiversity score for each and identifying where improvements could make the biggest difference.

Those findings shaped a programme of improvement projects delivered throughout RIIO-GD2. In 2025/26 alone, teams completed 37 projects – 19 in England and 18 in Scotland – ranging from wildflower meadow creation and native hedgerow planting to bird and bat box installations and purpose-built reptile hibernacula.



2025/26 in numbers

1,751

trees planted

2,873

metres of native hedgerow planted

5,158m²

of wildflower meadow created

115

bird boxes and 44 bat boxes installed

35

reptile hibernacula created

“

It is great to see SGN's biodiversity work being implemented around our operational sites across the business. The enhancements that I have seen have improved our sites, and provided much needed habitats and refuges for local wildlife.”

Jack Porter
Estates Project Support Manager



At Wick and Thurso, we planted over 1km of native hedging around the site boundaries, providing food and shelter for species such as mice, hedgehogs, birds and invertebrates, while also giving bats ‘commuter routes’ for foraging and roosting.

One of our largest southern England projects, at Tatsfield, saw us plant over 800 trees, install 24 bird and bat boxes and create two large reptile hibernacula. We’ve also adjusted maintenance here to let an area of grassland develop into a wildflower meadow.

Bird boxes are specific types, sited to attract species including song thrushes, house sparrows, barn owls, swifts, spotted flycatchers and lesser-spotted woodpeckers.

The hibernacula provide essential habitats for a variety of reptiles and, also, great crested newts and hedgehogs.

At Ipsden, featured in last year’s report, operational teams have seen the transformation first-hand. The trees

planted are now well established and the glades created during this project have allowed more light to reach the forest floor, improving structural diversity. We are confident that improvements made here will allow us to reach our target of a 37% biodiversity improvement for habitat units at this site.

With the improvement phase now complete, the focus shifts to maintenance and monitoring. Each site has a habitat management plan to protect and build on the work already done, and our ecological partner will carry out further surveys over the coming years to measure biodiversity net gain – making sure the benefits take root and last.

These projects are a strong step forward across our own estate, but we recognise there is much more to do to support biodiversity at scale, and we’re committed to building on this work throughout RIIO-GD3.

Climate change adaptation and resilience are complementary concepts.

Adaptation is the process of adjusting to actual or expected climate-related effects, and resilience is the capacity to anticipate, respond to and recover from climate-related impacts.

We continue to see the impact of climate change on our network, with more extreme weather including more frequent heavy rainfall, flooding and erosion presenting safety, environmental and security-of-supply risks to our network and customers. In 2025/26 we experienced 25 pipeline washouts due to river erosion and flooding, a reduction compared with the previous year. Historical data nevertheless demonstrates the continuing impact of extreme weather on our network and the associated need for remediation and investment. In response, we continue to survey river crossings and completed remediation works at 157 sites during 2025/26.

We are continuing to work with the other gas distribution networks, National Gas and the industry organisation Future of Energy Networks, to improve our knowledge of climate-related risks, how to measure the impact and ensure all UK networks remain resilient.

For the fourth time within our 2026 SGN Annual Report, we've reported on how we identify, assess and manage our climate-related risks and opportunities using the Taskforce on Climate-related Financial Disclosures (TCFD) framework.

Environmental incidents

A reportable environmental incident is an incident that has the potential to cause harm to the environment by polluting water or land and is required to be reported to the relevant environmental regulatory body such as the Environment Agency (EA) or the Scottish Environment Protection Agency (SEPA).

During the 2025/26 financial year, we had two reportable environmental incidents across our networks.

The first of these incidents occurred along our Southern network when an environmental odour had been reported. A repair team subsequently uncovered an abandoned metallic main as part of an onsite investigation where gas readings had been found. The team removed a plug from the abandoned main, which resulted in a large volume of potentially contaminated water being released.

The second of these incidents occurred along our Scottish network when SEPA made a direct enquiry to SGN regarding a reported discharge into a watercourse as part of SGN undertaking groundworks at one of our depot replacement projects.

Environmental near misses and hazards are identified through our internal incident reporting and tracking system, Velocity. We use these as opportunities to review the lessons learnt to prevent recurring incidents and mitigate environmental impacts.



Historical pipeline washout data provides insight into the operational and financial impacts of extreme weather on our network

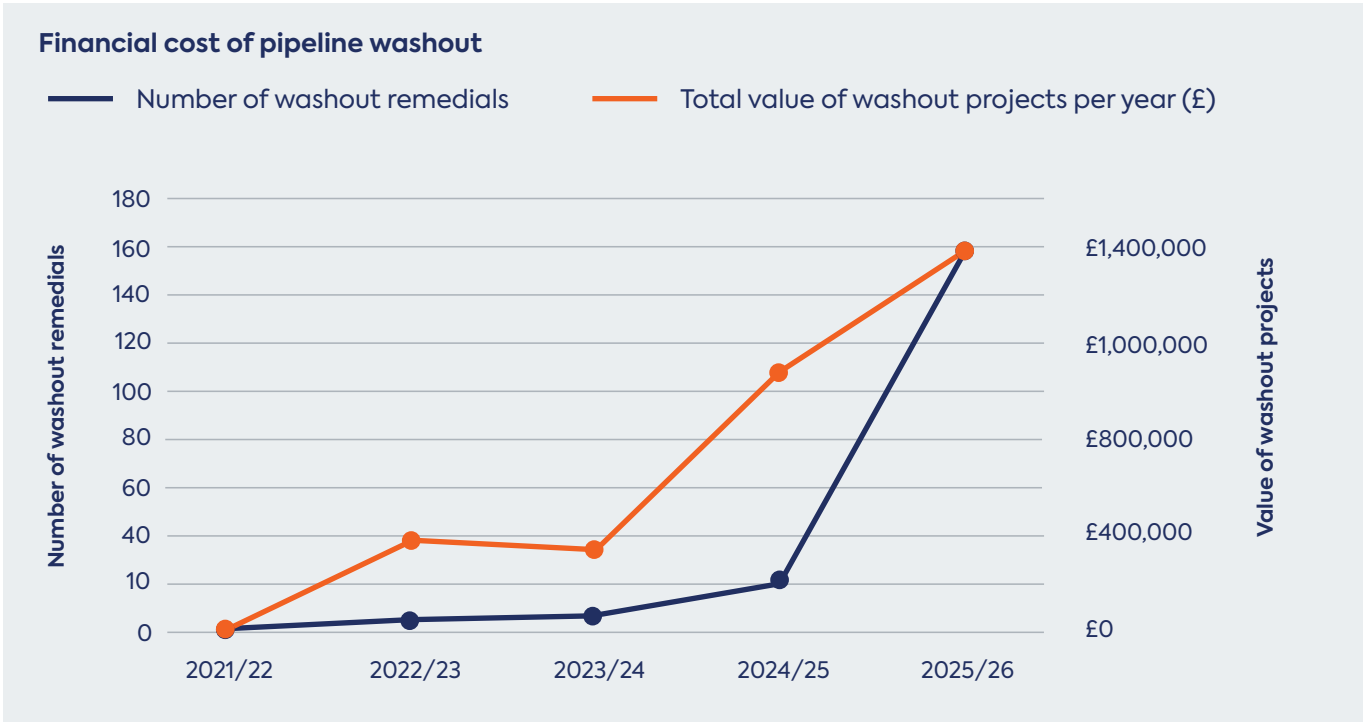


Figure 1: The graph shows the financial costs associated with pipeline washouts as a result of extreme weather-related incidents affecting our network in recent years.



Appendices

Additional data relating to our environmental performance this year, including independent assurance of the data included in this report.



DNV were engaged to provide limited assurance of Total Scope 1, Scope 2 (location & market-based), Scope 3 (Business Travel), Biomethane and Total Shrinkage (leakage, own use gas and theft of gas) emissions data. Please see DNV's Assurance Report for further details.

Shrinkage

Total SGN leakage volumes

SGN	Actual 2021/22 (GWh)	Actual 2022/23 (GWh)	Actual 2023/24 (GWh)	Actual 2024/25 (GWh)	Actual 2025/26 (GWh)	Forecast 2026/27 (GWh)
Low-pressure mains	356.45	342.34	328.82	314.38	299.19	282.61
Medium-pressure mains	55.65	55.43	54.99	54.46	53.63	53.20
Services	71.81	66.59	60.57	54.34	47.95	42.10
AGIs	96.01	95.64	95.52	95.24	94.82	94.84
Interference	1.83	1.88	1.80	40.55	2.67	2.64
Total	581.75	561.88	541.69	558.97	498.27	475.45

SGN	Actual 2021/22 (tCO ₂ e)	Actual 2022/23 (tCO ₂ e)	Actual 2023/24 (tCO ₂ e)	Actual 2024/25 (tCO ₂ e)	Actual 2025/26 (tCO ₂ e)
Shrinkage (own use gas and theft of gas)*	721,448	696,634	671,496	692,653	617,841

*For reference, our 2019 baseline figures were: shrinkage – 765,284tCO₂e; Scope 1 and 2 emissions (excluding shrinkage) – 23,255tCO₂e. These baseline figures have not been subject to assurance by DNV.

Data assured by DNV (see page 45)

Leakage volumes by network

Scotland + SIU	Actual 2021/22 (GWh)	Actual 2022/23 (GWh)	Actual 2023/24 (GWh)	Actual 2024/25 (GWh)	Actual 2025/26 (GWh)	Forecast 2026/27 (GWh)
Low-pressure mains	84.58	79.67	77.82	76.07	72.22	68.35
Medium-pressure mains	15.22	15.17	15.00	14.89	14.70	14.58
Services	18.44	17.04	15.67	14.57	13.00	11.46
AGIs*	34.79	34.61	34.81	34.71	34.57	34.59
Interference	0.57	0.55	0.55	0.67	0.72	0.72
Total	153.60	147.05	143.84	140.92	135.21	129.71

Southern (SO + SE)	Actual 2021/22 (GWh)	Actual 2022/23 (GWh)	Actual 2023/24 (GWh)	Actual 2024/25 (GWh)	Actual 2025/26 (GWh)	Forecast 2026/27 (GWh)
Low-pressure mains	271.87	262.67	251.00	238.31	226.97	214.27
Medium-pressure mains	40.44	40.26	39.99	39.58	38.94	38.63
Services	53.36	49.54	44.90	39.77	34.95	30.64
AGIs*	61.26	61.03	60.71	60.53	60.25	60.25
Interference	1.26	1.33	1.25	39.87	1.95	1.95
Total	428.19	414.84	397.85	418.06	363.06	345.74

* Above-ground installations



Leakage emissions

Leakage emissions are calculated using conversion factor 1,226.42tCO₂e/GWh

SGN	Actual 2021/22 (tCO ₂ e)	Actual 2022/23 (tCO ₂ e)	Actual 2023/24 (tCO ₂ e)	Actual 2024/25 (tCO ₂ e)	Actual 2025/26 (tCO ₂ e)
Leakage emissions	713,473	689,106	664,344	685,537	611,101

Note – this is based on global warming potential, GWP, for unburned gas, as available from DESNZ. If this changes during the price control period, Ofgem will consult on how this will affect reported emissions.

Other shrinkage volumes

SGN	Actual 2021/22 (GWh)	Actual 2022/23 (GWh)	Actual 2023/24 (GWh)	Actual 2024/25 (GWh)	Actual 2025/26 (GWh)
Own-use gas	15.72	14.89	14.11	14.04	13.33
Theft of gas	27.82	26.35	24.98	24.85	23.59
Total	43.54	41.24	39.10	38.89	36.92

Other shrinkage emissions

Other shrinkage emissions are calculated using conversion factor 183.85tCO₂e/GWh, the conversion factor for burned gas.

SGN	Actual 2021/22 (tCO ₂ e)	Actual 2022/23 (tCO ₂ e)	Actual 2023/24 (tCO ₂ e)	Actual 2024/25 (tCO ₂ e)	Actual 2025/26 (tCO ₂ e)
Own-use gas	2,879	2,718	2,582	2,569	2,439
Theft of gas	5,096	4,811	4,570	4,547	4,301
Total	7,976	7,528	7,152	7,116	6,740

Scope 1 and 2 emissions

Emissions (tCO ₂ e) Specific area	Specific area	Actual 2021/22 (tCO ₂ e)	Actual 2022/23 (tCO ₂ e)	Actual 2023/24 (tCO ₂ e)	Actual 2024/25 (tCO ₂ e)	Actual 2025/26 (tCO ₂ e)
Scope 1	Commercial fleet (operational transport)	11,738	12,896	13,998	13,761	14,455
	Company cars (operational transport)	1,070	1,183	738	844	717
	Gas (building energy use)	5,907	3,143	975 ¹	790	437
Scope 2	Purchased electricity (building energy use)	192 (market-based ²)	32 (market-based ²)	85 (market-based ²)	-	7 (market-based ²) 
		2,652 (location-based ³)	2,622 (location-based ³)	2,504 (location-based ³)	2,457 (location-based ³)	2,795 (location-based ³)
Shrinkage (leakage, own gas use and theft of gas)		721,448	696,634	671,496	692,653	617,831 
Scope 1 total		740,163	713,856	687,207	708,048	633,440 
Scope 1 total (excluding shrinkage)		18,715	17,222	15,711	15,395	15,609 
Scope 2 total (location-based)		2,652	2,622	2,504	2,457	2,795 
Scope 1 and 2 total (excluding shrinkage)		21,367	19,844	18,215	17,852	18,404 
Scope 1 and 2 total (including shrinkage)		742,815	716,478	689,711	710,505	636,235 

¹ Scope 1 gas usage from occupied/operational sites is significantly lower this financial year compared with last year. This is due to our single biggest gas consumption item having been off due to maintenance, hence generating no emissions.

² Our market-based Scope 2 emissions from procured electricity for building use are based on certified renewable electricity from our suppliers. The majority of the electricity we use – 99% – is certified renewable.

³ A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).

Data assured by DNV (see page 45)

Scope 3 emissions

Category	Emissions source	Unit	2021/22	2022/23	2023/24	2024/25	2025/26	Comment
Indirect emissions								
Purchased goods and services	Reinstatement materials	tCO ₂ e	49	4,007	5,539	5,815	4,454	We are confident we have captured all materials used, and we have made estimates in the few instances where data was missing.
	Water	tCO ₂ e	3	10	7	8	13	We are collecting all data here based on our water consumption. Emissions associated with water treatment are not included. Water usage is not a material aspect of our operations.
	Total	tCO₂e	52	4,017	5,546	5,823	4,467	Purchased goods and services represent a category of material emissions to our business. Over RIIO-GD3 we are aiming to capture more data in this category where possible.
Capital goods	PE pipe and fittings	tCO ₂ e	8,696	10,249	10,865	15,221	12,075	PE pipe is one of our main expenditures for capital goods and we have been collecting data from our suppliers since 2014. For the last four years, we have been using weight of PE pipe purchased and the DEFRA conversion factor for 'Plastic: rigid' to calculate our embodied emissions.
	Total	tCO₂e	8,696	10,249	10,865	15,221	12,075	Capital goods represent a category of material emissions to our business. Over RIIO-GD3, we are aiming to capture more data in this category, where possible.

Scope 3 emissions (continued)

Category	Emissions source	Unit	2021/22	2022/23	2023/24	2024/25	2025/26	Comment
Indirect emissions								
Fuel and energy-related activities	T&D losses – electricity	tCO ₂ e	222	228	218	218	292	Transmission and Distribution (T&D) losses and well-to-tank are based on data gathered from utility bills (energy consumption) and commercial fleet and business car use. We did not capture our well-to-tank for commercial fleet and business cars in 2021 (Scope 1 vehicles). Last year's vehicle well-to-tank figure has been corrected. Fuel and energy-related activities have some material impact on our overall Scope 3 emissions.
	Well-to-tank – electricity and gas	tCO ₂ e	1,013	1,186	726	668	708	
	Well-to-tank – Scope 1 vehicles	tCO ₂ e	0	3,389	3,713	3,346	3,435	
	Total	tCO₂e	1,235	4,804	4,657	4,232	4,435	
Upstream transportation and distribution	Contractor vehicles/transport	tCO ₂ e	7,825	10,772	12,254	14,936	16,515	Upstream transportation and distribution has a material impact on our overall Scope 3 emissions.
	Contractor helicopter	tCO ₂ e	0	304	331	155	155	Helicopters are used to survey pipelines. In 2021, we did not capture this data.
	Total	tCO₂e	7,825	11,076	12,584	15,091	16,670	We are not capturing all data relevant here to upstream transport and distribution. It is a category with smaller materiality for our overall Scope 3 emissions.
Waste generated in operations	Excavation spoil disposal	tCO ₂ e	7	459	603	3,288	3,156	Emissions from waste in operations are based on data captured for spoil, waste from offices and depots, and other operations. Confidence in data from 2021 is low, with suspected errors in data collection.
	Office and depot waste disposal	tCO ₂ e	174	90	223	157	87	
	Non-depot waste incl holder demo	tCO ₂ e	894	457	3,199	2,114	1,127	
	Total	tCO₂e	1,075	1,006	4,025	5,559	4,370	Waste generated in operations has no material impact on our overall Scope 3 emissions.
Business travel	Business mileage in vehicles not owned/controlled by company	tCO ₂ e	156	253	337	359	359	
	Rail	tCO ₂ e	2	13	22	62	77	
	Air	tCO ₂ e	261	347	732	553	644	
	Ferry	tCO ₂ e	1	2	2	2	0	Emissions from travel by ferry have not been included this year due to changes to our travel booking portal. They have been deemed immaterial to our operations.
	Hire cars	tCO ₂ e	0	94	180	135	109	
	Hotel stays	tCO ₂ e	N/A	N/A	N/A	N/A	187	We have expanded our Scope 3 business travel emissions data by reporting employee hotel stays for the first time. This figure was subject to assurance by DNV.
	Total	tCO₂e	420	709	1,273	1,111	1,376	Business travel has no material impact on our overall Scope 3 emissions. It is, however, an area where culture change and behaviour impact is important.

Scope 3 emissions (continued)

Category	Emissions source	Unit	2021/22	2022/23	2023/24	2024/25	2025/26	Comment
Employee commuting	Total	tCO ₂ e	0	0	0	0	0	We are currently not capturing employee commuting data. This category is not material to our business.
Total Scope 3								
Scope 3	Total	tCO ₂ e	19,302.9	31,859.1	38,950	47,037	43,393	With further improvements in our data capture processes over 2025/26, we have higher confidence in the data we are capturing and monitoring.

Biomethane

Biomethane Metric	Unit	Total
Number of connections 	#	1
Capacity connected 	scm/h	1,050
Volume (energy value) of biomethane connected 	GWh	9.04

 Data assured by DNV (see page 45)

Introduction

This Annual Environmental Report (AER) details our progress against targets and objectives as approved by the regulator Ofgem in line with the Final Determination for RIIO-GD2 price control.

The information we've provided is in line with the RIIO-GD2 Environmental Reporting Guidance Version 1.0 and RIIO-GD2 Gas Distribution Price Control Regulatory Instructions and Guidance: Version 1.15 (Chapter 13, sections 11.06 and 11.07).

The AER covers the fifth year of the price control period RIIO-GD2, from 1 April 2025 to 31 March 2026.

The data we've included in our AER is the same as we've presented to Ofgem in the Regulatory Reporting Pack (RRP) for the financial year 2025/26. According to the Regulatory Instructions and Guidance for RRP reporting, reporting Scope 3 greenhouse gas emissions data is considered voluntary.

Data quality improvement of material Scope 3 greenhouse gas emissions data is a focus for us over the next few years. We're also aware that we have data gaps – referenced in more detail in the Completeness of information section – which we are tackling and aiming to eliminate.

Our Scope 1 and 2 location-based and market-based greenhouse gas emissions including gas shrinkage, our Scope 3 Category 6 greenhouse gas emissions: Business Travel and Biomethane (number of connections, capacity connected

and volume of biomethane connected) have been independently assured by DNV Business Assurance Services UK Ltd (DNV) and you can find the Independent Limited Assurance Report on pages 45 to 47.

While Scope 3 greenhouse gas emissions data is voluntary, we have decided to disclose the data we're capturing. Except for Scope 3 Category 6: Business Travel our Scope 3 data has not been subject to limited assurance by DNV.

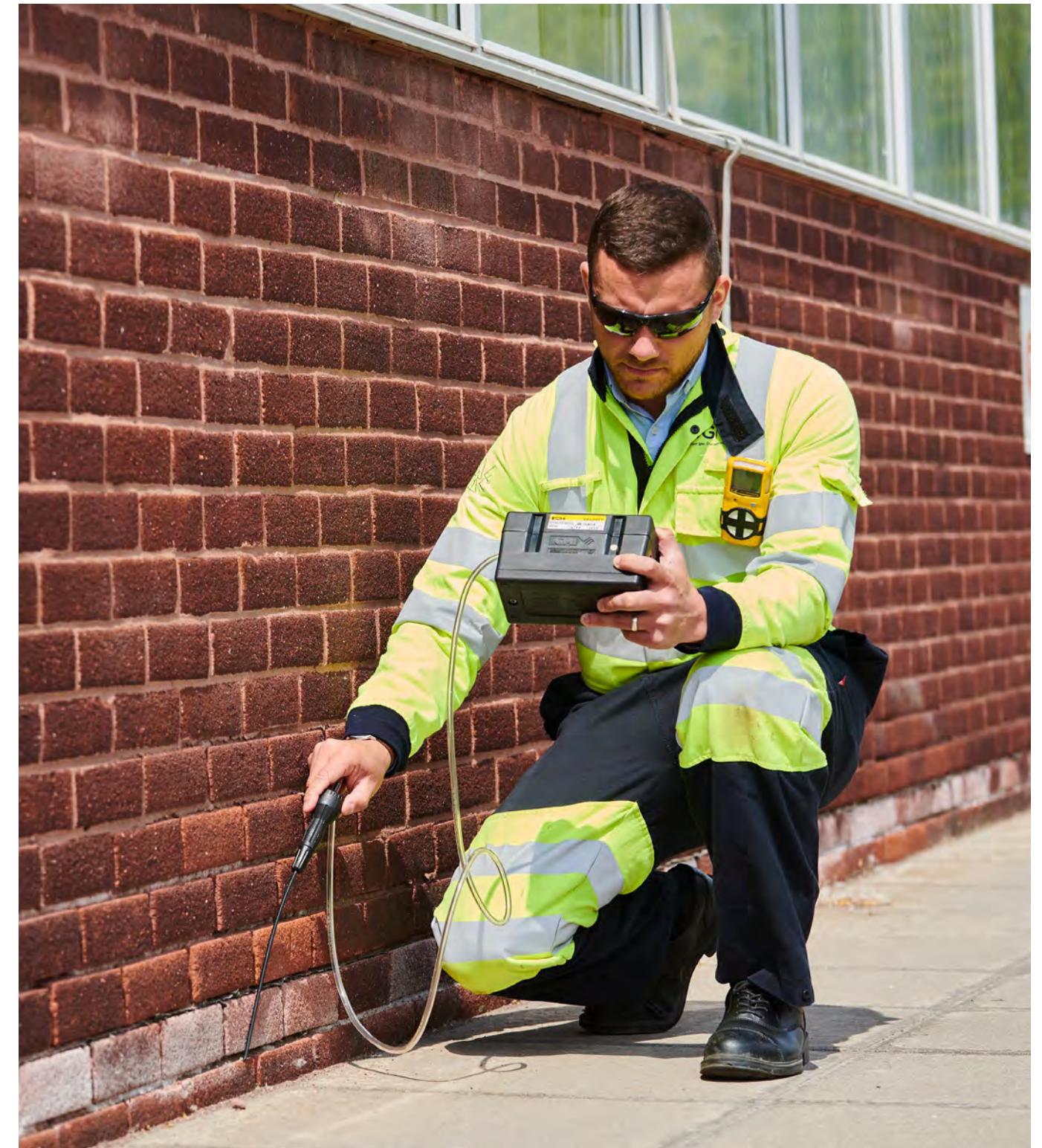
Reporting boundary

The AER includes data from our company footprint in Scotland and Southern and includes data from our non-regulated business (our commercial entities) within these regions.

As our regulated and non-regulated businesses share office buildings and company services, it would require a disproportionate amount of resource to try to separate waste disposal and business travel of the non-regulated business.

Our AER does not include data relating to our network in Northern Ireland.

In most cases, our environmental targets and objectives relate to our Scotland and Southern networks collectively. For that reason, the data you'll find in this AER cover both these network areas. We consider this approach to be most helpful for our customers and stakeholders wanting to understand our environmental performance, despite Ofgem guidance sometimes asking for data to be reported on a licence level.



You can find the **Independent Limited Assurance Report** on pages 45 to 47.

Data collection

Our data collection processes have continued to run more smoothly this year. Alongside this, we've identified a number of data gaps – including Scope 3 purchased goods and services, capital goods, and waste in operations – which we are working to address (see Completeness of information, opposite).

We're using an online data reporting tool (software-as-a-service) called Rio for our data collection, following regulatory guidance. The tool enables us to upload raw data to the web-based platform and the associated greenhouse gas emissions are calculated using the latest DEFRA conversion factors. For financial year 2025/26 the UK government GHG Conversion Factors for Company Reporting 2025 were applied.

We collect the following data per relevant greenhouse gas emissions scope, as defined by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard:

- **Scope 1:** Shrinkage (calculated using the industry adopted Shrinkage and Leakage Model).
- **Scope 1:** Transport from owned vehicles or vehicles under our control, and gas consumption from owned boilers, including energy usage from shared sites (calculated from vehicle mileage, use of fuel cards and gas invoices from our suppliers).
- **Scope 2 (location-based):** Purchased electricity, including energy usage from shared sites (calculated from electricity invoices from our suppliers).

- **Scope 2 (Market-Based):** Represents emissions from purchased electricity calculated by accounting for contractual options such as renewable electricity certificates. SGN have most sites on a green energy tariff with TotalEnergies, however, we have a small percentage that are with different suppliers where no green tariff is in place. These emissions are reflected under our Scope 2 (market-based) reporting.
- **Scope 3:** Indirect emissions from our value chain (calculated from submissions by operational staff and contractors, reports from our contracted waste management company, reports generated by our travel booking system, Clarity, and from spend-based data where travel costs have been paid through our employees' expenses).

We collect all data relevant to Scope 1 and 2 greenhouse gas emissions and such data is presented in this report. To be consistent across our leased and shared sites, all energy usage from our offices and depots is reported as Scope 1 and 2 greenhouse gas data, using the operational control approach as per Greenhouse Gas Protocol. For shared sites, we are reliant on data provided by landlords.

We have developed a F-gas register to ensure we can capture fugitive emissions from our air conditioning units. Legislation requires us to do leak tests on units of a certain size. Currently the fugitive emissions here have not been included in our Scope 1 greenhouse gas emissions as these are small and not material.

When it comes to Scope 3 greenhouse gas emissions, we currently collect data in the following Scope 3 greenhouse gas categories and from the following emission sources:

- **Category 1:** Purchased goods and services: reinstatement material
- **Category 1:** Purchased goods and services: water
- **Category 2:** Capital goods: PE pipe
- **Category 3:** Fuel and energy-related activities: transmission and distribution of electricity
- **Category 3:** Fuel and energy-related activities: gas well-to-tank
- **Category 4:** Upstream transportation and distribution: contractors' vehicles/transport movements
- **Category 5:** Waste generated in operations: excavation spoil disposal, office and depot waste disposal and non-depot waste disposal
- **Category 6:** Business travel: business mileage in vehicles not owned or controlled by the company
- **Category 6:** Business travel: rail, air, car hire and hotel stays

While we collect several elements of our Scope 3 greenhouse gas emissions data, we're aware this is not exhaustive and there are many data gaps. The previous limited independent assurance process identified a data gap that we are now addressing. From

2024/25 we now capture Scope 3, category 6: business travel greenhouse gas data not just from our travel booking system Clarity, but also from expense-claim data. To calculate these greenhouse gas emissions based on spend we used the following method:

- Spend-based GHG emissions factors from DEFRA 2022 were multiplied by the cost of travel claimed for air or rail travel. We used 0.405kgCO₂e/£, 1.648kgCO₂e/£ and 0.164kgCO₂e/£ for rail, and air travel and hotel stays respectively.

Since the DEFRA factors refer to 2022 prices, we adjusted the costs for inflation by referring to the Consumer Price Index (CPI) as published by the UK's Office for National Statistics (ONS).

Average CPI 2022/23 (April 22–March 23) = 124.6136667

Average CPI 2025/26 (April 25–March 26) = 139.4235

We calculated the adjusted spend factor to be 0.89.

It should be noted that expense claim data for travel by ferry was unavailable and is deemed not to be material. This is due to the expense claim system not having a separate category for claiming ferry travel.

Data in Greenhouse Gas Protocol, Scope 3, category 6, business travel greenhouse gas emissions has been independently assured by DNV. All the other categories of Scope 3 greenhouse gas emissions data have not been independently assured by a third party.



This AER also includes information on innovation investment, sustainable procurement, investment in local environment, biodiversity improvement and environmental incidents. This data has not been independently assured.

Completeness of information

This year we have identified a data gap concerning our Scope 1 greenhouse gas emissions fuel use for diesel back-up generators. We have been unable to estimate the total fuel usage due to the minimal and irregular run times of the generators. They are only used in the case of power failure to a site. The emissions from these generators have been deemed immaterial.

In 2021/22, we carried out a screening exercise that estimated Scope 3 greenhouse gas emissions made up approximately 18% of our total carbon footprint, based on financial spend. The exercise also helped us identify the order of magnitude of Scope 3 greenhouse gas emissions, so we could understand which data is most important for us to try to capture. We are expecting to revise our screening exercise at the end of the current price control RIIO-GD2.

Reinstatement services make up approximately 26% of our supplier spend and 45% of our Scope 3 greenhouse gas emissions. Therefore, we've focused on obtaining reliable data from these suppliers as a priority.

At the time of data gathering for this year's AER, we had the following data

gaps relating to Scope 3 greenhouse gas emissions:

- **Purchased goods:** We are not yet capturing all data related to purchased goods and services and capital goods. We are capturing data from our PE pipe suppliers and from reinstatement services. In improving we will look at the highest spend items and aim to capture or estimate embodied carbon with such goods and services.
- Reinstatement services:
 - **Materials:** There were a small number of data gaps from contractors. For these gaps, we have estimated the data based on data from relevant months of the previous year.
 - **Contractor vehicles/transport movements:** We have some small data gaps in the figures reported for contractors' carbon. This includes months where no reporting has been made for certain contractors. For these gaps we have estimated the figures based on the relevant month from the previous year's performance.
- **Water:** The carbon associated with water treatment is not included.
- **Employee commute and upstream leased assets:** We have not captured data relating to employee commuting and we do not currently own or

lease upstream assets, so there is no emissions data report for these two areas.

- Waste in operations:
 - **Spoil to landfill:** Although contractor data submissions are checked and flagged for any anomalies or extreme values, we do not have a process in place to verify their reported figures. Therefore, we cannot be certain of the accuracy of the reported spoil to landfill figures for 2025/26. We are looking to improve this process going forward. Any missing data from contractors is estimated from the relevant month of the previous year's data.
- **Business Travel:** Ferry business travel data is not included in this year's report because our booking platform, Clarity, does not support ferry travel. There is no expensed ferry travel available either. We have deemed ferry travel to be immaterial to our operations and therefore it will not be included.

While we do have data gaps, we are sharing all the Scope 3 data that we are currently capturing. In identifying our current data gaps, we have an opportunity to further improve our data collection and reporting. We aim to review our Scope 3 greenhouse gas emissions screening exercise by the end of RIIO-GD2, and to continue to gather and report on an increasing

amount of data over the years to come.

For our reporting on efficient resource use and circular economy, we would also like to highlight an additional area where we can improve our data capture:

- **Virgin aggregate:** We are looking to implement a more thorough data verification process so we can have more confidence in the data submitted by contractors going forward.

We've included the same data in this report as we've provided in the Regulatory Reporting Pack (RRP) for Ofgem, except for Scope 1 greenhouse gas emissions from energy and direct commercial vehicles, where adjustments have been made following the independent assurance process. It has been calculated following the Regulatory Instructions and Guidance (RIGS) from the regulator. In all cases, we use DEFRA conversion factors for the calculation of raw data to carbon dioxide equivalent emissions. The process for this is aligned with international standard, as per the Greenhouse Gas Protocol.

The data we submit in the RRP goes through an internal data assurance guidance process. This involves several layers of internal checking of data provided with final approval from a responsible senior manager.



Independent assurance

We engaged independent assurance specialists DNV to provide limited independent assurance on whether our 2025/26 data is fairly presented within our Annual Environmental Report in line with this statement on scope and quality of data:

- Total Scope 1 greenhouse gas emissions (tonnes CO₂e)
- Total Scope 2 greenhouse gas emissions (location-based method) (tonnes CO₂e)
- Total Scope 2 greenhouse gas emissions (market-based method) (tonnes CO₂e)
- Gas shrinkage (tonnes CO₂e)
- Scope 1 greenhouse gas emissions total (excluding shrinkage) (tonnes CO₂e)
- Scope 1 and 2 location-based total greenhouse gas emissions (excluding shrinkage) (tonnes CO₂e)
- Scope 1 and 2 location-based total greenhouse gas emissions (including shrinkage) (tonnes CO₂e)
- Scope 3 category 6: Business Travel greenhouse gas emissions (tonnes CO₂e)
- Biomethane: Number of connections (#) – This number is gathered from those connected and injecting gas to the network with an active network entry agreement (NEA)

- Biomethane: Capacity connected (scm/h) based on signed NEA capacity
- Volume of biomethane connected (GWh) is calculated from NEA capacity. Data from Xoserve is provided weekly to the biomethane team and used to determine the volume of biomethane in the network.

The limited independent assurance was undertaken using the DNV assurance methodology, VeriSustain™ which is based on their professional experience, the 'Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard' (revised 2015) and international assurance best practice including the International Standard on Assurance Engagements (ISAE) 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised) issued by the International Auditing and Assurance Standards Board.



The Independent **Limited Assurance Report** from DNV can be found on pages 45 to 47.



WHEN TRUST MATTERS

Independent Limited Assurance Report

to the Directors of Southern Gas Networks Ltd and Scotland Gas Networks Ltd

Southern Gas Networks Ltd and Scotland Gas Networks Ltd (together “SGN”) commissioned DNV Business Assurance Services UK Limited (“DNV”, “us” or “we”) to conduct a limited assurance engagement over Selected Information presented in the Annual Environmental Report 2025/26 (the “Report”) for the reporting year ended 31 March 2026.

Our Conclusion

On the basis of the work undertaken, nothing came to our attention to suggest that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Independent Limited Assurance Report, in particular the inherent limitations explained overleaf.

Our observations and areas for improvement will be raised in a separate report to SGN’s Management. These observations do not affect our conclusion set out above.

Selected Information

The scope and boundary of our work are restricted to the selected metrics included within the Report for the reporting year ended 31 March 2026 (the “Selected Information”), listed below:

Metrics	Reported value	Unit
Shrinkage (leakage, own gas use and gas theft)	617,831	tCO ₂ e
Scope 1 total	633,440	tCO ₂ e
Scope 1 total (excluding shrinkage)	15,609	tCO ₂ e
Scope 2 total (location-based)	2,795	tCO ₂ e
Scope 2 total (market-based)	7	tCO ₂ e
Scope 1 and 2 total (excluding shrinkage) (location-based)	18,404	tCO ₂ e
Scope 1 and 2 total (including shrinkage) (location-based)	636,235	tCO ₂ e
Scope 3 emissions: Business travel	1,376	tCO ₂ e
Biomethane - Number of connections	1	#
Biomethane - Capacity connected	1,050	scm/h
Biomethane - Volume (energy value) of biomethane connected	9.04	GWh

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used the SGN’s Statement on scope and quality of data available from page 41 of the Report [here](#) (collectively the “Criteria”).

We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on SGN’s website for the current reporting period or for previous periods.



WHEN TRUST MATTERS

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. Our work included, but was not restricted to:

- Conducting interviews with SGN’s Management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Performing limited substantive testing on a selective basis of the Selected Information to check that data has been appropriately measured, recorded, collated and reported;
- Reviewing that the evidence, measurements and their scope provided to us by SGN for the Selected Information is prepared in line with the Criteria;
- Assessing the appropriateness of the Criteria for the Selected Information; and
- Reading the Report and narrative accompanying the Selected Information within it with regard to the Criteria.

In performing these activities, we did not come across limitations to the scope of the agreed assurance engagement.

We found a limited number of non-material errors and these were corrected prior to inclusion in the Report.

Standard and level of assurance

We performed a **limited** assurance engagement of specified data and information using the ‘Greenhouse Protocol – A Corporate Accounting and Reporting Standard’ (revised 2015) and international assurance best practice including the International Standard on Assurance Engagements (ISAE) 3000 – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised) issued by the International Auditing and Assurance Standards Board. To ensure consistency in our assurance process, we conducted our work in accordance with DNV’s assurance methodology, Verisustain™, applying only the pertinent sections of the protocol relevant to the specific purpose of the activity. This methodology ensures compliance with ethical requirements and mandates planning and execution of the assurance engagement to obtain the desired level of assurance.

DNV applies its own management standards and compliance policies for quality control, which are based on the principles enclosed within ISO IEC 17029:2019 - Conformity Assessment - General principles and requirements for validation and verification bodies, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed.

Responsibilities of the Directors of SGN and DNV

The Directors of SGN have sole responsibility for:

- Preparing and presenting the Selected Information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to SGN in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. Our Independent Limited Assurance Report represents our independent conclusion and is intended to inform all stakeholders. DNV was not involved in the preparation of any statements or data included in the Report except for this Independent Limited Assurance Report.



WHEN TRUST MATTERS

Our competence, independence and quality control

DNV established policies and procedures are designed to ensure that DNV, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV did not provide any services to SGN in the reporting period that could compromise the independence or impartiality of our work. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

DNV Business Assurance Services UK Limited

DNV Business Assurance Services UK Limited is part of DNV Group AS. DNV is an independent assurance and risk management provider, operating in more than 100 countries. Through its broad experience and deep expertise, DNV advances safety and sustainable performance, sets industry standards, and inspires and invents solutions.

Inherent limitations

DNV’s assurance engagements are based on the assumption that the data and information provided by SGN to us as part of our review have been provided in good faith, are true, and are free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. The engagement excludes the sustainability management, performance, and reporting practices of SGN’s suppliers, contractors, and any third parties mentioned in the Report. We did not interview external stakeholders as part of this assurance engagement. We understand that the reported financial data, governance and related information are based on statutory disclosures and Audited Financial Statements, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement.

The assessment is limited to data and information in scope within the defined reporting period. Any data outside this period is not considered within the scope of assurance. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Limited Assurance Report.

Disclaimers

The assurance provided by DNV is limited to the selected indicators and information specified in the scope of the engagement. DNV has not conducted an assessment of the reporting organisation's overall adherence to reporting principles or the preparation of the Report. Therefore, no conclusions should be drawn regarding the reporting organisation's compliance with reporting principles or the quality of the overall Report. The assurance provided by DNV is based on the selected indicators and information made available to us at the time of the engagement. DNV assumes no responsibility for any changes or updates made to the indicators or information after the completion of the assurance engagement.

For and on behalf of DNV Business Assurance Services UK Limited

London, UK
25 September 2026

Digitally signed by Holly Wallis-Copley

Holly Wallis-Copley
Lead Verifier
DNV Business Assurance Services
UK Limited

Digitally signed by Paul O'Hanlon

Paul O’Hanlon
Technical Reviewer
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