

# Environmental, Social and Governance (ESG) Materiality Assessment

March 2024

# Understanding materiality for our stakeholders

We are committed to ensuring our business makes decisions reflective of customer and stakeholder values and preferences, founded on a substantial evidence base. Over the years we've built a tried and tested approach to working with our stakeholders that gives us the breadth and depth to explore difficult and challenging issues and get to the heart of what's important to them.

In order to focus our sustainability strategy and associated initiatives in the right areas, we need to understand which social and environmental aspects are most material to us, and therefore we can have the biggest impact upon.

In 2023 we commissioned an independent 3<sup>rd</sup> party (Create Clarity) to help us understand which topics our stakeholders feel are most important to them, and which topics we have the greatest ability to tackle. This involved two elements:

- analysis of historical stakeholder information such as our annual customer perceptions research from the last three years, which involves harnessing the opinions of 1200 domestic customers each year; and
- new research interviews undertaken with 110 stakeholders from backgrounds such as manufacturing, charities, landowners, local enterprise partnerships, supply chain and others.

We investigated the importance that they place on each topic, as well as their thoughts on our ability to impact upon it in a meaningful way.

This resulted in a materiality matrix which graphically demonstrates which topics are most material- when they appear in the top right segment of the graph - meaning they are high importance to stakeholders and stakeholders believe we can have the biggest impact upon them.

During our engagement we used language that was familiar to our stakeholders, in order that they understood the concepts, and so we've produced a table to demonstrate how this translates into our People and Planet Strategy, which uses slightly different language.

The matrix on the next page shows that our stakeholders believe our most material issues to be:

- Keeping bills as low as possible
- Providing a reliable supply of gas
- Helping the region meet climate change targets
- Providing a safe service
- Trust and transparency
- Providing help for those who need it most

This can be interpreted as; *climate action is important but must be value for money, and not at the expense of reliability or safety. Transparency is valued, as is supporting those with vulnerabilities within our communities.*





# Our People and Planet Strategy



## For our People we commit to:

- Reflect the diversity of our communities through our workforce and eradicate inequality at all levels of our organisation
- Provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities.
- Improve access to opportunities and fair employment
- Support colleagues' safety and wellbeing

## Through our partnerships we commit to:

- Spend responsibly and hold our suppliers to high sustainability standards

## For our planet we commit to:

- Eliminate emissions- net zero business by 2050
- Produce less waste, and recycle all of it.
- Manage our land to benefit the environment
- Enable affordable, decarbonised heat, power and transport solutions

This materiality assessment is in line with the priorities identified in our People and Planet Strategy, which demonstrates our sustainability commitments out to 2050.

Our People and Planet Strategy is aligned to our seven priority United Nations Sustainable Development Goals. These are shown here.

On the next page we've mapped our People and Planet strategy on to the priorities identified in the matrix.

# How does the materiality assessment correlate to our People and Planet Strategy?



	Topic from materiality assessment	Sub-themes	Which People and Planet Strategy commitments this relates to	Relevant UN SDG
High Materiality	Keeping bills as low as possible	D1: Innovation D2: Affordability of bills	<ul style="list-style-type: none"> <li>Provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities.</li> </ul>	11 - Sustainable cities and communities 7 - Affordable and clean energy
	Providing a reliable supply of gas	F1: Operational reliability F2: Network resilience	<ul style="list-style-type: none"> <li>Enable affordable, decarbonised heat, power and transport solutions.</li> </ul>	11 - Sustainable cities and communities 7 - Affordable and clean energy
	Providing help for those who need it most	E1: Vulnerable Customers	<ul style="list-style-type: none"> <li>Provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities.</li> </ul>	11 - Sustainable cities and communities
	Helping the region meet climate change targets	G1: Energy use / security G2: Hydrogen / renewables G3: Climate change	<ul style="list-style-type: none"> <li>Eliminate emissions- net zero business by 2050</li> <li>Enable affordable, decarbonised heat, power and transport solutions.</li> </ul>	13 - Climate action
	Providing a safe service	H1: Cyber / data security H2: Health, safety and wellbeing	<ul style="list-style-type: none"> <li>Support colleagues' safety and wellbeing.</li> </ul>	8 - Good work and economic growth
	Trust and Transparency	T: Trust and transparency	<ul style="list-style-type: none"> <li>Covered by regulatory and legal reporting requirements.</li> </ul>	Not a specific commitment, but we have many reporting mechanisms
Lower Materiality	Supporting a thriving environment	A1: Sustainable supply chain A2: Environmental impacts	<ul style="list-style-type: none"> <li>Manage our land to benefit the environment</li> <li>Spend responsibly and hold our suppliers to high sustainability standards</li> <li>Produce less waste and recycle all of it.</li> </ul>	17 – Partnerships 15 - Life on land 12 - Responsible consumption and production
	Creating opportunities for local people and business	C1: Diversity and inclusion C2: Workplace resilience C3: Regional economy C4: Community investment	<ul style="list-style-type: none"> <li>Reflect the diversity of our communities through our workforce and eradicate inequality at all levels of our organisation</li> <li>Provide access to information, funding and more affordable energy services for our communities, prioritising those with vulnerabilities</li> <li>Improve access to opportunities and fair employment.</li> </ul>	10 - Reduce inequalities 11- Sustainable cities and communities
	Providing outstanding customer experience	B1: Customer Service	<ul style="list-style-type: none"> <li>Covered by other business strategies, including regulatory business plan, Guaranteed standards of performance and Vulnerable Customer strategy.</li> </ul>	NA

# Environmental materiality

In addition to the overall sustainability materiality assessment outlined in this document, we have a detailed understanding of the environmental impacts that may arise as a result of our operations.

All of our impacts are assessed as part of our ISO 14001 Environmental Management Certification, and those which have a score (based on severity and likelihood) of more than 15, are classed as significant.

NGN’s significant aspects carry a higher risk and as such are managed through specific programmes.

In addition, innovative projects are underway which aim to reduce the environmental impact of our significant aspects.

The table to the right outlines our significant aspects (2023).

LIKELIHOOD	SEVERITY				
	Negligible 1	Minor 2	Moderate 3	Major 4	Severe 5
Certain 5	5	10	15	20	25
Likely 4	4	8	12	16	20
Possible 3	3	6	9	12	15
Unlikely 2	2	4	6	8	10
Rare 1	1	2	3	4	5

All of the significant environmental aspects shown here are covered by our People and Planet Strategy, whether they have been identified as material by our stakeholders or not, as part of our commitment to responsible business practices.

Aspect	Impact	Significance Rating
Use of Virgin Aggregate	Depletion of resources	12
Production of Excavation Spoil	Waste Disposal (to Landfill)	12
Contaminated Land	Water pollution, Land Pollution, Legal compliance with environmental regulations (EPA 1990), Nuisance to adjacent sites	15
Purchase of PE pipe	Depletion of resources, Air pollution (including contribution of greenhouse gases)	16
Use of Gas	Depletion of resources, Air pollution (including contribution of greenhouse gases)	16
Venting Gas	Air pollution (including contribution of greenhouse gases), Nuisance (noise and odour)	16
Disposal of Waste (excluding excavation spoil)	Waste Disposal (to Landfill), Legal compliance with waste management regulations	16
Purchase of Goods and Services	Damage to ecosystems/habitats and wildlife, including potentially protected species. Energy intensive- produces carbon emissions. Disposal.	16
Use of Electricity	Depletion of resources, Air pollution (including contribution of greenhouse gases)	16
Use of Fuel	Depletion of resources, Air pollution (including contribution of greenhouse gases)	16
Gas Transportation	Air pollution (including contribution of greenhouse gases), Nuisance (odour)	20
Traffic Management	Air pollution (including contribution of greenhouse gases), Nuisance	20

# Further evidence

Evidence Document	Link	Location
Customer Perceptions Research 2024	<a href="#">Customer Perceptions</a>	Page 6 - key takeaways. Page 13 to 23 for detail.
Young Innovators Council (YIC) - Annual report for 2023	<a href="#">YIC Annual Report</a>	Sessions 1, 3 and 4 were all sustainability related. Key outcomes in the report detailed by session.
Summary of YIC Session Feb 2024	<a href="#">YIC February 2024</a>	See 'your comments, our responses' section of website.
Annual Sustainability Report 2023	<a href="#">Annual Sustainability Report 2023</a>	Pages 6 and 7 for details of our 2023 stakeholder engagement. Pages 11 and 12 for details of our People and Planet Strategy.