

VIRIDIAN GROUP

**CORPORATE SOCIAL RESPONSIBILITY
REPORT**

FOR THE YEAR ENDED 31 MARCH 2017

VIRIDIAN

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Group is committed to operating in a socially, environmentally and ethically responsible manner. It aims to be recognised as transparent and ethical in its dealings and to contribute to the general economic and social well-being and development of the communities in which it operates.

The Group recognises the importance of engaging with a wide range of stakeholders including: its shareholders; customers; employees; the wider community; those tasked with protecting the environment; and suppliers. It does this through many channels including working closely with: industry regulators; consumer representative groups; various environmental bodies; various health and safety bodies; trade unions; business representatives; elected representatives and politicians; contractors; and landlords.

The Group has defined a number of principal CSR themes and priorities relevant to the management of SEE-related risks that may impact upon the short and long term value of the Group. These are classified below under the headings of Workplace, Environment, Marketplace and Community.

Workplace

The Group had 627 employees at 31 March 2017 (2016 – 535) with 515 employed in Northern Ireland (2016 – 427) and 112 in the RoI (2016 – 108).

Health and safety

A CSR priority for the Group is to ensure the safety of employees, contractors and the general public through the promotion of a positive health and safety culture and adherence to legislation and recognised safety standards. The Group's health and safety policy aims to promote high standards and is supported by specific safety principles, rules, policies and procedures. Contractors must adhere to the same safety rules and requirements as employees.

The Group health and safety management system is based upon the internationally recognised OHSAS 18001 'Occupational Health and Safety Management' which sets out the requirements for occupational health and safety management best practice. The Group's approach to employment-related performance, such as safety and sickness absence, is to set targets in line with best practice. The Group regularly engages with relevant organisations including the Health and Safety Executive for Northern Ireland as well as the Health and Safety Authority in the RoI. The Group employs a dedicated internal safety professional and retains the services of an external health and safety consultant who both provide advice and recommendations to management on a range of health and safety matters. An external audit is carried out on every part of the organisation at least once a year.

Excluding third party contractors there were no reportable incidents or lost time incidents during the year (2016 – two). Including third party contractors there were eight reportable incidents or lost time incidents during the year (2016 – six). Formal processes for incident investigation and analysis are in place.

| <i>KPI</i> | 2017 Number | 2016 Number |
|--------------------------|------------------------|----------------|
| LTIR (per 100 employees) | - | 0.37 |

Huntstown 1 and 2 continue to be accredited to OHSAS 18001:2007 for their occupational health and safety management systems.

Employment

The Group is committed to a working environment: in which personal and employment rights are upheld; which ensures equality of opportunity for all employees and job applicants; and which enables employees to realise their maximum potential and to be appropriately challenged and fully engaged in the business, with opportunities for personal development.

Equal opportunities

The Group is pro-active in implementing human resource policies and procedures to ensure compliance with fair employment, sex discrimination, equal pay, disability discrimination, race discrimination, sexual orientation and age discrimination legislation. The Group's equal opportunities policy commits it to providing equality of opportunity for all employees and job applicants and it regularly monitors its actions to promote compliance with legislation and to ensure that it provides equality of opportunity in all its employment practices. Equal opportunity measures and statistics in respect of the relevant businesses are reported formally to the Equality Commission for Northern Ireland.

Disability

It is Group policy to provide people with disabilities equal opportunities for employment, training and career development, having regard to aptitude and ability. Any member of staff who becomes disabled during employment is given assistance and re-training where possible.

Dignity at Work

The Dignity at Work policy and procedures underline the Group's commitment to equality and dignity at work for all, and ensure an environment free from bullying and harassment.

Remuneration

The Group operates fair and visible remuneration policies which are externally benchmarked to ensure that employees are paid an appropriate salary for the work they undertake. The Group seeks to align employee interests with those of other key stakeholders through an effective approach to recognition and reward, based on business and individual performance. Various reward schemes are in place including bonus schemes, excellence awards, reward and recognition bonuses and skills progression arrangements.

Learning and development

The Group aims to align its human resources policies with key business drivers, which include performance improvement; cost reduction; business growth and innovation; and excellence in customer service. These policies are supported by clearly defined values and behaviours, a robust talent and performance management process, a strong commitment to employee and management development and organisational competence built upon appropriate capabilities and skills.

The Group's People Strategy ensures continuity with its strategic aims. The four key strategic areas are: talent management and learning and development, employee engagement, organisational effectiveness and recognition and reward.

The Group's Talent Management strategy aims to establish an integrated talent management system by ensuring an effective pipeline of leadership and scarce skills to ensure robust succession planning and protect business continuity, increase awareness of leadership and career development opportunities and accelerated development of high potential and scarce skill resources.

The Talent Management Programme includes a unified Competency Framework which identifies the key values and competencies of the business and how they are expected to be demonstrated by employees at various levels within the business. During the year the framework was further developed by including behavioural indicators for each competency.

This Competency Framework underpins the annual Performance and Development Review (PDR) process, which evaluates the performance of each individual against defined and agreed targets and objectives and how they demonstrate each of the key competencies. This approach has been designed to ensure consistency and transparency in the process and is supported by a PDR system which incorporates the competencies. During the year all managers received refresher training in the PDR process with a particular focus on the setting of SMART objectives. Performance management guidelines for managers and employees were also prepared and rolled out to all staff.

Learning and development (continued)

Learning and development needs are also identified through the PDR process to ensure that all employees have a development plan in place which is aligned to their development needs.

The Talent Management Programme also includes Talent Forums for each company within the Group and key functional areas across the business, to ensure that key skills and potential are identified in areas such as leadership, management, scarce skills, areas of specialism, etc. and that appropriate succession and development plans are in place. This also provides a consistent and transparent approach, offering a mechanism to develop employees to meet their fullest potential and to plan and manage their careers.

As part of its commitment to develop talent, the Group launched several programmes including Aspire (High Potential Programme), Evolve (First Line Manager Programme) and Ignite (Student Placement Programme). These programmes are complemented by the Group's Learning and Development Calendar, which is available to all employees. In the coming year the Group will launch its LEAP Programme which is designed to be offered to future leaders as part of succession planning for senior rolls.

Policies

The Group has a number of formal policies in place including employee complaint and grievance procedures, Code of Conduct and Disciplinary policies. The Group also has a wide range of family-friendly working arrangements including enhanced maternity and paternity provisions, adoption, parental and dependant leave. These policies are regularly reviewed and updated on an ongoing basis.

All policies are available to employees via the Group's intranet.

Wellbeing

The Group takes the wellbeing of its employees seriously and in recent years Viridian was named 'Best Large Private Sector Employer for Family Friendly Working' and an 'Employer of Choice' for family-friendly approaches at the Childcare Works Awards, as well as having a health and wellbeing programme highly commended by the Chartered Institute of Personnel and Development.

The Group's Wellbeing Programme during the year included flu vaccines, Couch to 5K, employee health checks, resilience challenge, lunch & learns on various topics (including Managing Stress, Mood & Food, etc.), mindfulness, financial management and pensions clinics. During the year the Group also launched a Cycle to Work scheme for all eligible employees.

The Group offers Private Medical Insurance to eligible employees and, from October 2016, introduced a Health Cash Plan to employees who are not eligible for Private Medical Insurance. The Health Cash Plan enables employees to receive money back for everyday healthcare including dental, optical and physiotherapy treatments and allows fast access to private consultations and scans.

External occupational health and counselling services are also available for employees if required.

Sickness absence

The Group believes that the pro-active management of illness and absenteeism is to the mutual benefit of the Group and its employees. The sickness absence for the Group was 3.39% (2016 – 2.74%).

Employee participation and external engagement

In 2015 the Group received the CORE Award – the standard for Responsible Business. CORE provided the Group with a framework for identifying and measuring corporate responsibility activity and performance under the People, Planet and Place themes alongside the three essential requirements that business must consider: Marketplace Responsibility, Stakeholder Engagement and Responsible Leadership.

Employee communications occur through team briefings, communication and involvement groups, project groups, electronic communications and through interaction, consultation and negotiation with trade unions. Employee relations in all businesses are positive and constructive. There is a well-established arrangement for consultation and involvement throughout the Group and for negotiation with the relevant trade unions in Power NI.

Employee participation and external engagement (continued)

In order to further enhance engagement the Group has appointed an Internal Communications and Employee Engagement Manager and has commenced planning for its 2017 Employee Engagement Survey. The survey will be carried out every two years with pulse surveys completed annually.

The Group engages with relevant external organisations including the Confederation of British Industry Employment Affairs Committee, the Equality Commission for Northern Ireland, the Labour Relations Agency, Business in the Community, The Prince's Trust, and the Irish Business and Employers' Confederation. The Group also maintains links with the education sector and in particular with the two universities in Northern Ireland. A total of 16 student placements were offered for the current academic year across a range of functions and departments.

Diversity

The Group recognises the value of a diverse workforce and looks to offer equal opportunities to everyone. The Group has an excellent gender balance, with overall 49% (2016 – 49%) of its employees, senior management and directors being female and 51% (2016 – 51%) being male.

| | 2017 | | 2016 | |
|---|-------------|---------------|-------------|---------------|
| | Male Number | Female Number | Male Number | Female Number |
| VGIL Board ¹ | 1 | - | 4 | - |
| Viridian Group Limited Board ² | 10 | 1 | 9 | 1 |
| Senior Management ³ | 6 | 3 | 6 | 3 |
| Other Employees | 308 | 310 | 264 | 262 |

¹ Directors appointed to the Board of the Company are not employed by the Group and are not included in the employee numbers shown in Note 8 to the financial statements

² The Board of Viridian Group Limited (VGL) is the main operational Board for the Group. Non-Executive directors appointed to the Board of VGL are not employed by the Group and are not included in the employee numbers shown in Note 8 to the financial statements. Three Executive directors of VGL (two males and one female) are also members of the Viridian Group Management Board (VGMB) and also included in the numbers for Senior Management

³ Senior Management comprises members of the VGMB and includes those senior managers who regularly attend VGMB meetings

Human Rights

Protecting human rights is important and the Group believes in the dignity and individual rights of every human being. The Group protects the rights of its employees by adopting suitable employment practices such as those described above. The Group also aims to act ethically in all its business dealings.

Environment

Environmental CSR priorities within the Group are focused on a number of key areas:

- operation of the Huntstown plants in compliance with legal and regulatory requirements and having a robust environmental management system in place;
- direct investment in, and contracting with, a range of renewable generators for the production of low carbon electricity which can be supplied to customers of the Group's retail supply businesses; and
- the promotion of energy-saving ideas to its customers through the provision of energy efficiency advice, grants and other value-added services.

The Group's environmental policy commits the Group to protecting the environment and is designed to ensure compliance with all relevant legislative and regulatory requirements.

Where practical and economically viable, the Group seeks to develop standards in excess of such requirements. Areas of particular focus include the responsible management of emissions, waste and recycling, measures to protect against pollution and the promotion of energy efficiency.

Energia Group

Huntstown 1 and 2 operate in compliance with their Industrial Emissions licences. Emissions of NO_x, SO₂ and CO are measured by onsite Continuous Emissions Monitoring Systems, CO₂ is calculated as per greenhouse gas permit requirements. Emissions for calendar year 2016 and 2015 are as set out below:

Calendar year 2016

| Tonnes | NO _x | SO ₂ | CO | CO ₂ |
|-------------|-----------------|-----------------|-----|-----------------|
| Huntstown 1 | 133 | 6.8 | 766 | 263,862* |
| Huntstown 2 | 306 | 1.3 | 492 | 530,389* |

* Calculated value

Calendar year 2015

| Tonnes | NO _x | SO ₂ | CO | CO ₂ |
|-------------|-----------------|-----------------|-------|-----------------|
| Huntstown 1 | 153 | 11.0 | 1,035 | 329,204* |
| Huntstown 2 | 284 | 4.1 | 207 | 467,046* |

* Calculated value

The emissions reflect the utilisation of the Huntstown plants and the type of load operation.

Through the operation of their respective Industrial Emissions licences, Huntstown 1 and 2 comply with the emission limits for NO_x, SO₂ and dust under the EU's Industrial Emissions Directive.

Huntstown 1 and 2 continue to operate in accordance with the Environmental Management System ISO: 14001.

Energia is a significant contributor to the sustainable energy agenda in both Northern Ireland and the RoI. Its renewable portfolio currently generates 2,157GWh offsetting the emission of over 794,000 tonnes of CO₂ per annum.

Group staff are actively involved in energy industry policy and advisory bodies in Ireland and Europe. In Ireland, staff hold the Chair positions of the Electricity Association of Ireland and the committees of the Energy Efficiency Groups in both Northern Ireland and the RoI and are also representatives on other sub groups. In Europe, Energia staff represent Ireland on the Eurelectric Energy Efficiency Group. Group staff are also active on the Better Energy Workplace Governance Group, CER's Smart Metering Steering Group and the Energy Institute (NI) Committee.

During the year, through the Energy Efficiency Obligation Scheme (EEOS) in the RoI, approved by the Sustainable Energy Authority of Ireland (SEAI), Energia provided funding for energy efficiency projects of €4.31m (2015/16 - €2.95m) implementing a total of 697 projects (2015/16 – 311 projects) with estimated annual energy savings of 172.8 GWh Primary Electrical Energy (PEE) (2015/16 – 116.4 GWh PEE). This represents an estimated annual saving of 34,500 tonnes (2015/16 - 23,200 tonnes) of CO₂ savings and annual customer benefits of over €6.9m (2015/16 - €4.7m).

Through the Domestic EEOS in the RoI, approved by the SEAI, Energia provided funding for energy efficiency projects of €1.16m excl. VAT (€775k Domestic, €381k Fuel Poor) implementing a total of 4,306 projects with estimated annual energy savings of 8.5 GWh PEE. This represents an estimated annual savings of 1,697 tonnes of CO₂ savings and annual customer benefits of over €340k.

In Northern Ireland, through the Northern Ireland Sustainable Energy Programme Scheme (NISEP) approved by the Utility Regulator, in 2017 Energia managed a £757k (2016 - £635k) energy efficiency programme implementing a total of 334 projects (2016 – 176 projects) with estimated lifetime reductions of 294GWh (2016 – 268GWh) in energy demand. This represents an estimated 203,000 tonnes (2016 – 170,000 tonnes) of CO₂ savings and customer benefits of over £66m (2016 - £42m) over the lifetime of these measures.

Energia continue to pursue new and innovative services aimed at increasing awareness and offering customers energy efficiency solutions. In addition to gas boiler servicing, Energia offers customers a smart thermostat that enables control of the heating system from a smartphone, tablet or PC resulting in the ability to make real energy savings. Energia's Energy Centre offers customers a range of energy efficiency products such as roof and cavity wall insulation, boiler upgrades and solar panels.

Energia Group (continued)

Energia continues to run customer information programmes particularly aimed at energy efficiency for all industrial and commercial customers. These programmes include; customer energy conferences; energy efficiency training programmes; energy awareness days and shows; energy audits and energy efficiency literature/brochures.

Energia regularly updates its web site, www.energja.ie, to provide a wide range of information and advice and also promote energy efficiency products and services on all social media platforms, thereby enhancing the click through rate to the website.

Power NI

An Energy Services team within Power NI oversees sustainable energy activities and considers business opportunities.

During the year Power NI managed a £2.4m (2016 - £2.1m) energy efficiency programme aimed at reducing CO₂ emissions and alleviating fuel poverty in Northern Ireland. Funded by the NISEP, a total of 7 energy efficiency schemes (2016 – 6 schemes) were implemented with estimated lifetime reductions of 262 GWh (2016 – 247 GWh) in energy demand. This represents an estimated 162,000 tonnes of CO₂ savings (2016 – 149,000 tonnes) and customer benefits in excess of £36m (2016 – £32m) over the lifetime of these measures.

Over the period of its 3 year price control, Power NI had an obligation to deliver 128 GWh of customer lifetime savings through investment in energy efficiency. During the year ended 31 March 2017, 52.75GWh of customer lifetime savings were delivered towards that target and the obligation was successfully achieved. Over 8,200 customers (2016 – 8,900 customers) use 'EcoEnergy', Power NI's 'green' electricity tariff.

Power NI continues to offer a renewable microgeneration tariff which offers customer rewards for the value of ROCs and electricity generated and exported to the network. Over 8,600 customers, representing over 11,900 sites, use this service and Power NI acts as an Ofgem Agent on behalf of more than 9,000 sites.

The 'Products and Services' section of Power NI's website www.powerni.co.uk provides a wide range of information and advice on energy efficiency and renewable energy. An online Home Energy Check (HEC) was launched in October 2016 on the Power NI website to give customers an indicative energy rating for their home. At the end of March nearly 200 customers had completed the HEC.

An online billing service is also available from the Power NI website. The service, called Energy Online has 92,300 domestic and commercial customers (2016 – 82,000 customers) registered to view their bills, submit their meter readings and view their electricity consumption online.

Power NI provides a comprehensive portfolio of products and value added services for its customers such as home insulation, boiler servicing, boiler replacement, solar water heating and solar photovoltaics. Trials were initiated during the year with the aim of offering smart home products - such as heating controls, smart plugs and smart lighting - to customers in the near future.

Marketplace

A CSR priority is to maintain a highly ethical approach to regulatory responsibilities, obligations under licences, public positioning and marketing of products and services. The Group aims to be transparent and ethical in all its dealings with third parties and has a number of policies in place to underpin this objective. Policies include anti-corruption and bribery, anti-slavery and human trafficking, Code of Conduct and 'whistleblowing' procedures as well as the Group's corporate governance arrangements.

The Group's procurement policy is to source equipment, goods and services from a wide range of suppliers throughout the EU and beyond in accordance with commercial practices based on fairness and transparency.

Where applicable the Group adheres to the required tender procedures of the EU Procurement Directive as it relates to Utilities. The Group recognises the important role that suppliers play in its business, and works to ensure that payments are made to them in accordance with agreed contractual terms.

As a major purchaser, the Group recognises that it has an opportunity to encourage suppliers of materials and services to deliver good environmental and safety performance and to maintain responsible practices towards their employees and the communities in which they operate.

Community

Through its mainstream business activities and its community involvement policy, the Group seeks to make a positive impact on the communities in which it operates.

Power NI offers a 'For Your Benefit' service for its customers which includes a benefit entitlement check, budgeting and energy advice for particularly vulnerable customers. In the year, 106 customers availed of the service.

Power NI offers a number of services to its customers that are promoted through its codes of practice (produced in several different languages) and through various advice providers, including Citizens Advice Bureaux and Advice NI. Power NI aims to assist its customers with special needs through a number of these services. Over 2,200 customers (2016 – 1,900 customers) with special requirements benefit from a range of services through Power NI's special needs register.

The Group recognises the social dimension of debt prevention and management and Power NI continues to offer a wide range of payment options and debt prevention measures. Approximately 161,460 residential customers (2016 – 172,684) use 'Keypad' meters. These pay-as-you-go meters enable customers to budget for their electricity payments, while Power NI offer a 2.5% discount off the standard price of electricity, and provide user-friendly credit and consumption information.

Power NI engages with a wide range of organisations in the voluntary, public and private sectors focusing on social action and energy saving. In the year, Dementia NI provided training to customer facing staff on how to communicate more effectively with people living with dementia. The training was delivered partly by people living with dementia and highlighted some of the challenges they face.

Energia operates several Community Benefit Funds around wind farm sites on the island. In Northern Ireland, these are managed by the Community Foundation for Northern Ireland which distributed £97,750 of grants. Most of this sum was distributed to community and voluntary groups in Co. Tyrone with the remainder around the Long Mountain and Glenbuck wind farm sites in Co. Antrim where a construction fund was operated. An additional £2,500 to sponsor the Killeter and District fair held in the vicinity of the Church Hill and Crighshane wind farms was also paid during the year.

In the RoI, the Interim Meenadreen Community Fund is managed by the Community Foundation for Ireland and has distributable funds of €22,500 per year. The scheme was launched in October 2015 for two years during construction and the full Meenadreen Community Fund will be available in 2017/18

In 2017/18 interim schemes will operate around four wind farm development sites in NI while in construction with a further five sites, now operational, operating full Community Benefit Funds.

Sponsorship and charitable donations

Each year Power NI and Energia choose a charity as the main focus of their fundraising activities although the Group also supports various local good causes nominated by staff. The Group also partially matches staff's own fundraising.

The Group seeks to support charities which its people, customers and suppliers can relate to, and where we can make a difference by raising public awareness as well as money. This year Power NI has chosen to sponsor Macmillan Cancer Support and Energia will sponsor Foyle Down Syndrome Trust and Down Syndrome Ireland.

Power NI also operates a 'Helping Hands in the Community' Scheme which is available for all employees to obtain support of up to £250 for an organisation/charity that they are involved with.

In addition to sponsorship of organisations of £169,700 (2016 - £145,000), the Group's donations to charities in the year were £21,500 (2016 - £53,500). There were no contributions for political purposes.