

Appendix 17

Workforce & Supply Chain Resilience

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Executive Summary

The gas distribution industry is facing unprecedented challenges to attract and retain skilled resources to deliver against our ambitions and commitments in RIIO-3; whether this talent is employed directly by us, or via supply chain arrangements.

Key external factors contributing to the challenge include:

- political macro-economic factors driving a reduction in our ability to secure overseas skills,
- increased cost of resources,
- the global talent shortage for scarce critical skills needed, and
- increased competition for skills and employment in the sector; with competing investment in other industries such as the water industry and skill mobility.

We aren't starting from nothing though; we have award-winning processes in place already and use this strong foundation within our workforce and supply chain resilience strategy in RIIO-3. We have been awarded 'employer of the year' and 'attraction, recruitment campaign or initiative' at Energy & Utility Skills awards 2024 for our 'exceptional commitment to fostering an inclusive and supportive workplace that puts employees at the core of its operations'. In addition, we have won The Job Crowd's 'top company' for graduates and apprentices to work for in 2022/23.

Against this backdrop, we have a people strategy and actions in place to ensure that we have a resilient, skilled and engaged workforce and supply chain now, and into the future, who will deliver brilliantly for our customers, through:

- Clear equity, diversity and inclusion plans, providing a consistent thread throughout our employee lifecycle. We employ a diverse, multigenerational workforce with diverse needs and expectations which we work hard to understand and address, whilst fostering an inclusive culture where everyone feels valued and can thrive.
- Listening carefully to our diverse workforce to deliver a compelling employee value proposition; ensuring our workforce is engaged and motivated to deliver for our customers. This includes strong onboarding, competitive reward packages with inclusive and flexible benefits, and a range of personal and career development opportunities to ensure the organisation has the skills needed for the future.
- Offering development opportunities to help our workforce deliver against our commitments, and for the individual to continue to develop their skills and develop their career.
- Building our employment brand through early intervention into schools and through a variety of social media platforms, to continually attract new talent.
- Reimagining our entry level talent programmes into the innovative future talent themes; we have removed traditional barriers to entry, opened talent pipelines and have committed to building skills using these themes.
- Delivering best in class learning and development: educating, training, upskilling and multiskilling our workforce to ensure we have the skills we need for a technology driven, low carbon energy system. Through digitalisation of employee ambitions and competencies, along with training and mentoring, we will increase the speed to competence.

Uncertainty in the future of gas; approaching the end of the Iron Mains Replacement Programme and the increase in the cost of resources are some of the challenges facing the competitiveness of procuring resources from our supply chain. However, clear steps have been taken to mitigate this and drive innovation and competitiveness. These include the building of strong long-term relationships for the delivery of major projects with certainty over volumes and timelines in place. Different approaches are applied to other tender situations, including the running of the request for proposals before defining final tender scope to learn best practice before finalising tender scopes.

We are confident that through delivery of our ongoing supply chain strategy, our people strategy and the roll out of the safe and well framework, we will secure a resilient workforce.

1. Considerations for our strategy

We are cognisant of the many macro-economic and micro-economic factors that impact us and our sector.

1.1. The key factors to consider:

- **The external labour market**
 - Due to investment in the UK infrastructure (water, power, hydrogen, fibre, etc), there is fierce competition for the skills that we need to run a safe and resilient network
- **The political landscape**
 - An important element of political influence in the demographic change of the UK workforce is the role of migration. We have seen a freeze in the number of workplace sponsorship licences we can apply for and tightening of rules around dependant and spousal visas, which has already impacted on the people we can recruit or continue to employ (for example in IT, cyber and digitalisation).
 - The UK's departure from the European Union has led to further challenges with a reducing talent pool.
- **Employee relations and the role of trade unions**
 - We operate within a heavily unionised environment with over 85% of our workforce being collectively bargained, whether individual trade union members or not.
 - With recent and future changes to employment legislation, the increases risk of strike action makes it more challenging to introduce workforce changes across the business to deliver efficiency in line with outcomes.
- **The energy transition**
 - With a current focus on hydrogen for industry, and a heat policy decision planned for 2026, we are preparing for changes both in infrastructure and people skills development whilst planning to engage with regional energy system planners and NESO for example. Whilst this brings the potential for exciting future career opportunities, there is a risk that uncertainty of the future of the gas network may affect career choices for both existing staff as well as potential recruits.
- **Skill mobility**
 - The skills developed by many of our employees are transferable to many other utility and construction industries, for example, due to the safety critical work undertaken in the gas sector, it is easier to transition from gas to water than to transition from water to gas due to different levels of training requirements to ensure personal, asset, process and public safety.
 - Competition for our skilled resources and supply chains is not just between sectors, but also within sectors, as the gas distribution networks (GDNs) compete for the same resources to complete the iron mains replacement programme by 2032 which impacts unit rates. The change in work mix is also driving a requirement for larger diameter skills.
- **Our employer brand**
 - Employer branding plays a crucial role in attracting and retaining talent, and due to only really being visible to customers when we undertake work (proactive or emergency), we are not yet a household name. Through our customer groups, we understand that circa 57% of our customers have an awareness of Cadent due to it still being a young brand.
- **Employee expectations**
 - Our workforce is multi-generational, we need to understand how we can meet the needs of people at different stages of their lives and careers
- **Digitalisation**
 - The period of technological change we are currently experiencing is largely defined by a growing rate of adoption of automation technologies across both manual and non-manual occupations. This will drive an expansion of the skill sets we require, potentially widening existing skill gaps.

1.2. Our strengths, weaknesses, opportunities and threats

In order to prepare for these challenges, we have updated our strengths, weaknesses, opportunities and threats (SWOT) analysis (table 1 below). This allows us to consider harnessing our strengths and taking advantage of opportunities which will support with recruiting and retaining talent, whilst actively considering the impact our weaknesses and threats will have on success. These have been included in our strategy and is further detailed in sections [3](#) and [6](#) below.

Strengths	<ul style="list-style-type: none"> • Competitive reward package with broad range of benefits in place to meet a wide range of individual needs. • Strong culture of safety and wellbeing. • Strong commitment to equity, diversity and inclusion evidenced by a range of external accreditations. • Highly skilled workforce; strong future talent offering and Ofsted accreditation. • Highly engaged workforce (73% in 2024 Safe and Well survey). • Purpose, variety, community and growth. • Attractive Environmental, social and governance credentials. • Certainty of workbook & volumes enabling focussed procurement. • Strong reputation based on reliability and certainty of payment.
Weaknesses	<ul style="list-style-type: none"> • Cadent is not a 'household' name/employment brand (43% unaware of Cadent). • Historic view/ perception of gas industry as lacking diversity (lower attractiveness compared to other sectors). • Restrictions in overseas sponsorship restricting access to overseas talent pools. • Global talent shortage for scarce critical skills. • Strong competition for resources coupled with high cost of resources. • Training time to competence longer in gas industry than in other industries e.g. water. • Median payer and funding conflicts with need to attract scarce skills. • Sunset of the iron mains replacement programme.
Opportunities	<ul style="list-style-type: none"> • Innovative, technology-based roles are being created to deliver future technological transformation. • Positive announcement on future transition of gas opportunity to net zero with further biomethane and Hydrogen opportunities. • Collaboration with Energy & Utility Skills and the other GDNs to address industry wide issues, including attraction. • Longer-term contract commitments enabling smarter procurement. • Work bundling to enable more opportunities within the procurement process.
Threats	<ul style="list-style-type: none"> • Uncertainty of future of gas transition impacting attractiveness of the sector. • Skilled resources able to easily move to other sectors, with established investment programmes in place. • Ability to retain competitive supply chain resources as we approach the end of the iron mains replacement programme.

Table 1: Cadent SWOT analysis

1.3. Government interaction

Seeing as the political landscape has such a direct influence on us, we seek to influence and lobby government on a range of key topics to ensure the resilience of our workforce and through a variety of means. As members of the Energy & Utility Skills Board we have direct influence on the strategic direction across the entire energy industry and have access to members and shadow members of parliament to influence real change. Currently we are working with them on developing a proposal for a Social Impact Commitment and are seeking ministerial support for our social impact work (EDI and social mobility) across the energy industry. In addition, we work closely with local partners such as the Good Jobs Project as part of the West Midlands Employment Alliance where representatives from the DWP sit to engage with us on access to funding to support the most vulnerable employees and attract them into our industry. Our engagement in trail blazer groups as part of the Energy & Utility Skills Council allows us a voice in shaping the apprenticeship and training standards across our industry. These are just some of the key groups and initiatives we are involved in to shape the future of work in our sector and seek to change policies to enable a workforce of the future.

1.4. Stakeholder engagement

In order to overcome challenges and create opportunities, we continue to ensure that stakeholders remain at the heart of our ongoing delivery and decision making and have discussed these factors as well as our developing strategy with multiple stakeholders. We have, and are continuing to, work both internally and externally with:

1. Internally:

- Cadent Board, Executive committee and senior business leaders
- Employee and Trade Union representative groups:
 - Manager engagement group
 - Cadent staff forum
 - Field force forums
 - Inclusion community groups
- Wider People team
- Resilience committee

2. Externally:

- Cadent Independent Stakeholder Group
- National Skills Academy for Power
- Other Gas Distribution Networks and companies e.g. National Gas
- Ofgem
- Energy & Utilities Advisory Panel
- Other non-gas utilities including Severn Trent & Thames water
- Our Supply Chain and in particular our Contract Management Organisations (CMO)
- Achilles, Supply chain forums e.g. Cyber Taskforce, CIPS Construction, Action Sustainability.
- despite other barriers arising e.g. overseas sponsorship.
- Others, see our [Appendix 11](#) (Stakeholder Engagement and Decision Log)

We will continually test the assumptions we have made in developing our strategy and take learnings from stakeholders as we work through delivery of our plan, see [Appendix 11](#) (Stakeholder Engagement and Decision Log) Through this engagement, we have found that the challenges we face will help drive opportunities, and our strategy has been designed to mitigate and overcome these challenges. Our workforce ambitions and strategic objectives, covered in our 'people strategy' ([see section 2 below](#)), is designed against the backdrop of these challenges to aim for future workforce resilience.

2. The building blocks of our strategy

We have created a people strategy, employee value proposition, and safe and well framework to be the driving force of change needed to mitigate against the challenges mentioned in [section 1](#).

2.1. People strategy

Figure 1 below visualises our people strategy which articulates our overall people vision of having a thriving culture where things are simple, people can be themselves and deliver brilliantly for our customers. The five people pillars are tailored to support our people in achieving that vision:

- People experience
- Connected culture
- Excellent performance
- Building innovation
- Future Cadent

We have captured underneath this ‘how our people will feel’, whether that’s feeling like we are one team, or enjoying the pace of change. We have referenced the critical enablers which are required to deliver our strategy, at its core, being investment and technology.

This helps us prioritise our people initiatives to ensure that our investment in our people, and the changes we carry out, drive towards people feeling they can thrive within Cadent, which then drives our strategic objectives for RIIO-3 in ensuring workforce and supply chain resilience.

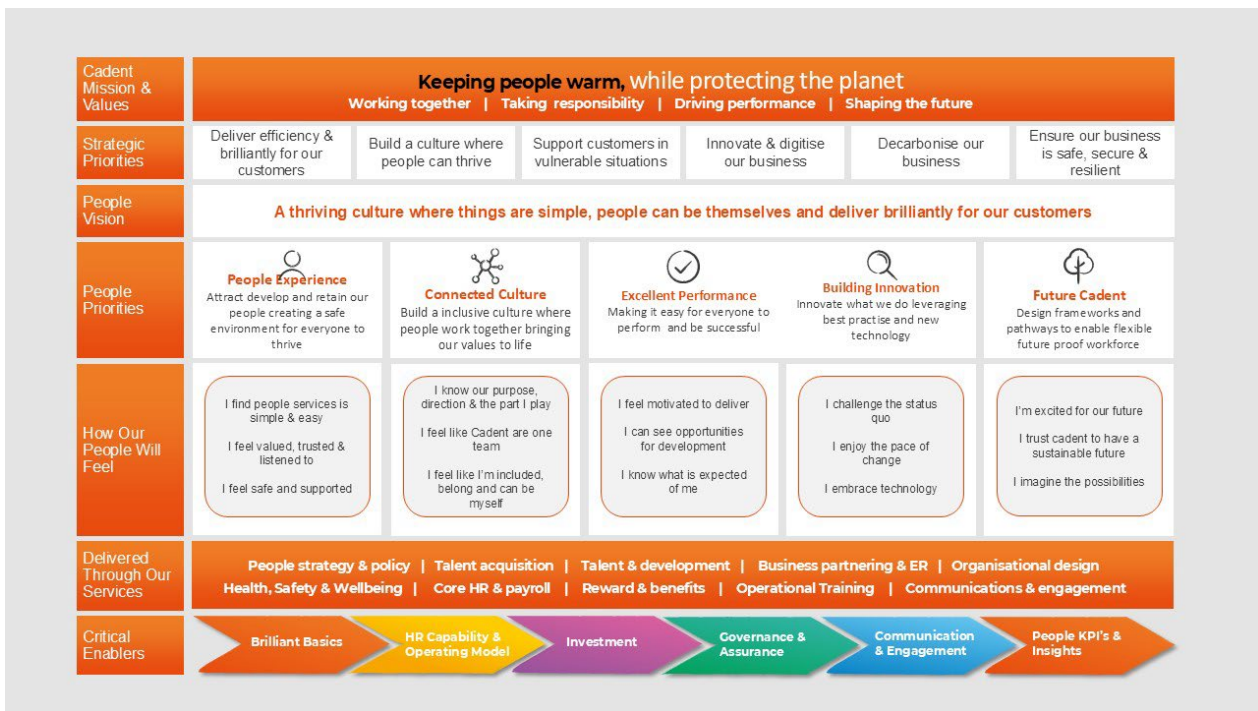


Figure 1: Our people strategy

2.2. Employee value proposition

Our employee value proposition (EVP), discussed in more detail in [section 3](#), focuses very much on how our people will feel, through training opportunities, social spaces at work, employee communities, family provisions, pay and reward schemes and more (figure 2).

In order to address the challenges and requirements highlighted in [section 1](#), we have created six key focus areas which are aligned to the five people pillars mentioned above.

People Vision	A thriving culture where things are simple, people can be themselves and deliver brilliantly for our customers				
People Pillars	<i>People Experience</i>	<i>Connected Culture</i>	<i>Excellent Performance</i>	<i>Building Innovation</i>	<i>Future Cadent</i>
1. Improve inclusion, diversity & equality	●	●	●	●	●
2. Improve workforce satisfaction and retention	●	●	●		●
3. Improve workforce motivation & productivity	●	●	●		●
4. Attract people to the energy sector and develop the skills needed for a technology driven, low carbon energy system	●	●		●	●
5. Upskilling and multi-skill the existing workforce	●	●	●		●
6. Ensure the health, safety and mental wellbeing of the workforce	●	●			●

Figure 2: Focus areas to address the challenge and requirements for RIIO-3

Lastly, our safe and well framework and the eight headings (figure 3), form the basis of our model for personal safety, process safety, health and wellbeing and human factors. The framework aligns to the requirements of our safety case and is utilised within our direct and indirect workforce, as well as our supply chain.



Figure 3: Safe and well Framework

3. How we are addressing critical skills gaps

3.1. How we will attract and retain talent to develop and maintain a modern and diverse workforce

3.1.1. Current position

Whilst our rolling attrition rate of c.8% is not excessive, we continue to focus on workforce satisfaction to ensure that we retain the talent and skills that we need to be successful in meeting the requirements and mitigating against the challenges noted in [section 1](#) above.

We have developed our EVP by considering feedback received from across the business and what is important to our colleagues. We will continue to develop our EVP based on what is important to our colleagues for improved satisfaction and retention of our skilled workforce. This is done through the continuous engagement mentioned in [section 1](#), which has included our 'safe and well' surveys, our active employee communities, local engagement groups and through our regular Trade Union employee forums. We monitor our turnover rates and the associated exit interviews, to understand why people are leaving the business and seek to address any themes to avoid future regrettable losses from the business. Sentiment is also shared via Viva Engage, a channel which has high engagement rates from colleagues and allows employees a voice.

We know through these communication and engagement channels that the physical, mental and financial wellbeing of all our employees is a priority, and we provide a range of benefits across these areas ([see section 3.1](#)). Some of these benefits can be selected through salary sacrifice as part of our flexible benefits programme e.g. critical illness insurance, dental insurance etc. and others are provided and paid for by the company, which includes Wellhub (providing free gym membership and free access to a range of wellbeing apps for all colleagues). Virtual General Practitioner (GP) services are also provided to all employees and their immediate family, for which we have seen a large demand and high usage.

We will continue to grow and enhance our leadership programmes by clearly defining the expectation and development opportunities at each level of people leader. Providing them with regular, easily consumable learning via a variety of mediums which will enable them to seamlessly embed the learning into their everyday activities.

Through our Talent Framework we will identify critical skills and roles and provide targeted development to strengthen capability and prepare future talent for critical positions. We will also grow and nurture our talent who have the capability, learning agility and aspiration to be leaders of the future throughout high potential programmes. We have started our journey to a skills-based organisation and mapping skills across all roles to provide employees with visibility through Success Factors to see their skills and competencies for current role and any future roles, with a range of development opportunities and programmes available to close any gaps.

This approach is helping us look at skills rather than roles and working alongside other organisations such as EU Skills identify the skills required for the future of the industry and provide relevant learning opportunities to support this. We are already doing this in the data and technology space working with providers to deliver upskilling programmes in this critical space funded through the apprenticeship levy. The following sections describe in a more detail how we will attract new talent, develop skills, train and motivate people, improve EDI and health, safety and wellbeing, and finally actions to retain our talented employees.

3.1.2. Attract people to the energy sector and develop the skills needed for a technology driven, low carbon energy system

The race for talent has never been so competitive particularly in the field of emerging technologies and energy transition. Roles such as Cyber Security Specialist and Future Energy Specialist are already in short supply and developing the skills needed in these areas requires a combination of technical expertise, interdisciplinary knowledge and a forward-thinking mindset. We will continue to leverage the external bodies and institutions we work with as part of our ecosystem to collaborate on solving the skills shortages across the industry. Working with Energy & Utility Skills to look across the sector to develop best practice, create new and additional apprenticeships and leverage the work of organisations such as PwC who work closely with government and government bodies to look at key trends shaping the future of work which is then used to help organisations in our sector to prioritise and focus our efforts in recruitment, reskilling, future talent, etc. This keeps us close to the

government thinking and gives us the opportunity to help to shape the solutions. As an organisation we have made great strides in attracting talented individuals to work for us. We have increased both our application numbers and the diversity of our applicants. We have invested in a new EVP supported by a full-time employer branding specialist to support our Talent Acquisition activities, this has enhanced all of our career social media channels, including launching a TikTok channel to appeal to a broader audience and raise awareness of the career opportunities across our organisation with engaging visual and video content. We appreciate that the workforce of the future, are those that we recruit today, and as such we have created [sector-leading] initiatives to recruit the best talent now (and retain them for the future) in order to mitigate against the sector challenges mentioned in [section 1](#) above:

Future Talent

We have completely reimaged our apprenticeship and graduate schemes hiring into three 'Future Talent' themes:

- Future Professionals, which encompasses traditional central functions such as Finance, Human Resources (HR), Communications and Strategy,
- Future Engineers to support all technical engineering entry level hiring, and
- Future Field Force for all field operative and engineering roles.

This change enabled us to remove many traditional barriers to entry into our programmes, which has seen, since implementation, an increase from 1,706 applications in 2022 to 13,710 in 2024. In our 2023 intake we also increased the representation of ethnic minority colleagues in our Future Talent programmes by 9%. As well as increasing the diversity we have seen a substantial change in the age demographic of people applying to the schemes with 46% of this year's applications coming from individuals aged 26 years and above.

Inclusive Recruitment

Our Talent Acquisition team won the award for 'Attraction, Recruitment campaign or Initiative of the Year at the 2024 Energy and Utility Skills Awards against a range of entries from across the energy industry, with judges stating that our "exceptional campaign has been recognised for its alignment with the company's mission and its impactful approach to attracting diverse talent". We will look to continue to support our hiring manager training module and will look to support our hiring manager training module ([see section 3.1](#)) with strategic intervention training, aligned to hiring trends with the management community, as well as constantly championing best practice in line with our continuous improvement ethos and creating a culture where our people thrive.

Increasing female representation in our field force population

We will continue to increase the number of female operatives in our field force through our Future field force theme, looking to influence females of all ages to consider an operational role. We will further highlight some of our fantastic women already working in the sector, looking to dispel any myths or stigma that may historically be there, supported by reviewing opportunities for flexible working and different shift patterns in this area.

Schools outreach programme

Currently focussed primarily on safety, this reaches around 80,000 students per year, so we are looking to use this platform along with other existing outreach schemes such as the Science, Technology, Engineering and Math (STEM) ambassador scheme to start to influence diverse groups at an earlier age. We believe this to be vital as there will be many who may be unaware or even discount the opportunities available in our sector when leaving education with a feeling it isn't for them as they aren't the traditional demographic of our employees. We will look to break down stereotypes and we will lobby government on how careers are managed in schools with the development of new apprenticeships, degree apprenticeships, visibility of careers in the gas sector and how the apprenticeship levy is utilised. We will look to influence government policy on migration and skills.

Supply chain

Where we cannot recruit effectively, or where programmes have short term peak periods, [security] we will look to our supply chain in order to fulfil the resource requirements needed for success. Close collaboration with our supply chain is therefore critical as part of our strategy ([see section 6](#)).

3.2. Skills development including upskilling & multiskilling the existing workforce

Retention of talent is often a more advantageous strategy for companies for a number of reasons, including corporate memory. We are developing a strategic workforce planning process to identify the skills required ahead of time and to support strategic decisions to build the skills needed, for which we have many options.

Firstly, we will continue to leverage the Future Talent programmes previously referenced and will continue to evolve these to consider the needs of the business. Figure 4 lists the future talent themes that we work within.

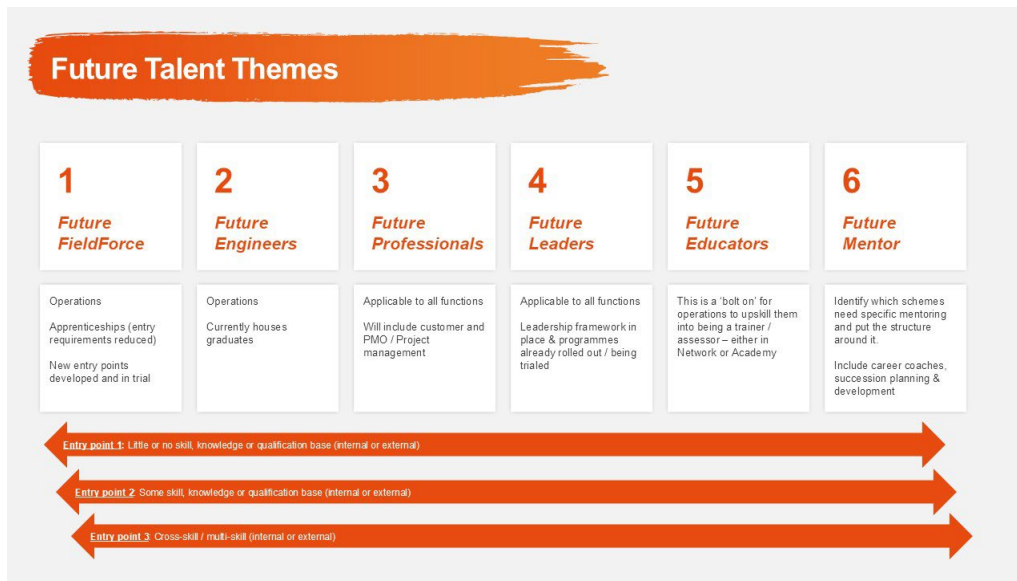


Figure 4: Future Talent Themes

We will also look at additional talent segmentation, this will focus on critical roles in the organisation which may be difficult to buy, and we will develop specific programmes to support the development of these critical skills. We will look to build a cohort of digital disruptors who have an innovative growth mindset and can support the development of these skills throughout the organisation.

In addition, we will pursue a range of options (table 2) to develop these skills.

Developing skills for technology and low carbon	
Formal education and training	<ul style="list-style-type: none"> Offer limited numbers of formal education routes such as degrees and accreditations in renewable energy, sustainability, digitalisation Take part in external seminars, workshops and conferences learning from experts in the relevant field.
Interdisciplinary knowledge	<ul style="list-style-type: none"> Understand policy and regulatory frameworks. Foster collaboration hubs to share expertise internally and externally
Create specialist academies i.e. Hydrogen academy	<ul style="list-style-type: none"> Specific learning academies created to house all of the above learning in one place with expert facilitators and knowledge gurus responsible for understanding the skills and knowledge required and translating this into appropriate learning interventions.
Cultivate innovation	<ul style="list-style-type: none"> Foster a mindset of innovation, developing novel solutions for addressing challenges in the transition to a low carbon energy system and technology innovation.

Table 2: Developing Skills for Technology and Low Carbon

Insight from the future of jobs report 2023¹ shows the significant gap between the skills required to perform well in roles in the energy and utilities sector, and those needing to be prioritised for reskilling and upskilling in the next five years. Our total existing resource in 2024 is 6,800 people, and the resources required to deliver in 2031 is 7,020. The RIIO-3 plan already includes resource requirements where we have identified skill gaps (see table 3 below), but we will keep reviewing this in line with our workforce planning processes.

Description	Additional resource to deliver by 2031	Risks and Mitigation measures
Cadent Total FTE	220	
IT Resources including Cyber	70	UK Talent shortage within IT and Cyber along with requirements to deliver the Enhanced Cyber Assessment Framework (CAF), mitigated by increase in apprentices, redeploying and re-skilling work management & execution resources along with targeted talent attraction campaigns throughout 2024 and 2025.
Apprentices	8	Increase in apprentices with a focus on those in IT and Cyber to support additional resource required.
Engineers to support Climate Resilience	2	Identifying talent within our Graduate population and looking to redeploy and re-skill work management & execution resources.
Field Force & Supervisors to support Fatigue (Night shift)	145	Ageing profile mitigated by the use of supply chain to provide rota resilience to deliver FTE required to effectively manage fatigue in line with HSE requirements.
Drivers & Sensor Operatives support Advance Leakage Detection	31	Utilise upskilling programmes along with redeploying and upskilling work management and execution resources to meet additional demand.
Resources to support Energy Planning	59	Identifying talent within our Graduate population, creating targeted attraction campaigns and looking to redeploy and re-skill work management & execution resources.
Total Increases	331	
Work Management	-69	Seek to redeploy and upskill resources to meet increase demand in other key capabilities.
Work Execution	-41	Seek to redeploy and upskill resources to meet increase demand in other key capabilities.
Total Efficiencies	-110	

Table 3: Resource Planning

Competency Management

We are in the middle of a comprehensive programme to improve the way we manage skills and competence. A significant part of this project is developing an integrated competency framework (figure 5), aligned with the Institute of Gas Engineers and Managers (IGEM) industry standards, which looks across the employee lifecycle from hire to retire. It is designed to flex and adapt with the changing needs of the industry, regulators and our customers.

- Profiling of skills & competencies required for roles and making this visible in our SuccessFactors HR system.
- Identifying the training and development needed to be competent in role.
- Understanding of any skills and competency gaps with processes to address any gaps.
- Linked across our systems and processes to ensure competent people are put to work appropriately.
- Supported by the correct processes and policies and availability of relevant data and insight.

¹ The Future of Jobs Report 2023 | World Economic Forum

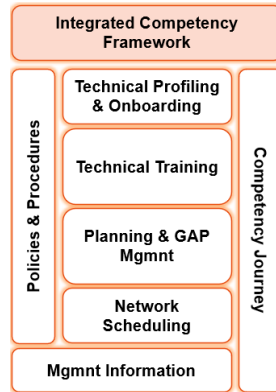


Figure 5: Integrated Competency Framework

We will also include assessing and validating the competence of our contractor workforce in line with the framework. We will partner with our supply chain to influence their talent agenda with a view to exploring joint emerging and succession approaches.

Addressing the age demographic challenge will be another enabler to retaining knowledge and talent in the organisation and addressing the skills shortage. We will look at opportunities to reskill colleagues who are no longer able to fulfil physically demanding roles or who need to have more flexible working arrangements, providing them with different career opportunities whilst retaining the knowledge and skill in the organisation. Clearly defined learning programmes for all roles will enable colleagues to access different career options which play to their strengths and build on their skill set.

Learning & development

To keep ahead of the changing requirements, we will be looking at opportunities to provide a range of accessible learning modalities (table 4) which will increase speed to competence, deliver just in time learning and reduce time away from work for our frontline employees while providing an excellent learner experience. We will proactively prioritise skills development areas to identify the most critical skills gaps and prioritise them based on their strategic importance and potential impact on business performance e.g. Hydrogen, Technology, flexible workforce.

Will continue to work with and contribute to best practice in the industry by working closely with EU Skills and other external partnerships and bodies and utilise and grow our learning ecosystem.

Improving our Learning Opportunities	
Tailored learning programmes	Develop (where required) customised training programmes and resources to address the identified skills gaps
Diverse range of modalities	Provide a mix of formal and informal learning opportunities including, instructor led, e-learning, on the job, peer learning groups, action learning, mentoring and coaching
Utilise technology	Leverage technologies such as Virtual and Augmented reality, learning platforms and mobile apps to deliver a range of content quickly, at the point of need and directly into the hands of the learner. Including providing (where required) training & development to our contractors.
Encourage continuous learning	Foster a culture of continuous learning and skill development by promoting self development, easily accessible learning and recognising and rewarding employees' efforts to upskill and multi-skill as they become more valuable to the organisation.

Table 4: Improving our Learning Opportunities

Where appropriate, we will deliver industry recognised qualifications to specialist areas of the business to provide employees with professional development, which increases the organisation’s capability and retains expert knowledge in the business.

Recruiting talented individuals

We will utilise Artificial Intelligence (AI) within the employee lifecycle with 'Joule Co-Pilot' in SuccessFactors; i.e. remove manual process that enables bias, and to identify and close gaps, discrepancies, and inequalities. The AI can support in automating recruitment, reward, learning and other HR processes (for example generating better job adverts, reviewing CVs to match skills, etc). Opportunities are to:

- Use AI in talent acquisition and drive behavioural/ cultural initiatives that remove bias:
 - Share all interview questions with all applicants to drive best performance during the interview process.
 - Invest in anonymised curriculum vitae (CV).
 - Job adverts to offer flexible working or job share as standard and for us to be able to accommodate them.
- Reward; utilise AI to identify inequalities within pay reports and equal pay for gender and ethnicities to identify what is driving the gaps, how to reduce them, identify pay discrepancies and how do we move colleagues through the pay process fairly.
- Develop the processes, technology, practises and behaviours for a consistent way to apply flexible working. Upskill and support managers to enable this as well as providing the IT, such as workforce scheduling (see 17 [Appendix 9](#)²)
- Move towards embedding a more flexible model of employment

Our Supply Chain will approach EDI in a collaborative manner, and we will set standards they must adhere to. We are in the process of developing a supply chain sustainability and social value framework which will be rolled out early 2025, this will clarify our expectations of suppliers in terms of EDI. Additionally, our existing supplier audit process contains a number of sustainability and EDI questions, this will be reviewed as part of our increased focus on Supplier Relationship Management (SRM).

3.3. How we will train and motivate our people

Motivated individuals are found to continuously search for ways to improve productivity and help and support colleagues to ensure efficiency. Employees carry out purposeful, meaningful work when properly motivated, and are less likely to be absent from work or resign. Coupled with the statistic that only 12% of workers leave their job because of more money, enjoying meaningful work and the organisations culture play a bigger part in the choice.

A core part of our strategy is on employee training and motivation, we have developed 'my Cadent experience' (Figure 6) which ensures that there is a specific focus area on each part of an employee's journey.

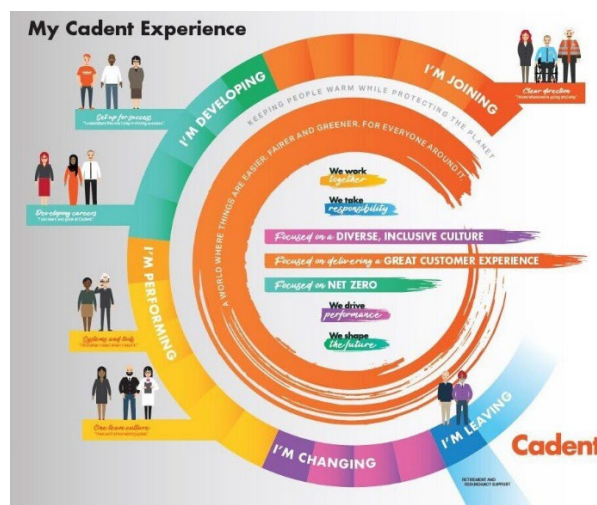


Figure 6: Motivating employees throughout their lifecycle

² IT & Telecoms Strategy, INV 02, page 13

Joining

Employee engagement data shows that building a powerful and effective onboarding process is the best way to welcome and engage new employees, and 69% of employees are likely to stay with a company for at least three years if they have a good onboarding experience. Having employees stay for three years or more will be significant not only in terms of motivation, engagement and discretionary effort, but also avoiding the financial costs of hiring and training new employees.

We will fully utilise the capabilities of the SuccessFactors technology to provide new employees with information on our organisation vision, values and culture ‘pre-boarding’ i.e. before they officially start, enabling them to have knowledge of our organisation and what they can expect. This also enables the new employee to align their own values with those of the organisation and immediately feel part of the purpose of keeping people warm while protecting the planet. New employees will receive a company induction, which will be tailored to their role in the company. This will ensure all employees have a good onboarding experience regardless of whether they join as a cohort in a programme or an individual home worker. Whilst we currently monitor the reasons employees choose to leave the business; we are working to automate short surveys at different points in the first few years after an employee join in order to drive deeper insights and understanding of the success of recruitment and onboarding of individuals into the organisation

Developing

30% of employees consider career advancement opportunities for learning and personal improvement extremely important. The chance for professional advancement in the workplace is notably significant to the younger generations; 87% of millennials in the workplace think development is important, which is higher than other generations. With targeting schools, our ‘future talent’ programme, apprenticeships, etc we are therefore preparing to meet these needs.

One of the key activities for any organisation wanting to improve employee motivation is to have easily accessible career development opportunities for all. We will utilise enhancements to SuccessFactors to provide visible career pathways for all employees. This work has already started with some of our front-line roles, and we will continue to develop these across the rest of the organisation.

Within this single platform, we will provide the skills and competencies required for each role, alongside the development opportunities available to gain those skills and competencies, allowing employees to track progress against these. We will also provide a variety of learning options including a range of digital content, and will be improving access to learning for all by providing one place to access all learning resources. We will also provide visibility of less formal opportunities for development such as short-term projects, secondments, job swaps, volunteering, sponsorships, and provide development through utilising dynamic teams where skills can be utilised or developed by being part of a team for a short period of time.

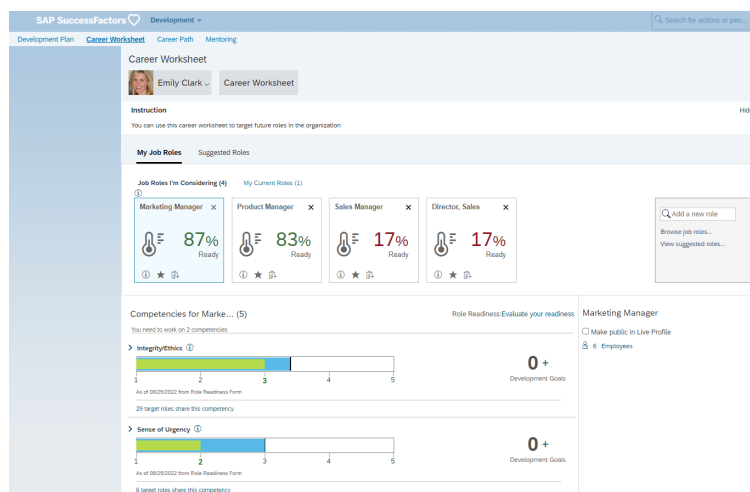


Figure 7: SuccessFactors career worksheet showing percentage readiness for new job roles (taken from learning.sap.com)

Mentoring will continue, and using the technology, enable the matching of mentors and mentees to make it easier and more transparent. We will also implement Career Coaches into the organisation to further support

people managers to have development conversations with their employees. This will have a direct impact on retaining key talent in our organisation and will help to accelerate development. A recent study by Go1 found that Generation Z tend to move every 1.7 years³, whilst the average for all age groups is 3-4 years; therefore, having defined career coaching will enable agility in career planning and moves for all age groups.

Building our career frameworks and gathering data on the skills, competencies and aspirations of our workforce also enables us to have greater visibility of the talent that exists in the organisation. Structured programmes will see cohorts of high potential employees working collaboratively on their development including solving business challenges or working on business opportunities, supported by expert input, coaching and mentoring.

High Potential Talent Programmes

We will design, launch and embed High Potential (Hi-Po) Future Talent programmes, preparing high potential employees for senior positions. The opportunities will be based on fair and inclusive talent management and will be a ‘whole colleague’ approach providing equality of development opportunity. Mentors will be provided and there will be additional themes and support for minority groups which will provide equitable growth opportunities, such as for ethnic minority colleagues where leadership representation is low. This will feed into C-suite talent ambitions and have a positive impact on growing our own talent and Hi-Po talent process. This will have a ‘real’ feel to it as moving from a senior role to a C-suite role has differing requirements, how to lead at that level is unique to the characteristics of the executive team in place at that time.

People Manager Development

It is important to increase our focus on development for leaders who are responsible for leading and managing people. We will provide blended leadership development programmes which provide ‘just in time’ learning for managers, enabling leaders to access learning and resources exactly when they need it. Our Management Effectiveness Programme (MEP) is delivered face to face through six core modules: HR Essentials; Driving Performance; Emotional Intelligence in Leadership; Effective Coaching & Feedback; Leading Change & Managing Resilience along with Leading with Impact. In addition to the delivery of these six core modules we will also increase utilisation of our technology to provide leader community groups to enable social learning and ensure we are addressing all elements of the 70:20:10 principle.

Performing

A key strategy for employee engagement and motivation is having clear goals and expectations which are linked and aligned with the organisational goals, allowing employees to contribute to something bigger than themselves. We will be more structured in our approach to performance management following a cycle of continuous performance management.

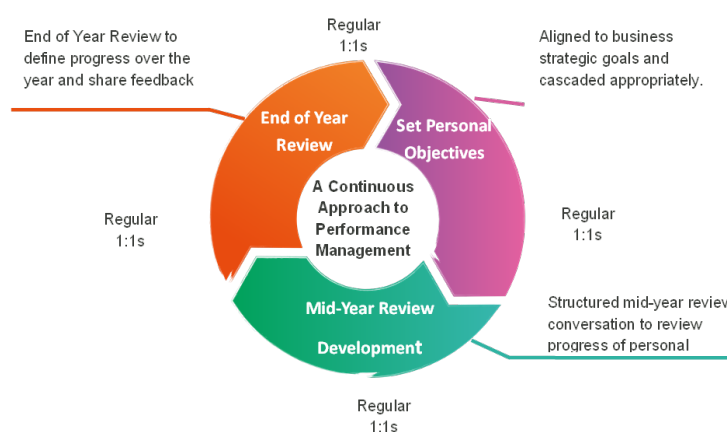


Figure 8: A continuous approach to performance management

In deploying enhanced SuccessFactors technology, we will make this simple and easy to access for managers and employees, they can then align individual contributions to strategic goals as they are cascaded. We will focus on structuring conversations on development at the ‘mid-point’ in the cycle ensuring that all employees regardless of their aspirations, are able to have development conversations with their managers.

³ Career change statistics UK 2024 - Data, reports & surveys

Changing

In addition to the opportunities for career development we will support employees who move into new and different roles with the necessary learning, development, and support to be successful. Employees will be able to easily see and access their own skills, competencies and learning available to support any changes in role. In addition, we will identify opportunities for technical career pathways to provide development through the organisation for technical specialists.

3.4.Actions to retain our talented employees

Our company purpose is ‘keeping people warm, while protecting the planet’. Every employee is linked to this purpose in their job role and through clear objectives. It is vital that we retain our talented employees to continue delivering on this purpose for our customers, always conscious of course that many of our employees themselves, and their families, are our customers.

Seek regular feedback from our employees

Continuing with our regular surveys and engagement will improve our EVP. It is our ambition to move away from an annual survey that can become dated quickly and increase the frequency of short ‘pulse’ surveys, getting real time data that can be acted upon quickly. A range of actions have been put in place in response to our annual Safe and Well surveys, including improved Personal Protective Equipment for our operational colleagues and branded work wear for office-based colleagues, providing a sense of identity and belonging.

Clear and accessible communication

Maintaining transparent communication channels between management and employees regarding company goals, changes and updates is critical to drive business success. Working in partnership with IT, we are moving content to a single platform for employees to access all people information and streamline processes for individuals, enabling access to information through one single application.

Recognising our employees

Recognising our employees for great performance and living our values has been a key driver in our recognition programme, Cadent Congratulates, ensuring our employees feel valued for their contribution. In addition, our Long Service Awards recognise the contribution of employees and their skills and experience within the organisation.

To recognise truly exceptional performance, we have a Cadent Heroes award, which highlights and truly celebrates individuals or small teams. Nominations are encouraged from across the business and a panel of leaders assess the nominations for the awards.

Benchmarking

In order to remain competitive, we ensure that our salaries are annually benchmarked. We review our remuneration policy against appropriate peer groups annually, with the primary focus being general industry and energy services. In general, we use a combination of the Willis Tower Watson General and Energy Industry databases plus Aon data. Both databases represent the UK nationally and therefore reflect local markets where we recruit and lose individuals to. Having more than one set of data helps to ensure the information is robust and stable.

Reward & Benefits

In order to remain competitive, we provide a range of benefits to suit the needs of the different generations and lifestyles of our diverse workforce. Whilst we have a range of benefits to look after our employees’ physical, mental and financial health, we have identified a gap in our offerings to provide access to different levels of cover through a healthcare cash plan, that employees could purchase via flexible benefits. We are implementing this in 2024 and believe this would be well received by our employees, given the high take up rates of our virtual GP provision and challenges that individuals are experiencing in getting medical appointments and the lengthy timelines for operations. This will improve sickness absence rates (which are tracked real time in PowerBI) enabling a quicker return to work for individuals who are absent due to ill health and awaiting medical investigation and treatment.

Saving for the future

Supporting our employees to save for their future through our competitive pension arrangements is a priority. During the RIIO-2 period we have closed our Defined Benefit pension scheme to future accrual, and we are proud that Cadent double matches employee contributions up to 12% in our Defined Contribution pension scheme, enabling employees to save a total of up to 18% of their salary for their pension in the future. This provides our employees with matched contribution rates of the FTSE100.

We also provide life insurance with a generous death in service provision along with Group Income Protection. We recognise that a strong pension provision plays a critical role in retention of our workforce; with recent research⁴ showing that pensions are the benefit employees most frequently report as an important influence on their decision to stay in their role (90%). A subsequent reduction of 1% in attrition would protect us from the highly competitive jobs market. Our rewards strategy aligned to our development strategy enables us to remain competitive in our market and retain talent for longer.

Employee volunteering

Our employees value the opportunity to get involved in the communities that we serve through community activities and fundraising for causes close to their hearts. Research⁵ confirms a strong connection between volunteering and improved mental health, which is a key focus area for us as part of our 'safe and well' programme.

In addition to our double matching of fundraising we also offer and encourage all employees to undertake two paid volunteering days per annum, with 60% of our colleagues giving back through volunteering in 2023/24. Teams giving back into the local community has both a local and business benefit in that it raises awareness of the Cadent brand for doing good, improves employee wellbeing and enhances our opportunity to recruit from underrepresented groups.

Flexible Working

The Covid pandemic has accelerated the increase of remote working, the use of technology and virtual meetings and the expectations of all employees regarding flexibility. Allowing employees to work flexibly increases our talent pool, this is crucial to allow us to broaden our talent searches for certain roles that can be carried out remotely (e.g. cyber skills) but may reduce our ability to attract and retain local people to deliver local jobs. Our hybrid working standard sets out our ways of working, enabling colleagues to combine working from home, office and depots (for example, 3 days at home and 2 in an office or depot); giving choice of where work is carried out in line with what is deemed suitable to the work an individual has to perform, the outputs and deliverables of the role. There are individual benefits for those roles where such flexibility is possible, including a better work-life balance, the ability to focus with fewer distractions and savings on commuting costs and time. The company benefits include the support of our commitment to tackling climate change and improving the environment, with the reduction in time commuting. As an example, in the ONS survey⁶ 79.9% saw improved staff wellbeing for those able to work from home, along with 48.3% seeing increased productivity.

Formal agreement to regular or permanent changes in working hours or days are dealt with through our Flexible Working Policy and as a Flex First employer, individuals can request flexible working from day one of working in the business.

Whilst this is not possible for all roles, we are striving to understand how greater flexibility can be delivered within operations, where home working and hybrid working is typically not possible. Gartner research⁷ shows that frontline workers expect greater flexibility, with 50% wanting more control over their work schedule, 38% wanting more stability in their schedule, 31% more flexible break times and 28% more flexible absence policies. With the closure of our Defined Benefit pension scheme to future accrual, changes to the pension scheme rules now enable deferred members to draw their pension whilst continuing to work for the company, which can include on a reduced hours arrangement where operationally practicable. This will benefit our employees and customers alike, retaining and utilising skills and experience where it is needed in the business and increasing our resilience.

⁴ [Turn your pension scheme into an employee retention tool](#)

⁵ [How Volunteering Improves Mental Health | NAMI: National Alliance on Mental Illness](#)

⁶ [Business and individual attitudes towards the future of homeworking, UK - Office for National Statistics](#)

⁷ [Gartner ReimagineHR Conference, North America 2022: Day 2 Highlights](#)

Family Provisions

Understanding the diverse needs of our employees, through our employee communities has already led us to review and enhance our family friendly provisions policies, including:

- Creating a new Time off for Fertility Treatment policy.
- Enhancing the Maternity Policy for expectant mothers meaning they can take a full year paid maternity leave.
- Enhancing the Paternity Policy with new provisions including four weeks full pay.
- Updating the Adoption Policy to mirror Maternity arrangements.
- Reviewing and enhancing the Childcare Break and Allowance policy.
- Introducing a Parental Bereavement policy.

We believe that supporting our employees at these critical moments that matter in life, enables people to balance their work and life commitments and return to work after extended leave.

4. Inclusion, diversity and equity

EDI is at the core of our culture and business priorities, we embrace difference to create a place where all our people can thrive, drive performance and innovate. We will have a continued focus on increasing levels of diversity, but also on building an inclusive and safe psychological environment.

Our focus areas will be:

- Building an Open Organisation: utilising our behaviours, values, technologies and new business opportunities to increase diversity and social mobility and impact, to provide flexibility and enhance the reputation and culture of Cadent.
- Enhance the experiences and opportunities of minority groups.

4.1. Employee-led communities

Our ED&I Strategy has four strategic pillars of Culture, Fair and Inclusive Processes, Inclusive Leadership and Measurement and Accountability. The activity of our 7 established Employee Community Groups and 3 EDI Working Groups aligns with these pillars and each have senior leadership sponsors and large engaged membership groups:



Figure 9: Our 7 established employee community groups

Working together across the Community groups we have an extensive agenda of activities, awareness, knowledge, speakers, lunch & learn and celebration sessions throughout the year. Our annual flagship events include our 'ED&I Big Meet' (celebrating successes from the previous year and prioritises for the year ahead), National Inclusion Week, where all communities come together for a week of ED&I awareness activities and Pride events. We are proud to have led collaboration across the Gas Distribution Companies, initiating and hosting an event at Cadent, with Northern Gas Networks, Wales & West Utilities and SGN to celebrate Black History Month.

Inclusion Moments and Meet and Greet sessions at each Board meeting, give opportunity for our community leads to meet with Board members on a rotation basis; giving the Board direct insight into our culture.

4.2. EDI

Each year we contribute towards the Energy and Utility Skills Inclusion Measurement Framework which represents the sector diversity, this is an important benchmarking tool for us. The 2023 results show that the sector is still white male-dominated, however there has been a >5% increase in females in the sector workforce to 27.5%, this is however well below the 48% representation of women in the UK workforce. There is a high representation of people from ethnic minorities among leavers which presents a significant risk to the sector.

We are proud of the approach we have taken to be an inclusive organisation and have seen strong progress in our representation and productivity as a result, for example in our 2022-2023 recruitment we have increased the representation of ethnic minority colleagues in our future talent programme by 9%.

We continue work on being sector leading in increasing representation of women and ethnically diverse colleagues. For disability and LGBTQ+, we are focused on increasing levels of disclosure to accurately reflect the progress made. We can demonstrate progress through an increase in 8/10 data points in the twelve months from June 2023 to June 2024 and have achieved our ambition for ethnic minority representation within our senior leadership population. We will build on our Disability Confident Leader status and enhance the outcomes for

colleagues with disabilities. This can be seen through inclusive and accessible opportunities within the employee lifecycle, investment in digital assistive technology, embed the updated EmployAbility programme and create environments where colleagues with a disability can thrive.

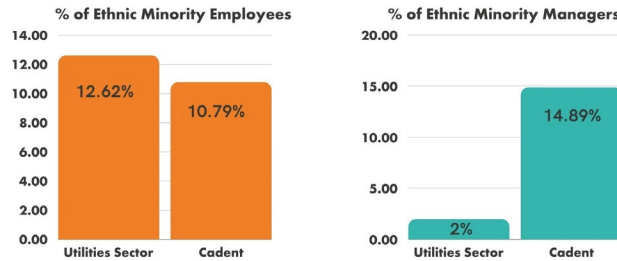


Figure 10: Percentage of ethnic minority managers and employees at Cadent (source: Cadent pay gap report 2023/24)

Our pay gap report highlights the progress made, which is largely due to the following actions:

- The use of diverse interview panels is now standard.
- Asking EDI questions in job interviews for all candidates, which not only sets the standard for behaviours but helps us understand what EDI means to the individual, the impact they will have on our values and how they will add to our culture.
- Challenging unconscious bias throughout succession planning and having an EDI disrupter within this process enables us to be as fair and inclusive as possible.
- We've trialled 'Accelerated Development Programmes' for ethnic minority and female talent and the feedback is being implemented to a 'Future Leaders' development programme.
- Anti-racism is one of our priorities, which means creating an environment where we purposefully understand the roots of racial inequality and take positive action to ensure our policies, processes and working practices create a fair, equal and inclusive culture.
- Over the last year, we made significant changes to policies for families.

We are striving to attract and retain a diverse range of talent into the workplace, and we believe that the longevity of the changes we are making will help us to close our gaps. Further detail can be found in our latest published gender pay gap report⁸.

Through the focus we have on driving equality and providing benefits to support our employees in multiple areas such as health and wellbeing (Wellhub, virtual GP, etc) and family friendly policies as mentioned above, we create an environment where our employees feel safe and protected. Our external accreditations recognise our commitment to ED&I and through working in partnership with external organisations we have extended our reach and influence, for example recent government lobbying in respect of Fertility Matters.

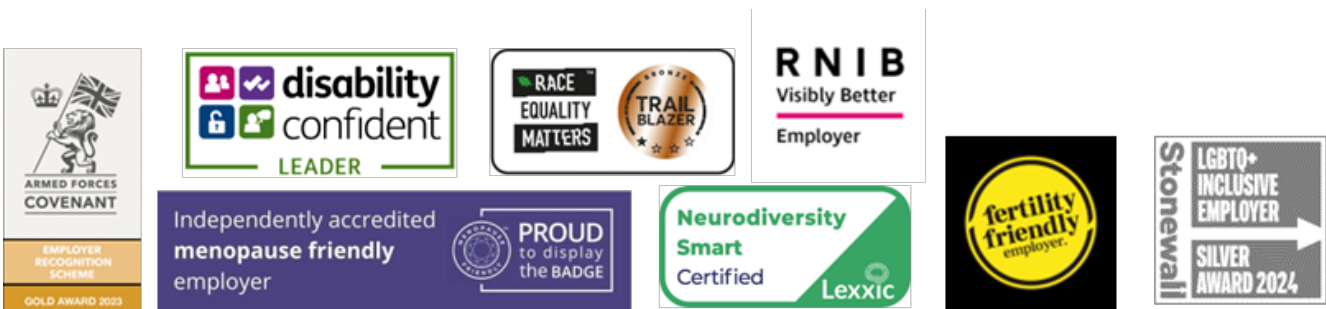


Figure 11: Our External Accreditations

⁸ Pay Gap Report 2023_24

5. Health, safety and wellbeing

The health, safety and wellbeing of our employees is paramount, not least because the safety of our customers relies on personal safety, process safety, fatigue management, proper risk assessments and more. We have had a good response from our recent safe and well survey (figure 12), and we will utilise this data to further improve health, safety and wellbeing for our workforce.

Our focus on ensuring our people are Safe+Well has seen significant increases in:

- ❖ Responses to our Safe+Well survey 2024
- ❖ Engagement
- ❖ Wellbeing
- ❖ Safety & security



Response rate
Up by 34%



Engagement
Up by 6%



Wellbeing
Up by 3%



Safety & Security
Up by 2%

Figure 12: Summary of the 2024 Safe and Well survey results

In line with our reopener submitted on 30th of September 2024, we will create new shift patters to provide better fatigue management for our frontline staff. This will mitigate one of the key challenges we have mentioned in [section 1](#), whilst ensuring our people stay safe and well.

Over the last seven years we have driven continuous improvements in our health and safety performance. Our Key Safety Performance Indicator, Lost Time Injury Frequency Rate (number of injuries multiplied by a million hours, divided by the hours worked) has reduced from 1.09 in April 2018, to 0.51 in March 2024. This gradual but consistent positive trend in reducing injuries in the workplace, shown in the graph below, is because of continued focus and recognition that the health, safety and wellbeing of our workforce is the fundamental building block of our business.

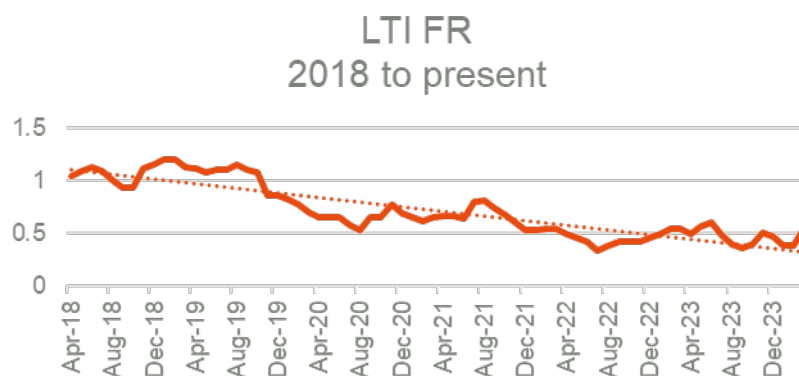


Figure 13: Lost time injury frequency rate

To continue this, we recognised in 2023 that we needed a clear framework to help us achieve excellence in health, safety and wellbeing. Initially launched in 2023, our Safe and Well strategy provides a strategic framework under which the health, safety and wellbeing improvements we need, can be identified, implemented and monitored.

5.1. Target Outcomes

We believe that everyone, both our direct workforce and contractors, have the right to work in an environment which not only protects their health, safety and wellbeing, but improves it. We are not just aiming for zero harm, we want to push beyond and help our colleagues become the safest, healthiest versions of themselves. In return, we believe that this will increase engagement, productivity and retention. To do this we will take a proactive approach to health and wellbeing, providing targeted interventions to improving health metrics and reduce ill health. The Safe and Well strategy (figure 3) has been developed through direct and extensive consultation with our workforce and provides us with the framework to do this.

We believe that by creating a psychologically safe, learning culture, which is actively driven from the leadership of the organisation, we can create an engaged, accountable and competent workforce. When we combine this continuously improving the tools and equipment we provide, it will ensure the integrity of our assets and the safety of our workforce, our customers and communities.

5.2. Action plan

5.2.1. People and culture

It is widely recognised that the most effective way of working towards a goal of zero harm and improved wellbeing is by creating a learning, generative organisation, that values the first hand knowledge that our colleagues have. As a Process Safety organisation, we need to maintain a healthy unease with our current performance and seek to continuously improve. Our Safe+Well survey recorded that only 65% of our people feel valued for the work they do and that they feel as if they belong, this is below the external energy benchmark of 75%. Feedback also identified four key areas of improvement needed to create a just and fair culture of learning and psychological safety.

- Leadership Commitment
- Engagement and Involvement
- Safety and Learning
- Human Performance

Evidence from Glass Door ratings also score low (3.0) when looking at culture, values and leadership. Health, safety and wellbeing are central to what we do and how we do it, but it's important that all of our people believe this is happening consistently and effectively.

To achieve this, we need to continue to develop a psychologically safe and fair culture which enables our colleagues to speak up when they think something isn't right. This is alongside effective controls in place that ensure that the work gets done right, the first time. We will also continue to develop our understanding and management of human error. By doing this, we will not only improve the health, safety and wellbeing of our workforce as we see a reduction in harm but ensure the highest levels of customer satisfaction and efficiency by reducing re-work. To do this we will:

- Devise, implement and sustain a new way of understanding and managing human error and the causes of this. We will train our workforce, including managers and leaders on a common language and understanding of human error, and embed this within our organisation's DNA.
- Explore, define and deliver our interpretation of a psychologically safe and just culture through extensive consultation with the workforce. Following this consultation, we will collaborate with the workforce, including supervisors, managers and leaders to help them develop the culture in their business areas at a pace suitable for them, through training, workshops, surveys and action.

5.2.2. Systems and assurance

Whilst culture is important, in a Process Safety business like ours, it is essential that we work consistently across the business and manage risk in a systematic manner by having an effective and robust safety management system. In order to achieve this, we plan to undertake the following flagship developments:

- Currently, our assurance of critical risks (the risks most likely to result in serious injury or fatality) and controls is undertaken by supervisors and second line assurance teams on a regular but reactive basis. Instead, we want absolute real time certainty that the lifesaving controls to prevent injury are in place, allowing supervisor intervention. Working with experts in the field, we will implement a system to provide this real time assurance for activities which don't have this level of assurance.
- Currently we have a disparate IT estate of apps that have all been built or bought to resolve specific point issues. The means there is duplication in effort and data, risks that we'll miss, weak signals in that same data and means users. To enable us to leverage the data we collect, we will develop an integrated health and safety assurance management system, that provides a single point of reference for the workforce, managers and leaders, to see, log, manage and interact with all hazards, near misses, incidents, inspections, assurance activities and actions. In turn, this will allow deep analysis of data and a move to predicting issues before they materialise.
- Currently, site inductions are designed, undertaken and delivered locally. To enable us to set the right standard from the start of a visit to our sites, we will overhaul our site induction processes, moving from paper based localised site inductions to a centrally governed, digital site induction, providing consistent standard setting expectations, supplemented by local knowledge relevant to the work activity.

- To ensure that we are effectively managing the safety of our contractors, and sharing the right information at the right time, we will digitise our management of contractors, enabling us to drive efficiencies through the exchange of safety critical information in the planning stages of projects, whilst increasing the visibility of work being undertaken for assurance.

5.2.3. Improving employee health and wellbeing

Employee health and wellbeing has a big impact on how we perform as a business, we take a proactive targeted approach to improve health and wellbeing by reducing health risks and motivating positive behavioural change. Feedback from our Safe and Well survey identified key themes that our employees feel they need more support with mental health and stress, work/life balance, financial wellbeing and leadership and management capability.

The Safe and Well survey recorded 88% of employees felt that our managers show genuine care towards their wellbeing, however our managers have reported that they needed help to improve their competency around supporting employee's mental wellbeing and having difficult conversations. We have introduced an innovative workplace experiential training programme designed for people managers to improve effective communication skills and we have seen enhancements in our leaders' ability to engage in effective conversations about mental health and wellbeing. 98% of managers who underwent training reported increased confidence in having supportive discussions with their teams, while 99% noted an improvement in their ability to have a supportive conversation with their team about their mental health and/or wellbeing.

Our voluntary wellbeing checks have further helped employees in making tangible improvements to their health. By implementing a programme focused on coaching and behaviour change, we have seen improvements in key preventable health indicators, including glucose, cholesterol, and blood pressure levels. Additionally, employees have reported positive lifestyle changes, such as increased exercise (58%), better sleep (42%), and improved nutrition (62%).

Our desired outcome is to have a culture of care, where we recognise and value our employees and promote positive health and wellbeing so that our people can thrive.

5.2.4. Environmental

We recognise the crucial role we play in contributing to a sustainable future. As a responsible network operator serving approximately 12 million customers, we are committed to reducing our environmental impact, improving safety, and delivering value to our customers.

A key element of this commitment is tackling methane emissions from our extensive network of over 131,000 km of pipelines. Our RIIO-3 Environmental Action Plan (EAP) is even more ambitious and impactful than our previous plans. We have focused on areas where a cost-benefit analysis suggests that expenditures can achieve the greatest impact, while also allowing us to set an example through initiatives that can be adopted by our colleagues, customers, and other organisations.

The development of our EAP has been informed by several factors: -

- An assessment of initiatives that are cost-effective and can make the greatest environmental impact, further enhanced by customer and stakeholder feedback.
- Research we have commissioned on best practices and the future of the industry. - Strategic direction provided by policymakers.
- An evaluation of significant environmental impacts, rated through our Environmental Management System and Principal Risk Framework.
- We prioritize our actions within the EAP by considering materiality, relevance, and impact, establishing an impact hierarchy based on our Environmental Management System and Principal Risk Framework.

In formulating our environmental plan, we have ensured that our proposed actions to reduce emissions and minimize our impact on the physical environment are consistent with the Government's Net Zero objectives and the uncertain longer-term scenarios for the industry. Additionally, our plan takes into account the steps we need to take now to facilitate the path to decarbonisation. Our infrastructure and our relationship with end consumers provide a solid foundation for making a substantial contribution to a greener, more responsible, and sustainable future. As part of our mission to keep people warm while protecting the planet, we will foster a culture focused on environmental sustainability. Our Environmental Management System, which holds external third-party audit certification to ISO 14001, is critical for proactively taking environmental responsibility and ensuring continuous improvement.

6. Supply Chain

In this section, we explain: our overall approach to engaging with the supply chain, how we are creating long-term supply chain capacity, how we are collaborating with other parties to develop supply chain capabilities, how we are using competitive tension to the benefit of customers, and our approach to early and late competition. We also provide two examples which illustrate the way we are addressing challenging workforce and supply chain conditions.

6.1. Our overall approach to engaging with the supply chain

6.1.1. Supply chain context: Cyber

Under the CAF, supply chain management requires robust processes for evaluating, securing and monitoring the digital and physical assets. Key requirements include comprehensive risk assessments, vendor and third-party audits, secure data sharing practices and the potential integration of cybersecurity measures such as encryption, access controls, and real-time threat detection. These elements are vital to protecting sensitive information, ensuring operational continuity and mitigating risks of cyber-attacks that could disrupt the supply chain, and in turn service operation. We continue to work closely with our supply chain and contracted suppliers to ensure effective management and alignment to the CAF principles to maintain trust, compliance with regulations and to ensure the resilience of our service operation.

To continue to ensure we maintain cyber security resilience across our service operations, we are reliant on the wider UK supply chain keeping pace with the emerging threats and the continued evolution of associated regulations. The UK cyber supply market faces constraints, which includes the number of suppliers who can service the market. With a growing demand for advanced security solutions, suppliers vie for opportunities in both the private and public sectors, creating pressures on pricing and innovation. Additionally, conflicts of interest can arise when suppliers serve competing clients or when their roles span advisory and implementation engagements, potentially compromising impartiality. Smaller suppliers may also struggle to compete with established players due to resource limitations, further concentrating the market. These dynamics can limit choice, raise costs, and pose challenges to achieve optimal cyber security outcomes across the UK landscape. We work closely with our associated partners, Ofgem, DESNZ, NCSC and the wider gas and electricity sector to support the evolution of the supply chain, addressing constraints and risks to resilience.

6.1.2. Supply chain context: Operational

Cadent's workload is delivered through a combination of directly employed labour or through third-party contractors, dependent on work type. Emergency response and repair activities are conducted by Cadent's own workforce, utilising contractor support only for supporting activities (e.g. temporary traffic management, backfill and reinstatement and the supply of materials). External third-party contractors are engaged for the delivery of large-scale Mains Replacement programmes (Repex) and large capital construction projects (Capex). All materials are bought-in through external contractors, with high spend on critical gas-carrying items such as pipe, fittings, valves etc.

Competition for resources in the construction sector is increasing, with major infrastructure projects such as HS2, alongside increased investment in fibre and water sectors placing an increased demand on resources. According to research by Glenigan in 2024, the predicted growth in the Construction industry is 16% over the next three years with no signs of it slowing post that date.

While the competition for resources intensifies, the sunset of the Iron Mains Risk Reduction Programme (IMRRP) provides a particular challenge for gas distribution companies – it makes it hard to attract new entrants to market, or to encourage existing suppliers to commit to the sector by training younger workers with the skills and qualifications required to work on gas networks. The lack of certainty of the future role of gas in the UK Government's energy plan compounds this challenge.

Alongside this, the uneven cyclical profile of workload associated with regulatory funding cycles results in an inconsistent feed of work - and therefore turnover - into the supply chain, making it difficult for them to maintain skills and resources at the levels required to meet demands.

In this context, the focus for us is to take a more flexible approach in our dealings with our supply chain to ensure that long term capacity needs are fulfilled, while still ensuring good commercial outcomes for us and our

customers. This means a shift away from utilising competitive frameworks as our standard approach to procuring works, and adopting contracting approaches which encourage engagement and innovation.

6.1.3. How we engage with Suppliers

Cadent has a rigorous process for sourcing and procuring contracts, fully aligned with the Utility Contract Regulations 2016 and Procurement Act 2023.

Bidders are assessed and evaluated against a combination of technical, quality and commercial criteria. Evaluations may be based on a combination of desktop responses, presentations, site visits, interviews, etc. depending on the specifics of the requirement.

The development of the procurement strategy entails significant supplier engagement through a range of formal and informal events such as 'Meet the Buyer' events and formal Request for Information (RFI) processes, ensuring that final contract strategies fully consider the supplier experience as well as the fulfilment of Cadent's business objectives.

Once in contract, Cadent deploys robust supplier and contract management processes to ensure that suppliers are delivering in accordance with requirements. Regular performance reviews are undertaken against a common set of contract KPIs to ensure that performance levels are maintained and that corrective actions can be implemented where performance falls below required standards. Formal governance is in place to monitor performance across all suppliers, overseen by a dedicated commercial function whose role it is to manage contract performance. In addition to the formal performance management meetings, there are also regular collaboration days involving Cadent, CMOs and local delivery partners (LDPs) to share learning and best practise across all networks.

6.2. How we are creating long-term supply chain capacity

6.2.1. Market conditions require us to adopt a more collaborative approach

Through previous price controls we, and other GDNs, have primarily adopted an approach of implementing competitive frameworks with suppliers, using competition between suppliers as the main tool in achieving cost reductions. However, in the context of reducing competition and increasing demand from other sectors, we need to take a more collaborative approach, securing capacity over a longer term with key suppliers, working more closely with those supply partners to increase efficiency and reduce costs. We will take a holistic approach to analysing our future construction portfolio, considering both customer-driven capital works alongside the regulatory-driven mains replacement work to identify opportunities to leverage complementary disciplines and work-types to appeal to the marketplace. We will also evaluate the most appropriate forms of contract to ensure market appeal, moving away from traditional "arms-length" competitive framework models, making more use of contracts with guaranteed volumes to secure the commitment required from suppliers to invest in the people and skills needed for this programme.

The key to securing capacity lies in our ability to plan and forecast requirements over a longer planning horizon (multiple years), allowing us to secure third party capacity and resources. We recognise the importance of securing resources and capacity within the supply chain through early and regular engagement with key material suppliers to provide visibility and assurance of ongoing and upcoming requirements. We have long term supply agreements in place with the main suppliers of polyethylene pipe and fittings and operate a parallel-sourcing model with the two main providers of pipe and fittings to ensure that our volume requirements are fulfilled with resilience built into the model. The model also ensures that the supply partners have certainty of volume, enabling them to plan and continue to invest in their businesses. To further increase our resilience and maximise our commercial leverage, our strategy for RIIO-3 will include the consideration of deploying an Advanced Procurement Mechanism to bulk-buy critical materials where this is considered to be effective in securing resources and manufacturing capacity needed to deliver our outputs.

We have a granular level of detail of the profile of our Repex work for the next five years, broken down by pipe diameter and length within each of our four networks. This gives us with the ability to provide suppliers with a forward view of the requirements, volumes and material types required within each contract year. Through this engagement, we can identify, manage and mitigate potential risks to supply and therefore programme by aligning our delivery programme to the supply chain's capacity to manufacture (e.g. by ensuring that the work mix of large and smaller diameter pipes does not create bottlenecks within the manufacturing process). SRM and contract management is in place for these critical suppliers to maintain an effective dialogue and ensure that any potential risks and challenges are identified at the earliest possible opportunity.

We rely on local partners to deliver the IMRRP

LDPs are critical to the delivery of the Tier 1 Repex programme and securing the resource capacity within this supply chain is critical to the success of the RIIO-3 programme.

Our LDP frameworks and commercial strategy were put in place at the start of the RIIO-2 period to deliver the Repex programme. The frameworks include specific extension options which enable us to review and amend our approach at the end of the current price control. We will undertake this revised approach over the next 12-18 months to ensure a safe, secure and resilient supply.

Where previous models have focussed on using competitive tendering to secure best pricing for specified outputs (i.e. defined work packages), we now need to consider how to best secure capacity and mitigate the potential risk of supply chain interest falling away as we get closer to the sunset for the IMRRP. Our strategy will consider how to secure capacity over time, increasing ECI to drive efficiency and value in delivery. This approach will allow supply chain partners to have certainty of work over a longer period, while ECI will enable them to work alongside us in the planning and design of work programmes to mitigate delivery risks, enhance efficiency and enable commercial value to be achieved through optimisation of programme and resources. We may also need to consider additional commercial incentives such as completion bonuses for contractors to ensure that resources remain engaged and committed through to 2030.

Our RIIO-3 carbon abatement strategy entails a significant increase in the volume of large diameter mains replacement compared to previous price controls. The skillsets required to deliver large diameter work are different from those required for Tier 1 mains replacement and therefore not all of our LDPs have the capability to deliver these works. As such our review of the contracting strategy for Mains Replacement will consider how we best align ourselves with the supply market to ensure that we are able to attract and secure the capacity and capability to meet our ambitious carbon abatement plan.

We have long-term frameworks for capital works

For larger projects and customer-driven capital works, we have long-term frameworks in place with the key construction supply chain partners.

Monthly engagement sessions are held with all framework partners to share updates and visibility of the forward programme and all upcoming opportunities for partners to bid for new projects.

As we move forward into the next price control, we will take the opportunity to review these frameworks and assess their fitness-for-purpose in the context of the challenges highlighted. We will also take into account the entire portfolio of construction activity planned for RIIO-3 and consider opportunities to bring together complementary work types to produce more attractive scopes for suppliers. For example, the proposed carbon abatement programme will require contractors with similar large-diameter pipeline capabilities to those deployed on large scale Capex projects.

6.2.2. Managing key relationships

The need for closer collaboration and mutually beneficial relationships between ourselves and key delivery partners will only increase over the upcoming price control as we face into the challenges outlined above. Not only will we need to secure critical resources and capacity from within the supply chain, but we need also to work closely with those suppliers to ensure that we are delivering safely and efficiently while meeting the expectations and demands from our customers. We know that customers want minimal disruption and improved levels of service, and so working closely with contractors delivering customer-facing works (in particular, mains replacement and reinstatement works) is critical to ensuring that the needs of the customers are understood and fulfilled.

We will have a renewed and increased focus on SRM with our top suppliers to ensure that positive relationships are built and maintained, enabling more effective and proactive risk management, while simultaneously encouraging innovation and joint efficiency opportunities.

We have enhanced our contract management capability through the creation of additional contract management roles within our commercial teams and increased our monitoring of key suppliers through the implementation of our "Supplier 360" monitoring platform.

As we review and renew our contracting arrangements for critical construction activities, this need for closer working and increased collaboration will form a key consideration in determining the types of contracts we will implement for different activity types. We need to ensure that we strike the balance between resilience in having the right number of suppliers to ensure that the capacity requirements are fulfilled, with the need to ensure that

the retained partners see value in the size of their respective contracts and are appropriately engaged and committed to deliver for us in a manner which meets the needs of our customers. Areas such as traffic management and reinstatement – while relatively low spend areas compared to the overall construction budget – are critical to customer and stakeholder satisfaction, and so we will ensure that our delivery model for the next price control puts this consideration to the forefront, with suppliers incentivised to minimise the disruption associated with streetworks.

6.3. How we are collaborating with other parties to develop supply chain capabilities

We are cognisant that the supply chain challenges we face specifically, and those across the wider utility industry, require different parties convening to tackle these challenges together. To that end, we already engage with industry peers through bodies such as Achilles Steering Group, whose membership encompasses all major UK utilities including water, gas and electricity. Through this group, we have engaged and collaborated with peer sector organisations to develop and deploy a consistent approach and messaging towards sector buying organisations around the evolution of the new Procurement Act. We are also active members of the Pipeline Industries Guild, enabling networking and collaboration with peers and supplier organisations active across the industry sector.

As we move towards and into the RIIO-3 period, we are aiming to explore more opportunities for engaging via sector and wider industry bodies (i.e. Institution of Gas Engineers and Managers (IGEM), Future Energy Networks) on critical issues which are likely to impact our ability to deliver against a backdrop of constrained supply chains and skills shortages. For example, we aim to facilitate dialogue and collaboration with supply chain partners on issues, such as driving more sustainable products into the market, and pre-empting and managing production capacity challenges. At a more strategic level, we are also conscious that a broader focus is going to be needed to retain specialist skills across the supply chains we navigate to deliver our work for consumers. Our suppliers will face similar pressures to us across their workforces, i.e. developing and retaining skills relevant for the gas-sector may become increasingly unattractive with increased political focus on supporting large-scale infrastructure programmes in water and electricity. Against this backdrop, it is important we drive cross-sector efforts to ensure our suppliers (and ultimately, we as Cadent) can draw on a workforce which is skilled, motivated, capable, and sufficient in size so that consumers are not facing undue costs driven by increasing constraints across our supply chains.

6.4. How we use competitive tension to the benefit of customers

6.4.1. How we procure work

The overwhelming majority of our spend profile exceeds the thresholds for Utility Procurement Regulations and is therefore tendered in accordance with the regulations. Our procurement function monitors and analyses spend against existing contracts and frameworks and works proactively with end users and the commercial functions to develop, review and implement robust category strategies for all of our significant areas of spend.

We utilise different compliant routes to market to ensure that we stimulate the right level of interest and competition for our frameworks and contracts. Construction and operational frameworks are most commonly tendered via UVDB Achilles while many IT and corporate services requirements are tendered via the Government 'Find A Tender' Service which is open to the public to search as well. We also operate a small number of Dynamic Procurement Systems (DPS) for requirements as diverse as specialist IT services, steel line pipe and fittings, and some Mains Replacement activities.

We continue to review and innovate in how we approach the marketplace and are making increasing use of formal RFIs in advance of formal procurements in order to engage with potential suppliers and new entrants and enable them to share ideas and innovations with us before scopes and specifications are finalised. This more open approach allows us to produce more outcome-based tender scopes, which in turn enables a broader supplier base to tender for contracts.

We have also made our bidding processes more accessible to subject matter experts (SMEs) by reducing the need for bidders to submit detailed written submissions and replacing these with, for example, assessed interviews and scored site visits. This approach was taken in establishing both the LDP framework for Mains Replacement, and the Energy Operations "Multi Activity Framework" which supports the delivery of [cost-sensitive data] per annum of capital maintenance activities on our above ground installations.

As we move into the next price control, we are also in the process of considering the potential impacts of the new Procurement Act 2023 (legislation.gov.uk) for utility procurements and how this may influence how we approach the market. We are still in the process of assessing these impacts and await the implementation of further secondary legislation to provide more detail. While the new Act provides some opportunities (e.g. flexible frameworks, dynamic markets etc), the increased noticing requirements may also place additional administrative burden on procurement functions, and we must therefore consider how best to adapt our processes to ensure that we are able to secure the resources under the best commercial terms while remaining compliant with the requirements of the new Act.

For our main Repex activities, we maintain a number of flexible contracting arrangements in order to ensure that the most appropriate and cost-effective contracting approach is adopted for specific schemes and programmes of work. We utilise a combination of Framework and DPS to procure Repex activities, selecting the most appropriate route to market based on consideration of geography, work profile, supply market profile and commercial opportunities and risks. Both Frameworks and DPS are based on New Engineering Contract (NEC) short form contracts, and we retain all of the available option forms (predominantly Option A Lump Sum against a fixed price, Option B Schedule of Rates and Option E Cost Reimbursable) so that the most appropriate form of contract can be selected. This approach means that the commercial risks to both us and our supply chain can be managed, mitigated and optimised.

Our capital delivery Capex frameworks are also based on the NEC form of contracts, and we have the same flexibility to select the appropriate Option form based on the specific requirements of each scheme of work, ensuring that competition can be maintained amongst framework suppliers. While we use NEC as our standard for all of our construction activities, we recognise that the formal NEC contracts can be onerous for smaller companies. We will take this into consideration as we review and assess our re-procurement strategies for the construction portfolio over the coming months

For all other requirements, we have a standard suite of balanced terms and conditions (T&Cs) available for procuring goods and services, and have governance procedures in place to enable us to work to supplier T&Cs where this is considered to provide the most appropriate balance of risk and opportunity. We will undertake a review of all our standard forms of contract as part of our review of the new Procurement Act and take the opportunity to assess whether we have the right T&Cs available for all our main activities, considering also the operability from the supply chain perspective.

Our contract portfolio is dynamic and kept under constant review as existing frameworks and contracts come up for re-assessment and renewal all the time. As part of this, our procurement team pay close attention to future requirements and changing needs in developing procurement strategies, to ensure that contracts and frameworks are fit for purpose not only for today, but also for the future. A live example of this would be the recent renewal of our electrical and instrumentation framework. This is a critical framework which supports the telemetry and control aspects of our network assets, to enable remote monitoring and control of the distribution network. The recent renewal strategy also took into consideration the growing future cyber security requirements of our business, resulting in a revised framework with an expanded scope featuring a broader range of retained suppliers, reflecting the expanding needs anticipated in RIIO-3.

Due to the geography within which we operate, not all our work attracts sufficient interest from third party suppliers to enable a conventional competitive procurement approach. Therefore, alternative approaches and arrangements are adopted to procure these works in such a way to mitigate commercial risks while ensuring the delivery of required outputs. Examples of this include the South Lakes area of our North West Network, where there is very limited labour resource capacity. In this area, we adopt a selective tendering approach utilising direct negotiation with the incumbent supplier. Under this approach, a joint target cost is negotiated and agreed between the supplier and ourselves, based on bottom-up costing supported by an agreed and negotiated schedule of costs components. This provides us with the confidence that the right cost has been agreed for the delivery of the specified work package. Within this model defined roles and responsibilities within the contract may also be reviewed and re-allocated to provide the best overall commercial outcome while maintaining safety and delivery compliance. Moving forward into the new price control, our contracting strategy for construction needs to recognise and reflect the realities of the market within different geographies. Our approach of securing capacity and working with those contractors to optimise delivery will provide the opportunity for efficiencies to be realised through the delivery of the contract rather than through up-front tendering in a market characterised by low competition and increased demand.

6.4.2. How we communicate and provide visibility to the Supply Chain

We are committed to sharing information on upcoming competitive processes with relevant parties and stakeholders. In the first instance, we consider organisations across our supply chain to be such parties, but we acknowledge that Ofgem may also seek greater visibility of our activity in this space.

To that end, we intend to comply with the increased reporting requirements set out in the new Procurement Act 2023 in line with other utilities and Public Sector bodies. The Centra Digital Platform aims to provide greater transparency and visibility of all Public and Utility Sector procurement in a single platform visible to all. We consider this platform to be the first port of call for interested parties, stakeholders and Ofgem to access details of our forward programme of competitive processes to satisfy their respective information needs.

For major programmes of work a regular dialogue is maintained with our supply chain partners to provide forward visibility of planned works and schemes. We also provide annual work stack briefings to Repex partners to provide them with visibility of anticipated work packages and locations.

Monthly workbook updates with capital delivery framework contractors provide visibility of major planned schemes, providing increased certainty of an ongoing pipeline of opportunities. This is being expanded to include the energy operations workstack, which is made up of our programmable and minor Capex works such as component replacements, minor security upgrades, and site housing works. In addition, our procurement team issues a bi-monthly newsletter to all active suppliers, which includes details of upcoming tenders.

While we will continue with this approach of information sharing in the next price control, we will in parallel seek to implement contracting models whereby incumbent suppliers are engaged much earlier in the process and play a more active role in the planning and design of work programmes to enable risks to be identified and mitigated upfront, and efficiencies to be built into the programme.

Through the next price control, there will be more frequent formal and informal supply chain engagement, including the increased use of “meet the buyer” events, where incumbent and potential suppliers are invited to attend in-person events with the procurement team and key contract users to better understand our requirements and identify opportunities to work with us.

6.4.3. How we secure technology agnosticism

We are committed to technology agnosticism in our procurement process.

We procure in accordance with the requirements of The Utilities Contracts Regulations (UCR) 2016 (legislation.gov.uk) whereby specifications are sufficiently open so as not to reduce, restrict or prejudice competition in the market. Where specific technologies are stipulated, this is restricted to circumstances where compatibility with existing installed technology is required, as permitted by Regulation 50 of the UCR, however for the overwhelming majority of our procurement activity, we are committed to encouraging innovation by providing potential bidders with the opportunity to bring forward a range of alternative solutions. The new Procurement Act places similar obligations on GDNs, but also provides new additional opportunities for collaboration and engagement which should allow even greater opportunities for suppliers to propose alternative options – we anticipate the requirement for increased upfront Market Engagement will have a positive impact on the supplier market, while the concept of “Open Frameworks” may provide a new opportunity for suppliers to secure a place on frameworks mid-term.

We are committed to adopting new technologies to improve operational efficiency and enhance our ability to meet customer and stakeholder needs through the application of innovative solutions. As an example of this, in 2022, we adopted an innovative and industry-leading approach to methane detection utilising vehicle-mounted leakage detection to identify leakage hotspots, thereby enabling our teams to target replacement activities in areas which will have the greatest impact. Recognising that this technology is new, we initially approached the market via open RFI, inviting potential providers to propose different solutions and technologies to address the requirement, specifying only the required outcomes.

Continuing with this open approach to procuring innovative solutions, we recently launched the “Operations 4.0 Connected Workplace” RFI, which again invited the marketplace to propose different solutions against a simple set of challenge statements in order to maximise the opportunity for the supply chain to put forward the widest possible range of approaches and technologies. While this process is still in flight, we are already seeing that adopting a more outcome-focussed approach to procurement allows potential suppliers to put more innovative ideas and solutions forward in response to tenders.

6.4.4. Improving Repex outputs through continuous improvement

In order to mitigate increasing unit cost pressure and drive better value for consumers, we have pursued a number of structured continuous improvement initiatives (BAU innovation) with the aim of improving the efficiency of our mains replacement activity through improved processes, adoption of technology and both innovative and consistent approaches to our ways of working. Over a phased period around the Summer of 2024, in collaboration with our CMO and LDP supply chain partners, we launched our Repex Architecture programme which had a focus on four key strategic areas:

- **Life of an excavation:** Using technology to map the end-to-end process of our excavations and to improve the management of reinstatement and reinstatement times with the aim of maximising the operational efficiency in undertaking reinstatement works, reducing open excavation times and as such minimising customer impact from our works and safety risk, reducing costs on associated activities such as traffic management and sites to be reinstated as soon as practicable can support productivity of the gas installation teams who may be restricted due to length of work practicalities.
- **Programme and workstack management:** Adoption of Opus permit management system to better manage open permits in real time. Using jeopardy management this system enables us and the CMO to proactively manage avoidable street-works costs e.g. Fixed Penalty Notices, Section 74 street-works breaches etc thereby reducing costs while also improving efficiency and productivity.
- **Customer journey and gas dispatch:** Automating the scheduling and dispatch of gas engineers (Purge and Relight) to significantly improve “gas on” times and provide clearer schedules for our purge and relight resources which enable greater visibility of works and operational efficiency for us with customers restoration times improving which also increases customer satisfaction.
- **Site visualisation:** Use of interactive AI to model sites at pre-construction stage and monitor works throughout the delivery lifecycle. Greatly improves up-front risk and hazard identification, allowing potential issues to be designed out before work commences. During the delivery phase the technology enables effective remote monitoring, improving safety and compliance.

The above has been enacted and operational benefits considered within our plan with our intention being to continue to embed these principles.

6.5. Our approach to early and late competition

We recognise the benefits that competition can bring to customers through efficiency and innovation, and the [‘how we procure work’ section](#) above summarises the ways in which we approach the market for tender events. We continue to challenge ourselves as a business to ensure that we are harnessing competitive forces where they can provide these benefits, both in relation to existing activities and as we plan new projects.

In encouraging the introduction of competitive forces into new investment projects, Ofgem has recognised the potential for competition to be introduced at different phases in a project’s life cycle. For example, introducing competition in the later stages with respect to the delivery and potential ownership of infrastructure (late or very late competition), or introducing competition earlier in the process to meet an identified network need, where bidders could design the solution, as well as delivering and potentially owning and operating the new infrastructure (early competition). These different competitive models are shown in the figure 14 below.

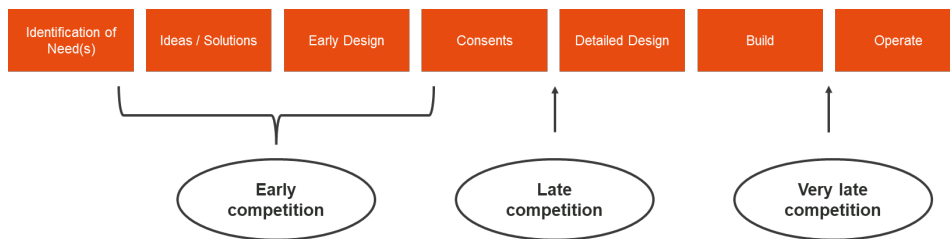


Figure 14: Competitive Models

Ofgem’s business plan guidance requires us to consider, and set out why proposed investment projects in our Business Plan may or may not be suitable for either late or early competition. To do so we have undertaken a robust assessment of our RIIO-3 investment projects, applying a consistent set of ‘acceptability criteria’, to determine each project’s suitability for these forms of competition.

In the case of late competition, we have applied the following three criteria which are detailed in Ofgem’s business plan guidance:

Late Competition Criterion	
High Value	The expected expenditure of a project is over £100m
New	The project involves a new asset or the complete replacement of an existing asset
Separable	A project where the boundaries of ownership between the assets and other (existing) assets could be clearly delineated.

Table 5: Late Competition Criterion

Should an investment meet all these criteria it would be eligible for consideration for the application of late competition.

In the case of early competition, its very nature implicitly requires a project to be at an early stage in its lifecycle as it assumes that competition is introduced at the ideas / early design phase of the project. As such, any investment projects that have already progressed beyond this stage are not viable candidates. Although companies are required to flag all projects in excess of a threshold value of £50m for assessment for early competition (which we do in the table below), Ofgem’s business plan guidance confirmed that a value threshold does not explicitly apply.

When considering whether investment projects are suitable for early competition, we have taken a range of factors into account, drawing on the criteria applied by Ofgem at past price controls, as well as those considered in the context of early competition in onshore electricity transmission networks. We have therefore considered, on a project-specific basis, whether the project concerned is:

Early Competition Criterion	
New	
Separable	
Contestable	Has the potential for alternative solutions
System Need	Has sufficient certainty of system need (i.e. running competitions too early may mean system requirements change by the time a solution is found – there should be certainty that a candidate project is required at the time an early competition process begins).

Table 6: Early Competition Criterion

However, fundamentally, we have asked ourselves whether the introduction of early competition would be net beneficial for customers. This has therefore involved, not only consideration of the criteria above, but other factors such as:

Early Competition Factors	
Time criticality	Whether a competitive solution could cause delays that would not be in the interest of customers
Extent of existing native competition	Whether there are already competitive pressures in place that would diminish the marginal impact of an early competition model
Safety	Whether third-party involvement would pose unacceptable risks to safety
Business criticality	Whether the project is sufficiently critical to our core business that third-party involvement would pose unacceptable business risks;
Legislative barriers	Would early competition be feasible under code, licence or statute?
Customer impact	Could early competition have a detrimental impact on our service levels or other elements of customer service?

Table 7: Early Competition Factors

The summary table (table 8) below lists all the key investment projects and activities in our RIIO-3 plan that exceed £50m (including any associated with uncertainty mechanisms) and considers the applicability of the criteria above to identify any suitable candidates for early or late competition.

Project / Activity	Cost Category	RIIO-3 Cost (£)	Value >£100m?	New	Separable	Certain	Contestable	Commentary
Tier 1 mains replacement expenditure	Repex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed.
London Medium Pressure	Repex Capex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed.
Carbon Abatement	Repex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed for carbon abatement.
Flow Weighted Average Calorific Value (FWACV) Compliance (MJP03)	Capex	[cost-sensitive data]	N	Y	N	Y	N	Not considered an appropriate candidate for early competition - work will be undertaken across multiple sites, embedded within our network, as part of an ongoing programme of work.
Connections	Capex	[cost-sensitive data]	Y	Y	Y	N	Y	Represents the aggregation of many smaller assets and work items and is already subject to competition. As such, the introduction of early & late competition models would not be in customers' interest.
Governor interventions (EJP04)	Capex	[cost-sensitive data]	N	Y	N	Y	N	Not considered an appropriate candidate for early competition given the lack of separability of the assets being addressed.
Services not associated with mains replacement (EJP05)	Repex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed.
Mains diversions (EJP07)	Repex	[cost-sensitive data]	N	Y	N	Y	N	Not considered an appropriate candidate for early competition given the lack of separability of the assets being addressed.
MOBs risers (EJP10)	Repex	[cost-sensitive data]	Y	Y	Y	Y	Y	Not considered an appropriate candidate for either early or late competition given that work will be undertaken across multiple sites with public safety the driver for the investment.
Pipeline integrity (EJP12)	Capex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed.
Pipeline monitoring & protection (EJP14)	Capex	[cost-sensitive data]	N	N	N	Y	N	Not considered an appropriate candidate for early competition given the lack of separability of the assets being addressed and interventions will not always involve asset replacement.
Reinforcements below 7 bar (EJP18)	Capex	[cost-sensitive data]	Y	Y	N	Y	N	Not considered an appropriate candidate for either early or late competition given the lack of separability of the assets being addressed.

Table 8: Investment applicability criteria review

As the table above shows, we do not believe that any of our RIIO-3 investment projects in excess of £50m meet the criteria for early or late competition. As such, in our view, pursuing either early or late competition for any of these projects would not be in the interests of customers.

Those projects involving Repex, such as the Tier 1 mains replacement, London Medium Pressure and Carbon Abatement projects above, whilst high-value in total, represent an aggregation of a large number of small-value activities and work items in relation to assets that are embedded within our network with high-levels of independency with other assets. It would, therefore, be very difficult to:

- separate these projects from our wider integrated network with clear delineation of responsibility between parties for safety and performance; and
- to identify different potential solutions to the network problem they are seeking to address, and they therefore fail to satisfy the criteria of separability or contestability.

When considering our proposed activities for RIIO-3 in relation to connections, this expenditure once more represents the aggregation of a large number of small-value activities and work items. However, in this case, the activities are in relation to assets that are located on the periphery of our network and, as such, do not face the separability issues discussed above in relation to Repex. However, we do not believe that the application of early or late competition models to connections is either appropriate or necessary, as their separability, and therefore contestability, has already created an environment in which competitive forces can operate. For example, non-domestic connections are already subject to extensive competition and the removal of the Domestic Load Connections Allowance (DLCA) will ensure a level playing field for competition in domestic connections.

For investment projects with a value of [cost-sensitive data], we have also considered whether the net benefits of early competition would be likely to exceed the net incremental costs. In extending our consideration of potential candidates for early competition, we have applied a minimum threshold of £15m to our assessment (consistent with the PCD threshold) to ensure proportionality. Once more, however, we have failed to identify any suitable candidates for early competition. We provide a brief explanation of our reasoning for each relevant project below:

- EJP01 Civil interventions: We will invest [cost-sensitive data] to refurbish and replace civil assets including structures and brickwork and implement civil solutions to manage risks such as asbestos, noise, corrosion, traffic collision and working at height. This low-cost, high-volume, embedded and largely refurbishment-based work activity is not a valid candidate for early competition.
- EJP02 Electrical, Instrumentation & Telemetry (EI&T) on Offtakes and pressure reduction systems (PRS): We will invest [cost-sensitive data] to upgrade and / or replace [security] EI&T systems across our four networks to maintain our ability to meet essential safety and reliability standards. This work across multiple, embedded sites means that an early competition model is inappropriate.
- EJP13 Pipeline Isolation Valves: We will invest [cost-sensitive data], to remediate or replace 1,845 valves across our networks to maintain asset health and manage safety risk. This high volume work across multiple, embedded sites means that it is not a valid candidate for early competition.
- EJP15 Pre-heaters at offtakes and PRS sites: In RIIO-3, we will invest [cost-sensitive data] to replace 196 pre-heat systems to manage ongoing issues of poor performance linked to asset deterioration. This ongoing project across multiple, embedded sites means that an early competition model is inappropriate.
- EJP16 Pressure Monitoring & Control (PMAC) on Governors: We will invest [cost-sensitive data] to continue pre-emptively replacing more than 5,000 pressure monitors in our PMAC systems in order to minimise operational risks associated with failing systems. The high-volume and embedded nature of this work means that it is not suitable for the application of an early competition model.
- EJP17 Pressure Reduction on Offtakes and PRS: We will invest [cost-sensitive data] in this ongoing asset health programme to replace 112 offtake and PRS systems. Because the work involves multiple embedded sites across our networks we do not believe it meets the separability criteria to make it a viable candidate for early competition.
- MJP01 Capacity Upgrades: We will invest [cost-sensitive data] to meet localised increases in demand and ensure compliance with our licence obligations. We will upgrade capacity at 8 sites with feasibility studies at a further 5 sites. This expenditure across a number of sites across our networks makes it an inappropriate candidate for early competition.
- [Security]
- MJP05 Tinsley Viaduct Diversion: We will invest [cost-sensitive data] to undertake a 1.7km pipeline diversion and decommission the two existing pipelines to address asset health and accessibility risks. Given the criticality of this pipeline section which is embedded within our network and the associated decommissioning required of existing pipelines, we do not believe that an early competition model would be suitable.

- MJP07 Gray's Medium Pressure: We will invest [cost-sensitive data]. As with the other Repex projects discussed above, issues of separability and the embedded nature of the project within our network, means that it is not a valid candidate for early competition.

While there are no suitable candidates for early or late competition within our RIIO-3 plans, we remain committed to exploring and pursuing competitive and other innovative solutions and delivery models where they are of benefit to customers. As such, we have, and will continue to, consider whether high-value projects can be segmented to exclude the non-separable elements of work or whether smaller projects can be combined such that the >£100m criterion for late competition can be met.

During RIIO-3, we propose to explore the potential for the further introduction of competitive pressures into the following areas of our business:

During RIIO-3, we propose to explore the potential for the further introduction of competitive pressures into the following areas of our business:

- Biomethane entry connections:
 - We are planning to further explore the potential role of competitive third parties in supporting the provision of biomethane connections. Cadent is unique in that it allows accredited 3rd parties to complete biomethane entry gas connections at all pressure tiers, which has resulted in 3rd party connection being the default for our biomethane customers. With the emerging requirement to deliver network reinforcements to support entry gas flow, we will continue to actively support competition in the provision and operation of these works, where it ensures value for money and high levels of service. This would be a new class of infrastructure investments to consider for early/late competition, noting that in many cases, as with demand related reinforcements, separability is an issue.
- Industrial and Commercial (I&C) governors:
 - We are planning to explore how competition of assets at our extremities could provide value for the customer. Whilst our current investment in I&C governors does not satisfy the criteria for late or early competition, we will evaluate ongoing management of this asset type (TOTEX) for future price controls.

6.6. Examples of the way we are addressing challenging workforce and supply chain conditions

Example 1: Backfill and Reinstatement

In 2020 we established a new set of frameworks to provide Backfill & Reinstatement Services to support our emergency response and repair activities and also our customer connections work. These agreements were established with an agreed set of rates fixed for the first three years of the term at an annual cost of ca £30m. However, due to volatility in the global economy and escalating fuel and material costs, our supply partners were unable to sustain the agreed fixed rates.

We underwent a process of due diligence to confirm the suppliers increased costs and in September 2022 agreed to vary the contract and incur a cost uplift [security]. To mitigate the impact of these increases in costs, we have implemented technology solutions and a new management system to optimise the commercial process, improving the accuracy and streamlining of cost assessments; in the North West we have consolidated the supply chain and reduced the number of partners to leverage better rates against a greater volume of work; in the West Midlands we have negotiated improved rates for our Opex and Connections work by offering the Reinstatement partners additional volume through our Repex activities.

This marketplace remains volatile, and our strategy is based on consolidation of Repex and Opex volumes to increase the attractiveness of our workbook, and continuing to work closely with our supply chain partners to optimise the end-to-end process to optimise their costs and improve their operating efficiency.

Example 2: Repex Tier One £/metre business planning

Each of Cadent's four networks have an agreed regulatory allowance for their Tier 1 Mains Replacement activities based on a set price per metre. The regulatory allowance is an all-in cost incorporating all direct and indirect delivery costs. Our business planning process breaks down these cost categories for the contract year, with the external delivery costs including:

- Material costs (pipe and fittings),

- Labour costs (Tier 1 contractor costs),
- Support services (Traffic Management, Backfill and reinstatement etc),
- New Roads and Street Works Act 1991 and Traffic Management Act 2004 costs (traffic related),
- Construction Management Organisation costs.

We have seen significant upward cost pressures in labour costs, material costs such as construction material / reinstatement / pipe and fittings (PE and metal) and an increased cost associated with traffic management requirements, and which often run in conjunction with restricted working directives; already known sector labour pressures are being impacted further by wider economic activity in similar sectors.

We have developed a Commercial Pricing Analytics Tool (PAT) which allows us to obtain a strong level of cost and productivity information on all priced works from our LDPs; this tool has been exceptionally successful in allowing us to compare costs presented at an improved level of detail which allows healthy challenge and review sessions as part of works award negotiation and decision making; the detail within this tool allows us to consider LDP cost and productivity differentials and inform our efficient awards of works. Regionality of cost pressure and productivity variances can be drawn from this tool within Networks and mitigation actioned where appropriate to derive best value.

The above tool is continually developed to ensure that it remains 'current' and forms part of our consistent and transparent approach to works award and commercial management.

Building upon the above in April 2024, we introduced a commercial management system in our North London Network which is to allow us to track, manage and monitor the commercial delivery of Repex works and review commercial expenditure against tender assumptions. The introduction of this system is allowing us to have a greater 'line of sight' from works procurement cost assumptions through operational delivery, supply chain partner applications and ultimately payment records including change management.

It is our intention to finalise the remaining elements of this system adoption in North London before rolling out across all our networks in early 2025.

7. Measure of Success

This section outlines the measures of success for our ambitions, followed by a final closing summary of our overall approach and plan.

7.1. Measures of success

By delivering on our strategic objectives, we will significantly increase our workforce resilience. This will be achieved through increased engagement, inclusion, and retention of our people, and by making Cadent a natural choice for talented people to develop their skills and careers. We have set some ambitious targets, and these are set out below, along with the investments required to deliver on our ambitions.

7.1.1. Workforce Resilience

Strategic Objective	Measure of Success
Improve inclusion, diversity and equality.	<ul style="list-style-type: none"> ED&I: Ambition to increase female representation in Field Force employees from 1.07% to 10% by 2030
Improve workforce satisfaction and retention	<ul style="list-style-type: none"> Satisfaction: Achieve employee participation of 75% in our annual employee survey and increase our Engagement Index Score to 75% Retention: Reduce our voluntary rolling attrition rate to achieve between 8-8.5%
Improve workforce motivation & productivity	<ul style="list-style-type: none"> Motivation: Achieve employee participation of 75% in our annual employee survey and increase our Engagement Index Score to 75% Productivity: Ensure that 95% of People Managers have completed the Manager Effectiveness Programme, specifically the Driving Performance Module
Attract people to the energy sector and develop the skills needed for a technology driven, low carbon energy system	<ul style="list-style-type: none"> Attraction: Average number of applicants to increase by an average of 10% by 2030 Development of Tech: increase the technology training provided to our total employee base by 50% by 2030 Development of Low Carbon: Hydrogen Academy will be established by December 2025
Upskilling and multi-skilling the existing workforce	<ul style="list-style-type: none"> Upskilling: Reduce upskilling training time by 25% by 2030, achieved by deploying a range of alternative learning methods. Multiskilling: Creation of a multi-skill Field Force development programme rolled out to a minimum of 25% of our Field Force employees
Ensure the health, safety and mental wellbeing of the workforce	<ul style="list-style-type: none"> Health, Safety & Mental Wellbeing: 4.5% reduction in rolling sickness absence rates to 3% over a 5-year period

Table 9: Workforce Resilience Measures of Success

As a member of the National Skills Academy for Gas Strategic Steering Group, facilitated by Energy & Utility Skills, we have worked with and agreed an approach with the gas transmission and distribution companies to measure the level of workforce resilience in the industry. This focusses on the skills, training and resourcing aspects of workforce resilience.

Each member of the National Skills Academy for Gas Strategic Steering Group is invited to participate, and each participating company will receive a report showing how they compare against the industry average for each metric and Job Role (where appropriate). An industry report will be produced based on the aggregated data of all participating companies. Each metric will be set in the appropriate context in terms of the size of the workforce and industry, national and regional trends.

7.1.2. Supply Chain Resilience

Supply chain resilience can be assessed against the critical success factor of having sufficient supply chain resources in place to deliver our committed outputs targets against the required levels of performance:

Repex

Delivery of the Iron Mains Replacement Programme against the agreed programme year-on-year, reported at Network Level

- Tier 1 Plan vs Actual (annual targets set at Network Level)
- Tier 2 Plan vs Actual (annual targets set at Network Level)
- Tier 3 Plan vs Actual (annual targets set at Network Level)
- Non MRP Carbon Abatement Plan vs Actual

Capex

- NARM delivered: Plan versus Actual

7.1.3. Deliverability

Our business plan has been assessed throughout to ensure the plan we are submitting is deliverable in its entirety within the price control period. Part of the assessment was to determine ‘who’ and ‘how’ each investment was to be delivered. Considerations were made towards volumes and competencies of people and relevant supply chain capacity. Where areas of significant change were identified such as electrical and instrumentation and cyber, actions were put in place to ensure that these areas had suitable mitigations, for example increasing our intake of apprentices within these disciplines and re procurement of existing frameworks to ensure the successful delivery of the business plan, meeting all our required outputs and legislative obligations.

The scope of the deliverability assessments had a specific focus on supply chain and determining if existing frameworks were suitable for work types, complexities and volumes of individual investments; this was checked with subject matter experts with both operational, procurement and supply chain stakeholders. We are reviewing our contract portfolio in the context of our RIIO-3 plans and prioritising our re-procurement of contracts accordingly, as an example we have put in place a steering group to oversee the development of contracting strategies including directors of procurement, commercial and capital delivery. Our supply chain has been engaged with a view of our RIIO-3 asset workload at a supplier event, and their feedback was considered as to the best way to deliver works across the price control, this approach has proved successful and will continue to be a feature of our supply chain engagement in the regulator period

As our RIIO-3 plan is broadly aligned to our RIIO-2 outputs, our supply chain approach is largely applicable to our RIIO-3 plan, but will be under additional external pressures as mentioned within this document. We have determined that the supply chain has the capability to deliver Tier 2 and Tier 3 works. We’ve therefore chosen to re-tender the LDP frameworks in early 2025 in such a way as to ensure that we secure the capacity of these more specialist skillsets through the contracting model, ready to deliver the Tier 2 and 3 work at the start of the RIIO-3 price control period.

We will also look to secure capacity early in both resource and materials across all areas of our RIIO-3 plan, identification of areas of priority for capacity lock-in will be drawn from our [Appendix 10](#)⁹. Requirements for specialist resources and long lead items will receive particular attention in our efforts to secure capabilities and capacities ahead of time.

Consideration has been given to ensuring we have the right balance of insourced workload to operate efficiently and maintain and develop internal skillsets, but to also have enough workload to stimulate the market across all levels of contractor scales; this will also enable us to deliver works as efficiently as possible with all possible delivery options assessed in terms of cost and timescales. Where we have constraints in internal resources such as our Electrical and Instrumentation technicians, we have looked to change our resourcing strategy within the area and enhance specific frameworks within that area to assist with retaining the competency we have currently whilst also looking to enhance on existing skillsets.

⁹ Network Asset Management Strategy, Risk Register, page 36

8. Glossary

Term	Definition
AI	Artificial Intelligence
CMO	Contract Management Organisation
CV	Curriculum Vitae
DPS	Dynamic Procurement Systems
ECI	Early Contractor Involvement
EDI	Equity, Diversity and Inclusion
EVP	Employee Value Proposition
GDN	Gas Distribution Network
GP	General Practitioner
HiPo	High Potential (Talent)
HR	Human Resources
IGEM	Institute of Gas Engineers and Managers
LDP	Local Delivery Partners
LGBTQ+	Lesbian, Gay, Bisexual, Transgender, Queer
NEC	New Engineering Contract
NRSWA	New Road and Street Work Act
ONS	Office of National Statistics
RFI	Request for Information
SME	Subject Matter Experts
SRM	Supplier Relationship Management
STEM	Science, Technology, Engineering and Math
SWOT	Strengths, Weaknesses, Opportunities, Threats
T&Cs	Terms and Conditions
UCR	Utilities Contract Regulations 2016
UK	United Kingdom