

Sustainability Report

2012/13



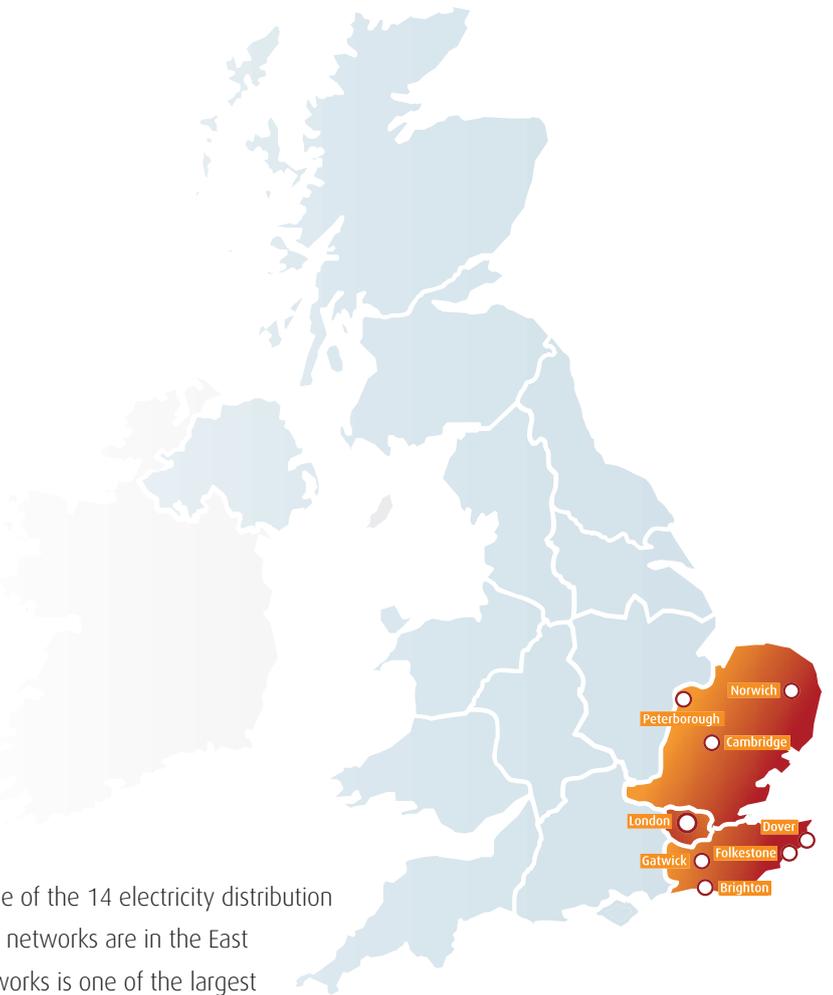
**UTILITY OF
THE YEAR**



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About UK Power Networks



UK Power Networks owns, operates and manages three of the 14 electricity distribution networks in the UK. Our licensed electricity distribution networks are in the East of England, London and the South East. UK Power Networks is one of the largest Distribution Network Operators (DNOs) in the UK, covering an area of approximately 30,000km², extending from The Wash in the East to Littlehampton on the Sussex coast. Approximately eight million connected customers depend on us for their electricity.

Our job is to deliver electricity to our customers safely, to 'keep the lights on', to connect new customers and to restore supply safely and as quickly as possible following a power cut. We are responsible for maintaining and modernising our networks and ensuring that there is adequate capacity to support the needs of our customers. We have an important part to play in supporting the Government's move to a low carbon economy. The energy industry is facing considerable challenges to meet increasing demand. We are helping to accommodate the new low carbon technologies, such as electric vehicles and heat pumps, by ensuring they integrate effectively and efficiently with our network, while planning for the roll-out of smart meters.

Introduction

UK Power Networks plays an integral part in the lives of all communities in the East of England, London and the South East, building, maintaining and improving the network of cables and lines which take the electricity from the National Grid to homes and businesses.

As a Distribution Network Operator (DNO) our regulator Ofgem targets sustainability, stipulates accountability and incentivises improvements in efficiency. Our objective however is to go well beyond regulatory requirements fulfilling our aims of being a respected corporate citizen, an employer of choice and sustainably cost efficient.

As a respected corporate citizen we aim to support the communities whose daily lives are so reliant on our networks and have been recognised for our work in partnership with the British Red Cross, providing support and assistance to our vulnerable customers in an event such as a power cut. Since the launch of the partnership over 100,000 customers have received additional support.

Developing a healthy, skilled and diverse workforce is integral to being an employer of choice. Two major campaigns, Towards Zero and Stay Safe, aimed at improving the wellbeing and safety of all employees have been launched. In the 'Get Olympic Fit' competition, part of Towards Zero, participating employees with 'normal' blood pressure rose from 59% to 84%, while Stay Safe, launched in 2013, aims to fundamentally change the way staff think about their own and their colleagues' safety.

Climate change represents a considerable challenge to business and we aim to support the UK's transition to a low carbon economy, helping meet the UK government target of an 80% reduction in CO₂ levels by 2050. At the heart of this are our Future networks projects which include the 'Low Carbon London' project and 'Flexible Plug and Play'. The former uses London as a testbed to support the development of a smart electricity network that can manage the demands of a low carbon economy. The latter looks at faster and cheaper ways of connecting distributed generation to the network and will aid the Department of Energy and Climate Change (DECC) to meet its target of generating 30% of the UK's electricity from renewable sources by 2030.

We are also working on the environmental impact that we make ourselves, examining carefully our use of resources, increasing efficiencies throughout the business and working to reduce our own business carbon footprint, which in turn enables us to be more sustainably cost efficient. We are always seeking to find innovative ways to protect the environment against any pollution, such as the development of the Green Rhino filter bag in partnership with Capture Green. We are the first utility to adopt the filtering of any water pumped from excavations as standard practice.

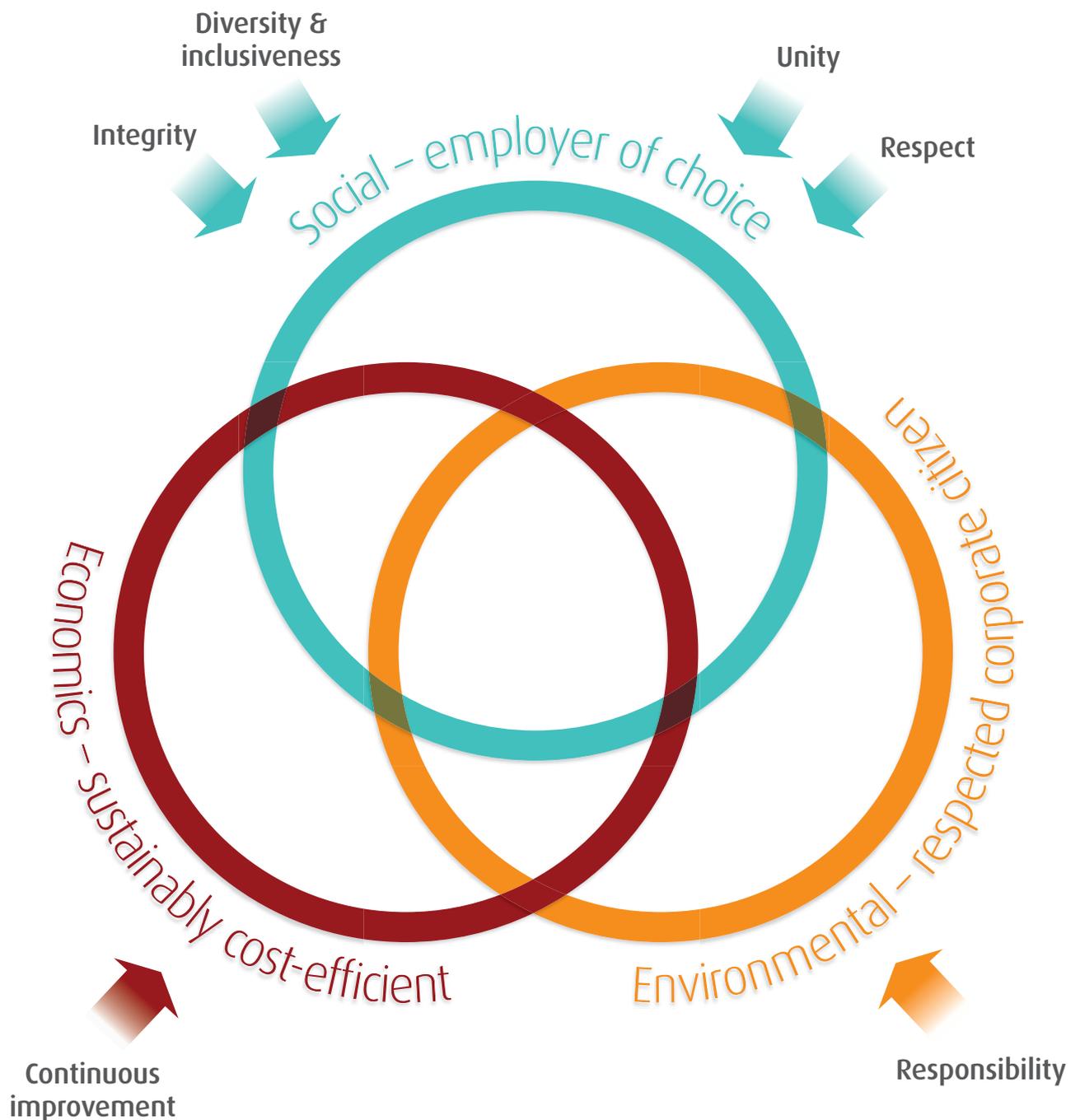
We work closely with our employees, stakeholders and the local community to reduce our environmental impact. We consulted widely with all our stakeholders and incorporated their feedback into the development of our 2015 to 2023 Business Plan. The projects mentioned above are covered in this, our first Sustainability Report, which seeks to share our sustainability commitments, challenges and successes.



Basil Scarsella
UK Power Networks
Chief Executive Officer

The theory of sustainability

Sustainability in the workplace is the practice of considering three factors; economic, environmental and social within each activity and process. Managing costs, environmental impacts and social implications is both an opportunity and a challenge for business.



Sustainability in the energy industry

The energy industry faces significant challenges in the near future:

- To meet an increase in demand from a growing population
- To accommodate new ways of managing energy flowing in and out of the network
- An industry wide skills shortage within the workforce

As a Distribution Network Operator (DNO) our Regulators continue to target sustainability, stipulate accountability and incentivise improvements in efficiency.



Our sustainability strategy

UK Power Networks' vision of being an employer of choice, respected corporate citizen and sustainably cost efficient is intrinsically supported by implementing sustainability principles throughout our business.

We have analysed how we carry out our activities and benchmarked wider sustainability business practices to develop an effective strategy which will support our Business Plan through to 2023.

Four areas of focus have been identified as key themes to the framework of sustainability in our business. These are: Community, Environment, Future Proofing and Workforce.



Standards



ISO Management Systems

Within UK Power Networks we have implemented and developed a Quality Management System (ISO 9001) in conjunction with a Health & Safety (OHSAS 18001) and an Environmental (ISO 14001) Management System. This Integrated Management System is designed and implemented to ensure UK Power Networks maintains efficient, effective and clear control over its policies, procedures, processes and provides a framework for continual improvement.

Global Reporting Initiative

This report has been compiled following the Global Reporting Initiative (GRI) G3.1 guidelines, a recognised international standard of sustainability reporting, at a B Application Level. It covers the sustainability performance of UK Power Networks Holdings Limited and its subsidiaries.

Using the GRI framework we will produce a sustainability report annually to facilitate comparison with other businesses. The Electric Utilities Sector Supplement has been specifically referenced as these guidelines match the activities of our business.

See appendix 1 for full list of disclosures. Information for the GRI disclosures has been included in the following reports:

BCF = Business Carbon Footprint ([hyperlink to be added](#))

AR = Annual Review ([hyperlink to be added](#))

SR = Sustainability Report GRI Matrix ([hyperlink to be added](#))

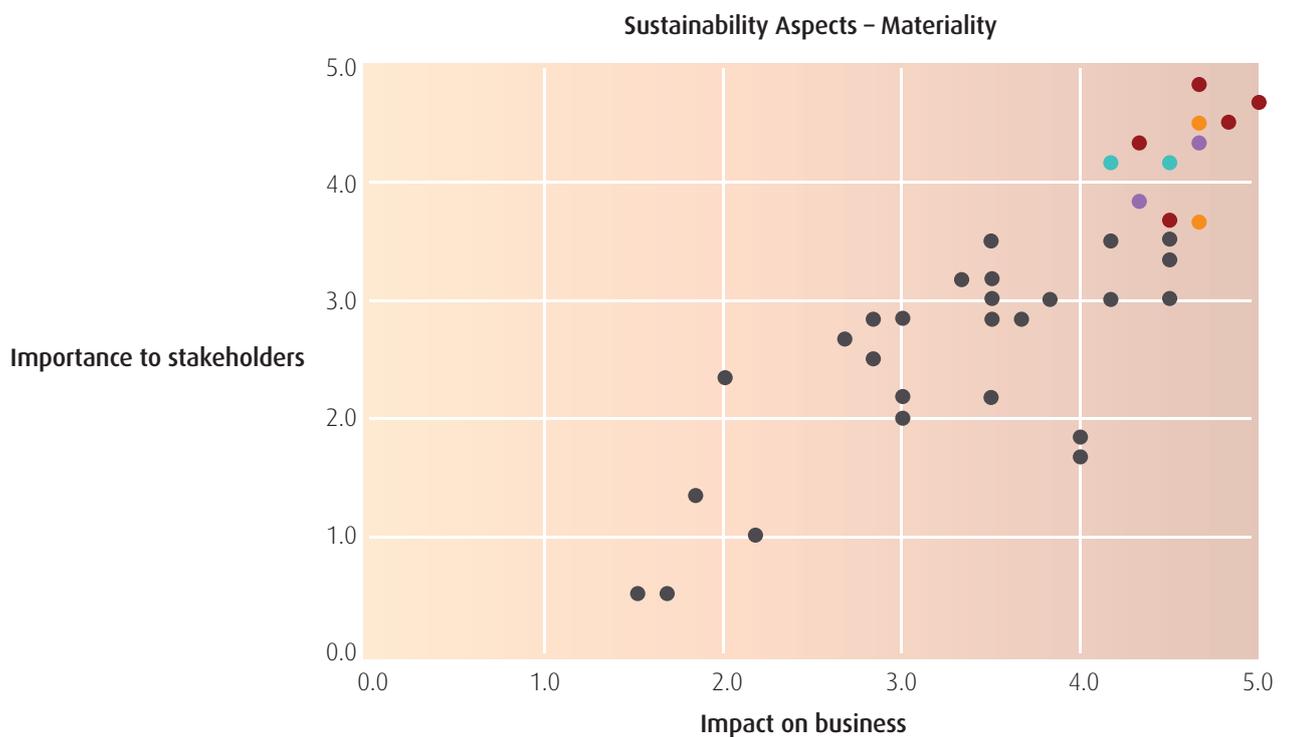
ARFS = Annual Report and Financial Statements ([hyperlink to be added](#))



Materiality

The materiality principle is a fundamental aspect of determining what sustainability indicators are most relevant to the business. A materiality test has been conducted to determine which sustainability aspects and indicators outlined in the GRI framework are most relevant to our business.

The results are shown in the below matrix.



The aspects deemed material to UK Power Networks appear in the top right of the chart as they scored relatively higher than those which appear nearer the bottom left.

For UK Power Networks the sustainability aspects and indicators most material are:

- | | |
|--|------------------------------|
| Economic performance | Availability and reliability |
| Demand side management | System efficiency |
| Energy use | Emissions, effluents & waste |
| Transport | Employment |
| Occupational health & safety | Training and education |
| Disaster/emergency planning and response | Customer health and safety |
| Access to electricity | Provision of information |

Community



Our Aim

Build a responsible and safe society to support our vision of being a respected corporate citizen

Our Commitments and Challenges

- Support vulnerable customers
- Public safety around our network and operations
- Partner with community and charity organisations
- Engagement with the customers and communities we serve

Our Community Commitments in Action

British Red Cross Partnership – A service providing additional support to vulnerable customers during a loss of energy supply

For several years UK Power Networks has partnered with the British Red Cross to provide support and assistance to our vulnerable customers in an event such as a power cut. Since the launch of the scheme over 100,000 customers have received additional support.

Practical support is provided with torches, mains free telephones and batteries being distributed free of charge. We also provide our customers with emotional support, reassurance, information or a comforting chat. This service is both proactive, with Red Cross volunteers visiting customers during a power cut, and reactive, responding to approximately 140 call-outs per month from our Customer Service call centre.

Supporting vulnerable customers is an area of importance emphasised in Ofgem's sustainable development themes. In previous years we have received external recognition for this project through the Business in the Community's 'Big Tick' award scheme.

Supporting vulnerable customers is an area of importance emphasised in Ofgem's sustainable development themes

Public Safety – Promoting safety and building positive relationships in our communities

The safety of the public is of paramount importance to UK Power Networks and links with our vision of being a respected corporate citizen. Our over-riding aim is to ensure nobody is injured or has their health damaged as a result of our activities. We seek to educate the public about responsible ways to behave around electricity. During 2012 we achieved our target of reaching 1 million people.

We work reactively after incidents involving the public, making visits to site to offer advice but importantly we also have a broad range of pro-active measures to help raise awareness of the potential dangers inherent in our Network.

Along with offering tool box talks and attending safety days, we attend targeted events and county shows as well as demonstrations to the outdoor leisure communities. We also have safety advice and downloadable leaflets available online.

Through our proactive initiatives we:

- Embed safety messages in our communications with customers via various areas of the business
- Write to various sectors .e.g. scaffolders, demolition companies, satellite erectors, tree trimmers etc with safety information
- Promote tool box talks and developing interactive resources for companies to use with their employees
- Educational visits to e.g. agricultural colleges, construction industry to promote safety around electricity
- Promote safety via articles in trade magazines and with specific trade organisations
- Innovative competitions via schools to promote safety among young people

Power Up Website – Free online resource to promote safety aimed at young people aged 7 – 14, teachers and parents

UK Power Networks has developed its interactive website called ‘Power Up’ which helps us promote safety around electricity to a much wider audience whilst providing useful Key Stage 2 and 3 resources for teachers. It also offers professional advice and guidance to parents, as well as games, interactive quizzes, a glossary and many relevant links for young site visitors. The resources are downloadable and constantly updated.

The website is an effective communication tool with no geographical restraints. Numbers actively using the site increased from just 18,666 in 2008 to 275,418 in 2012.

Visit www.ukpowernetworks/powerup

Charity Aid Foundation (CAF) – A scheme enabling employees to give tax free financial donations to charity through the payroll system

Each employee can support a charity of their choice by donating direct from their salary. The Give As You Earn (GAYE) scheme enables the donation to be tax free, providing the charity with a larger donation at no additional cost to the employee.



Wildlife Trust Partnership – An opportunity for employees to take part in practical conservation activities

There are nine local Wildlife Trusts located within UK Power Networks' geographical footprint. UK Power Networks has joined the trusts as a Gold Corporate Partner. Funding is provided for the trusts on an annual basis and 27 employee team days are utilised to practically support the conservation and protection of the local natural environment.



This partnership has been a win-win success as whilst our financial and practical assistance has supported the Trusts, being able to utilise their expertise as consultants has proved invaluable by providing a credible source of information on wildlife issues.

The partnership gained external recognition from the 2012 Utility Industry Achievement Awards as a finalist in the Environment Award category.

Business in the Community (BitC) – Membership of a sustainable business network which promotes responsible business practices

A highlight of our BitC membership has been the independent recognition of the positive work UK Power Networks has been involved with.

UK Power Networks has received awards in the following categories:

1. Breaking Down Barriers to Work Award, achieving 'highly commended' status for a project (Work Placements Programme for Ex-offenders) supporting ex-offenders with their reintegration into society and the workplace.
2. Big Tick Award for Excellence, awarded for building stronger communities through the British Red Cross partnership project.
3. Bupa Workwell Award Big Tick and East of England Local Impact Award 2013: Business Action on Public Health for our Towards Zero programme.

Employee Volunteering – A chance for employees to complete volunteer work for a charity or local community initiative

Employees have the opportunity to spend two days per year volunteering their work time to support a charity or the local community.

This scheme builds relationships within the local community and enhances employees work life supporting our vision to be an employer of choice.

In 2012 UK Power Networks employees completed 1,120 hours of recorded volunteering time. Activities included; football coaching, chaperoning school visits to the Olympic Stadium, working on an RSPB reserve, organising a charity golf day, helping with a scout camp in Guernsey and helping young people with mock job interviews.

During one particular volunteering event a dozen employees from the connections team helped with jobs from gardening to socialising puppies and kittens at an RSPCA site in Castle Way, Leybourne.

Connections surveyor Lin Wickenden organised the work painting hutches and fences, gardening and tidying the car park.

She said: "We've been to the RSPCA for the past couple of years. They have lots of volunteers to walk the dogs, but not so many to do work such as maintenance and I know they are really grateful and more than happy for us to keep doing it."

"It's great that UK Power Networks enables us to do this. It's a very good thing for us as a department to get together and work on something a bit different."

The 23 acre site requires constant maintenance to keep it in good shape for its 80,000 visitors each year. Manager Christine Dooley said: "It's a very valuable experience for both sides. The volunteers get to do something different and have some great team-building.

"For us, it's lovely to have local support. We find people who help in this way usually come again and support us in other ways.

"We have so many little jobs that we don't have time for and jobs that need more than one person - we only have one maintenance man. If we have young animals in at the time, the volunteers also help us by socialising with them, which is important. It really is a great help and I think they enjoy it."



"It's great that UK Power Networks enables us to do this. It's a very good thing for us as a department to get together and work on something a bit different."

Our Aim

Minimise our impact on the environment to support our vision of being a respected corporate citizen

Our Commitments and Challenges

- Continuous improvement in our environmental performance
- Reduce our Business Carbon Footprint
- Protect the environment against potential pollution
- Encourage resource efficiency throughout the business

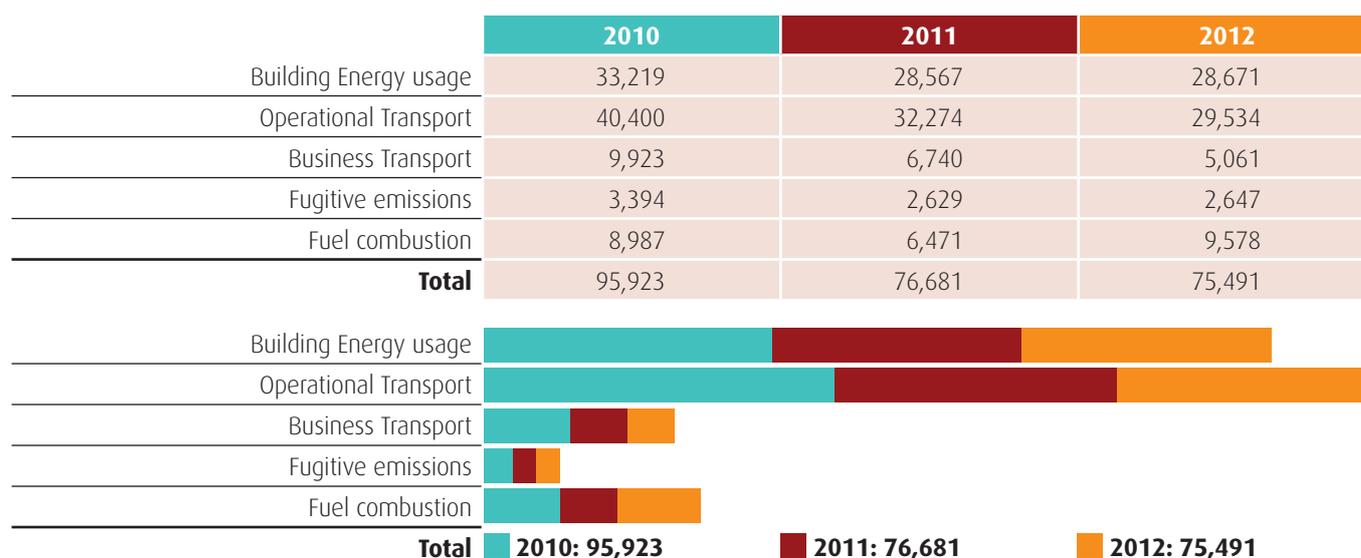
Our Environment Commitments in Action

Business Carbon Footprint (BCF) – An annual report highlighting the environmental impact from our carbon emissions in our three DNO areas

Ofgem require each DNO to publish an annual BCF report which contains information regarding our CO₂e from energy usage, transport, fugitive emissions, fuel combustion and network losses.



Below is an annual breakdown of the tonnes of carbon emitted within each category in the BCF:



Each year as part of the business carbon footprint report UK Power Networks publishes data on losses. Network losses are defined as the difference between the amount of electricity entering and leaving the network. Losses are an inevitable consequence of distributing electricity and are the main contributor to our carbon footprint.

We have developed an integrated approach to managing and reducing our losses for example by considering loss reduction solutions as part of our usual cost benefit analysis process within our asset replacement schedule.

Ofgem commented on our loss reduction strategy within our 2015-2023 business plan "UKPN set out a comprehensive losses reduction strategy, clearly addressing all key aspects of our Strategy decision. It explains its holistic approach to network management, which it forecasts will reduce losses by 229 GWh over RIIO-ED1."

A number of changes have been made to our major office buildings in recent years, including revising the building management systems, installing more energy efficient air conditioning, double glazing, condensing boilers and voltage optimisation. Comparing energy usage in our major office buildings in 2011 and 2012 we achieved a 5.6 per cent decrease in building energy use. Major audits of our main buildings took place in 2013 with a view to identifying further opportunities for energy efficiency.

A number of initiatives to reduce transport emissions have resulted in major reductions year on year to our transport footprint. We have reduced our fuel usage and upgraded our fleet. In addition a companywide low carbon cash allowance has been introduced in lieu of a company car.

2012 saw a total carbon emission reduction of two per cent overall

Low Carbon Car Scheme (& car cash) – A policy providing a financial incentive for employees to choose low CO₂ emissions for company cars

In 2012 the standard company car was the Peugeot 508 Diesel Saloon Access 1.6 e-Hdi 115 EGC 4dr. This has a CO₂ emissions level of 109g/km. Any vehicle requested with a higher CO₂ level incurs an additional monthly charge for the employee.

The introduction of this allowance will contribute towards the company’s commitment to reducing its business carbon footprint from transport.

Virtual Conferencing (VC) – A facility for employees to be able to communicate effectively without the need of being face to face

UK Power Networks uses remote conferencing which provides audio, web and video functionality to facilitate communication with no geographical restraints.

Being able to collaborate remotely, hold meetings, give presentations or work ‘live’ on documents provides opportunities for more effective ways of working. UK Power Networks has approximately 5,000 employees in over 40 office locations spread over approximately 30,000km². This initiative provides a solution and the potential to generate substantial efficiency savings as on average 1400 audio and web conferences take place per month. Reducing the need to travel also reduces the risks associated with driving.

Street works Recycling & Reuse – Recycling and reusing excavated material during Street Works

Working with the street works contractors UK Power Networks has reduced the amount of waste it sends to landfill from 80 per cent in 2006 to below 3 per cent in 2010 and has maintained this level ever since. This has been achieved by partnering in the development of recycling initiatives including the development of a large facility, working with Local Authorities and sharing information with recycling agents. Insisting on using a high quality UK Accreditation Service approved material for backfilling and reinstating excavations has closed the loop by supporting the demand.

Reducing waste to landfill avoids the landfill tax which is £72 per tonne in 2013 and set to increase by £8 each year until 2015. This project is leading the industry in terms of best practice regarding management of streetworks waste.

UK Power Networks has reduced the amount of waste it sends to landfill from 80 per cent to below 3 per cent

Refurbishment of electrical equipment – Increasing revenue from refurbishing redundant electrical equipment

The Procurement team have established an efficient process for maximising the economic and environmental benefit of utilising a total life span approach when procuring plant and equipment services. If redundant equipment is less than ten years old it is sent to the original equipment manufacturer (OEM) for refurbishment and reuse on our network. This project saves £35,000 per annum if compared to the cost of purchasing new equipment.

Since July 2012, equipment over ten years of age and no longer appropriate for reuse on our network is sold to a third party for refurbishment. The first month of this project generated an income of over £8,000 including reduced recycling costs. It is estimated that this will save UK Power Networks in excess of £50,000 per annum.

Oil Management and Filtration – Maximising the life span of insulating oil through a reconditioning process

UK Power Networks has invested in an oil reprocessing facility which filters used insulating oil making it suitable for reuse on the network. We hold an environmental permit which covers the reprocessing procedures carried out on site. The facility is permitted to reprocess 3,650 tonnes of oil, prolonging its usability, reducing the reliance on new oil extraction and saving purchase and disposal costs.

Refurbishment and reuse
on our network saves
£35,000 per annum

Assessing the pollution potential of our sites – Identifying which sites are classified as having a high environmental risk from historical land contamination

The project involves completing desk studies, site investigations and risk assessments of our sites to produce a list of those which have a high potential risk to the environment; whether it be near a watercourse or a Site of Special Scientific Interest. UK Power Networks has contracted the services of contaminated land specialists to provide a consultancy service supporting this project.

This project forms a long term strategic approach to environmental risk management. The results will provide a source of information to enable informed decisions to be made about how to reduce the environmental risks of the sites through remediation or containment.

Green Rhinos – Utilising new technology for discharging water pumped from excavations

A new filter bag has been developed in partnership with the UK Power Networks Environment Team and a consultancy called Capture Green. The introduction of the Green Rhino has prevented any potential for localised pollution by fitting over the pumps discharge pipe and capturing any silt and contaminant residue.

After a successful trial of the system it is now standard. UK Power Networks are leading best practice in this area being the first utility to adopt this filtering process.

Bunding Trial – Applying new Polymer-membrane technology in place of the conventional concrete bunding solution for oil filled equipment

Bunds are used as a barrier between oil filled equipment and the local environment to prevent pollution in the event of a leak or spill. UK Power Networks is trialling new polymer-membrane technology as an alternative to conventional concrete bunds at two locations. The polymer membrane captures oil whilst allowing water to pass through. The hydrocarbons bind to the polymers, eventually forming an impermeable barrier.

Bunding is legally required on oil filled equipment that is being stored off the live electricity network. Although bunds are not legally required on live oil filled equipment under the Oil Storage Regulations they are considered best practice in pollution prevention.



UK Power Networks are trialling new polymer-membrane technology as an alternative to conventional concrete bunds at two locations

This new technology saves costs when compared with a conventional concrete bund for several reasons:

- The raw materials are cheaper
- The installation time is significantly reduced
- It has a lower CO₂ impact from reduced use of concrete
- It does not require energy or on-going maintenance for pumps or interceptors

Habitat Management Plans – Managing the ecological value of our sites

Many UK Power Networks grid and primary substation sites include small areas of currently unoccupied land which has the potential to provide useful habitat for local wildlife. In collaboration with the Wildlife Trusts we are assessing the actual and potential ecological value of some of these sites. Ecologists survey suitable sites and assist in producing Habitat Management Plans which include vegetation management. For example cutting unimproved grassland once or twice a year instead of every three to four weeks allows wild flowers to set seed.

Several nationally rare species have been identified through these surveys, including Lesser Calamint which was recently discovered at a site in Suffolk.

Information posters have been produced to illustrate the management plans; these visual aids will help to avoid disturbance of key species or habitat types, many of which are small or unremarkable in appearance as to be easily overlooked. We aim to maximise the value of the habitat whilst avoiding unintended consequences such as attracting species which could be disturbed by our essential future activities. The scheme is being piloted in the East of England and once established will be enlarged to encompass all three network areas.

Work Green & Environmental Masterclass – Providing focused training in environmental and sustainability issues

Bespoke training packages have been developed by the internal Environment Team to equip members of staff from all areas of the business with the knowledge required for them to complete their jobs with minimal impact on the environment.

The training covers the significant environmental aspects that UK Power Networks faces such as; waste, spill management, oil pollution prevention and noise pollution. The training course has been rolled out to both field and office based staff over the past three years.

Further development is underway to integrate environmental training into standard training courses. This will encourage people to see the environment as a business as usual rather than an additional consideration.

In collaboration with the Wildlife Trusts we are assessing the actual and potential ecological value of unoccupied land at some of our substation sites



Our Aim

Nurture innovation and demonstrate new technologies to support our vision of being a sustainably cost efficient and a respected corporate citizen

Our Commitments and Challenges

- Assist the UK transition to a low carbon economy
- Drive continuous improvement through innovation
- Develop a smarter more responsive network
- Engage our stakeholders to shape how we do business in the future

Our Future Proofing Commitments in Action

Low Carbon London (LCL) – A programme to trial low carbon technologies to develop a smart electricity network

Low Carbon London is a £28.3 million pioneering learning and demonstration programme funded by Ofgem's Low Carbon Network Fund (LCNF). The key aim of the project is to use London as a testbed to support the development of a smarter electricity network that can manage the demands of a low carbon economy. It is a collaborative programme, driven by UK Power Networks, with high profile partners that include strategic London based organisations, academia and those developing exciting, innovative low carbon technology. LCL requires all sections of the business to work closely together.



There are a number of trials which will provide insight in to how new technologies, commercial arrangements and partnerships can be used to manage the electricity network in a smarter way. These include:

- **Smart Meters** – Using a unique dynamic time of use tariff to influence customer energy consumption behaviour at times of peak demand on the network. The programme has installed nearly 6,000 meters through our partnership with electricity supplier EDF Energy, with over 1,100 smart meter customers taking part in the dynamic time of use trial.



- **Electric Vehicle** – Through integration with Source London e-mobility scheme, we're monitoring electric vehicle charging behaviour and its impact on the electricity network and investigating how time-of-use tariffs can influence customer charging behaviour to avoid overloading the network.



- **Heat Pumps and small scale embedded generation (SSEG)** – Monitoring households that already use domestic heat pumps or SSEG to ascertain how these can be incorporated into the energy supply network.



- **Distributed Generation (DG)** – Investigating the impact and enabling the connection of distributed and local generation to the distribution network and trialling Active Network Management (ANM) techniques to assess how they improve security of supply and reduce network investment costs.



- **Demand Side Response (DSR)** – Monitoring how demand response contracts can be used to support the electricity network and working with commercial aggregators to establish new DSR contracts with industrial and commercial customers. The main aim of the trial is to determine whether DSR can postpone/defer network reinforcement.

Smarter Network Storage – Increasing network reliability and reducing overall costs for customers

Effective electrical storage could increase network reliability and reduce overall costs for customers. We are breaking new ground by installing 6MW/10MWh of advanced electrical storage technology at a main substation in the East of England, the first time that an electrical storage device of this size has been used by an Electricity Distribution Network Operator in Great Britain. Funded by £13.2 million from Ofgem's Low Carbon Network Fund, this trial will support the industry in assessing the full potential value and economics of electrical storage.

Smart Urban Low Voltage Network – Automating low voltage networks for faster response

Our high voltage network is already 'smart' with extensive remote control and automation devices. A £2.1 million investment will see this technology installed in 54 substations and 168 electrical junction boxes on the low voltage London Power Network, enabling us to explore how successful the new technology is in delivering improvements to the reliability of electricity supplies.

Fault Current Limiter – Overcoming the problems of incorporating low carbon generation into the network

Fault current levels are becoming a significant barrier to the development of smart distribution networks and the installation of low carbon and other distributed generation. We are hosting a £5 million project commissioned and funded by the Energy Technologies Institute to develop a Fault Current Limiter, a new technology that could remove this barrier and economically increase network flexibility.

Flexible Plug and Play – Enabling faster and cheaper integration of renewable generation, such as wind power, into the electricity distribution network

Large scale wind generation can mean expensive network reinforcement. We were awarded £6.8 million from Ofgem's LCNF for a project over a 700km² trial area in Cambridgeshire to look at faster and cheaper ways of connecting distributed generation to the network. UK Power Networks has committed to the interruptible connection offer, developed by the Flexible Plug and Play project, being part of its standard list of connection proposals by Q2 2015.

Stakeholder Engagement Business Plan – Engaging our stakeholders to help shape how we do business in the future

We consulted widely with our stakeholders and customers and incorporated their feedback into the development of our 2015 to 2023 Business Plan. This process began nearly two years before the plan's final publication engaging with hundreds of stakeholders on our planning assumptions. This stakeholder engagement materially influenced our plan, identifying a number of key issues which consistently come through as most important to our stakeholders including increased transparency; improved customer service; transition to a smart grid and infrastructure development.

Business Transformation – Continuous improvement through changing how we do business

The major changes we have made to our business since we became UK Power Networks demonstrate a substantial level of commercial innovation. We are now embarking on a £50 million shareholder funded business transformation project which will accelerate the pace of change in our business and help us thrive in the future with world class business processes and systems. In particular it is concerned with ensuring we have best practice, efficient, integrated, common processes and systems across our core work, asset and customer operations.

Our Aim

Develop a healthy, skilled and diverse workforce to support our vision of being an employer of choice

Our Commitments

- Maintain a safe place to work
- Promote a healthy, inclusive and diverse workforce
- Engage employees at all levels and departments within the business
- Develop people to meet their potential

Our workforce commitments in action

Occupational Health – A department committed to the health and wellbeing of the UK Power Networks workforce

Our Occupational Health department has many initiatives targeted at employees of UK Power Networks. Specific promotional information has been produced in the form of a 'Man Manual' addressing key health issues to be aware of. The dedicated intranet pages provide a valuable source of information for all employees.

Towards Zero – A campaign to help improve the wellbeing of our employees by focusing on Cardiovascular Disease (CVD), the biggest killer in the UK

The 'Get Olympic Fit' challenge encouraged 50 teams of six employees to go through a health check in January 2012 and again in May 2012 after improving lifestyle factors such as diet and exercise. The winners received a donation to a charity of their choice. Weight loss was an obvious positive result while the medical screening meant that some participants made small lifestyle changes resulting in a reduction in cholesterol and reducing the potential for health problems in the future.

This challenge was a success resulting in:

- The percentage of participating staff with 'normal' blood pressure rose from 59 per cent to 84 per cent
- A total of 611 kilogrammes was lost and 11.64 metres were taken off competitors' waist lines
- The engagement and team work in event participation has helped build positive relationships among the workforce

Stay Safe

Stay Safe is a new programme launched in February 2013 which aims to improve UK Power Networks' safety culture. The programme is designed to challenge employees' preconceptions about the safety choices they make. This will help staff better understand the thinking behind their actions enabling them to make better choices in the future. The approach differs from traditional 'policing' and 'advisory' roles by encouraging people to decide for themselves better and safer ways of doing things and in so doing change their approach. Through coaching and reinforcement these new safer behaviours are likely to become habitual and longer term.

Workforce renewal – Enabling UK Power Networks to resource the right people in the right place at the right time

Long Term Workforce Planning (LTWP) is a key enabler in achieving our future resourcing requirements and providing the ability to undertake Scenario Modelling and Workforce Analytics.

LTWP identifies existing people numbers and skills enabling the forecast of future resource requirements and the preparation of long-term resourcing and training plans. It relies on the accurate recording of all existing manpower assets and includes understanding and planning for current and future skills shortages.

We have developed a resourcing strategy which comprises five key activities:

- **Trainees** – new apprentices, engineering development programme and graduates
- **Marketplace recruitment** – fully competent and technically skilled staff
- **Upskilling** – semi-skilled staff to skilled crafts people
- **Backfilling** – recruitment activity to address gap created by upskilling
- **Contractors** – skills available to meet flexibility in workload

Over the last year LTWP has enabled us to determine our workforce renewal proposals for our 2015 to 2023 Business Plan. This was one of the key drivers for undertaking LTWP as well as;

- Delivery of contracts we have agreed with our key customers such as BAA and the MOD
- The aging workforce and the decline in availability of engineering skills in the marketplace
- The changing skills, numbers and demographic in the external environment
- Gaining a real competitive advantage through our people

Investors in People Award – Specialising in transforming business performance through people

During September and October 2012, Investors in People (IiP) visited UK Power Networks to carry out random interviews with employees. Our performance was assessed against Key Performance Indicators such as how we manage, communicate, engage, empower and reward our employees.

UK Power Networks has been awarded the Silver Standard which is the highest standard we have achieved when compared with any previous ownership.

Bruce MacRae, Investors in People Assessor, said “UKPN has driven through exceptional improvements during the past twelve months. This is an impressive achievement for any organisation but carries particular kudos for an organisation that has been in existence as a separate entity for only 2 years”.



Diversity and Inclusiveness (D&I)

During the last quarter of 2012 UK Power Networks appointed a full time member of staff to focus specifically on developing an inclusive culture that respects and values differences.

“Diversity & Inclusiveness is one of the six values” explains HR Director Chris Degg. “It is our Vision to be an Employer of Choice and our goal is to be within the Top 25 Companies to work for by 2016. UKPN needs both diversity and inclusion to be successful. ”

Diversity refers to the various qualities of individuals that make us different. These can be physical, cultural, social or economic differences. They are what distinguish us and define our identity.

Inclusiveness is the practice of respecting and valuing the diversity of employees.

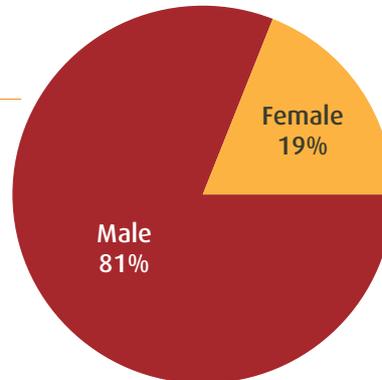
“We have taken a two pronged approach to the development of the strategy” says Jean Kelly, D&I Strategy Lead, “We have carried out focus groups and one-to-one interviews with employees from across the organisation to obtain a better understanding of the culture of the business in relation to D&I. We have been working with an external diversity expert to help us understand and analyse our current situation and provide the EMT with an insight into what other organisations are doing. A D&I Taskforce will now be established to develop and oversee our D&I strategy”.

“Diversity & Inclusiveness is one of the six values. It is our Vision to be an Employer of Choice and our goal is to be within the Top 25 Companies to work for by 2016. UK Power Networks needs both diversity and inclusion to be successful. ”

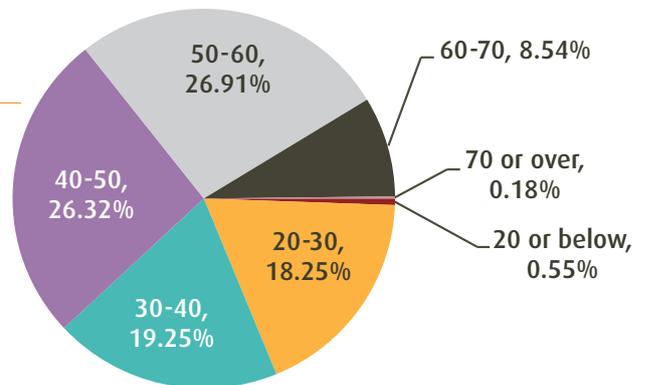
Our D&I statistics are:

Total 5,046 employees

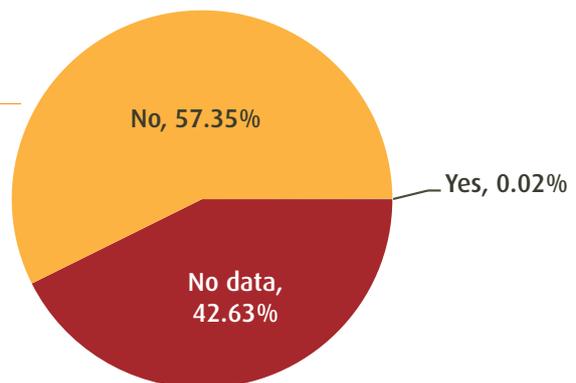
Gender



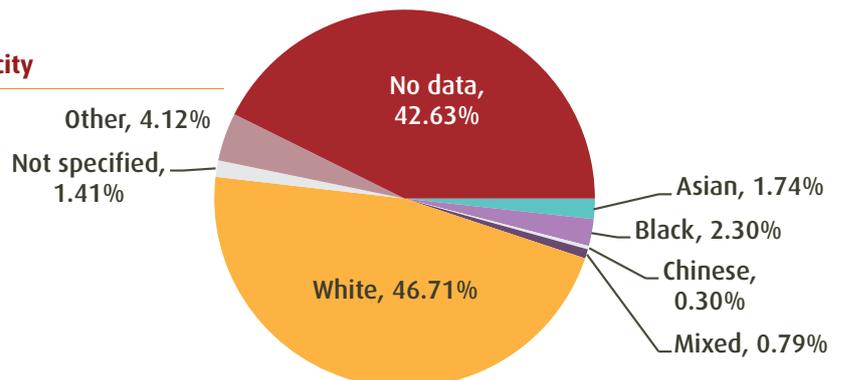
Age



Disability



Ethnicity





Women's Coaching – A workshop encouraging diversity in the workforce

The HR Talent Management Team engaged the services of a professional coach to address the lack of women in senior managerial roles within UK Power Networks. Providing women who are keen to progress with support to do so relates directly to becoming an employer of choice.

Coaching workshops were trialled on a selection of women within the company. The aim of the workshop is to provide women with the tools for effective career progression in a corporate environment. The positive response from the first session resulted in the roll out of the programme.

This activity sends a strong message throughout the company that sensitive issues such as gender equality are being addressed and discussed.

Women's Network – A forum, free for both men and women to join

With a vision of inclusiveness, a mission to support and empower people to reach their potential and to inspire personal growth, the Women's Network is open to members of any gender. The network has the support of the executive team with Patrick Clarke, Director of Network Operations as executive sponsor.

Living our values – Recognition awards – Recognising exceptional behaviour which illustrates a positive practical example of the company values

All employees at UK Power Networks are encouraged to nominate either an individual or a team within the business that has shown they are living the values of the company through their behaviour. Successful nominees receive a financial award. All nominations go through a short-listing process to be included in an annual event where an overall winner is announced.

This has raised awareness of the company values and is a proactive approach to empowering anyone within the organisation to recognise, or be recognised for a positive achievement.

Communication with the Executive Team – A two-way open forum to be able to ask questions directly to the Executive Management Team

Each month Basil Scarsella, CEO at UK Power Networks holds a Q & A session for employees to be able to dial in and ask questions on any subject they choose. The questions, managed by a facilitator, are put to directly to Basil in a structured way. Twenty phone lines are made available each month and can be reserved for an individual or a team.

Workforce

Other members of the executive also hold Q & A dial in sessions frequently throughout the year. This encourages engagement and opens communication throughout the levels of the organisation.

Recordings of the Q & A sessions are available for staff who could not participate at the time.

Cycle to Work

UK Power Networks has teamed up with Bike4work to give employees a significant discount on the cost of a new bike to ride to work. All participants also receive a £100 safety kit voucher from UK Power Networks to obtain appropriate safety equipment and accessories.

Collective bargaining and union involvement

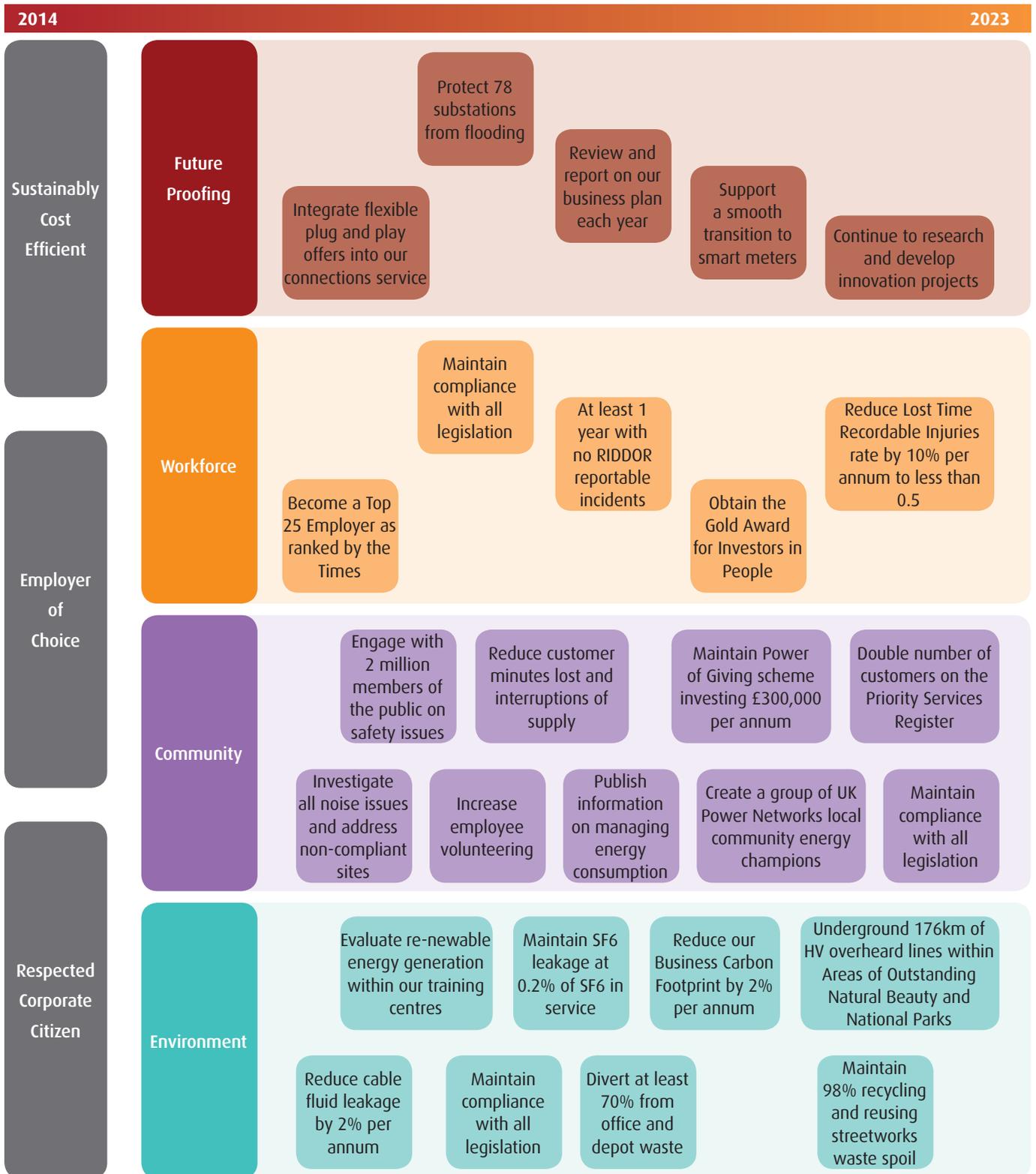
A system of collective bargaining helps promote industrial relations stability and the maintenance of constructive relations is of benefit to the company and its employees. A dedicated employee relations team manages the relationship between all our employees within the regulated and unregulated businesses, and with all recognised trade unions on matters associated with pay negotiation, HR policy and procedure and terms and conditions.



UK Power Networks has teamed up with Bike4work to give employees a significant discount on the cost of a new bike to ride to work

2013 onwards

Through extensive consultation with stakeholders, UK Power Networks has established targets within the business plan. The targets highlighted below assist in evaluating the sustainability performance of the business.



We want to hear from you.

To share your views email:

sustainabilityreporting@ukpowernetworks.co.uk

For further information visit **www.ukpowernetworks.co.uk**