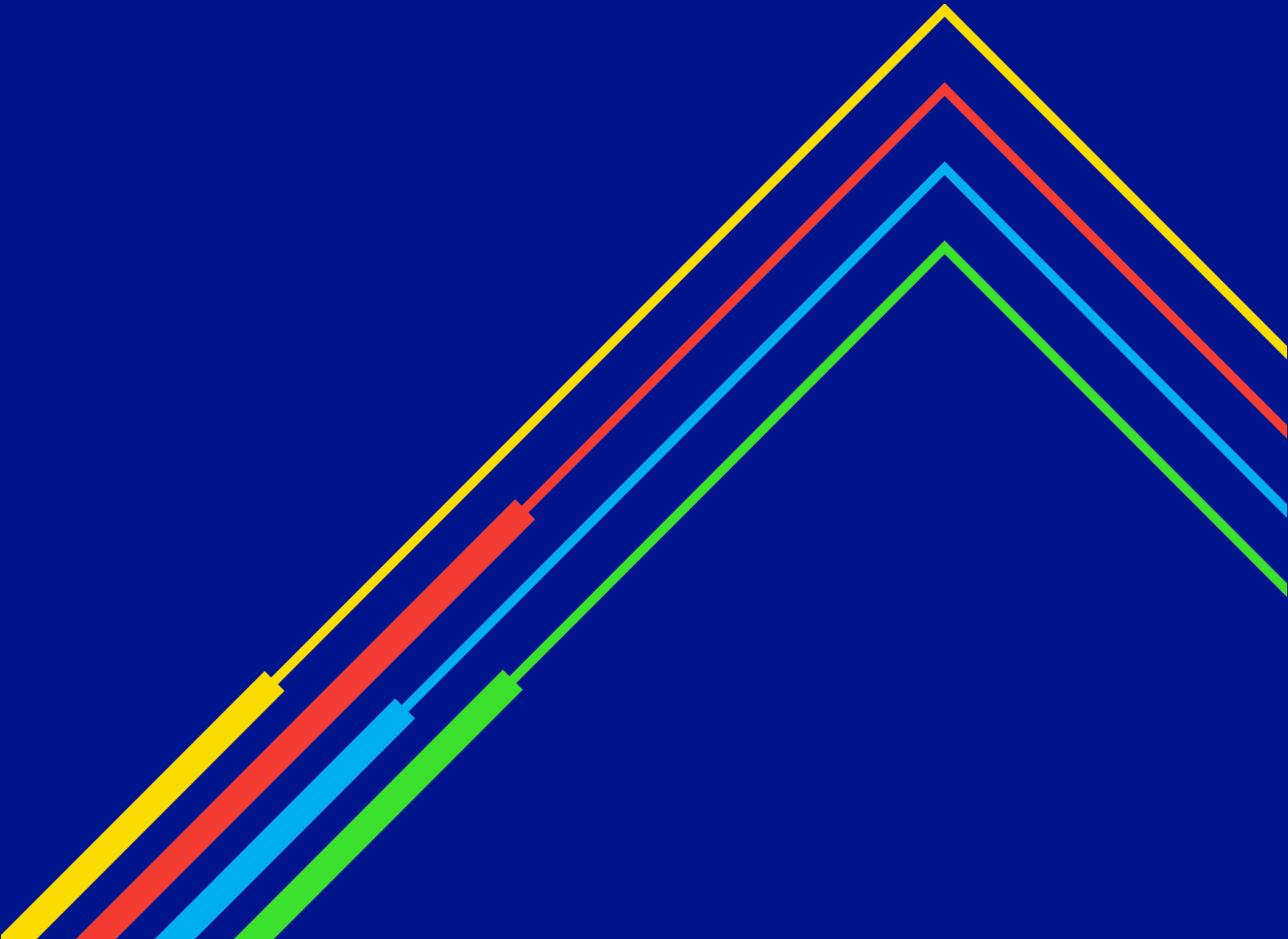


RIIO-T2 Responsible Procurement Plan

August 2019

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Welcome to the RIIO-T2 Responsible Procurement Plan

- Thank you for joining us! You will be joined in listen only mode.
- Please do not unmute yourself or turn your camera on.
- Please note we will be recording this webinar
- The recording, slides and Q&A will be made available on our website

Your hosts:



Nathalie Ritchie
Supply Chain CSR Manager



Matt Durham
Head of UK Procurement

Agenda

RIIO-T2 Responsible Procurement Plan Stakeholder engagement

RIIO-T2 overview

- **Gas Transmission priorities and spend**
- **Electricity Transmission priorities and spend**

Drivers for supply chain sustainability

Focus areas for supply chain sustainability

RIIO-T2 Responsible Procurement Proposed Action Plan – Overview and polling

- **Foundation commitments**
- **Social commitments**
- **Economic commitments**
- **Environmental commitments**

Questions and Answers session

This is an interactive webinar – please ask questions!



Throughout the presentation please feel free to provide feedback or ask questions via the **chat function**

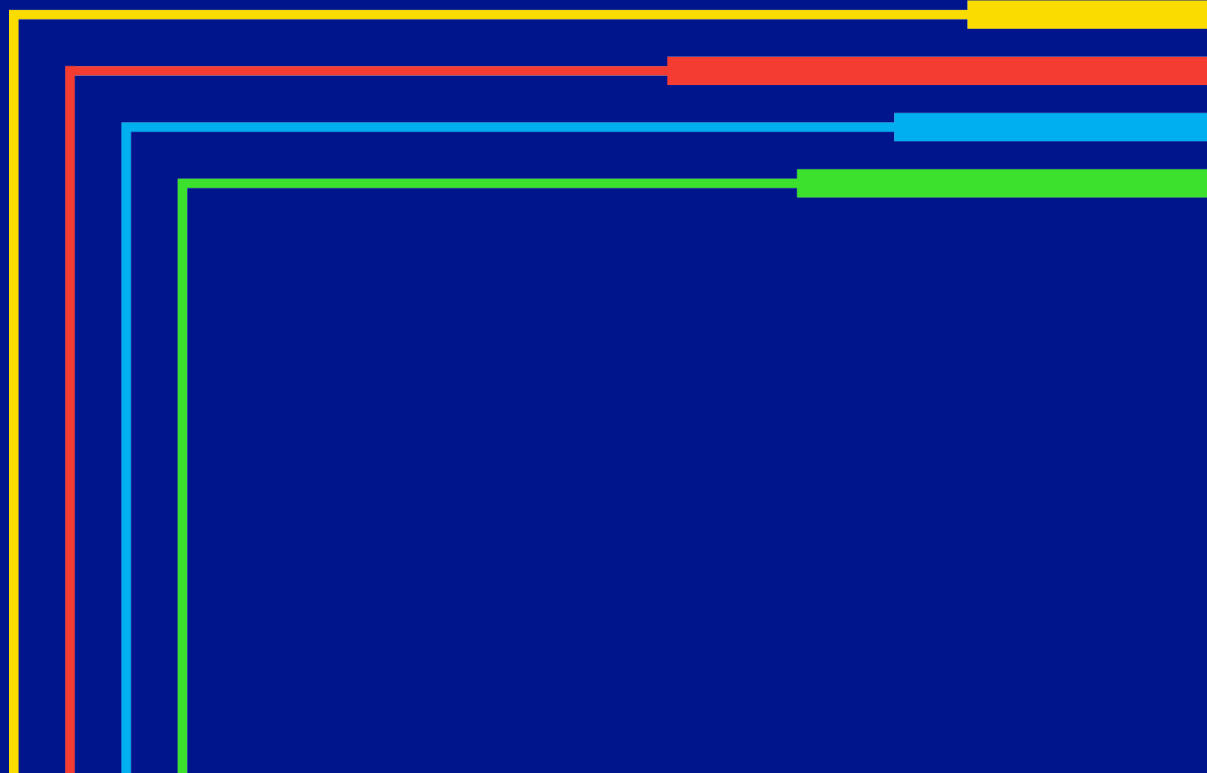
We will be using the **polling function** at certain stages to ask questions during the presentation to collect your views and feedback



We will have a **question and answer session** at the end of the webinar, which we will use to cover any questions you may have submitted through the chat function

RIIO-T2 overview

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RIIO-T2: Our regulated transmission business plans



Our **first draft RIIO-2 business plans for gas and electricity** was submitted to the RIIO-2 challenge group on 1 July.

We published the executive summary on 2 July and a fuller draft plan on Monday 15 July, with small amounts of confidential information removed.

Our draft business plan **covers the five years from 2021-22 to 2025-26** at a crucial period for the energy system.

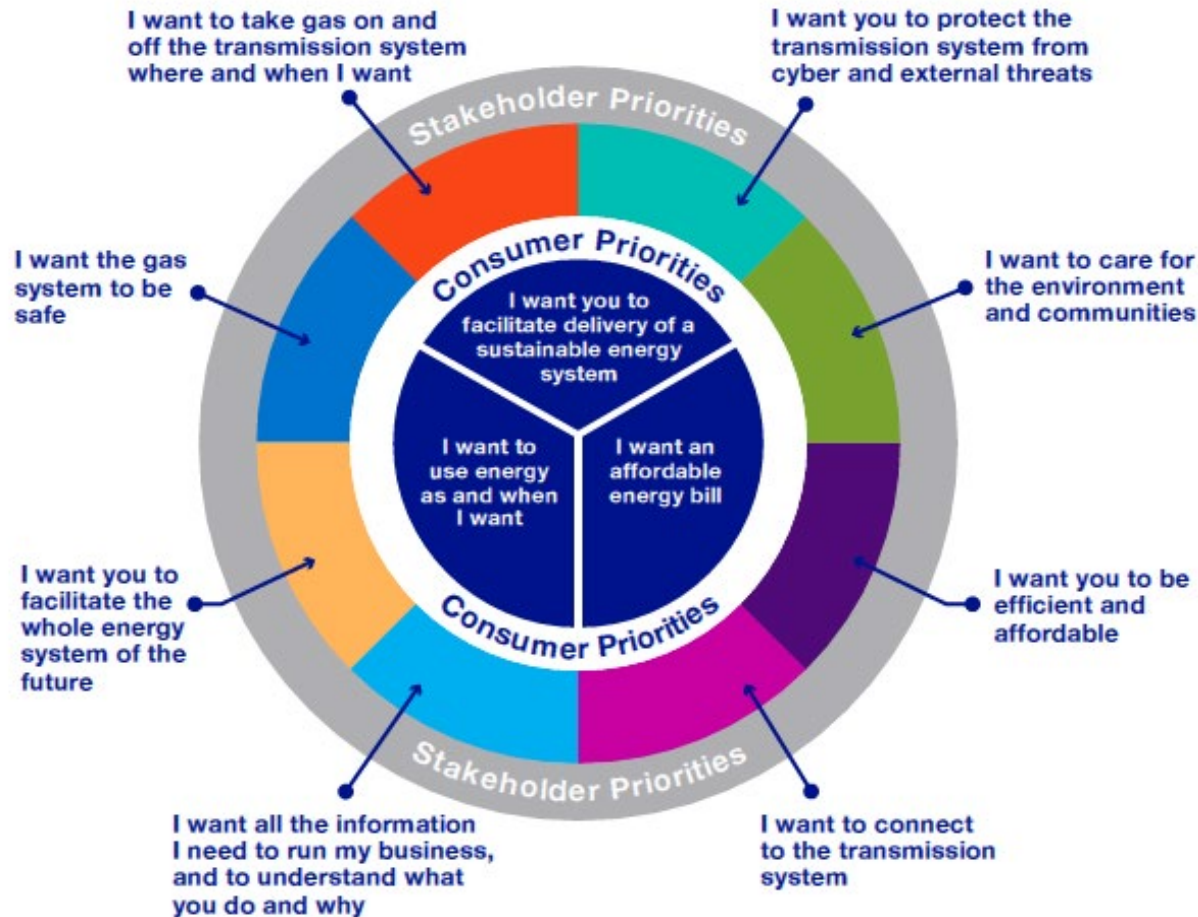
We have engaged with our stakeholders more extensively than ever before on our draft business plan and built it around our stakeholders' priorities.

Thank you

for your help in developing this draft plan.

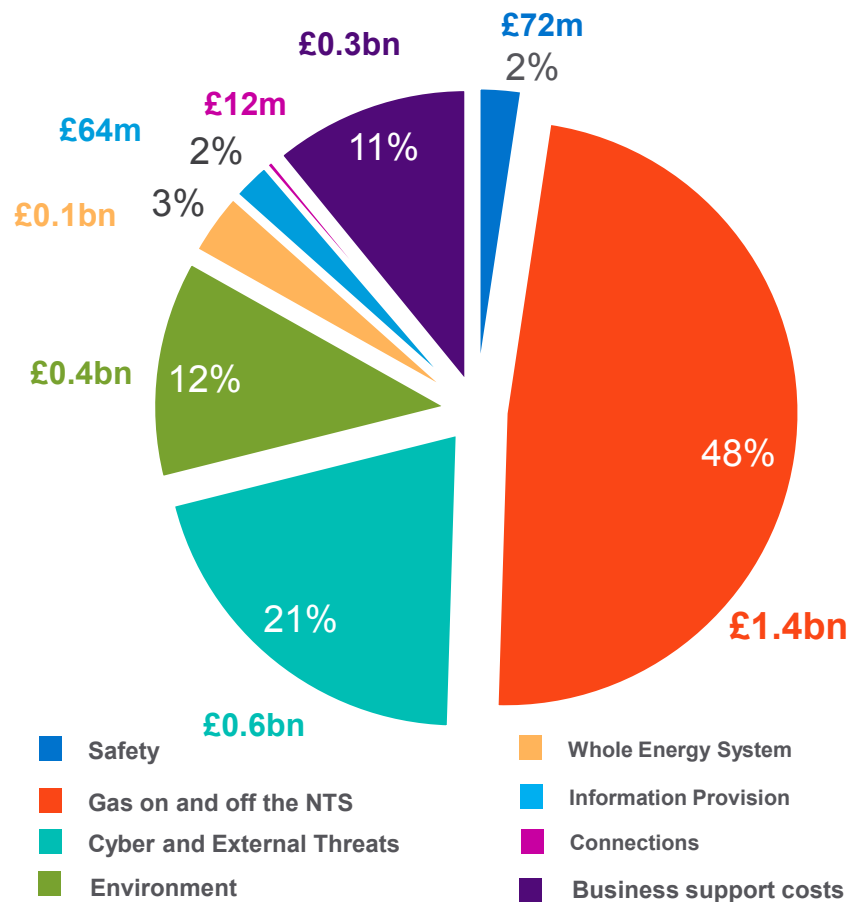
- www.nationalgridet.com/planning-together-riio/help-shape-our-business-plan-riio
- www.nationalgridgas.com/about-us/business-planning-riio/have-your-say-our-future-business-plans

Gas Transmission – Stakeholder-led plan



We have also received robust challenge from our independent stakeholder user group

A summary of our gas spend to meet our stakeholder requirements

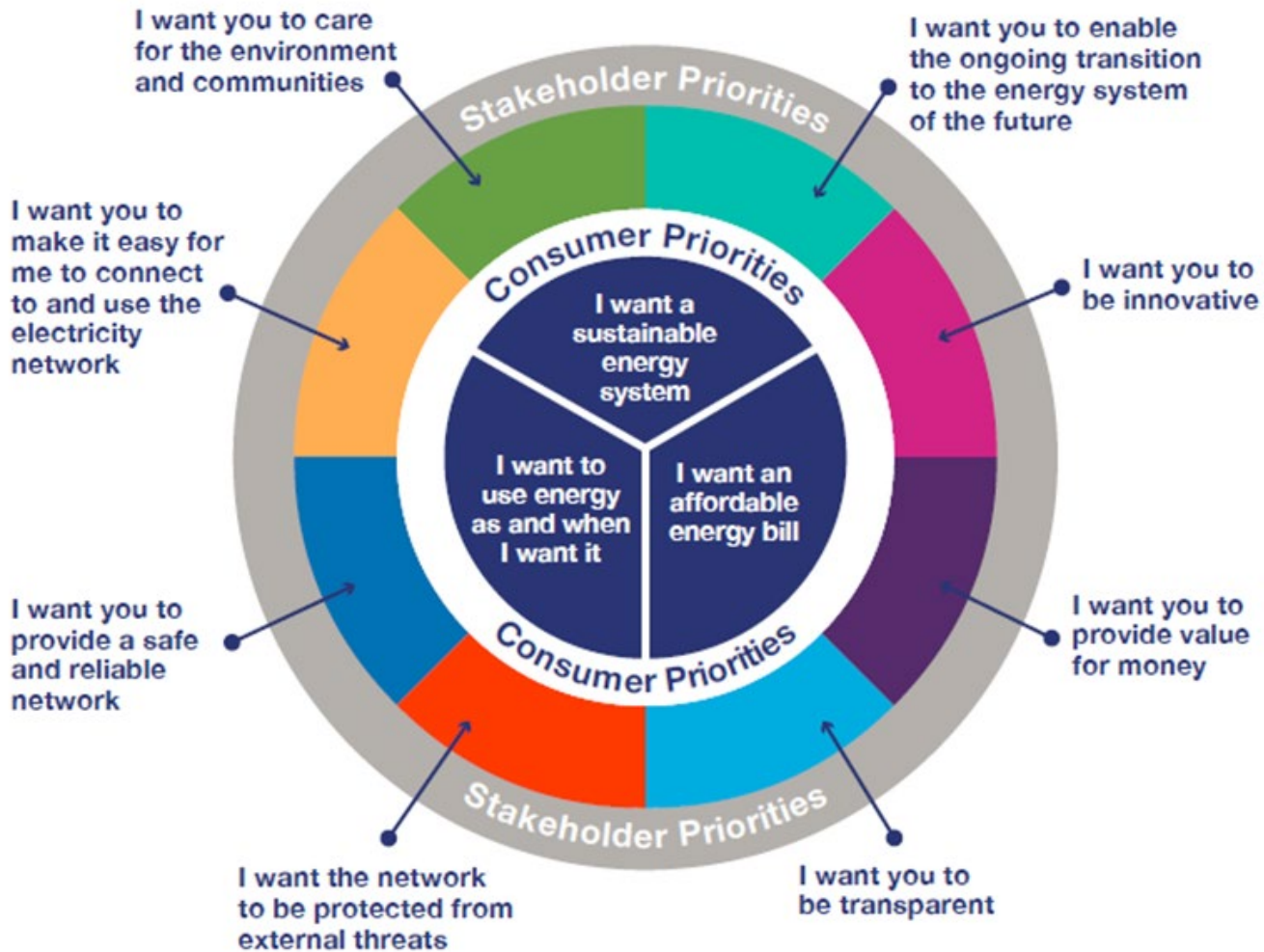


Key cost drivers

- Managing an ageing network with many assets at the end of their design life
- Protecting the transmission system from cyber security threats in line with new legislation
- Timely delivery of emissions legislation compliance

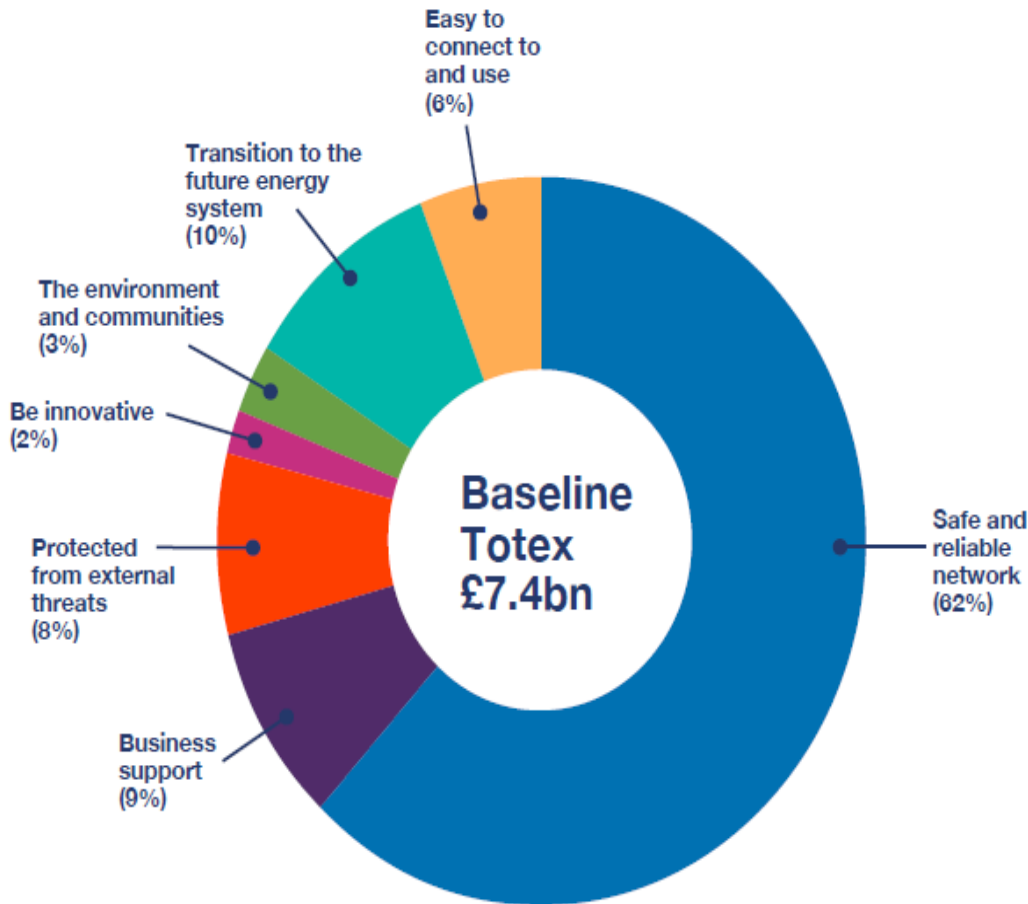
Our overall totex for RII02 is approximately £3bn. We have challenged ourselves to drive efficiencies across our activities

Electricity Transmission – Stakeholder-led plan



We have also received robust challenge from our independent stakeholder user group

Electricity overview of our plan - spend



We expect to spend **£7.4bn** to operate and invest in our network over five years to deliver your priorities.

We will deliver our draft plan while **keeping the same, or reducing, our part of the household energy bill**, excluding inflation.

We have challenged ourselves to make sure our costs are as low as they can be, by embedding the benefits of successful past innovations and making stretching efficiency improvement commitments. **This saves over £1.1bn.**

Our plans will continue to provide safe, reliable, resilient and affordable energy for current and future consumers

Maintain a safe and resilient network



- Deliver the network capability our stakeholders need now and into the future, keeping options open to move to Net Zero carbon by 2050
- Invest in our ageing infrastructure to maintain our current level of reliability and availability
- Maintain our world class level of safety, pursuing our zero harm goal
- Deliver the cyber resilience and physical security hardening mandated by Government

Deliver an environmentally sustainable network



- Deliver the most efficient solution
- Play a leading role in the whole energy and decarbonisation debate
- Make clear our climate change commitments, including activities to reduce emissions from other assets and activities

Meet the needs of consumers and network users



- Be more responsive to the needs of connection customers
- Drive efficiencies across our activities
- Enable competition and foster innovation by sharing our data openly
- Drive affordability by facilitating the effective functioning of the gas market

RIIO-T2

Question 1

Were you aware of our regulated transmission business plans before this webinar?

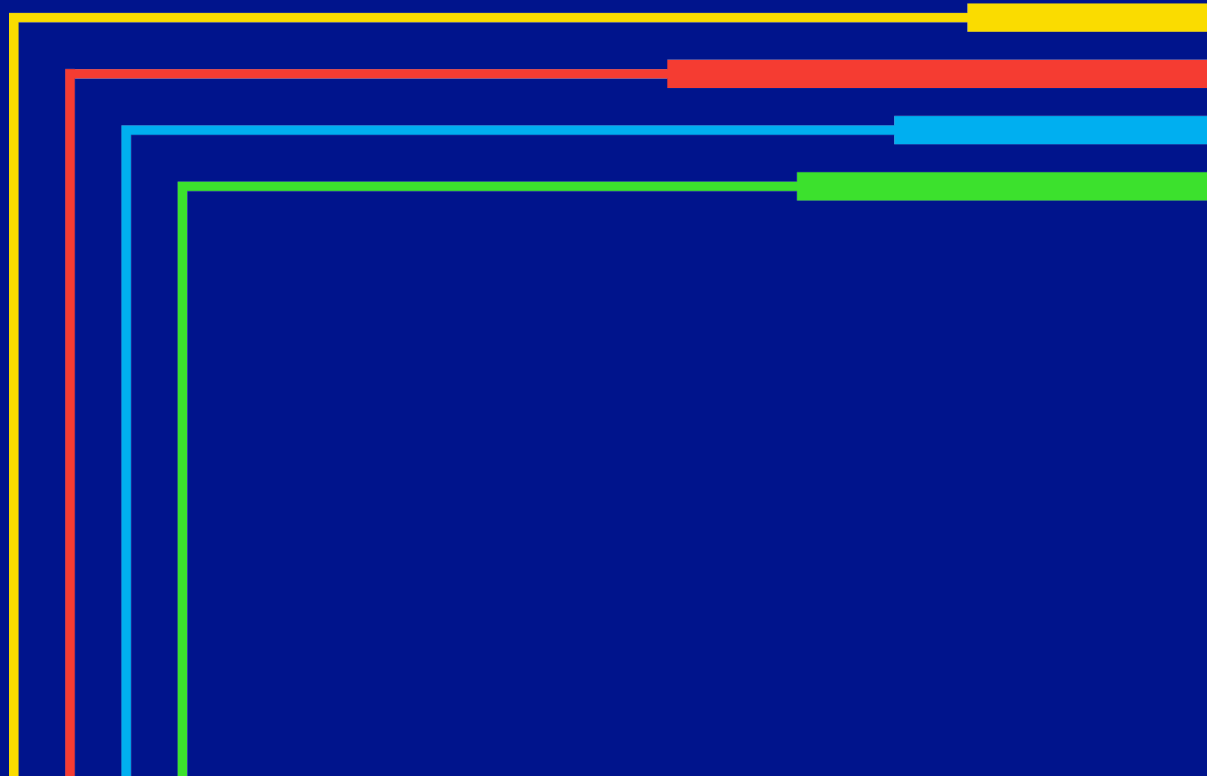
A - Yes

B - No

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The drivers for Supply Chain Sustainability

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The external drivers for supply chain sustainability

- Corporate "**purpose**" & calls on company leaders to more actively address **societal issues**
- Positioned under the United Nations Sustainable Development Goals (**Global Goals**) for 2030
- **Responsible Procurement** to reduce risk and manage our reputation (Alignment to **ISO20400** – Sustainable Procurement Guidance Standard)
- More challenging expectations from **regulator Ofgem**
- **Investors** placing greater emphasis on how an organizations strategy relates to **its economic, social and governance (ESG)** agenda
- A company's position on Sustainability is now a key factor in **attraction/retention of talent**

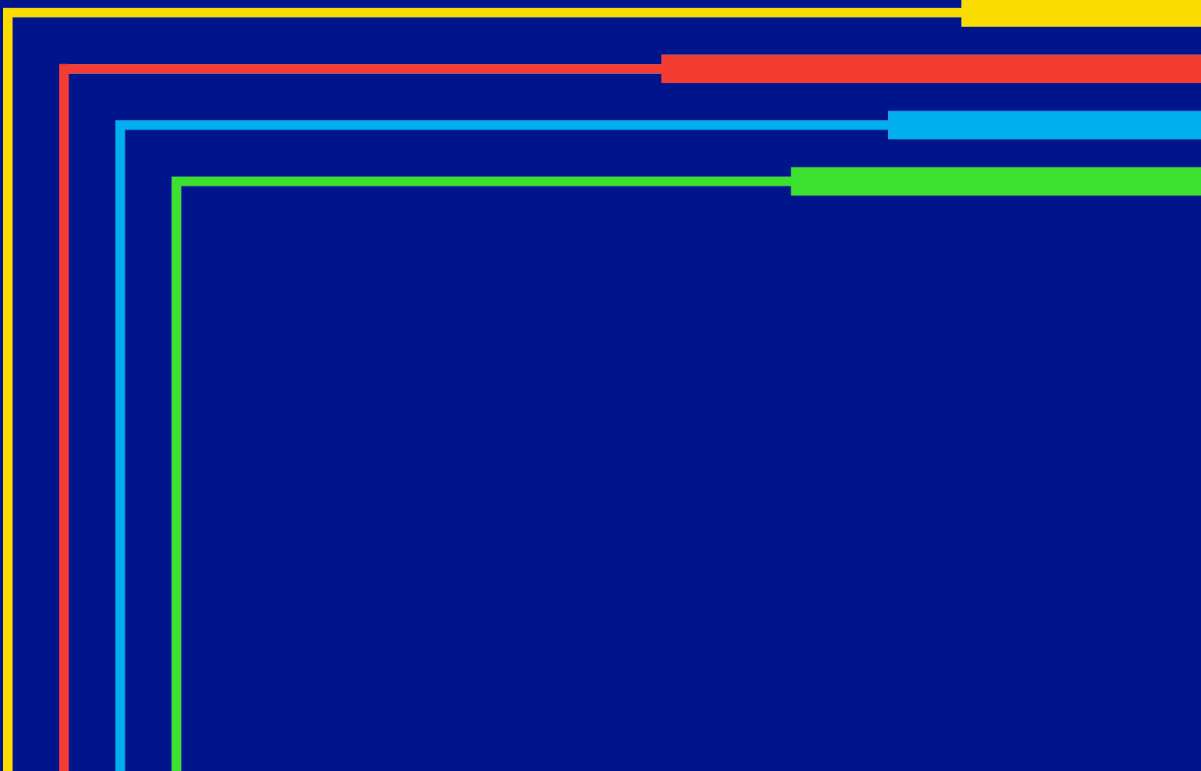
United Nations Global Goals for a better world by 2030.



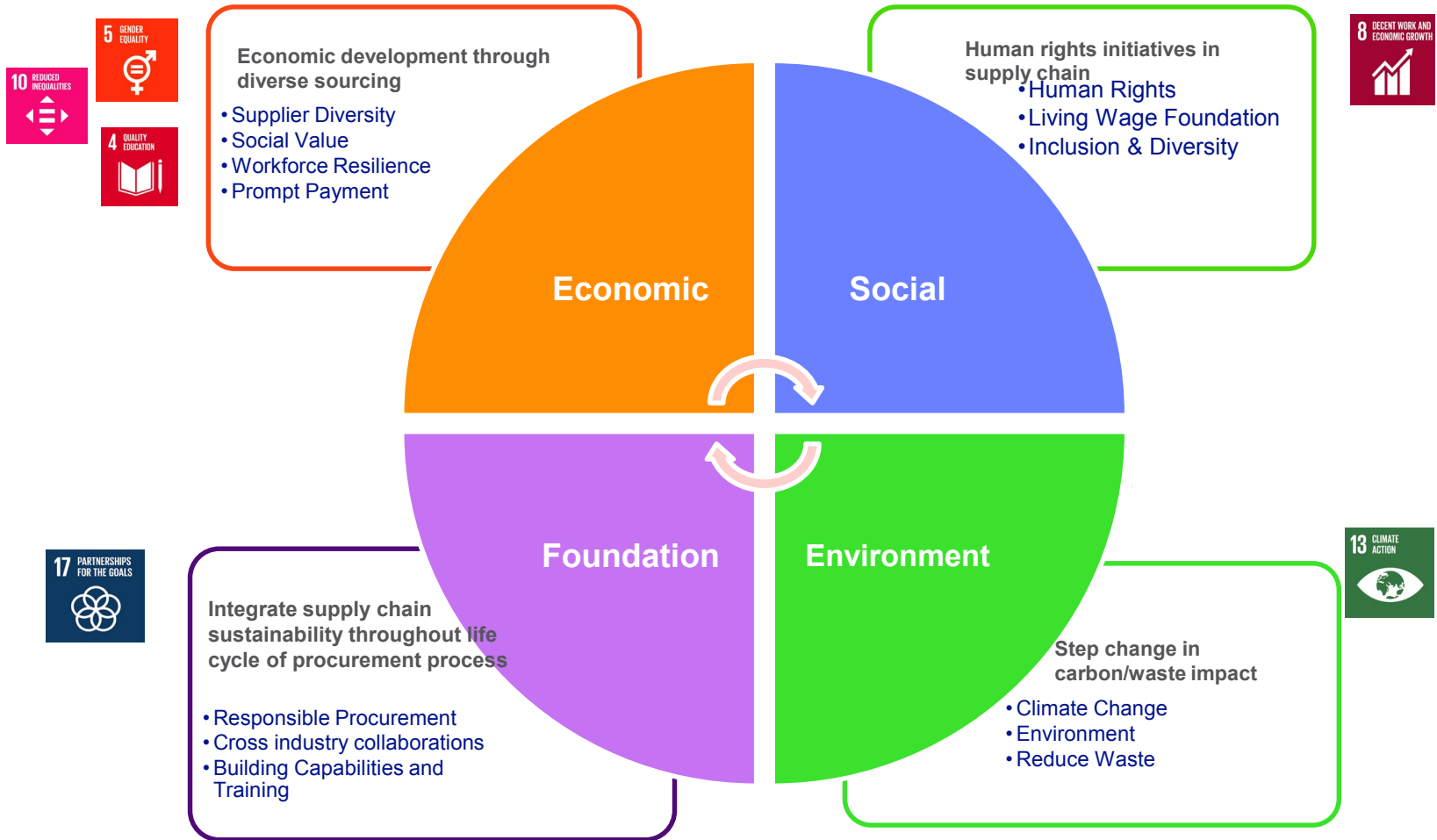
3

Focus areas for Supply Chain Sustainability

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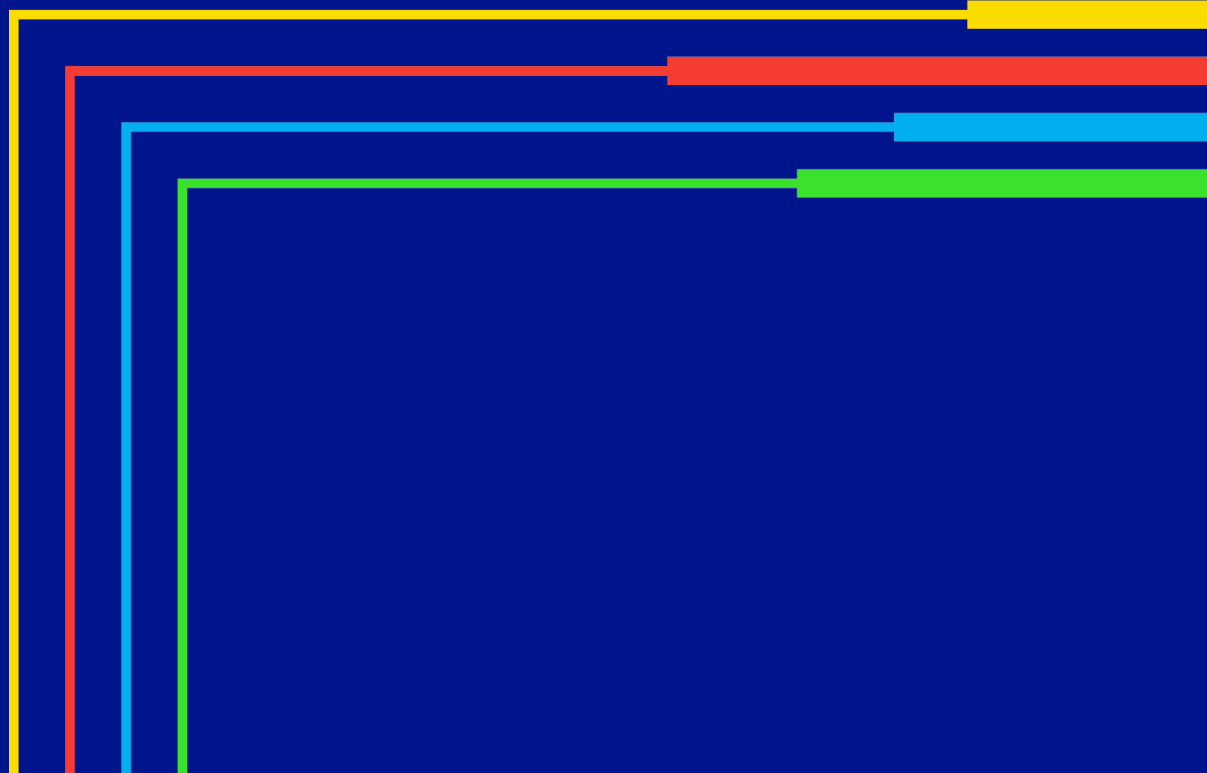
Focus areas for Supply Chain Sustainability



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Action Plan – Overview and polling

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RIO-T2 Responsible Procurement Proposed Action Plan

Foundation Commitments

Strategy (what)	Tactic (how)	Measurement (what)
Embed sustainability and responsible sourcing within the procurement process	<ul style="list-style-type: none"> Alignment to ISO20400 Sustainable Procurement Guidance Standard Gap analysis against ISO20400 	Meeting ISO20400 Guidance (verification) # category strategies considering sustainability
Deliver impact in supply chain at scale	Active involvement in industry initiatives and working groups including; Supply Chain Sustainability School Infrastructure Leadership Group, Achilles Steering Group, UNGC UK Network, Construction Protocol, CDP	# actions driven through engagement

1. Foundation commitments

Question 1

Does your company use the ISO20400 Sustainable Procurement Guidance as a reference/framework?

A - Yes

B - No

C - Not sure

Question 2

Do you agree that collaboration in the industry is the correct approach to drive change in the sustainability agenda?

A - Yes

B - No

C - Not sure

RIIO-T2 Responsible Procurement Proposed Action Plan

Social Commitments		
Strategy (what)	Tactic (how)	Measurement (what)
Require all our UK suppliers, Tier 1 and beyond, pay the real living wage to their employees (as defined by the Living Wage Foundation)	<ul style="list-style-type: none"> Verify this to tier 1 in relevant categories of spend, managed under Global Procurement, where low wages are a potential risk 	# individuals with wage increases as a result of NG commitment
Use influence in sector to identify and address potential modern slavery risks in supply chain	<ul style="list-style-type: none"> Training strategy Risk mitigation plans in place Collaborative projects with suppliers 	Top quartile FTSE 100 position for modern slavery rating # action plans in place with suppliers
Promote equal opportunities in the supply chain National Grid	<ul style="list-style-type: none"> Communicate our expectations to suppliers through our Supplier Code of Conduct / Global Supplier Diversity Policy Sign up to FIR (fairness, inclusion & respect) commitment 	# diverse/minority suppliers included in sourcing events

2. Social commitments

Question 1

How satisfied are you that our commitment on the real living wage is ambitious enough?

- A - Very satisfied
- B - Satisfied
- C - Dissatisfied
- D - Very dissatisfied

Question 2

Is the metric for the real living wage correct (# of individuals with wage increase as a result of our commitment)?

- A - Yes
- B - No
- C – Not sure

Question 3

Is the metric for promoting opportunities in the supply chain achievable (# diverse/minority suppliers included in sourcing events)?

- A - Yes
- B – No
- C- Not sure

RIO-T2 Responsible Procurement Proposed Action Plan

Economic Commitments

Strategy (what)	Tactic (how)	Measurement (what)
<p>Promote skills development in the supply chain by requesting that a minimum of 5% of supply chain technical headcount is upskilled annually</p>	<ul style="list-style-type: none"> Active member of the Energy & Utility Procurement Skills Accord Engagement with suppliers to become part of the Accord Use of PQQ (Pre-Qualification Questionnaire) related questions in Achilles to filter 	<p># suppliers signed up to Skills Accord (or equivalent) % technical headcount under training plans</p>
<p>Provide equal opportunities to diverse suppliers as part of the sourcing process where relevant</p> <p>National Grid</p>	<ul style="list-style-type: none"> Undertake market research to assess availability of diverse suppliers for sourcing categories (minority/social enterprise/SMEs) Promote local sourcing opportunities in large scale projects via Tier 1 contractors 	<p># projects using CompeteFor (a tool used to advertise opportunities in the supply chain)</p>

3. Economic commitments

Question 1

Is our commitment to driving skills development in the supply chain a priority focus area for you?

- A - Yes
- B - No
- C - Not sure

Question 2

What is your approach to providing equal opportunities in the supply chain (SMEs, minority suppliers etc)?

- A - buyer outreach (e.g. CompeteFor)
- B - supplier capability building
- C - part of award criteria
- D - not a priority

RIO-T2 Responsible Procurement Proposed Action Plan

Environmental commitment		
Strategy (what)	Tactic (how)	Measurement (what)
75% of our suppliers engaged via CDP supply chain program to have carbon reduction targets	Engage with supply chain to set carbon reduction targets for suppliers identified through the CDP supply chain program (top 250 by category/spend)	% suppliers with reduction targets

4. Environmental commitments

Question 1

How satisfied are you that our commitment to carbon reduction in the supply chain is ambitious enough - % suppliers with carbon reduction targets?

- A - Very satisfied
- B - Satisfied
- C - Dissatisfied
- D - Very dissatisfied

Question 2

Should we expect our supply chain to set Science Based Targets (SBTs)?

- A - Yes
- B - No
- C - Not sure

RIO-T2 Responsible Procurement Proposed Action Plan

Focus Area	Strategy (what)	Tactic (how)	Measurement (what)
Foundation	Embed sustainability and responsible sourcing within the procurement process	Alignment to ISO20400 Sustainable Procurement Guidance Standard Gap analysis against ISO20400	Meeting ISO20400 Guidance (verification) # category strategies considering sustainability
	Deliver impact in supply chain at scale	Active involvement in industry initiatives and working groups including Supply Chain Sustainability School Infrastructure Leadership Group, Achilles Steering Group, UNGC UK network, Construction Protocol, CDP	# actions driven through engagement
Social	Require all our UK suppliers, Tier 1 and beyond, pay the real living wage to their employees (as defined by the Living Wage Foundation)	Verify this to tier 1 in relevant categories of spend, managed under Global Procurement, where low wages are a potential risk	# individuals with wage increases as a result of NG commitment
	Use influence in sector to identify and address potential modern slavery risks in supply chain	Training strategy Risk mitigation plans in place Collaborative projects with suppliers	Top quartile FTSE 100 position for modern slavery rating # action plans in place with suppliers
	Ensure equal opportunities are provided and provided in the supply chain	Communicate our expectations to suppliers through our Supplier Code of Conduct / Global Supplier Diversity Policy Sign up to FIR (fairness, inclusion & respect) commitment	# diverse/minority suppliers included in sourcing events
Economic	Promote skills development in the supply chain by requesting that a minimum of 5% of supply chain technical headcount is upskilled annually	Active member of the Energy & Utility Procurement Skills Accord Engagement with suppliers to become part of the Accord Use of PQQ (Pre-Qualification Questionnaire) related questions in Achilles to filter	# suppliers signed up to Skills Accord (or equivalent) % technical headcount under training plans
	Provide equal opportunities to diverse suppliers as part of the sourcing process where relevant	Undertake market research to assess availability of diverse suppliers or sourcing categories (minority/social enterprise/SMEs) Promote local sourcing opportunities in large scale projects via Tier 1 contractors	# projects using CompeteFor (a tool used to advertise opportunities in the supply chain)
Environment	75% of our suppliers engaged via CDP to have carbon reduction targets	Engage with supply chain to set carbon reduction targets for suppliers engaged through the CDP supply chain program (top 250 by category/spend)	% suppliers with reduction targets

5. General questions

Question 1

Is the general scope of our commitments correct (social/economic/environmental/foundation)?

- A - Yes
- B - No
- C - Not sure

Question 2

Do you feel that our ambition is more challenging than the rest of the market?

- A - Yes
- B - No
- C - Not sure

Question 3

How supportive are you of our commitments?

- A – Very supportive
- B - Somewhat supportive
- C - Unsupportive

Question 4

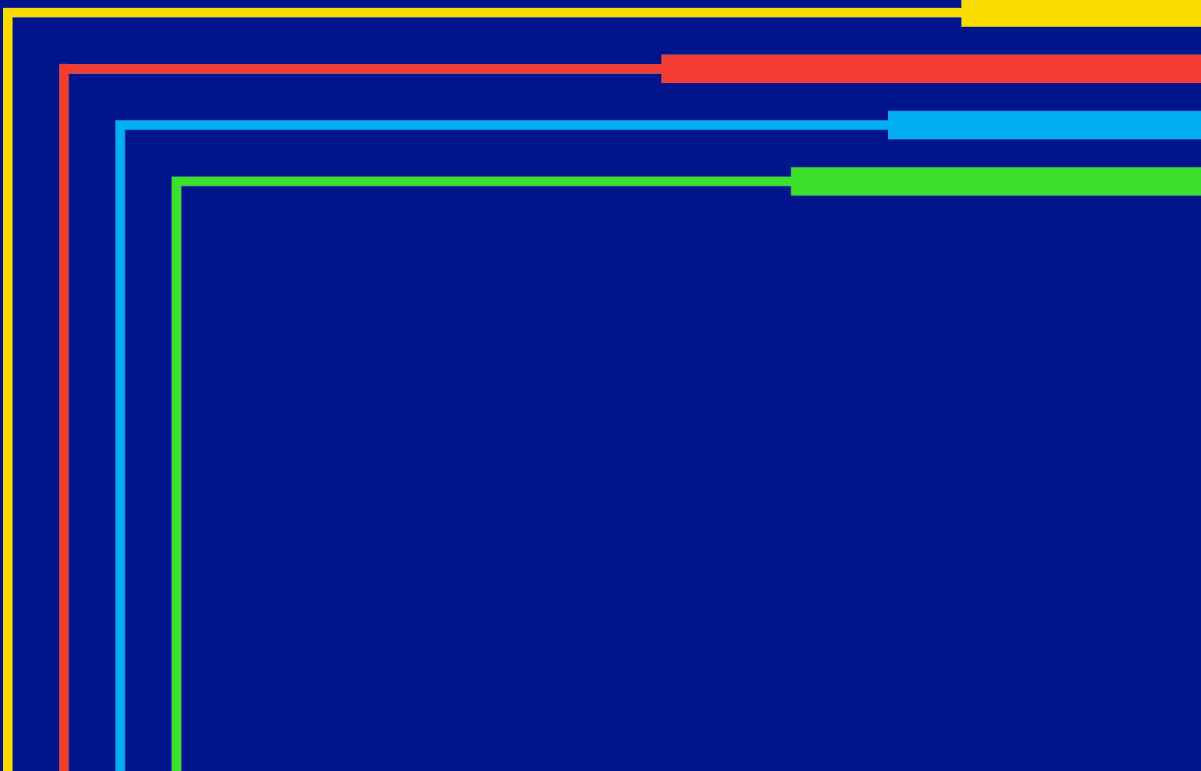
How easy do you think it will be to implement our commitments?

- A - Very easy
- B - Fairly easy
- C - Challenging
- D- Forget it, far too difficult to put in place

5

Q&As

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Answering your questions

Feedback



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