



Responsible Business Report – 2019



www.phoenixnaturalgas.com

Foreword from our CEO



Welcome to the Phoenix Natural Gas Responsible Business Report, designed to offer an insight into how our business undertakes its responsibilities as the largest gas distribution network operator in Northern Ireland (NI) and creates additional value to the communities we serve.

Operating in a responsible, sustainable manner is at the heart of our business. Our vision is to be recognised for excellence as a world leading energy utility which demands that our business style and behaviours are a benchmark for others in the local marketplace and across the wider utility sector.

At the centre of our Responsible Business and indeed our wider business strategy are people, planet and place. Our focus on creating positive impacts and legacy in these three areas in our operations and community engagement is embedded throughout the organisation through our 'LIFE' Programme, which sets out the key pillars of our Responsible Business activities and is further detailed within this report.

Our product, natural gas, has inherent economic, social and environmental outputs and our operations are essential to ensure a safe and secure supply of energy for consumers that rely upon us for heating and hot water. In this report we provide an insight on how we manage that responsibility as we carry out our operations, engage with stakeholders and connect with communities across the licence area.

We pride ourselves on having excellent stakeholder relationships which is crucial given the essential service we deliver to consumers and the wider regulated environment we operate within.

In this report we demonstrate how we invest in our workforce to develop their skills and support their health and wellbeing and how we utilise these skills in adding value outside the company.

We recognise the environmental responsibility we have in carrying out our operations and we have played a leading role in reducing carbon emissions in NI through access to a fuel that displaces more polluting fuels such as coal and oil. We look forward to helping even more consumers across our licence area connect to natural gas now and in the future.

Looking ahead, we will continue to partner with local and national organisations to identify opportunities where natural gas can support further carbon reductions, such as the use of compressed natural gas within the transport industry. We continue to support the identification of alternative sources of sustainable energy which may utilise the extensive natural gas infrastructure network across NI, including opportunities for biogas injection and utilisation of hydrogen gas. We monitor progress in these innovative areas closely.

I truly believe that the way in which our business applies its market strength, technology, resources and expertise to the issues within the local marketplace and the wider communities we serve, is making a difference economically, socially and environmentally. I trust you will find this report helpful in understanding how Phoenix Natural Gas executes its operations in the most responsible manner.

Michael McKinstry
Chief Executive Officer

Contents

6	Company Information	28	Fostering our community
8	Overview of Phoenix Natural Gas availability	32	Environmental Responsibility
10	Customer and Network Growth	36	Risk Management
12	Our Vision and Corporate Objectives	38	Health and Safety Management
13	Stakeholder Engagement	40	Extending the Benefits of Natural Gas
16	Corporate Social Responsibility Principles	44	Looking After our Network
18	Leadership in the Market Place	46	How We Have Performed
24	Investing in our People	48	Supporting a Lower Carbon Future

DISCLAIMER

While all due diligence has been taken to prepare this document, we cannot completely guarantee the quality, accuracy and completeness of the information as other external factors may fluctuate any statistics and interpretations may deviate from what has been published. Information in this document was deemed accurate and appropriate to the best of the knowledge of Phoenix Natural Gas as of June 2020.

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Company Information

We were established in 1996 to bring natural gas to the Greater Belfast area of NI, where there was no natural gas distribution network.

Since then local, national and international partnerships have delivered an investment of over £1 Billion into the NI economy and the wider natural gas industry now provides employment to over 2,500 people.

We continue to invest in infrastructure that currently has in excess of 225,000 domestic and business customers connected, and continues to connect more than 8,000 new customers each year.

We are the owner and operator of the largest gas distribution business locally covering an area that encapsulates almost half of the population of NI, including Greater Belfast, Larne and a recent extension in East Down.

Our gas distribution network currently comprises c.3,750 kilometres of intermediate, medium and low pressure mains, making gas available to more than 340,000 potential properties.

Phoenix Natural Gas is responsible for developing and maintaining the pipeline network and providing a 24/7 operational and transportation service platform to both gas suppliers and gas consumers.

As a natural monopoly, we operate under a regulatory framework similar to other United Kingdom regulated utilities and thereby, are subject to regular price control reviews. Our business is regulated under licence by the Northern Ireland Authority for Utility Regulation.



Market Development

Since the introduction of natural gas across NI, the network has been constructed on a rolling basis across the intervening period and as a result, market development and utilisation is still undertaking a period of significant growth relative to the remainder of the UK.

As a consequence, Phoenix Natural Gas are responsible for developing the natural gas market within its licenced area.

Whilst householders and businesses enjoy natural gas for the range of efficiency, convenience and lifestyle benefits it offers energy users, the introduction of natural gas to NI has also created significant economic, social and environmental prosperity to the region.

The natural gas industry has an established wide network of related businesses such as manufacturers, distributors, merchants, retailers, training centres and installation companies. Phoenix Natural Gas acts as an incubator to these supply chain companies, which are a vital element in the delivery of a consistently seamless and positive customer experience.

Throughout 2019 Phoenix Natural Gas and the local natural gas industry continued to maintain and improve upon its high levels of customer service.

Independent market research conducted in October 2019 with customers who recently connected to the natural gas network continues to demonstrate that there is a high quality experience for customers with 98% of customers recommending getting gas installed. Furthermore, 97% of recently connected householders reported that they believed that it was very or quite easy to purchase and install Phoenix Natural Gas.

98% ^{*} Would you, based on your experience, recommend installing Phoenix Natural Gas to a friend?

97% ^{*} How easy, in overall terms, would you say it was to purchase and install Phoenix Natural Gas? Said very or quite easy

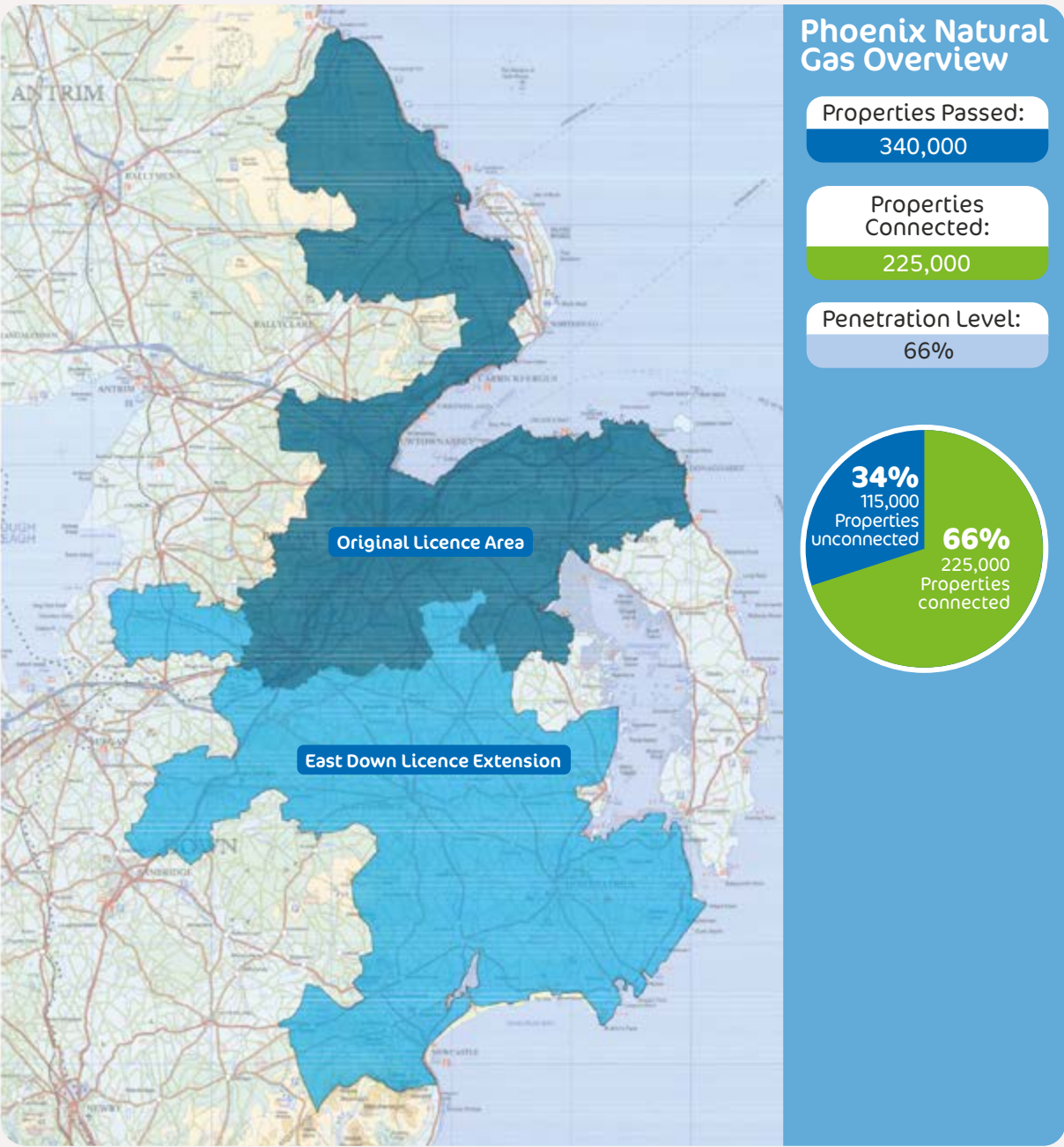
*MRNI October 2019

Customer expectations continue to be exceeded, and this is testament to the focus that Phoenix Natural Gas and key industry partners place on continued development in this area.



Overview of Phoenix Natural Gas availability

(to end of 2019)*



Gas Availability by Area

Figures as at December 2019 end

Area	Total Gas Availability	Connected	Penetration
Bangor	30,000	20,000	67%
Belfast	180,000	130,000	72%
Carrickfergus	15,000	10,000	67%
Carryduff	2,800	1,800	64%
Donaghadee	3,500	2,000	57%
Dundonald	8,000	5,500	69%
Hollywood	5,500	4,000	73%
Larne	8,500	5,000	59%
Lisburn	22,500	13,500	60%
Newtownabbey	30,500	19,800	65%
Newtownards	19,500	12,000	62%
Whitehead*	1,100	100	9%
East Down*	13,100	1,300	10%
TOTAL	340,000	225,000	66%

*Developing Networks

Customer and Network Growth

Connections

the number of customers connected to Phoenix Natural Gas

Fig 1: Cumulative connections from 1996 – 2019

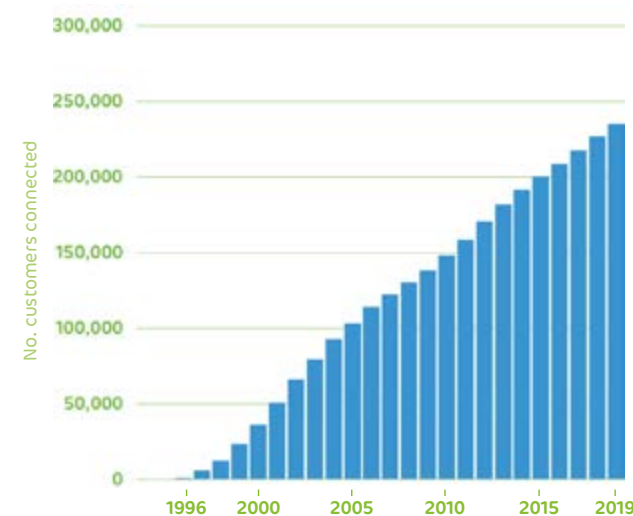
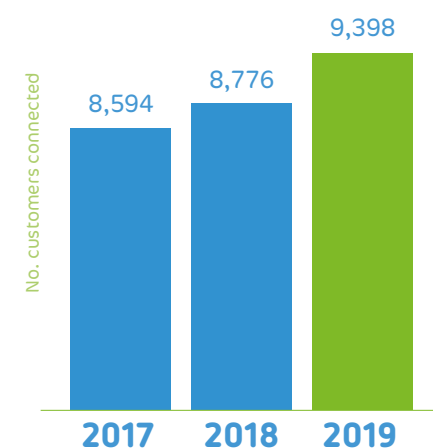


Fig 2: Annual New Connections



Network Build (km)

the amount of pipe laid by Phoenix Natural Gas across its network in km

Fig 3: Network build – 2019

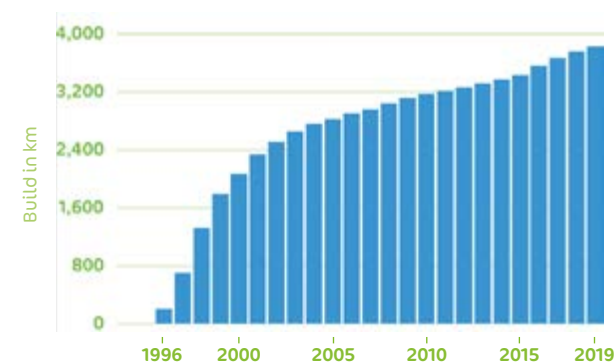
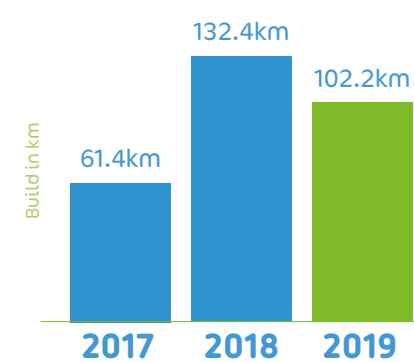


Fig 4: Annual Network Build Constructed

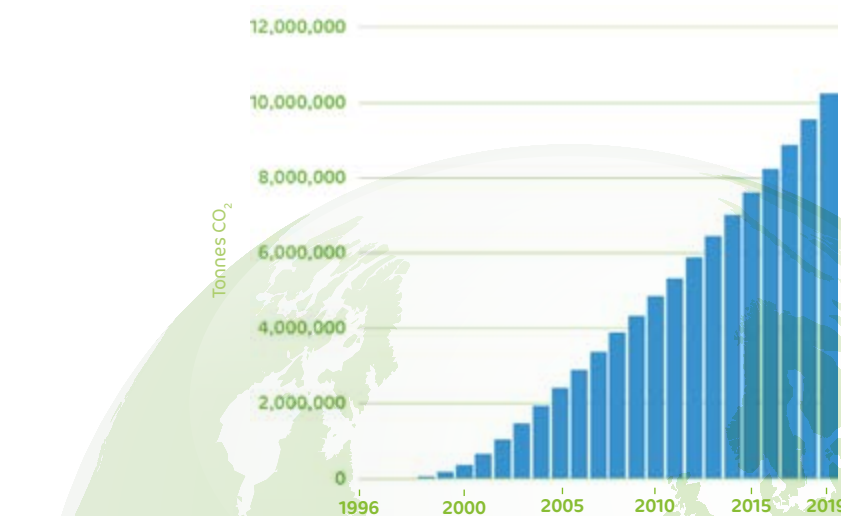


Carbon Reduction

CO₂ Removed (m tonnesCO₂)

total CO₂ saved from entering the atmosphere by natural gas users in tonnes*

Fig 5: Cumulative from 1996 to, and including, 2019



On an annual basis we monitor and track the carbon savings realised by consumers who have moved to natural gas from other more polluting fuels. These carbon reductions are achieved as a result of both the lower carbon properties inherent in natural gas comparative to other fossil fuels and the efficiency gains realised through the installation of a high efficiency gas boiler and associated heating controls at the time of installation.

Efficiency gains applied are assumed based on the installation of a high efficiency gas boiler and associated highly efficient heating controls. An efficiency factor of 23% has been applied that is consistent with minimum efficiency gains and reduced energy use achieved as a result of replacing a SEDBUK F oil boiler (or lower grade efficiency) with natural gas high efficiency boiler (minimum performance standard of 90% ErP) with upgraded heating control, water treatment and other measures.

Our Vision & Corporate Objectives

The Corporate Objectives provide the overarching context and direction of Phoenix Natural Gas's activities.

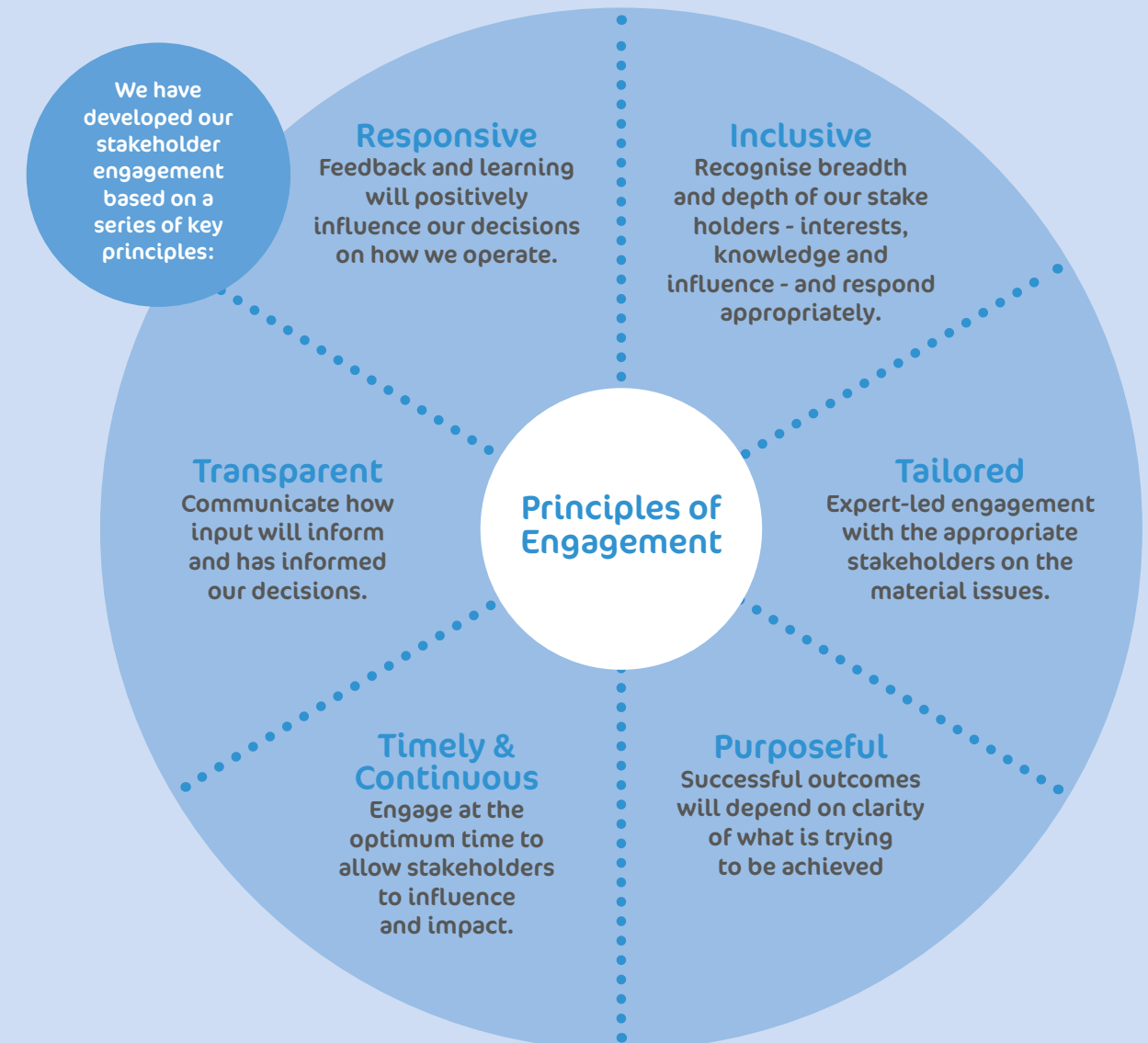
Working in an ethically and socially responsible manner is at the core of how we operate our business. Phoenix Natural Gas is highly committed to its Environmental, Social and Governance responsibilities and sees these areas as key to the achievement of our Company Vision:



Stakeholder Engagement

Stakeholder engagement has been fundamental to Phoenix Natural Gas since it began.

The development of a world leading natural gas industry, which has seen more than 3,750km of mains fitted underground and includes a supply chain that employs over 2,500 people, brings significant social, economic and environmental benefits. This can only be achieved by effective relationships with a number of diverse and key stakeholders.



As we continue to invest in and grow our business, and as attitudes to energy and the environment are changing, stakeholder engagement continues to be an integral part of our strategy, operations and

responsible business activity as we seek to inform and maximise engagement with political, business and community stakeholders.

We engage with stakeholders in a wide variety of areas, including representatives across:



Our approach to being a Responsible Business

Phoenix Natural Gas has had operating responsibly at the heart of its business since its inception and has built strong credentials in Health and Safety, Environment, Corporate Responsibility and Corporate Governance.

These pillars of Responsible Business activity are embedded in all areas of our organisation and culture, and integrated across strategy, risk and governance processes.

We strive to make positive differences for our customers, colleagues and communities and developed the 'LiFE' programme to provide a framework which impacts on all these areas. This is defined as:

LEADERSHIP
in the marketplace

INVESTMENT
in our people

FOSTERING
our community

ENVIRONMENTAL
Responsibility

Corporate Social Responsibility Principles

On an annual basis we perform a Materiality Assessment to identify and prioritise the Corporate Social Responsibility issues most relevant to us.

The outputs of the assessment are utilised to develop our Corporate Social Responsibility Principles which are aligned to our LIFE programme.

16



L

To act with integrity at all times in all our dealings.

To maintain the highest standards of governance in the management of our business.

To maintain appropriate contingency planning arrangements to enable the continuation of key activities as a result of a major incident.

I

To promote the health and wellbeing of our staff to ensure that we maintain a happy, healthy and engaged workforce. Create a positive working environment that, where possible, provides staff with the opportunities to fulfil their potential and achieve their career ambitions.

To operate with high standards in respect of health, safety and worker protection, and as a minimum comply with all relevant regulations and standards in the UK.

F

To create a positive impact for our stakeholders and the community we serve through meaningful engagement, contribution, and volunteering.

To always be non-discriminatory (whether on grounds of gender, race, disability or other), and maintain the highest standards of equality and diversity in our employment practices.

E

To minimise the impact of our operations on the environment, aiming for a sustainable approach to the use of resources, reducing our use of energy, water and paper, avoiding irresponsible disposal of hazardous products and unnecessary waste.

To continue providing low carbon solutions to homes and business, supporting net zero carbon targets.

To act as an environmentally responsible business by supporting biodiversity projects and initiatives within the community that we serve.

17

Leadership in the Marketplace

As architects of the natural gas industry in NI we have led the way in setting the standards and establishing best practice across the sector.

We promote responsible business practices across our business, our sector and with wider stakeholders. We demonstrate Leadership in the Marketplace through a range of initiatives that are included across the next section of this report.



Above: Phoenix Natural Gas achieved first in Europe in the 2019 GRESB Infrastructure Assessment.



Left: Supporting the local economy as a partner of the Eastside Business Awards

Market Leadership

Phoenix Natural Gas is a well-established, trusted brand, recognised as a leader.

The NI natural gas sector is recognised as one of the world's leading gas industries, providing a benchmark for other developing gas infrastructure projects around the world. At a local level, we promote high standards across our business practices and apply our learning and experience across the business community in NI.

Phoenix Natural Gas is an integral and active part of the NI business community, encouraging business partners to adopt responsible business practices and supporting initiatives that assist vulnerable consumer groups. These include:



Just A Minute accredited – supporting consumers with communication barriers



Collaborating with leading utilities on winter tips



Supporting Energy Saving Week with other key energy partners



Signing up to Quickcheck 101, allowing consumers to verify callers

Industry Leadership

The natural gas industry in NI provides significant skilled employment opportunities with a supply chain that now employs over 2,500 people locally across a range of different sectors to include: installation companies, trade merchants, training bodies, retailers and distributors. Whilst these businesses are independently operated, they play an intrinsic role to the success of the industry and the high-quality experience of a natural gas user.

It is therefore incumbent upon Phoenix Natural Gas as an industry leader, to recognise the influence we have on wider industry partners. It is important that we provide opportunities for these businesses to support and get involved in our CSR activities and also provide regular opportunities to showcase high quality and industry best practice.



The Northern Ireland Natural Gas Association (NINGA) is perhaps the best example of how these objectives are achieved.

The Association was established in 1997 by Phoenix Natural Gas to provide a sustainable platform for like-minded organisations to meet on a monthly basis to receive wider training support, gain insight into industry standards, get exposure to best practices and create a positive influence on often micro and family run companies.



Phoenix Natural Gas Achievement Awards

We understand the importance of recognising high levels of achievement within the independent gas industry and host an annual recognition event that rewards businesses and individuals that are significantly investing and providing a high level of customer experience within the local industry.

This event creates a platform for high achieving businesses to network, knowledge share and discuss best practices with other like-minded partners.



Impactful Partnerships

We work with some of the most talented organisations in NI, accessing their expertise to help us make an even greater impact in our communities.

Working with the Grand Opera House we give budding young actors and creative students an opportunity to showcase their skills through the Summer Youth Production Programme which culminates in a professional performance on the Grand Opera House stage.

To reduce barriers for participation we fund bursary places on the programme, helping even more young people to take part.

Partnering with Ulster Rugby through the LineOut programme has enabled us to fuel young people's participation in sport and engage new communities in rugby. We bring coaches out to schools to give children their first kick of a rugby ball and bring sports stars into schools to share their tips and experience in building resilience.

A partnership with Action Mental Health has enabled us to bring mental health and wellbeing workshops to secondary schools across our license area.

The workshops are aimed at encouraging discussion and reducing the stigma associated with mental health for young people.



Educational Leadership

Safety Onsite

'Play Safe, Stay Safe' is a Phoenix Natural Gas led community safety initiative where we bring our expertise to primary schools, primarily in areas of new construction, to educate them on the dangers associated with construction sites for children and how they can stay safe when playing nearby them. In 2019, we delivered 'Play Safe, Stay Safe' sessions to more than 780 young people across the Phoenix Natural Gas licence area.

'Play Safe, Stay Safe' is delivered by Engineering and Health & Safety colleagues who bring their on-site experience to make the sessions more relevant and engaging for the children attending.



Company Accreditation

Setting Standards

We are proud to set the standard for excellence across the natural gas industry in NI and we benchmark our performance with respected external bodies. Our recent external achievements include:

- Awarded 5 stars and placed 1st across Europe and 2nd in the World in the 2019 GRESB Survey which benchmarks the Environment, Social and Governance credentials of Real Estate and Infrastructure Assets.
- British Safety Council Sword of Honour awarded for the third time to Phoenix Natural Gas in 2016 - this award being granted to companies who excel in Health, Safety and Environment management.
- Achievement of Gold in the latest Business In The Community NI Environmental Benchmarking Survey.
- Awarded 5 out of 5 stars in the British Safety Council's independent assessment of our Occupational Health & Safety Management systems.
- Achievement of ISO standards across our Occupational Health & Safety Management, Environmental Management and Asset Management.
- Awarded Silver CORE status from Business In the Community NI - the only corporate responsibility accreditation in NI.



The Responsible
Business Network
Northern Ireland



Investing in our people

We know that an engaged workplace encourages commitment, motivation and productivity that improves business performance, supports staff wellbeing and makes the organisation a great place to work.

Structured wellbeing and personal development initiatives are led by our Human Resources team with the support of the Phoenix Natural Gas LIFE Committee, which is a cross division employee body that provides regular feedback and assists in decisions on how we invest in our people. This combined approach provides for collaborative ideas and drives employee engagement across Phoenix Natural Gas.



Healthy Life Programme

On an annual basis we survey our people to better understand the issues that are important to them. Using the results and their feedback we have developed our internal Healthy LIFE programme which operates across:

Mental Health



We know that wellbeing is about so much more than what you see and working with our partner Action Mental Health we have invested in Mindful Manager training for all managers in Phoenix Natural Gas, equipping them with the tools to spot emerging issues and offer early interventions.

Physical Activity



As well as offering the Bike to Work scheme to promote a healthy lifestyle, we have installed a bike shelter at our offices to encourage colleagues to cycle to work. We provide on-site shower facilities and we offer discounted gym memberships to all staff. We also host a dedicated annual Park Run to encourage staff to get active through running, jogging or walking.

Healthy Eating



Every week we provide a selection of fresh fruit for staff members. Tutti Frutti Tuesday has been hugely popular since it was introduced in encouraging staff to start the day with a healthy breakfast.

Cancer Awareness



Cancer continues to have a devastating impact on individuals and families across Northern Ireland. We support our staff by raising awareness of the most common cancers and their early signs and symptoms. This is provided through lunch and learn sessions with leading local charities supported by regular spotlight features on our intranet.

Employee Engagement

Phoenix Fifteen



Every month we run 3 staff engagement sessions through the Phoenix Fifteen programme. These sessions are opportunities for staff to find out more about the wealth of different projects and activities taking place across the business. They provide an opportunity for different parts of the business to update on areas of interest, such

as Health & Safety or Infrastructure projects, as well as giving a platform to share and engage staff in wider initiatives that they have the opportunity to be involved in – from volunteering and fundraising opportunities through to guest speakers on wellbeing initiatives. The sessions are consistently well attended across all areas and levels of the business.



Lunch And Learn



As well as a comprehensive induction programme which includes time on site at a natural gas connection for all employees to better understand the full customer experience, we also engage employees on a range of topics through Lunch and Learn sessions. These sessions are fun and informative on a range of topics covering everything from bike maintenance to diversity, giving people across the business access to something new every month.

Information Provision



We provide information on a range of different topics to our colleagues across health, social and economic issues as part of our employee engagement programme. This includes topics as diverse as cancer awareness, financial wellbeing and healthy eating through to giving blood and laughter yoga. We ensure regular communication through our intranet and a quarterly internal newsletter - Phoenix Life

Training and Development

We're proud of the part we have played in the development of the natural gas industry and through our apprenticeship scheme we continue to invest in and develop the future of the natural gas industry.

More than 100 young people have completed the Phoenix Natural Gas Apprenticeship Scheme which delivers skilled Gas Service Engineers into the industry.



Getting Involved



We encourage employees to get active in their communities and to support charitable organisations.

As well as making a difference to the community, volunteering helps our people learn new skills and build their confidence while bringing the Phoenix Natural Gas brand to life.

In 2019, our colleagues gave over 320 hours to volunteering activities across a range of activities, from beach cleans and garden tidy-ups through to charity hikes, walks and runs.

We continue to encourage our employees to get active and involved and to share their skills to make a positive difference to the communities around us.

Fostering our community

Building stronger communities has been at the heart of our business since we began.

We do this by:

- Understanding the needs of the local communities we work in
- Identifying areas where we can use our unique skill set to add value and where possible leave a legacy that is over and above our primary business objectives
- Using our people and our industry partners to engage with and deliver community activities

These include, but are not limited to, developing partnerships, supporting events, fundraising and developing sports and creative talent.



Community Engagement in action

In 2019 we supported more than 80 community events and activities that delivered real benefits for local communities – this included:



Partnering with Action Mental Health to deliver emotional and mental wellbeing support to young people across NI



Supporting the Eastside Awards and Aisling Awards which recognise the contributions of East & West Belfast communities



Funding sports clubs and groups to help people get out and active



Helping young people develop their skills with creative community workshops



Community Engagement in action

Our community programmes help us to build and connect locally as we develop and enhance access to the natural gas network across our licence area.



Supporting local event that bring communities together through sport, art and family fun



Supporting fundraising activities that made a difference to our people and our communities locally



Boosting young sports stars through our Sports Bursary programme which provides funding for equipment, training and travel costs for local athletes



Working with Ulster Rugby to LineOut with young people in schools and community groups across our licence area, bringing access to professional coaches and players with lessons in coaching, resilience, nutrition and leadership as well as standing shoulder to shoulder with communities through volunteering sessions



Energy for Children Charitable trust

Phoenix Natural Gas established the Energy for Children Charitable Trust in 2005 to provide financial support to groups and individuals that may slip through the net of the wider charity network.



Founded on the principle that 'all monies raised go directly to local children and young people', the Trust aims to reach deeper into the heart of local communities throughout Greater Belfast and beyond in order to really make a difference to disadvantaged children's lives.

Although the Trust was founded initially by the natural gas industry, it is now supported by a variety of different sectors and organisations locally as it continues to grow.

Since its formation, the Trust has helped over 8,000 local children and every month continues to help those who need it most. In 2019, the Energy for Children Charitable Trust supported over 140 children and families with funding of £23,900 granted.



Environmental Responsibility

Phoenix Natural Gas is committed to protecting and preserving the environment through a range of initiatives.

We are proud of the environmental credentials inherent in our product, and across our business with our people, we have worked to preserve and protect the local environment.



Responsibility in our product

Natural Gas has quickly become the fuel of choice within the areas it is available and one of the reasons for that is the environmental and energy efficiency benefits that come when householders make the switch to natural gas.

Since our incorporation in 1996, Phoenix Natural Gas has contributed to the overall reduction of air pollutants being generated through the use of natural gas in comparison to other traditional fossil fuels such as coal and oil.

In the period from 1996-2019 there have been over 10 million tonnes of carbon dioxide prevented from entering the atmosphere through the use of natural gas as an alternative fuel source.

An additional 700,000 tonnes of CO₂ are diverted from entering the atmosphere per annum as a consequence of our continued operation. This is equivalent to removing 450,000 cars from NI's roads every year.

In line with the requirements of our Licence, Phoenix Natural Gas is committed to the continued expansion of the natural gas network in NI.

We recognise that as more customers make the switch and access the carbon savings offered by natural gas versus traditional fuels we can help further support government carbon reduction targets.

Environmental Contribution of Phoenix Natural Gas



10m tonnes
of cumulative
CO₂ removed



700,000
tonnes of CO₂
removed
in 2019



Equivalent of
450,000 cars
taken off the
road each year

Responsibility in our Work

We seek to minimise the impact of our operations on the environment and alongside our construction partners identify key areas for focus in our work.



Business Delivery

- Through our Management of Data Working Group we are reducing our use of paper through the introduction of electronic hardware to capture data and seeking new methods of mobile workforce management solutions that will allow us to remove the need for manual records
- We operate a Sustainable Procurement Policy to ensure we source products and services in a sustainable manner and ensure they are procured with known ethical standards to prevent exploitation of labour and that the environmental impact is minimised



Fleet Management

- We monitor and track driver journeys, planning routes for maximum efficiency
- Working with our contract partner, Kier, we have access to reduced emission vehicles
- We installed electric charging points at our operational control centre to promote and enable the charging of electric vehicles onsite.



Phoenix Natural Gas People

- We operate a Bike to Work scheme for all employees and installed a secure bike shelter to encourage employees to consider cycling to and from work
- We operate a free shuttle bus between Belfast City Centre and our operational control centre to enable employees to make use of public transport as a means of travelling to and from work.
- Our office building was designed for low energy consumption with use of thermal insulation, glazing, sunscreens, exposed concrete soffits and natural airflows all aimed at moderating temperatures in winter and summer. In addition, the use of motion controls on internal lights fitting are designed to reduce electricity consumption when areas are not being utilised.



Phoenix Natural Gas Partners

- We work to ensure any excess materials can be reused, such as returning unused offcuts of pipe to our supplier so they can be recycled into other items. We also reuse working components from our meters which are replaced during our 20 year meter replacement scheme and we recycle our personal protective equipment, such as high-vis vests for community projects
- Our investment in innovative solutions and trenchless technologies allow us to reduce the impact of our excavations and reduce the amount of waste that is created
- We complete site specific environmental risk assessments as part of our construction and maintenance activities to minimise our impacts and reduce the risks of contamination to the natural environment. In extending our network to East Down we are proud to have completed over 30 crossings of river and watercourses without a single water polluting incident
- We have introduced sound proof barriers to our operations and lower noise emitting equipment for use where required

Responsibility in our Community

We believe in helping our employees and our communities to be environmentally responsible citizens and look to offer innovative ways to give back in all that we do. Some recent examples of how we bring this to life include:

Environmental Action

Working with environmental charities and biodiversity organisations we provide helpful hands to help make conservation work possible.

As well as helping organisations, it gives our employees an opportunity to get active in the outdoors and improve the environments around them.

Being active and involved in improving green spaces helps us give back to our communities and improve employee wellbeing for colleagues, allowing them to be more connected to the communities in which we operate.



Biodiversity

Where possible we seek to enhance areas we disrupt through our works. When working in areas of outstanding natural beauty, such as those across East Down, we identify ways to give back through volunteering and work with local stakeholders to minimise the impact of our works on the local environment.



Environmental Education

We work in partnership with a range of environmental partners, such as Hillmount, to provide opportunities to engage and educate young people about the environment that surround them. Through effective partnerships we ensure young people are learning in a fun way about all the benefits of nature and the role they play in protecting and caring for our environment.



Risk Management

Risk Management is a fundamental component of sound corporate governance, is a crucial aspect of Phoenix Natural Gas's operation and is key to our success.

Risk management has been embedded as part of the culture at Phoenix Natural Gas and is integrated at a strategic and operational level.

Management within Phoenix Natural Gas see the mitigation of risk as a challenge and utilise risk management processes to identify and implement measurable actions to mitigate against identified risks. This has enabled us to deal appropriately with changes in the economic, social and regulatory

context in which we operate, contributing to the progress of people and businesses. Risk management is therefore one of the key functions in ensuring that Phoenix Natural Gas remains a robust, safe and sustainable company, that is aligned with the interests of our employees, customers, shareholders and our community.

Risk management is as much about identifying opportunities as avoiding or mitigating losses.

How we manage risk

Phoenix Natural Gas have a holistic approach to the identification of risks, creating controls to mitigate those risks, and for monitoring and revising identified risks and controls.

The Risk Management and Control Model we deploy is aligned to best practice and is based on the risk management principles of:

Governance	This includes risk policies and registers, risk oversight committees and clearly defined roles and responsibilities. The Group Chief Financial Officer (CFO) oversees the risk management function and is responsible for reporting to the Board.
Strong risk management culture	Risk management is underpinned by a shared culture that ensures that every employee understands and manages the risks that are part of their daily work.
Robust risk management processes	The processes we use to identify, measure, manage, monitor and report risks, including the use of our risk assessment templates and risk registers are designed to enable dynamic risk-based decision-making and effective day-to-day risk management.

The Risk Management and Control Model in place at Phoenix Natural Gas enables:

- The identification and management of risk and opportunities at a strategic and operational level
- Increased performance and improved governance as a result of risk-aware decision-making and strategic planning
- The reduction of company vulnerability against different risks by proper evaluation and mitigation through action plans
- Creation of a more risk focused culture across the company that allows risk to be considered more openly at all levels
- An increase in trust and security perception by the Board and other stakeholders, based on the fact that key risks are being monitored and communicated in a timely manner
- Effective coordination of regulatory and compliance matters
- An improvement in risk information and communication

The risk management activities in the Phoenix Natural Gas Risk Management and Control Model include:

Corporate Risk Register

The Corporate Risk Register is the central repository for our risk information and allows the information identified from risk management processes to be managed from a strategic and business risk perspective. The Corporate Risk Register is reviewed and updated on a regular basis and is approved by the Board.

Operational Risk Register

The Operational Risk Register is utilised to record identified significant risks (and controls) specifically concerning the safety and integrity of the distribution network including occupational safety of those involved in network activities.

Network Performance Group

The Network Performance Group is responsible for the review and management all issues relating to the safe management and operation of the Distribution Network through the Asset Management system. This Group is chaired by the Director of Engineering and is composed of senior health and safety and engineering personnel.

Risk Review Group

The Risk Review Group is responsible for the identification and assessment of risks in relation to the safe operation of the network asset and for the implementation and monitoring of agreed mitigation measures and controls. The Risk Review Group reports to the Network Performance Group.

Risk assessment

The risk assessment process is fundamental in ensuring both an environment that is safe for staff and members of the public and for facilitating effective and productive working practices. We utilise risk assessments on all areas or issues that may impact on the integrity of the gas distribution network.

Internal Audit

The internal audit function regularly reviews and follows up the implementation of different risk management programs and provides senior management with objective assurance on the effectiveness of risk management.

Health & Safety Management

The safety of our employees, contractors and customers is core to us at Phoenix Natural Gas.

It is paramount to us that we maintain the integrity of our gas distribution network and provide a safe environment to our employees, contractors and the public and we set high standards to ensure a positive health and safety culture across Phoenix Natural Gas.

Our award winning ASHES Programme (Awareness of Safety, Health and Environmental Systems) is the overarching framework that facilitates the management of all Health, Safety and Environmental issues within Phoenix Natural Gas. At the core of the system are tailored policies and procedures that allow us to meet our legal, contractual and management obligations. Our ASHES management system is audited on a regular basis internally and externally as we seek to continually improve our processes and we are proud to be accredited to ISO14001 and ISO45001 standards.

How we deliver Health & Safety within our business



In addition to having robust and relevant Health, Safety and Environmental Policies that enable us to meet our statutory and regulatory obligations, we also monitor the performance and implementation of our policies to ensure that our activities across the business are aligned to and are delivered in line with our policy expectations.

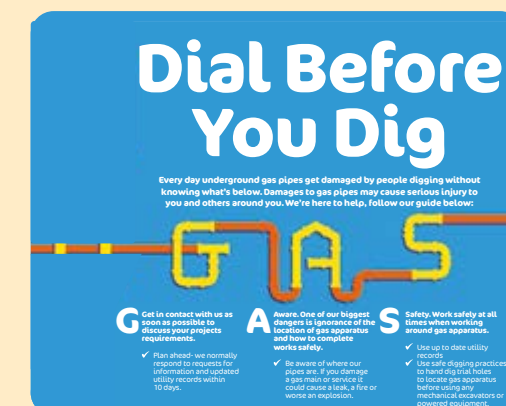
Every employee across Phoenix Natural Gas has a part to play in ensuring the safe operation of our business which is why we established an internal ASHES Committee with representatives from all areas of Phoenix Natural Gas. The Committee meets regularly to discuss any pertinent Health & Safety issues and to ensure key messages are cascaded across all teams in our business.

How we deliver Health & Safety outside our business

We also place a responsibility on ourselves to provide health and safety information and to educate our communities to minimise the risk of damage to the public and to our asset. We do this through:

Dial Before You Dig – Through this programme we seek to support other utilities, contractors, builders and developers to undertake relevant precautions when digging near natural gas pipes.

It's designed to encourage anyone undertaking work to **Get** in touch before they undertake any work, to be **Aware** of where natural gas and other utility pipes are and to stay **Safe** when working around gas apparatus.



Gas Safety Week – Co-ordinated by Gas Safe Register this week long campaign focusses on raising awareness of the importance of proper maintenance of gas appliances. We actively support this week of activity through information stands in shopping centres to engage consumers and share tips for gas safety across our social media platforms.



Play Safe, Stay Safe – Designed to help educate young children on the how they can be safe around construction sites and to raise awareness of the dangers of playing in or around a construction site these sessions are offered to primary schools across the licence area where construction is taking place. More than 40 primary schools have received a session since the programme began in 2017.

Endorsements of our approach

Achievement of British Safety Council Sword of Honour – widely seen to represent the pinnacle of achievement in Health & Safety management, which has been awarded to Phoenix Natural Gas on three separate occasions.

Achievement of 5 stars (highest rating) in the British Safety Council 5 star audit which allows a company to test its health and safety performance against the latest legislation, recognised standards and best practice techniques.

Achievement of Gold in the latest Business in the Community Environmental Benchmarking Survey which assess the extent to which environmental business practices are embedded within the Corporate Strategies and Operations of local organisations.

Achievement of ISO14001 accreditation

Achievement of ISO45001 accreditation

Extending the Benefits of Natural Gas

As an experienced network operator, we take great pleasure extending the natural gas network to new areas that allows both domestic and commercial properties in these areas to experience fuel choice.

In December 2015 the Utility Regulator NI granted Phoenix Natural gas a licence extension to construct gas infrastructure that would allow up to 28,000 additional homes and businesses to enjoy the benefits of natural gas in East Down. This represented private investment of close to £60 million in this area.

The decision to extend the natural gas network to this area of East Down has been welcomed by political, business and community representatives who recognise the economic, environmental and social advantages natural gas offers.

As well as extending the natural gas network to East Down, we have also announced the extension of our network in Whitehead reaching around 1,600 properties by the end of 2020. This is in response to appetite across the area for access to natural gas and will see a further 21km of natural gas pipeline constructed.



Construction Activity

Phoenix Natural Gas are committed to completing works in the most efficient ways so as to minimise disruption. All Phoenix Natural Gas roadworks's operations are carried out in compliance with The Street Works (Northern Ireland) Order 1995.

A specific Environmental Plan was carried out to ensure that works were completed in a way that would be sensitive to the more rural environment, working in partnership with various agencies and community organisations being a key aspect of the construction programme.

Following the licence being granted at the end of 2015 construction commenced in April 2016 with the roll out of 90km of bulk mains designed to transport natural gas to villages and towns within the licenced area.

This bulk mains work was completed ahead of schedule following the completion of work to bring natural gas network to Newcastle in September 2018.



Gas to East Down network construction overview.

Infill Activity

Making gas available to new towns and villages requires significant levels of infill mains. This is the infrastructure that is installed outside homes and businesses and the infrastructure that properties will connect to in due course.

At the end of 2019, 185km of infill mains had been constructed making gas available to over 14,000 properties. A further 85km of infill infrastructure will be constructed between 2020 and 2022 in line with the Programme of Works schedule outlined below:

Town	Total build (KM)	No. of properties with Gas Availability (end of 2019)	Properties Passed programme 2020-2022	Total Properties Passed
Ballygowan	12.3	1,114		1,114
Hillsborough	24.4	1,757	123	1,880
Ballynahinch	27.8	2,279		2,279
Annahilt	8.4	562		562
Spa	3.2	217		217
Downpatrick	53.0	2,151	2,751	4,902
Saintfield	14.0	517	989	1,506
Dromore	28.7	1,160	1,542	2,702
Crossgar	10.7	839		839
Drumaness	4.5	491	19	510
Newcastle	38.4	1,454	2,417	3,871
Castlewellan	16.4	521	714	1,235
Dundrum	7.5	57	796	853
Whitehead	21	1,144	437	1,581

Real time information on Phoenix Natural Gas construction works can be found online at www.phoenixnaturalgas.com

Phoenix Natural Gas have ensured that our engagement with the local community has been meaningful and of high quality both during construction phase and in turn helping to add value to local communities through our corporate social responsibility programme.

Environmental

We work with communities to minimise our environmental impact through construction and seek opportunities to help with environmental initiatives. When crossing the River Lagan we worked with the local river trust to help establish a new spawning bed and when working in Crossgar we worked with the community to plant trees throughout the town centre adding both aesthetic and environmental value.



Communication

We engage communities where construction works are taking place and are open and transparent in our approach to works. We issue letters to all impacted households in advance of works taking place and for mains works host Public Information Events in accessible venues that allow communities to meet our planners and construction teams. Our Customer Liaison Officer visits our work sites regularly to speak to local traders with updates on our schedule and we ensure our website is updated every week to reflect any mains construction activity.



Sponsorship

As well as engaging with local political stakeholders ahead of new works commencing we also reach out to local communities to see how we can help make a difference to them as we build our brand in the new towns across East Down. We have supported sports teams, community days and local school events which bring people together to demonstrate our commitment to connecting with the communities we operate within.



Corporate Social Responsibility

To introduce our Responsible Business Programme in this area, we worked with a range of community organisations and charitable groups to understand how we could best support and bring additional benefits to new communities. From helping helplines to fundraising fairs we worked to add value to every community interaction.



Looking after our network

The Phoenix Natural Gas network is currently comprised of more than 3,750km of pipeline connected to over 225,000 homes and businesses.

The network is relatively young with an age of 24 years or less and has been constructed with high density polyethylene pipe in conjunction with the latest remote monitoring technology. This ensures sector leading reliability and safety standards providing security of supply for our customers. Phoenix Natural Gas operates an internationally accredited asset management system, ensuring continual measurement and analysis of network performance data which allows us to take the decisions required to maintain the current levels of performance over the long term.

Network Operation

- 24/7 Network Control Room, emergency call centre and emergency response team in operation
- Network monitoring points at strategic locations across the network relay key information on gas pressure, supply and security alarms which are monitored by the Control Centre
- 1 hour response time for high priority calls



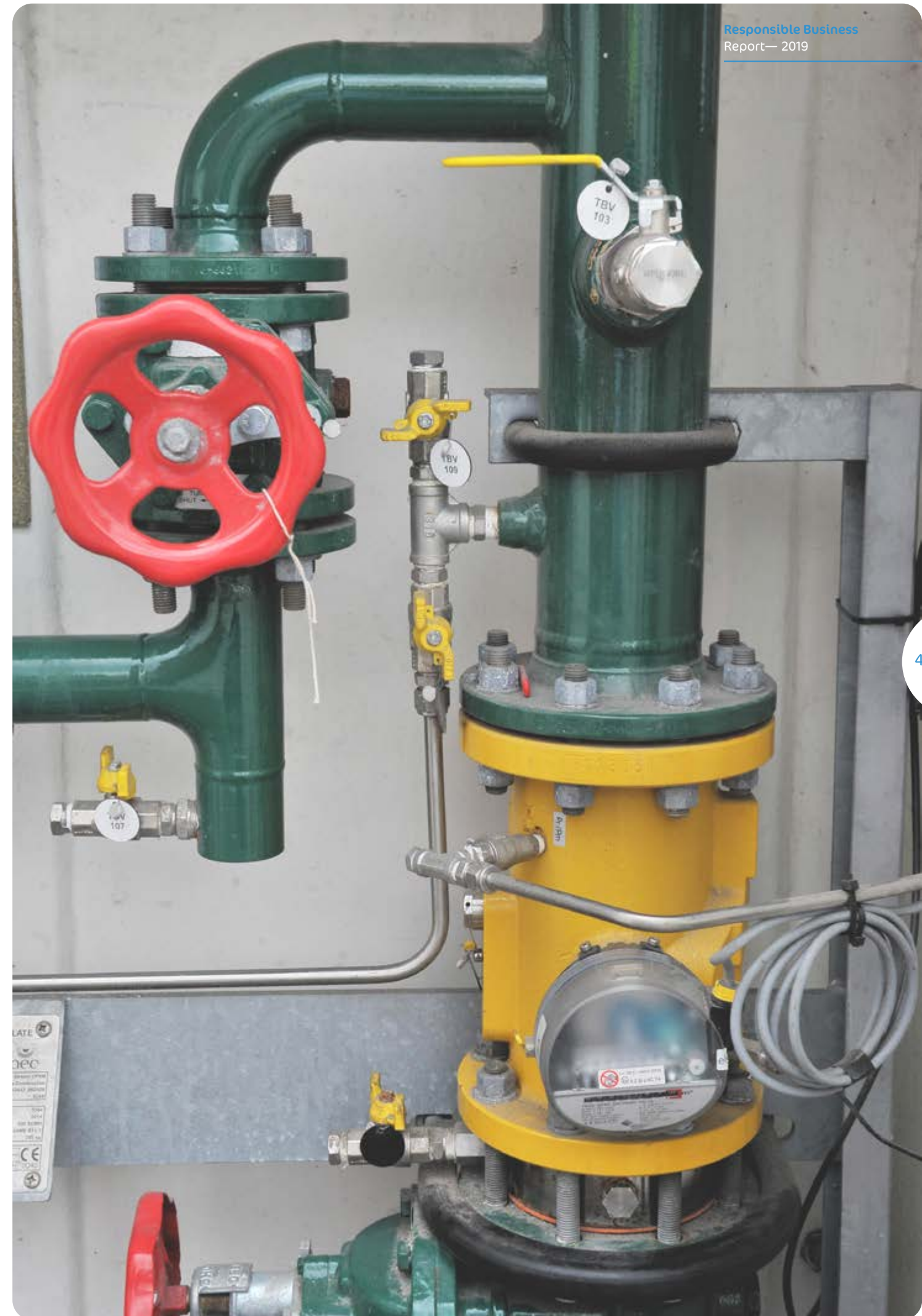
Network Performance

- Daily analysis of network performance and safety statistics
- Daily network condition analysis and assessments undertaken
- Routine and responsive maintenance programme with over 35,000 jobs per annum to ensure highest security of supply and customer safety



Asset Replacement

- Series of asset replacement activities for customer installations on reaching 20 years of service
- Asset replacement programme undertaken daily with more than 10,000 jobs per annum
- Continued investment in network to provide high standards of service, supply and safety



How we have performed

Phoenix Natural Gas prides itself on delivering the highest standards of customer service. As well as operating in a highly regulated environment where standards of service are expected, we believe in exceeding customer expectations in every interaction.

Outlined below are the Phoenix Natural Gas Standards of Service by which our business operates and includes 2019 performance in each area.

STANDARD OF SERVICE	ACTUAL	PERFORMANCE LEVEL TARGET
CUSTOMER CONTACT		
Customer correspondence Written correspondence will receive a reply within ten working days. Correspondence may be responded to by telephone unless you request a written response.	100%	97%
Customer Complaints Complainants will receive a full response to their complaint within 10 days, where applicable.	99%	97%
CONNECTION		
Moving of meter Phoenix Natural Gas will reposition an ordinary meter within 15 working days of a quotation being accepted.	100%	100%
Change of meter Phoenix Natural Gas will change the meter of a domestic customer within 10 working days of a referral by the Supply Company	100%	100%
RESPONDING TO GAS EMERGENCIES – GAS ESCAPES		
Uncontrolled gas emergencies Uncontrolled gas escapes will be attended to within one hour of being notified to Phoenix Natural Gas.	97%	97%
Controlled gas emergencies Controlled gas escapes will be attended to within two hours of being notified to Phoenix Natural Gas.	100%	97%
PREPAYMENT METERS		
Faulty Prepayment Meters Phoenix Natural Gas will visit a faulty prepayment meter with 4 working hours of being notified.	100%	97%
RESTORATION OF GAS SUPPLY		
Supply Restoration Following the disconnection of a domestic customer's gas supply due to a fault in the network, the transportation business will restore, on the basis of reasonable practicality, the domestic customer's gas supply within twenty-four hours.	100%	97%
Reconnection after non payment Customers disconnected for non-payment will be reconnected within 24 hours of referral by a gas supplier.	100%	100%

The Individual Standards of Performance were introduced as part of the Energy Act (Northern Ireland) 2011 and determine the expected standards of performance measures which local gas companies must provide for their customers.

The standards applicable for Phoenix Natural Gas and how we have performed against them in 2019 are outlined below:

STANDARD OF SERVICE	% pass
METER DISPUTES	
Distribution companies must provide customers an explanation on the probable cause of any meter accuracy issues within 15 working days. If an appointment is necessary, the company must offer this within seven working days to investigate. Where a customer informs their supplier of an issue, the supplier must report this to the distribution company within one working day.	100%
METER MIX UPS	
Distribution companies must ensure that customers are not billed erroneously due to a wrongly assigned meter.	None
PREPAYMENT METERS	
Distribution companies must deal with reports of problems with prepayment meters within four working hours. Where a customer informs their supplier of a problem with a prepayment meter, the supplier must notify the distribution company of any report of the problem within four working hours.	100%
APPOINTMENTS	
Distribution companies and supply companies must offer and keep an appointment within a maximum two hour time band, or if acceptable to the customer an appointment within the time bands: • AM 8.30-13.00 or • PM 12.00-5.00	99%
SUPPLY RESTORATION	
Distribution companies must restore supply within 24 hours to a customer whose gas supply has been discontinued as a result of a failure of, fault in or damage to the pipe-line system operated by the relevant gas conveyer.	100%
REINSTATEMENT OF CUSTOMERS	
Distribution companies must reinstate customer premises within 5 working days following work to a service pipe and any associated work to a distribution main where the pipe or main lies under or within the premises of a customer.	100%
QUOTATIONS FOR CONNECTION	
Distribution companies are required to provide customers with a cost estimate for a new gas supply within 10 working days for standard jobs and 28 days for non-standard work.	100%
NOTICE OF PLANNED INTERRUPTION	
Distribution companies must give at least three days notice to customers whose supply will be interrupted by planned maintenance or replacement work to the pipe-line system operated by the relevant gas conveyer.	100%
RESPONDING TO COMPLAINTS	
Distribution companies must provide a substantive response to written or verbal complaints within 10 working days.	99%
LATE PAYMENTS	
	None

Supporting a Lower Carbon Future

In 2020, the Department for the Economy in NI are advancing proposals for an energy strategy that will enable new and challenging decarbonisation targets.

It is recognised that there is no one solution to climate change and therefore different countries, regions and jurisdictions must have policies that reflect the specific needs of their communities.

Local policy must recognise that whilst the end goal of net-zero carbon is the right objective, there is also a need to be an enabler for the full range of immediate and realistic actions that can be undertaken to reduce carbon now while bringing society on the journey which will in turn help close the gap in reaching the net zero goal.

- Continue encouraging householders to connect to the natural gas network recognising the c.50% reduction in carbon emissions a new high efficiency gas boiler will deliver.
- Injecting biogas into the gas network is a practical way to further 'green' the natural gas we use whilst also helping to address the high level of greenhouse gases attributable to the Agri sector in NI. Energy Policy must create the conditions for a regime that encourages gas injection given its efficiency and environmental credentials.
- Compressed Natural Gas refuelling stations can be connected to the existing natural gas infrastructure and provide an effective alternative to high polluting petrol and diesel commercial vehicles, such as HGVs and buses.
- Hydrogen solutions, both blended and fully concentrated, offer a practical, affordable and secure long term solution to the decarbonisation of natural gas networks in the UK. A long term hydrogen solution allows the carbon challenge to be addressed at source, removing the need for bespoke, individual interventions to properties that are connected to the gas infrastructure.



Switching Benefits

Energy users switching from home heating oil to natural gas reduce their carbon emissions by around 50% through the introduction of a carbon cleaner fuel and the associated efficiencies of a highly efficient boiler and controls. These are impressive carbon savings which complement the lifestyle and convenience benefits that make moving to natural gas a desirable home improvement.

The gas industry recognises the importance of energy efficiency in delivering a lower carbon economy and the importance of continuing to educate consumers on the role both technological innovation and behavioural changes can have on reducing energy usage.

By the end of 2022 there will be 230,000 homes in NI that have access to the natural gas network but will continue to be heated by oil fired boilers.

These homeowners have the opportunity to reduce their carbon heating footprint by 50% and in turn add to the 1 million tonnes of CO₂ that natural gas users in NI are currently taking out of our atmosphere on an annual basis.

Compressed Natural Gas (Transport)

With around 25% of transport greenhouse gases produced by HGV's and buses, which make up only 1.5% of all road traffic in NI, an effective alternative to diesel engines is key for this sector to support decarbonisation goals.

Whilst it is recognised that electrification is a possible solution for cars and light vehicles, a solution for HGV's and buses has yet to be established in NI.

Compressed Natural Gas (CNG) is a lower cost, lower emission alternative to petrol and diesel that supports both lower carbon as well as harmful NOx and Particulate Matter. It can be used to fuel a wide variety of commercial applications, from vans to light, medium and heavy-duty trucks and buses.

The natural gas industry has engaged extensively with the transport sector to include Road Haulage Vehicle Association, Mineral Products Association, Freight Transport Association, independent fuel providers and fleet providers.

There is considerable support for the implementation of CNG refuelling stations in NI that will provide the impetus for hauliers and larger fleet owners to invest in CNG vehicles and in turn deliver carbon savings using a fuel that is already supporting 1.1. million vehicles in the EU.



Greening the Gas Network

Biomethane

Biomethane is a green non-fossil source of energy and is produced from biogas derived from organic matter (often from landfill, food waste or agricultural waste) which makes it a renewable source of energy and an important feature of future energy needs.

Biogas can be dried and cleaned to remove impurities and upgraded to pure biomethane. Biomethane has a number of environmental benefits, the main one being that the methane produced by organic matter decomposition would be released into the atmosphere if simply left to decompose naturally (a contributor to the high level of greenhouse gases from the agricultural sector – 27% of NI Greenhouse Gas Emissions 2017).

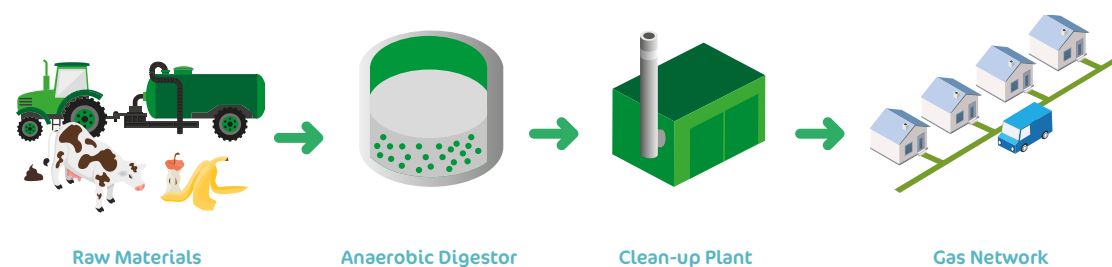
Injecting biomethane into the natural gas grid is more efficient than using biogas to generate electricity. Around 90% of energy is retained through grid injection, but just 65-70% when combusted to generate electricity.

Whilst NI has no shortage of biogas producers, none of this product is currently reaching the natural gas network due to a lack of support mechanisms and the required regulatory framework.

Biomethane injection does not require consumers to upgrade or change their existing system and would utilise the modern natural gas network.

NI urgently needs a regulatory framework that facilitates the injection of biomethane into the natural gas network. This framework will provide direction and momentum that will enable the existing industry to use their skills and proven track record of delivering an innovative solution that supports lower carbon energy.

The Biomethane Process



Hydrogen

The decarbonisation of natural gas through the long term use of hydrogen is gaining considerable momentum across Europe.

This is largely driven by a new UK Government plan to tackle climate change that has set a target for net-zero carbon by 2050.

Furthermore the challenges both technically and economically of alternative solutions has led to a clear ambition from leaders in this area, to repurpose the existing natural gas infrastructure to accommodate hydrogen.

This is particularly the case in countries which experience large swings in demand for heat, something the gas network has demonstrated a unique ability to meet.

There are various ways to produce hydrogen – ranging from steam methane reforming combined with carbon capture and storage, to water electrolysis and use of waste streams. Other routes to hydrogen are expected to be commercially developed.

It is anticipated that no single hydrogen production method will dominate future

markets. All production methods could be a part of the future hydrogen energy portfolio; this will provide greater flexibility and resilience to the system than would be the case with any single method.

Trials are already well underway across the natural gas industry in the UK to blend natural gas with hydrogen, which produces zero carbon at the point of use, into the existing natural gas network. This would offer further carbon savings without the need for change to consumer behaviour or appliances. Further advancement in this area could eventually see natural gas networks carry full hydrogen solutions, removing carbon from the network entirely.

In the short to medium term it is important for existing gas users in NI and those converting to natural gas in the years to come to understand that the infrastructure they are investing in today is likely to be the same infrastructure that will be transporting a lower carbon alternative in the long term and offer the most cost effective, least disruptive method for each householder to meet the required targets.



