Building a shared net-zero future

SGN Environment Strategy

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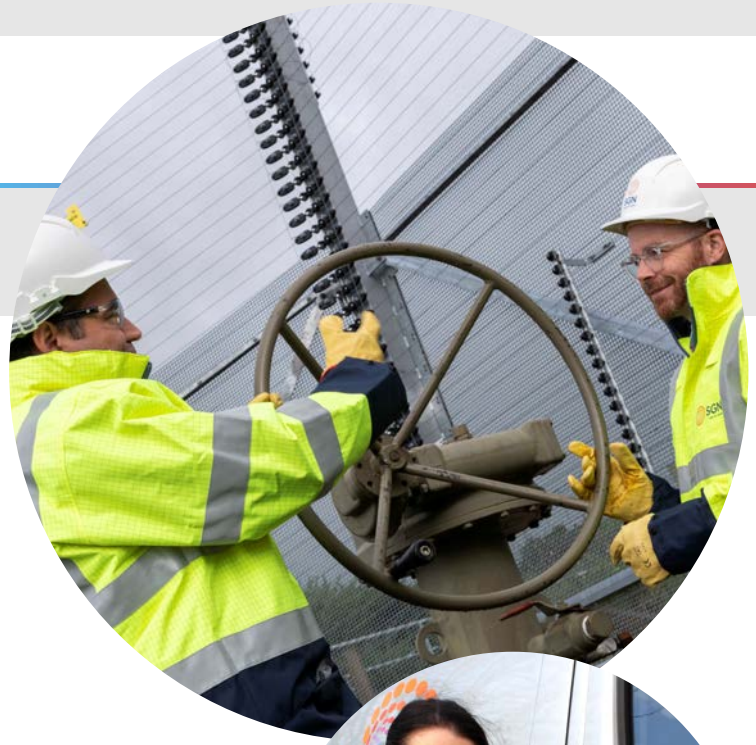
Our stakeholders and customers tell us to invest more to provide a shared net-zero future and that we should reduce our environmental impacts. This is something young people and future customers also expect. We agree...



About us

SGN owns one of the UK's largest and most innovative gas distribution network companies, operating across Scotland, Southern England and Northern Ireland. We also continue to grow in the non-regulated space by accelerating commercial opportunities.

SGN manage the network that distributes a safe and reliable supply of natural and green gas to 5.9 million homes and businesses. We're committed to accelerating the UK towards a shared net-zero future by 2045 by reducing our business carbon footprint and decarbonising the gas transported through our network.

Our approach, as we drive towards net-zero, is linked to the UN Sustainable Development Goals. It's clear we can't reach our targets without taking a co-ordinated approach, and focusing on what matters to our customers, stakeholders and our people.

We are making
three commitments
to our customers and stakeholders:

1
We will make a positive impact on society by supporting vulnerable communities and providing excellent service

2
We will deliver a safe and efficient service by acting safely, keeping the gas flowing and keeping costs down

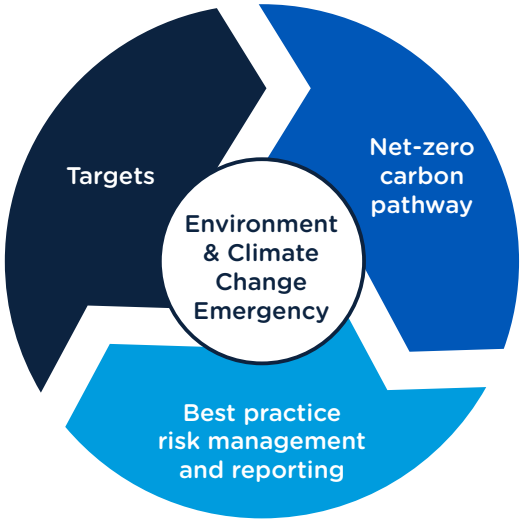
3
We will build a shared net-zero future by accelerating decarbonised energy solutions and minimising our environmental impact.

Our strategy to achieve net-zero by 2045

In May 2019 the UK Government declared an environment and climate change emergency.

Shortly thereafter, the UK set a target of achieving net-zero emissions by 2050 and Scotland has committed to becoming a net-zero society by 2045.

These national commitments are at the heart of our environment strategy. Our net-zero emissions pathway, proposed targets, risk management and reporting all form the foundations of our strategy.



This publication sets out our ambition of achieving net-zero emissions by 2045. Our stakeholders and customers tell us to invest more to provide a shared net-zero future and that we should reduce our environmental impacts. It is something that not only today's customers expect, also young people and future customers want to see this. We agree this is our obligation as a responsible business. We need to do our part in tackling the climate crisis and we should show how we contribute to the UK net-zero legislated target. Creating a net-zero business is creating a resilient business.

We acknowledge the big risk to our business associated with climate change. Not just from physical changes to our assets but also from regulatory change, social and competitive pressure (reputational risk) and from a financial perspective. Our strategy aims at managing these risks while leveraging the opportunities.

This strategy to be net-zero compliant by 2045 focuses on decarbonising our own operations.

Our strategy has a focus on five pillars which show our long term ambition for the environment:

- Net-zero business carbon emissions
- Engage with our supply chain, working towards a net-zero commitment
- Transitioning towards a circular economy
- Biodiversity net gain on land we manage and strive to enable carbon sequestration
- Support the hydrogen pathway for UK net-zero target

What net-zero means to SGN

Stakeholders have asked us to be clear on what we mean by net-zero.

Net-zero emissions means that we want to get as close to zero greenhouse gas emissions as possible (we have used the latest science-based methodology to calculate our pathway to net-zero 2045), and then to offset residual emissions with Certified Greenhouse Gas Removals (GGR's).

> "Be very clear about what is and isn't included in the definition of net-zero and how it will be measured"
>
> Comment from expert stakeholder

When we talk about net-zero we mean:

- net-zero greenhouse gas emissions, i.e. greenhouse gas emissions are calculated as carbon dioxide equivalents, CO_2e.
- a net-zero SGN carbon footprint which includes the following:
  - our Scope 1 emissions, i.e. shrinkage[1] from the network and direct emissions such as our commercial fleet and gas boilers;
  - our Scope 2 emissions, meaning emissions from purchased electricity; and
  - our Scope 3 emissions, which includes all other indirect greenhouse gas emissions occurring in the value chain, of which we are not directly in control (e.g. emissions from business travel, waste and our supply chain).

To achieve the ambitious target of the Paris Agreement[2], all parts of society have to contribute to decarbonisation. Hence, we are choosing to include our scope 3 emissions in our net-zero definition. While this has its challenges, being outside of our direct control, there are actions we can take by working closely with our supply chain. We will strive to engage, challenge, support and influence where possible and adapt policies which can contribute to societal change.

We operate a network that safely and reliably delivers gas to 5.9 million homes and businesses. Our biggest impact is shrinkage from the network[3]. Leakage, which is the biggest part of shrinkage, makes up approximately 95% of our total carbon footprint. The vast majority of the gas that UK relies on today is natural gas. Natural gas contains methane, a greenhouse gas which has a higher global warming potential (GWP) than carbon dioxide[4]. This means that even if the leakage of methane from our network is moderate, the carbon dioxide equivalent impacting on the atmosphere is high.

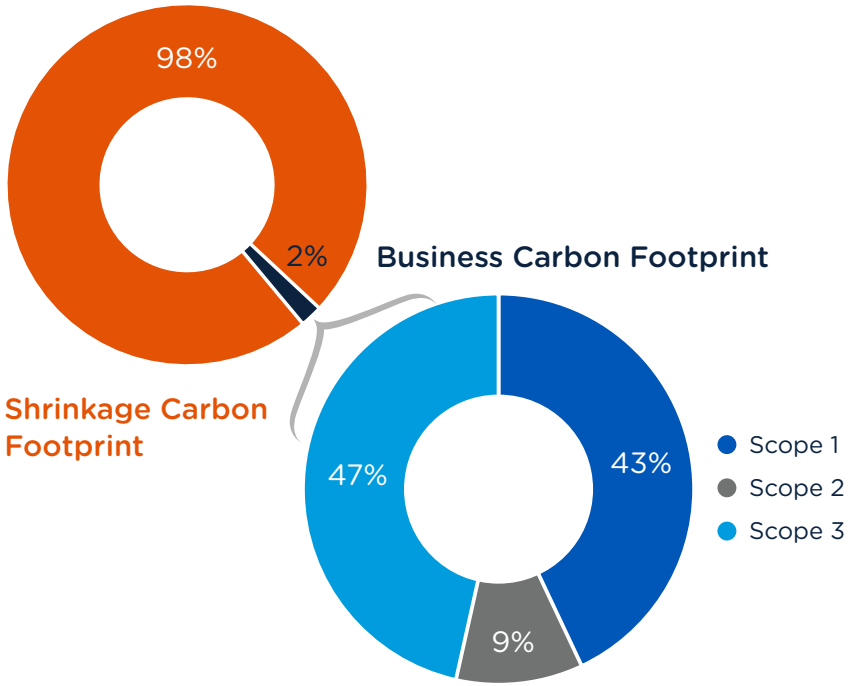
1 Shrinkage is made up of three elements; leakage, own use gas and theft. Shrinkage makes up 98% of our carbon footprint.

2 The central aim of the Paris Agreement is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. It also aims to strengthen the ability of countries to deal with the impacts of climate change.

3 Emissions arising at the end user, with our customers (i.e. post-combustion) does not count towards our carbon footprint.

4 The Global Warming Potential (GWP) for methane is 28 over 100 years, meaning methane is 28 times more potent than carbon dioxide over a period of 100 years. IPCC Fifth Assessment Report (2014).

We put a big focus on reducing the leakage and associated environmental emissions. This is reflected in our main replacement programme,[5] which has resulted in a 21% reduction of our total carbon footprint over the last seven years. We also invest in innovative solutions, e.g. our stent-bag and High Volume Gas Escape Toolkit, which will support the reduction of leakage at gas escapes, and by ensuring we practice efficient pressure control on our low-pressure distribution networks, SGN continually report industry leading average system operating pressures, this also reduces our leakage. When it comes to climate change, every tonne of carbon counts. This is why we also put focus on our business carbon footprint, which includes emissions from our day to day running and maintaining of the gas network.



Our ambition is to achieve net-zero by 2045. We have chosen 2045 as this represents the Scottish Government's legislative target. Being the network owner and operator in Scotland, we believe it makes sense to apply that same target across our networks. We also recognise the declarations of Climate Emergency from many local authorities across the country and the ambitious net-zero targets, some aiming at 2030, within our operational regions and we want to support those local ambitions as much as we are able to.

The Journey to decarbonising heat

There are alternatives to natural gas for the future of heating. Biomethane[6] is an important enabler for the future of heat and as carbon capture and usage/ storage (CCUS) becomes more prevalent, negative carbon emissions can be realised from the use of biomethane. Leakage of biomethane from the gas network has the same impact as natural gas. However the emissions post-combustion are approximately 90% less compared to natural gas.[7] We are also actively working with industry experts in the energy sector and beyond, to promote and support the realisation of hydrogen in the UK gas network. Hydrogen is an efficient energy carrier which once produced only emits water vapor and warm air.[8] This document does not cover the important work we do with others on the transition to net-zero heating. If you want to learn more on the future of gas please refer to our work with the Energy Networks Association (ENA) on Gas Goes Green and our website on Energy Futures.

5 Where we target the leakiest metallic mains for replacement with new and safer poly-ethylene pipe.

6 Biomethane results from the purification of biogas, to give it the same properties as natural gas. Biogas is a mixture of methane and carbon dioxide, produced by the breakdown of organic matter (such as food crop residues, intermediate crops, organic waste etc) in the absence of oxygen.

7 Burning biomethane gives a very small carbon footprint due to other greenhouse gases than carbon dioxide (please refer to DEFRA conversion factors for more information).

8 As far as leakage is concerned, hydrogen, although not a pollutant in its own right, can take part in atmospheric chemical reactions in the lower and upper atmospheres and these chemical reactions may lead to environmental damage. Currently hydrogen is not officially classified as a greenhouse gas under the Kyoto Protocol, albeit its indirect impacts. We are keeping a close view on BEIS decisions with regards to hydrogen and are developing an understanding of what carbon sequestration / offsetting would be required to ensure net-zero for SGN's carbon footprint.

Our drivers

The drivers for us are clear;

- Our stakeholders and customers want us to minimise our environmental impact.

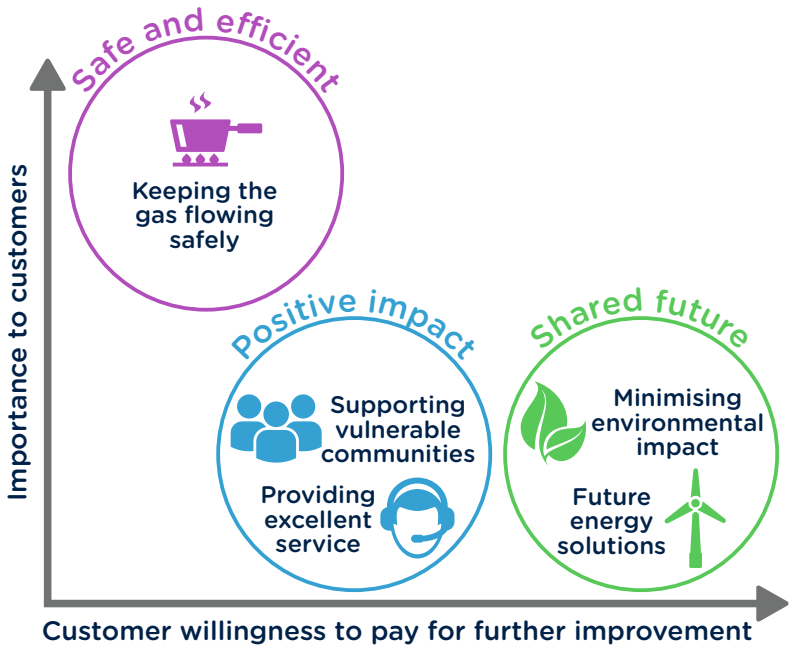


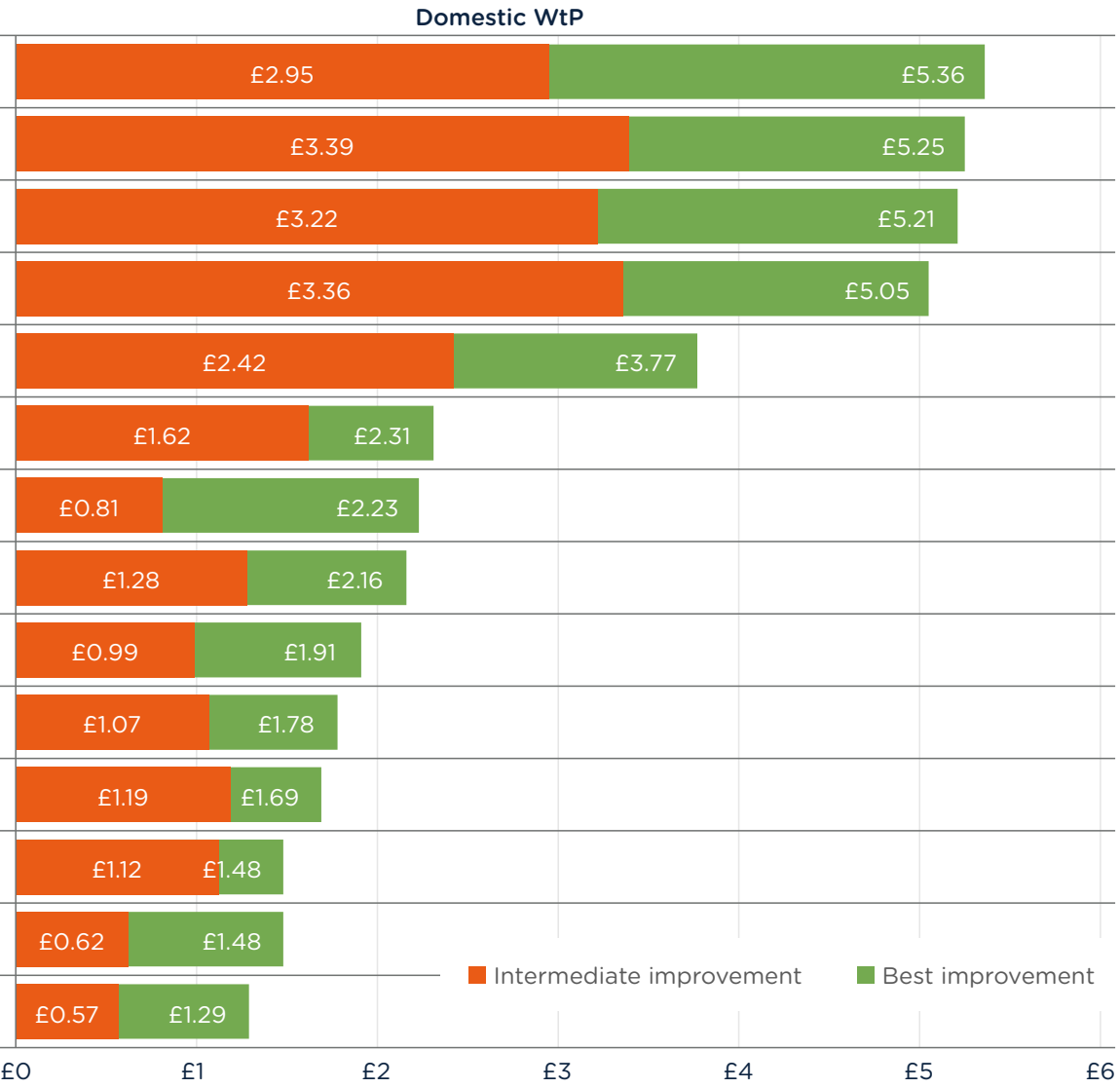
Figure 1: Minimising our environmental impact and providing future energy solutions are the two areas where customers are willing to pay the most for SGN to carry out further improvements.

This is the message which has been delivered to us repeatedly through stakeholder engagement workshops, willingness to pay research with customers and in customer engagement panels. It is a clear sign of the level of importance society places on the issue of climate change and the expectation on our business to act. As it matters to our stakeholders – it matters to us.

- As a responsible business and corporate citizen, we want to address the challenges posed by the climate crisis and reduce our impacts.
- The net-zero target became UK law in June 2019. The target will require the UK to bring all greenhouse gas emissions to net-zero by 2050, compared with the previous target of at least 80% reduction from 1990 levels.
- Climate change poses several risks to our business:
  - Physical risks – the risks to our assets from a warming climate with more extreme weather events requires adaptation to ensure we can maintain a safe and resilient network;
  - Legal/ reputational risk – claims arising from third parties based on climate-related events;
  - Policy / regulatory risk – the risk of increased regulation and disclosure requirements;
  - Technological risks - change of technological standard e.g. development of new gas distribution technology;
  - Societal risks – change in customer behaviour and options e.g. consumption of green energy solely and the risk of losing our social license to operate; and
  - Financial risk – the risk of stranded assets and changing shareholder expectations.
- Reducing environmental impacts provides opportunities to save costs, waste and reduce risk. It is an opportunity to realise savings for the business.

Across the two Willingness to Pay Studies, domestic customers gave highest values for attributes that minimise environmental impact

Wave		
2	**Reducing greenhouse gas emissions from our operations**	**40%** / **80%** carbon neutral electricity
1	**Future energy solutions - green gas**	**20%** / **40%** green gas
1	**Minimising environmental impact - operational carbon**	**10%** / **20%** reduction in operational carbon
2	**Reducing the greenhouse gas emissions from our fleet**	**50%** / **100%** ultra-low vehicles by 2026
2	**Minimising environmental impact**	Enhancing **15** / **30** disused sites
1	**Providing excellent service - planned appointments**	Guaranteed **4hr** / **2hr** slot (book online/phone)
1	**Supporting vulnerable (interruption)**	Better cooking & heating + additional services
1	**Supporting vulnerable (fuel poverty)**	Free gas connections + referral + hardship fund
1	**Providing excellent service - minimising disruption**	Roadworks reduced by **15%** / **30%**
2	**Increasing work opportunities for disadvantaged groups**	Support during application + ongoing training
2	**Working in collaboration with other utilities**	**10** / **20** joint projects per yr
2	**Developing life skills for young people**	**4,000** / **6,000** per yr
2	**Keeping our customers safe from carbon monoxide**	CO alarm (all) + appliance servicing (vulnerable)
1	**Keep the gas flowing - after unplanned interruption**	Restore gas supply within **21hrs** / **18hrs**



Wave 1 = 2,685; Wave 2 = 2,776

Figure 2 shows result of Willingness to pay research carried out with domestic customers, displaying that the top five elements are all related to minimising our environmental impact and future energy solutions.

The Sustainable Development Goals

We have decided to use the framework which are the UN Sustainable Development Goals (SDGs) to show how our activities fit into the bigger picture and a bigger conversation on sustainable development. While the emissions from our network and our business operations are in focus due to the global climate emergency, this strategy shows how we drive action towards several of the SDGs.

We have carried out three workshops to understand which of the 17 SDGs[9] are most important to our stakeholders and most significant to the business. The first two workshops were held with SGN colleagues from across the business and the third with expert stakeholders.

> "The strategy has a net-zero approach but I appreciate the reference to the broader Sustainable Development Goals"
>
> Comment from expert stakeholder

Size indicates the ability of the business to contribute to the goal

Figure 3: Result of SDGs workshops showing material Goals to the business

We are a member of Support the Goals, an initiative to rate and recognise the businesses that support the UN Global Goals.

Figure 3 shows the results of these workshops, clearly indicating 8 out of the 17 Goals being in the top right-hand corner and therefore considered material to SGNs business. The size of the "SDG bubble" is also important and shows stakeholders views of the business' ability to contribute to a certain goal.

Delivering a strategy which stretches 25 years into the future is a challenge which comes with increasing uncertainty. The strategy outlines what we think may happen and how we strive to work with the uncertainty we are facing. We will provide regular updates as the world around us continues to change. Working with the SDGs as a guiding light provides the benefit of having many thousands of national and international organisations working towards the same Goals. Through our membership in 'Support the Goals' we can learn from others and share best practice. We strongly believe in global commitments and local actions to meet these.

9 There are in total 17 SDGs, underpinned by 169 targets. You can learn more on https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Climate leadership framework

In May 2019 we carried out work to align ourselves with the Carbon Trust Climate Leadership framework. The framework is designed to help companies take comprehensive action to align their business with an economy compatible with the ambitions of the Paris Agreement. This resulted in an SGN roadmap towards climate leadership, which is shown in figure 4.

Actions identified in the roadmap have been taken into consideration when shaping this net-zero strategy. The actions link in particular to SDG 13 which provides the focus for climate action in line with the Paris Agreement.

Finalised Roadmap - Short to Long Term

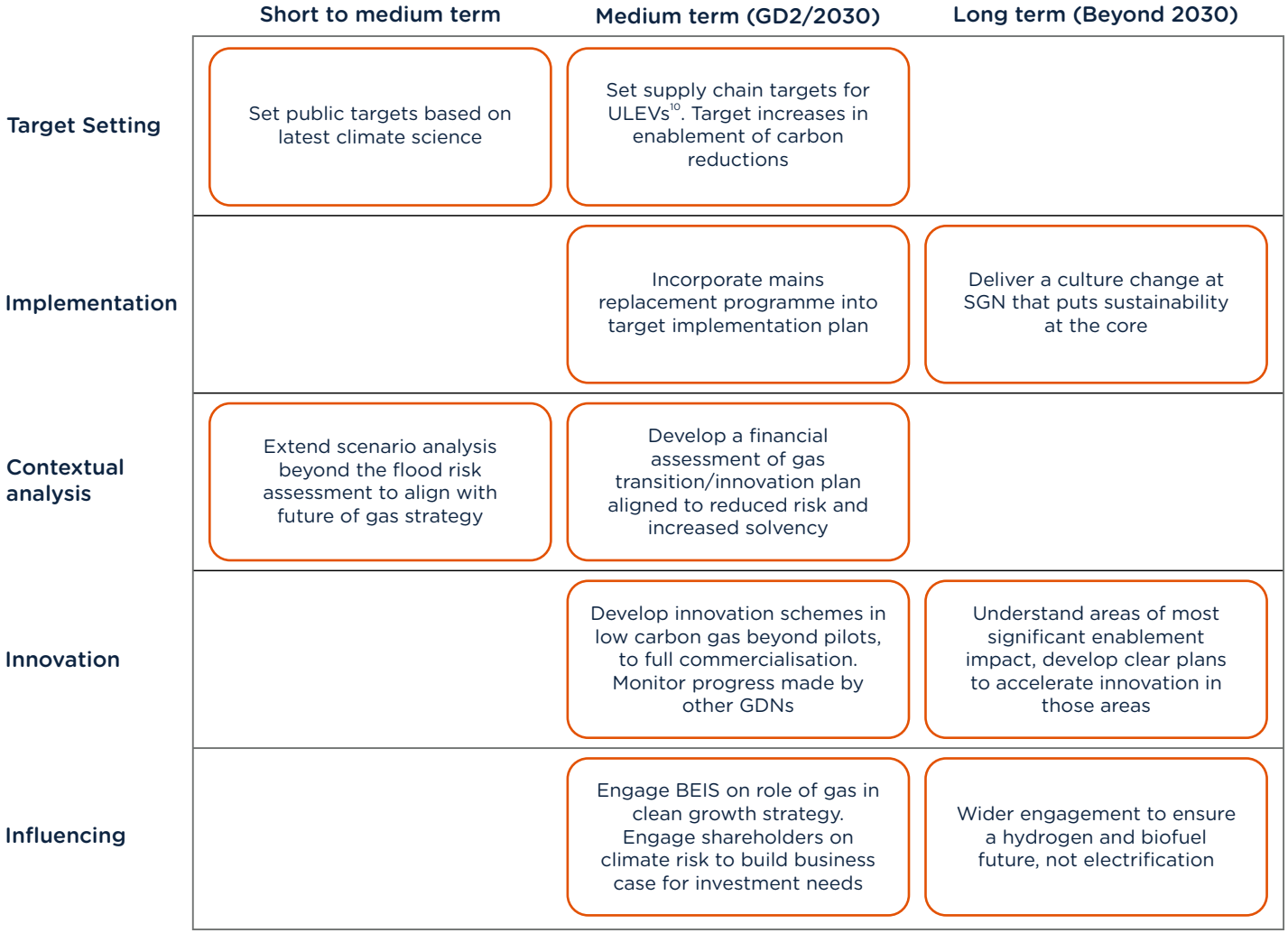


Figure 4: SGNs road map to climate leadership.

Our strategy and RIIO-GD2

In December 2019 we submitted our RIIO-GD2 Business Plan which included our Environmental Action Plan (EAP) to Ofgem. This has been the foundation for our strategy and where we first stated our net-zero 2045 target. RIIO-GD2, the next price control period stretches from April 2021 to March 2026. Our shared net-zero future – environment strategy show how we aim to bridge the gap between end of GD2 and our net-zero target.

10 ULEVs is ultra low emission vehicles

Balanced Scorecard

The following sections show what we want to achieve presented in a balanced scorecard. It expresses what outcomes we want to realize, the actions we intend to take, and the measures determining success. Successful implementation will in addition require provision of training to our employees and organisational learning from changes we are making.

The outcomes are split over three time frames; the short, medium and longer term. Short term is defined as 1-2 years ahead, medium term is defined as the end of RIIO-GD2 (i.e. by March 2026) and long term is beyond GD2 and towards 2045. Uncertainty is naturally increasing with time.

Short term – getting ready for the next price control period

We are living in a climate and environment emergency. All levels of society, including government, businesses, non-governmental organisations and individuals, need to act to enable a reduction of greenhouse gas emissions to achieve the Paris Agreement.

With current policies we are on a trajectory towards global temperature increase of 2.8 – 3.2°C by the end of the century. More needs to be done.

SGN's stakeholders and customers are clear that they want us to take action. We support a green recovery from the current pandemic.

In financial year 2019/20 we emitted in total 800,801 tCO_2e to the atmosphere. This is a reduction by 10% over the last seven years. The reduction is mainly due to our iron mains replacement programme which replaces iron main pipes with new polyethylene (PE) pipe, and behaviour changes relating to energy efficiency and use of technology instead of travel. During this period we have also improved the range of data we measure, in particular for our scope 3 where we are capturing more supply chain data then back in 2012/13.

Short term outcomes

In the short term period, we have set targets for the next price control (RIIO-GD2) which affects a large part of SGN[11]. The period is characterised by pilot projects and acquiring a better understanding of what net-zero means to us as a business. We also want to ensure we keep contributing towards achieving the Sustainable Development Goals.

Reducing leakage with new polyethylene (PE) pipe

11 Our regulated business; the Scotland and Southern networks.

Net-zero Business Carbon Emissions				
Outcome	**By when**	**Actions**	**Impact**	**Framework**
A carbon reduction path to net-zero 2045 for target setting	2020/21	Develop targets aligned with science based methodology Perform scope 3 hot spot analysis	- Provide stakeholders with a clear flightpath towards net-zero	SDG 13  Climate leadership framework
Reduced carbon footprint	2022	Procure 100% certified and renewable gas and electricity Iron mains replacement programme to reduce leakage	- Reduced emissions to the atmosphere	SDG 7, SDG 13 
Methodology for embedded carbon / capital carbon[12]	2021	Collaborate with other utilities industries (e.g. the water utilities) and with other GDNs[13] to identify a suitable methodology for measuring the carbon footprint for materials – an important aspect for infrastructure	- Clear communication on how we take responsibility for sustainable use of resources to reduce the environmental impact and to reduce costs	SDG 9, SDG 12, SDG 13 
Efficient reporting of environmental, social and governance aspects and risks	2022	Explore suitable frameworks, including TCFD[14], to ensure level of reporting aligns with any demands on increased transparency	- Best practice reporting	Climate leadership framework

Transitioning towards a circular economy				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Reduced waste	2020/21	Perform audit supporting adaptation of circular economy principles. This will inform future target setting	- Reduced cost - Better use of resources - Less waste to landfill	SDG 12 
Reduced waste to landfill	2020/21	Measure and report on waste to landfill, waste recycled and reused. This will inform future target setting	- Reduced waste to landfill - Increased recycling - Avoided cost - Better use of resources - Reduced carbon impact	SDG 12 

Biodiversity net gain on land we manage and strive to enable carbon sequestration				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Improve biodiversity on our land	2020/21	Develop at least two projects aligned with biodiversity improvements	- Better understanding of biodiversity improvement actions - More, healthy green areas - Community impact	SDG 11, SDG 3, SDG 15 

Engage with our supply chain, working towards a net-zero commitment				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Support our supply chain to improve their adverse environmental impacts	2020/21	Engage at least five suppliers with the Supply Chain Sustainability School	- Improving learning in value chain - Supporting suppliers to improve - Improved sector collaboration	SDG 13, SDG 12, SDG 8 

Support the hydrogen pathway for UK net-zero target				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Increased local engagement for a hydrogen pathway and our net-zero – environment strategy	2020/21	Engage with at least four local authorities to support their efforts towards net-zero	- Collaboration with local authorities - Supporting pathway to net-zero	SDG 11, SDG 13, SDG 12, SDG 9 

12 Capital carbon refers to greenhouse gas emissions arising from the creation, refurbishment, and end of life treatment of assets such as buildings and infrastructure. This differs from operational carbon which covers the greenhouse gas emissions associated with the operation and maintenance of assets during delivery of their function and services.

13 Gas Distribution Networks

14 TCFD is Task force on climate related financial disclosures

Medium term – starting the transition towards a low carbon network

The period up to the end of the next price control period (RIIO-GD2) has been carefully detailed in our Environment Action Plan.

Leakage is the #1 opportunity for impact, there's a triple win of addressing leakage, future proofing for hydrogen & overall efficiency

Stakeholder comment on leakage, which is the biggest part of our carbon footprint.

Medium term outcomes

Net-zero Business Carbon Emissions				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Reduced leakage	2025/26	Continuation of the iron-mains replacement programme Roll-out of innovation to reduce leakage	- Reduced emissions to atmosphere (tCO_2e)	SDG 13, SDG 9
Reduced Business Carbon Footprint by 25% compared to baseline year 2019/20	2025/26	Installation of on-site renewables Building energy efficiency Transition to low carbon commercial fleet Reduction in business travel	- Reduced emissions to atmosphere (tCO_2e) - Support whole systems change towards renewable energy - Improved air quality	SDG 13, SDG 7, SDG 11
Reduced capital carbon in our infrastructure	2025/26	In the medium term we are developing a methodology and we will set targets for reducing capital carbon for new projects	- Reduced emissions to atmosphere (tCO_2e) - Improved use of resources - Improved sector collaboration	SDG 13, SDG 9

Transitioning towards a circular economy				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Zero (non-hazardous) waste to landfill	2026	Work across all our areas to implement the waste hierarchy	- Improved use of resources - Reduced waste to landfill	SDG 12
Reduced use of virgin aggregate	2025/26	Set stretching target for the reduction of virgin aggregate use	- Improved use of virgin resources	SDG 12
Improved circularity of infrastructure projects	2025/26	Collaborate with the infrastructure industry to establish best practice and identify circular economy metrics and indices.	- Improved use of material resources	SDG 12

Biodiversity net gain on land we manage and strive to enable carbon sequestration				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Biodiversity net positive impact in communities and cities where we operate	2025/26	Applying learnings from short term pilot projects to roll-out to more sites and land that we manage for the longer term	- More and healthier green areas - Community impact - Improved biodiversity	SDG 11, SDG 13, SDG 3 

Engage with our supply chain, working towards a net-zero commitment				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Suppliers with higher environmental standards	2025/26	80% of our suppliers (by value) are meeting our new Supplier Code, KPI and targets to improve supply chain performance	- Support suppliers to reduce environmental impact - Reduced GHG emissions to atmosphere - Increased sector collaboration	SDG 8, SDG 12, SDG 13 

Support the hydrogen pathway for UK net-zero target				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Increase our influence for a net-zero future	2025/26	Continuous collaboration with suppliers, local authorities, city regions, other GDNs and organisations in and outside of the gas energy sector	- Increased collaboration for whole system transition towards a net-zero economy	SDG 12, SDG 11, SDG 7 
Promote economic and climate resiliency for the future of heat	2025/26	Explore issuance of green bonds, internal carbon tax and other financial instruments	- Positive impact on the transition to a net-zero economy	Climate leadership framework SDG 9, SDG 7, SDG 8 

> You've got a really important role as that interface between private & public sectors
>
> Stakeholder comment on our strategy

For this step-change on activities to decarbonise the energy network and reduce our adverse environmental impacts we need to ensure that our employees have the relevant skills. Therefore, we are committed to provide training as applicable to our own workforce to meet net-zero challenge. This commitment supports all five pillars of our strategy as well as SDG 5 and SDG 8.

As stated in the beginning of this document, this strategy has a focus on SGN's own carbon footprint and environmental impact. As this depends on the type of gas flowing through our pipes, it is clearly linked to the future of heating. In the medium term time horizon, there are a number of actions SGN are leading on, which enables avoided emissions for consumers of gas and stretches our influence outside that of our own operations and our value chain.

We want to:

- support the supply of biomethane to our customers. This will enable emission reductions outside our own carbon footprint;
- build and operate a 300 home, 100% hydrogen network (H100 Fife), by 2022/23. This will provide proof of hydrogen as a viable alternative for the future of heating;
- support the conversion of an existing network to 100% Hydrogen, by 2025/26, to further prove the use of hydrogen in the future network for gas.

Climate change is already impacting our assets and occupied buildings. We will report progress to our stakeholders on what we are doing to maintain a safe and resilient network, alongside reporting on our outcomes as described in this strategy.

Long term – responding to the systems challenge

The end goal for the energy system is an integrated network which delivers clean, secure and affordable energy to customers.

In most places in the world, the air is moist and fresh, even within cities. It feels a lot like walking through a forest, and very likely this is what you are doing. The air is cleaner than it has been since before the Industrial Revolution.

"The future we choose"
C. Figueres, T.Rivett-Carnac (2019)

In the longer term our networks are fully hydrogen ready and able to support a net-zero future.

We operate an agile business, with net-zero buildings, transport and energy consumption. In the areas where we have not been able to eliminate greenhouse gas emissions, we offset by investing in local carbon sequestration projects.

UK has set a target to achieve net-zero greenhouse gas emissions by 2050, and the Scottish Government to do the same by 2045. This is to make sure that we as a country can achieve the Paris Agreement striving for a no more than 1.5-degree Celsius global temperature increase by the turn of the century. This would avoid the worst and most devastating impacts of climate change.

The Gas Distribution Networks have published a joint publication called "Gas Goes Green", a blueprint to meet the challenges and opportunities of climate change, delivering net-zero in the most cost effective and least disruptive way possible.

This shows the planned transition from today's heating system supporting almost 100% natural gas, which through leakage and post combustion contributes to climate change, to a system with only low carbon gases. All gas end-users are supplied with hydrogen and/or biomethane, the principal type varying by region.

- Natural gas no longer used, unless abated with CCUS for blue hydrogen production[15]
- Net-zero energy system achieved by 2050

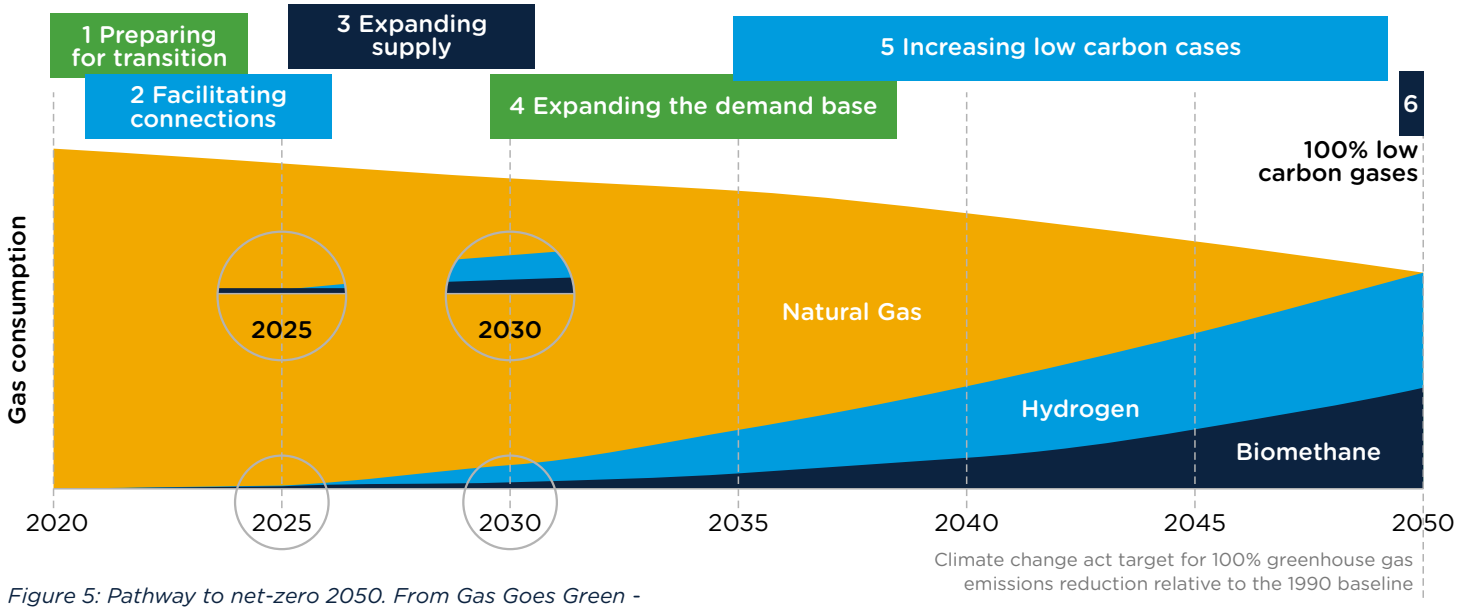


Figure 5: Pathway to net-zero 2050. From Gas Goes Green - Delivering the pathway to net-zero, ENA (April 2020)

15 Blue hydrogen production is produced using fossil fuels. Green hydrogen uses renewable energy.

Long term outcomes

In the longer term we aim to reduce our own carbon footprint to as close to zero as possible. Transition to hydrogen in the pipes will enable our currently biggest contributor, leakage, to drastically reduce.

Net-zero Business Carbon Emissions				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Net-zero Business Carbon Footprint (scope 1 & 2)	TBC – no later than 2045	Set stretching targets aligned with science based methodology to achieve net-zero business carbon footprint	- Reduced emissions to atmosphere	SDG 13 
Net-zero scope 3	2045	Working with supply chain and other scope 3 areas to reduce emissions to achieve our ambition	- Reduced emissions to atmosphere	SDG 13, SDG 12 
100% low/no emission car fleet	2030	All cars in our commercial and company car fleet to be EV, hybrid or hydrogen fuel cell	- Reduced emissions to atmosphere - Reduced air pollution - Community impact	SDG 13, SDG 11 

Transitioning towards a circular economy				
Keep building on lessons learned and practice continuous improvement Aim to set specific outcomes for the long term period by the end of 2026				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
Target for circularity on all key products	2045	Achieve circularity or near circularity on as many of our key products as possible Demonstrate multiple case studies where circularity has been achieved	- Improved use of material resources - Drive towards net-zero across the value chain	SDG 12 

Biodiversity net gain on land we manage and strive to enable carbon sequestration
Keep building on lessons learned and practice continuous improvement
Aim to set specific outcomes for the long term period by the end of 2026

Engage with our supply chain, working towards a net-zero commitment
Keep building on lessons learned and practice continuous improvement
Aim to set specific outcomes for the long term period by the end of 2026

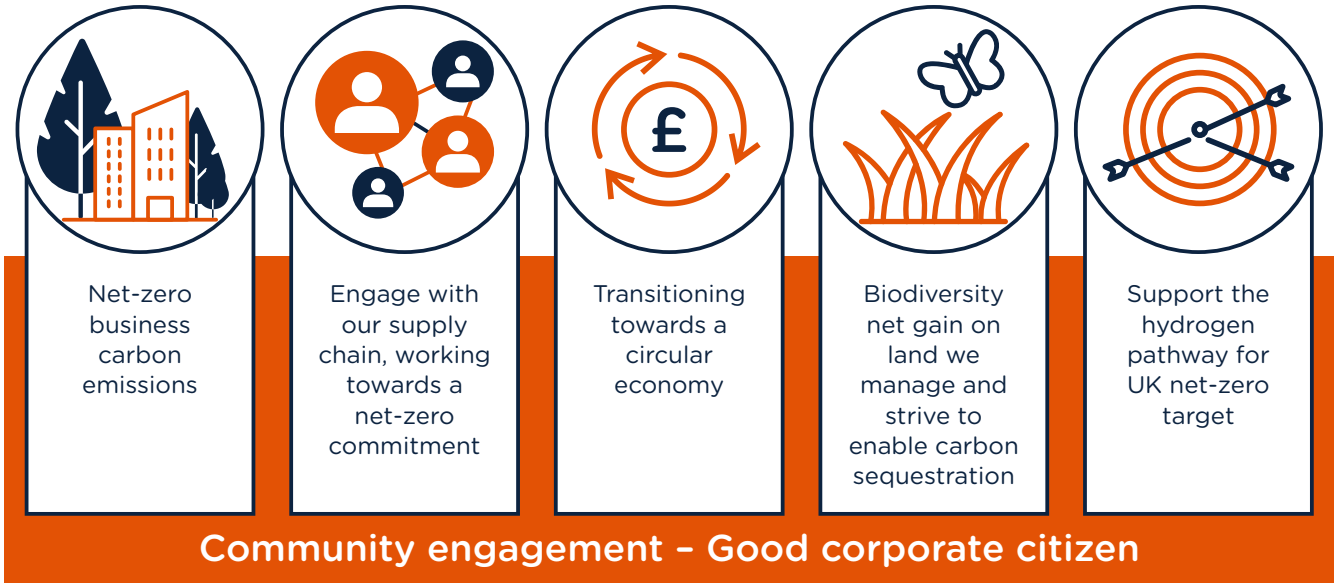
Support the hydrogen pathway for UK net-zero target				
Outcome	**By when**	**Actions**	**Impact**	**Related SDG**
SGN Network to achieve net-zero greenhouse gas emissions	2045	Measure and monitor emissions from the network, identifying suitable ways of offsetting as required	- Reduced emissions to atmosphere	SDG 13, SDG 7

Strategy overview

As the actions and approach of this net-zero strategy show we are focusing on five pillars:

Our approach strives to show the positive impact on the community and how we act as a good corporate citizen. This will also be how we aim to report on our progress, by lifting out the engagement with our communities that we serve and the impact we will have.

The sections above show what actions we are looking to take and how these relates to our commitment to the Sustainable Development Goals and developing SGNs position as a climate leader in our sector. Below we show our prioritised Sustainable Development Goals and how these Global Goals link to our strategy.



Work safely and efficiently – home safe and well

Create an inclusive workplace where all our people have opportunities to grow

Provide clean, affordable heating to our customers and reduce fuel poverty

Become a preferred employer retaining staff and attracting the right people for the job

Support and drive innovation to reduce our impacts on the environment and promote sustainability

Support and improve the communities we live and work in, and enhance the natural capital of our sites

Use resources efficiently and prudently, and adopt the principles of a circular economy

Reduce our impacts on climate change and show leadership in the UK clean energy sector

Approach

In consultation with expert stakeholders, a prioritised approach to achieve this net-zero strategy has emerged.

We will:

- report progress to our Stakeholder, Environment & Customer Board Committee (SECC);
- engage with the Executive Committee on progress and approach;
- engage with shareholders to understand their drivers and ensure we respond to changing requirements accordingly;
- continue to seek challenge and advice from stakeholders;
- Increase engagement with our suppliers for two-way learning, e.g. through Supply Chain Sustainability School;[16]
- launch an internal campaign asking our people to 'Own their own zero';
- report and communicate internally and externally on progress towards our targets;
- educate as necessary and engage with stakeholder groups outside of our own industry;
- set up an Environment Advisory Panel to provide support and challenge, acting as a critical friend, share best practice and foster collaboration; and
- support engagement with local authorities for energy planning including LAEPs and LHEES.[17]

We will work with all departments and different areas of SGN Group to establish what the strategy means to them, what projects, actions and targets they will adopt to ensure we can achieve it and support them in getting the right training to achieve our ambitions.

Reporting

We will report progress towards our targets in the Annual Environment Report (AER). The AER is a new report part of our License Obligation to Ofgem and as such it covers Scotland and Southern. It will be made available to all stakeholders. We will also ensure consolidated information for all of SGN is made publicly available. Our reporting is an opportunity to show stakeholders and customers how we act as a good corporate citizen.

In a sometimes rapidly changing world, we need to stay agile and flexible. As we take on board policy changes, new emerging technology and stakeholder feedback we will also provide updates to this net-zero strategy as applicable.

16 We are a Partner of the Supply chain sustainability school. This is is a collaboration between clients, contractors and first tier suppliers who want to build the skills of their supply chains.

17 Local Area Energy Plans (LAEPs) in England and Local Heat and Energy Efficiency Strategies (LHEES) in Scotland

Governance

We commit to regular stakeholder engagement and feedback. This will happen through workshops, webinars and similar engagement methods which have proven successful in past engagements. We will also set up an Environment Advisory Panel where challenges and opportunities can be discussed openly, and best practice approach and advice can be shared both ways.

Progress on our Environment Action Plan and this strategy will be reported and discussed in a new Board subcommittee to be implemented in 2020, the Stakeholder, Environment & Customer Board Committee (SECC).

In addition Environment and Climate Change have been regular features at the Customer Engagement Group (CEG) which was set up to challenge our plans for RIIO-GD2 and our Stakeholder Advisory Panel which is made up of a range of stakeholders to give us feedback on how we are performing and how we can improve. We will continue to communicate with these groups as appropriate.

> Leadership engagement must be authentic and run across the business. It's really important that leaders lead by example – behave the way you would expect others to.

Stakeholder comment on how we engage with the business to deliver the net-zero strategy

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