



# AccountAbility

Setting the Standard for Sustainability

## PREPARED FOR

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UK Power Networks

## DATE

April 5, 2019

## **UK Power Networks' 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive Submissions Assurance**

Dubai

London

New York

Riyadh

Zurich

## ENGAGEMENT SUMMARY

AccountAbility was engaged by UK Power Networks (UKPN) to provide independent assurance related to the organisation's 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submissions to Ofgem and stakeholder engagement policies, systems, controls, procedures and performance. This report presents our opinion as an independent assurance provider.

### SCOPE OF THE ENGAGEMENT

UKPN 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive Submission (Part 1, Part 2 & Part 3), as well as a review of UKPN stakeholder engagement policies, systems, controls, procedures and performance, in accordance with the AA1000 AccountAbility Principles (2008) and with reference to the AA1000 Stakeholder Engagement Standard, 2015 (AA1000SES), as well as the Ofgem Electricity Distribution Stakeholder Engagement and Consumer Vulnerability (SECV) Incentive Guidance.

### ASSURANCE STANDARD

The assurance engagement was undertaken in accordance with the principles and requirements established in the AA1000 Assurance Standard 2008 (AA1000AS).

### ASSURANCE LEVEL

We have provided moderate level (Type 2) assurance based on the AA1000 Assurance Standard (2008).

### INTENDED USERS

The intended users of this assurance report are the management and stakeholders of UKPN.

### OUR RESPONSIBILITY

Our responsibility is to conduct moderate level (Type 2) assurance engagement based on the scope and procedures outlined to UKPN and to form conclusions based on the analysis.

### UKPN RESPONSIBILITY

UKPN is responsible for preparing the 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive Submission (Parts 1, 2 & 3), as well as the related tasks and activities including the collection, analysis and presentation of data and information contained in the plan.

## OUR APPROACH

We have performed the following procedures to draw conclusion for our report:

- Enquiring, collecting and inspecting documentary evidence and management representations that support adherence of company activities to the 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive Submission (Part 1, Part 2 and Part 3) and the AccountAbility Principles of Inclusivity, Materiality and Responsiveness;
- Reviewing the content and presentation of information relevant to the scope of our work in diverse company Stakeholder Engagement Reports and on the company website to ensure consistency with our observations;
- Interviews with management and relevant staff to understand UKPN's stakeholder engagement strategy, governance, senior level commitment and associated policies and internal systems, controls and procedures;
- Interviews with management and relevant staff to review the planning and preparation of the organisation's 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submissions;
- Interviews with a selection of external stakeholders to understand their involvement in the development of the 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive activities, and how UKPN responds to them;
- Reviewing the accuracy and completeness of content in UKPN's 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submissions in accordance with our evidence.

## ADHERENCE TO THE AA1000 PRINCIPLES

Overall, UKPN has demonstrated strengths against all three AA1000 AccountAbility Principles (2008) of *Inclusivity*, *Materiality* and *Responsiveness* in relation to its stakeholder engagement practices and in the development of its 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submissions.

**INCLUSIVITY:** *How UKPN engages with stakeholders and enables its participation in identifying material issues and developing solutions to them.*

**MATERIALITY:** *How UKPN identifies and prioritises issues that are relevant and significant to its stakeholders.*

**RESPONSIVENESS:** *How the organisation responds to material stakeholder issues and feedback through decisions, actions, performance and communication.*

## KEY STRENGTHS

### INCLUSIVITY

- Stakeholder engagement is embedded across many UKPN business units. This is evidenced through building stakeholder engagement into the business planning cycle, including in the RIIO-2, Customer Vulnerability, and Future Smart strategy development processes.
- UKPN has formal strategies and tools in place to support stakeholder engagement, such as the Stakeholder Map, Engagement Process and Activity Plans.
- UKPN uses a wide range of engagement methods, which are tailored to different stakeholder groups to ensure that engagement methods are optimal. These include CEO Panels, Critical Friends Panels, Customer Vulnerability Panels, Local Authority Panels, project-specific events, Roadshows, one-to-one meetings and social media.
- UKPN takes appropriate actions to ensure information is accessible to its stakeholders, particularly vulnerable stakeholder groups. For example, UKPN's website is accredited by AbilityNet and has recently introduced video relay functions.

### MATERIALITY

- UKPN has processes in place to build the necessary competencies of stakeholders to assist in determining the materiality of issues. These include ensuring consistency in Critical Friends Panels attendance, providing clarity on subject matter and the purpose of engagement to stakeholders, plus systematic internal briefings prior to engagements.
- UKPN has resources in place to help stakeholders participate in the materiality determination process. For example, UKPN uses an interactive voting tool (SLIDO) during stakeholder engagements.
- The Stakeholder Engagement team systematically filters information heard at ground-level engagements, to distil comments and actions information upwards to senior management.
- UKPN has processes in place to determine the significance of material issues for the business, such as the Materiality Test, a question set to assist the prioritisation of issues and decision-making internally, which considers factors including;
  - Potential financial impact
  - Existing policy and procedures to address issues
  - Wider social interest in issues
- UKPN has established a strong internal governance structure to apply the results of the materiality determination process, such as the formation of the internal Stakeholder Engagement Steering Committee (SESC).

### RESPONSIVENESS

- UKPN has integrated an ongoing response process. For example, SESC is composed of multiple UKPN teams and they meet regularly to develop responses to stakeholder feedback.
- UKPN involves both internal and external stakeholders when developing appropriate responses. This is demonstrated through stakeholder-led additions to UKPN's Business Vision, focused around Environmental & Social Responsibility and being an employer of choice. Additionally, the Green Action Plan has been instigated by stakeholders and in turn its targets have been developed with stakeholder input.

- UKPN responds in a comprehensive way, utilising necessary resources to do so. For example, using strategic partnerships such as with the National Farmers Union, to provide knowledge and platforms to engage individuals.
- UKPN has processes to share information internally and disseminate insights from stakeholders and feed upwards. For example, UKPN's internal online network ("Yammer"), and UKPN's CEO-led dialogues with front-line staff to update on progress ("YamJam").
- UKPN has necessary processes to communicate with external stakeholders, using tailored forms of communication to respond to and inform stakeholders. For example, vlogging, webinars, and 'e-shots'.
- There is evidence to suggest UKPN provides comprehensive communications materials, producing progress reports post engagement, that follow a clear 'You-Said We-Did' structure.
- Multiple platforms are used to gather feedback and improve on engagement performance. These include surveys, real-time feedback such as instant voice feedback from customers to engineers, and SLIDO.

## OBSERVATIONS AND RECOMMENDATIONS

Without affecting our conclusions, we have the following observations and recommendations:

### INCLUSIVITY

- The central Stakeholder Engagement and Project Teams could more systematically assess engagement risks prior to engagements and build a risk assessment process into the planning phase of engagements. This could be supported by formalised risk management procedures and guidelines.
- Whilst the Stakeholder Engagement team has identified and mapped stakeholder type, it is recommended that UKPN could more comprehensively document specific stakeholder information, including;
  - Stakeholder opinions
  - Preferred stakeholder engagement method

### MATERIALITY

- UKPN has further developed its materiality process, creating a Materiality Test, made up of questions to help prioritise stakeholder issues. UKPN could continue work to develop its materiality determination process by creating a more formalised criteria for senior management and decision-makers to effectively prioritise stakeholder thoughts.
- UKPN's Stakeholder Engagement team receives some engagement data containing inconsistencies in level of detail and format. In order to optimally apply the materiality assessment process, UKPN should provide necessary competencies and resources to engagement owners to ensure data is captured in the correct level of detail and format.
- UKPN could more consistently share stakeholder information and engagement outputs across the organisation. For example;
  - Revising functionality of the central CRM tool for engagement owners to capture key recommendations
  - Providing guidance or training for consistent and effective CRM usage

### RESPONSIVENESS

- UKPN has demonstrated inconsistency in its approach to reporting back to stakeholders on actions and progress. The Stakeholder Engagement team could provide guidance to engagement owners on appropriate communication methods and expected detail, to ensure progress updates are comprehensively disseminated. Guidance could be focused on;
  - Level of data granularity required
  - Timeline expectations
- UKPN could continue to develop more outcome-focused metrics during the planning phase of engagements, in order to track if actions have been successful and are creating positive results for stakeholders and the business, beyond outputs.

## OUR CONCLUSIONS

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that UKPN has not, for the Ofgem regulatory year 2018/19, based around the AA1000 Principles of Inclusivity, Materiality and Responsiveness;

- Performed stakeholder engagement activities to adhere to the AA1000 AccountAbility Principles (2008);
- Developed engagement policies, systems, controls and procedures to adhere to the AA1000 AccountAbility Principles (2008); and,
- Published accurate data and information in the 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive Submission (Part One, Part Two and Part Three).

## INCLUSIVITY

UKPN has processes, policies and governance structures in place to ensure that relevant stakeholders can effectively participate in activities relating to its 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submissions.

## MATERIALITY

UKPN has procedures in place to determine the relevance and significance of issues for stakeholders, with the development of a Materiality Test to provide high-level guidance for internal decision-makers.

## RESPONSIVENESS

UKPN develops appropriate responses to stakeholder concerns, utilising resources to respond in a way that addresses the needs of stakeholders. UKPN communicates outputs, actions and progress to stakeholders through a variety of communication channels.

London: 27<sup>th</sup> March 2019