SMS

At the heart of the low–carbon, smart energy revolution

SMS Sustainability Report 2020

Inspired by our core value of Sustainability, SMS is committed to improving our impact through Environmental, Social and Governance (ESG) efforts. ESG is integral to realising our wider purpose, to serve our customers and protect our environment.

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Inspired by our core value of 'Sustainability', SMS aims to lead the UK's transition to a low-carbon future.

Social	See page 18

Wellbeing remains a key objective, illustrated internally by our dedication to 'put our people first', and externally by our sustainable energy assets which empower communities to take control of their carbon footprint.

Governance	See page 28

We uphold our moral and legal obligations through responsible and ethical practices, ensuring the integrity and transparency of all our activities.

Data centre	See page 35

Further information pertaining to our ESG performance in relation to GRI standards, SASB materiality matrix and ESG ratings agencies.

Our vision

To be at the heart of the low–carbon, smart energy revolution that is pivotal to realising a greener, more sustainable world.

Our purpose

Serving our customers, protecting the environment.

Leading the smart energy revolution

At SMS, we diligently manage our non-financial risks by benchmarking our environmental, social and governance (ESG) impacts against the best-practice indicators of globally recognised bodies and organisations. These efforts include, but are not limited to, ISO management systems, external audits, and voluntary commitments, all of which underpin our ESG ambitions.

"THIS RECOGNITION BY THE LONDON STOCK EXCHANGE IS TESTAMENT TO THE ENERGY, COMMITMENT AND SHEER HARD WORK OF ALL AT SMS, PARTICULARLY IN LIGHT OF THE CHALLENGES WE HAVE ALL FACED IN 2020.

WE ARE WHOLLY FOCUSED ON DELIVERING THE UK SMART METERING PROGRAMME WHILST ALSO ACCELERATING THE ADOPTION OF CARBON REDUCTION ASSETS, WHICH ARE CRITICAL TO ACHIEVING THE UK GOVERNMENT'S NET-ZERO CARBON AMBITION."

Alan Foy
Chief Executive Officer

At the heart of the low-carbon, smart energy revolution

With over 25 years' experience in the energy industry and a well-established IT, data and engineering platform, SMS is strongly positioned to take advantage of and contribute positively towards a sustainable future. We do this by providing a range of energy and carbon reduction solutions to organisations in the UK's most emission-intensive sectors, including transport, energy supply, business, industrial processes, and residential. Our strategy is guided by our purpose: to serve our customers and protect the environment.

SMS delivers turnkey solutions which include the financing, installation, operation, and management of the UK's transitioning smart energy infrastructure, across a wide range of low and zero-carbon technologies. This includes smart meters, renewable energy assets, energy efficiency and grid flexibility solutions. In addition to supporting both UK businesses and domestic consumers with their low-carbon journeys. SMS has committed to carbon neutrality by 2030 and joined the United Nation's Race to Zero campaign.

In 2019, SMS launched five core Group values which have always been at the heart of our business: Safety, Customer Excellence, Innovation, Pride and Sustainability. These were subsequently embedded into our employee journey including recruitment, policies, procedures, and performance management.

A shared understanding of what is expected and what is acceptable to others, and consistency of approach from all employees, is essential. The behaviours of all our employees support the delivery of our mission, vision, values and culture.

SMS is proud of the net-positive effect of its services towards mitigating carbon emissions. This has been independently recognised through the London Stock Exchange's Green Economy Mark, as announced in November 2019. The Mark is awarded to organisations that generate over 50% of their total annual revenues from products and services that contribute towards the global green economy.

Such recognition is testament to our concentrated focus on improving our own environmental performance as we target net-zero carbon emissions, and our continued investment in services and solutions which reduce the environmental impact of our customers.

In this Sustainability Report, we provide disclosure on the practical steps we have been taking to progress ESG and sustainability within SMS's operations and culture.

Carbon reduction ('CaRe') assets for a net–zero future

Our core business is to decarbonise the UK's energy system, working closely with the UK government, energy suppliers, and the wider private and public sectors to deliver smart energy infrastructure. This includes the UK smart meter rollout and other CaRe asset technologies, spanning on–site generation, storage, electric vehicle (EV) charging, heat and efficiency solutions. Whilst renewable generation is fundamental to moving away from high–emission fossil fuels as a source of energy, the ability to store this energy and distribute it when needed provides the system flexibility and resilience required to remove the barrier for renewables as a genuine, scalable alternative.

Our asset financing capability, alongside our pioneering grid aggregation and asset control software, is an enabling platform that can unlock access to these vital CaRe technologies, achieve grid flexibility, and crucially, lower the cost of energy to businesses and end consumers. Our leadership on energy data additionally guides industry efforts to innovate and develop new smart energy models and infrastructure for the UK that can help deliver energy sustainability, affordability, and security, as well as support green economic growth. We are delivering these unique services through a range of new commercial offerings to the residential and commercial markets, enabling customers to have the financial and technological confidence to embrace renewables and accelerate the transition to a low–carbon economy.

Case study
ReFLEX Orkney

Our asset funding and FlexiGrid™ technology platform is being used to intelligently control and integrate zero–carbon electricity, transport, and heat networks on the Orkney islands.

▶ **For more information, please see www.sms–plc.com/about–us/ case–studies/reflex–orkney/**
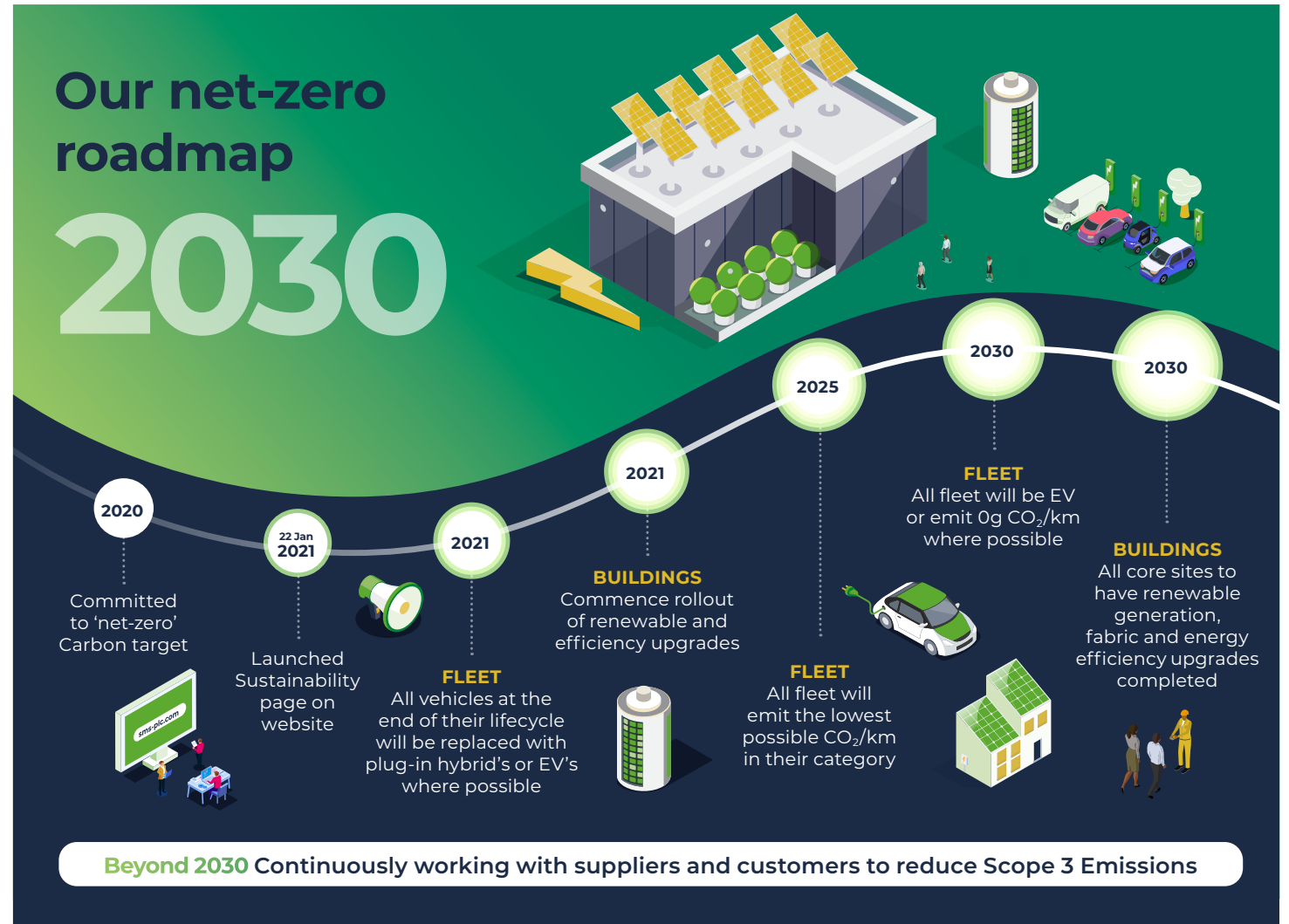

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WE SEE SIGNIFICANT GROWTH OPPORTUNITIES IN CARE ASSETS FROM WITHIN OUR ENERGY MANAGEMENT DIVISION. ESTABLISHED OVER THE LAST 25 YEARS, WE HAVE DEVELOPED A STRONG IT, DATA AND ENERGY PLATFORM WHICH, COUPLED WITH OUR END–TO–END TURNKEY SOLUTION AND INDUSTRY–WIDE PARTNERSHIPS, PROVIDES US WITH SIGNIFICANT OPPORTUNITIES AND COMPETITIVE ADVANTAGE."

Alan Foy
Chief Executive Officer

Our net–zero ambition

The Group's Chief Operating Officer has overall responsibility for the business' climate–related issues and is responsible for proposing Group objectives and strategy to be approved by the Board related to climate change. Specifically, in 2020 the Chief Operating Officer personally sponsored the development of our 'net–zero by 2030' emissions target and the formation of the Health, Safety and Sustainability Committee which is focused upon driving SMS's climate change ambitions.

Our 'net–zero by 2030' target is highly ambitious and utilises the Institute of Environmental Management and Assessment (IEMA) GHG Management Hierarchy (Avoid, Reduce, Substitute, Compensate). This target is underpinned with strong strategic and financial plans for our key Scope 1 and 2 emissions sources: fleet and buildings.

Our net-zero roadmap
2030

2020
Committed to 'net-zero' Carbon target

22 Jan 2021
Launched Sustainability page on website

2021
FLEET
All vehicles at the end of their lifecycle will be replaced with plug-in hybrid's or EV's where possible

2021
BUILDINGS
Commence rollout of renewable and efficiency upgrades

2025
FLEET
All fleet will emit the lowest possible CO$_2$/km in their category

2030
FLEET
All fleet will be EV or emit 0g CO$_2$/km where possible

2030
BUILDINGS
All core sites to have renewable generation, fabric and energy efficiency upgrades completed

Beyond 2030 Continuously working with suppliers and customers to reduce Scope 3 Emissions

ISO standards and policies

✓ **ISO 14001**
Environmental Management

✓ **ISO 50001**
Energy Management

✓ **ISO 9001**
Quality Management

✓ **ISO 45001**
Health and Safety

✓ **ISO 27001**
Information Security

Improving our processes

We have focused on improving our disclosure and datasets to better share our performance and improve internal ESG processes in accordance with industry best practice. We have sought verification through appropriate rating agencies, shared our climate–related risk processes and aligned our reporting with global philanthropy organisations and frameworks. As our ESG strategy continues to mature we will look to develop our disclosure and increase our ratings, to ensure accurate representation of our organisation's activities and achievements in these areas.

CDP: Rating B

Carbon Disclosure Project (CDP) is an international non–profit organisation which runs the world's leading environmental disclosure system. Each year CDP supports thousands of companies, cities, states, and regions to measure and manage their risks and opportunities relating to climate change, water security and deforestation, which provides vital information for their investors, customers, and other stakeholders.

Commitments

UN Global Compact (Signatory): The UN Global Compact is a voluntary initiative based on commitments by company CEOs to implement universal sustainability principles and to take steps to support UN goals. The initiative is designed to stimulate change, promote corporate sustainability and encourage innovative solutions and partnerships. The Compact provides a universal language for corporate responsibility and a framework to guide all businesses regardless of size, complexity, or location.

Ratings agencies

Frameworks of disclosure

TCFD (Supporter)

The Task Force on Climate-related Financial Disclosures (TCFD) is an international body which develops voluntary, consistent, climate-related financial risk disclosure frameworks for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The TCFD considers the physical, liability and transition risks associated with climate change, together with what constitutes effective financial disclosure across industries. The overarching aim is to promote global financial resilience in the face of climate change.
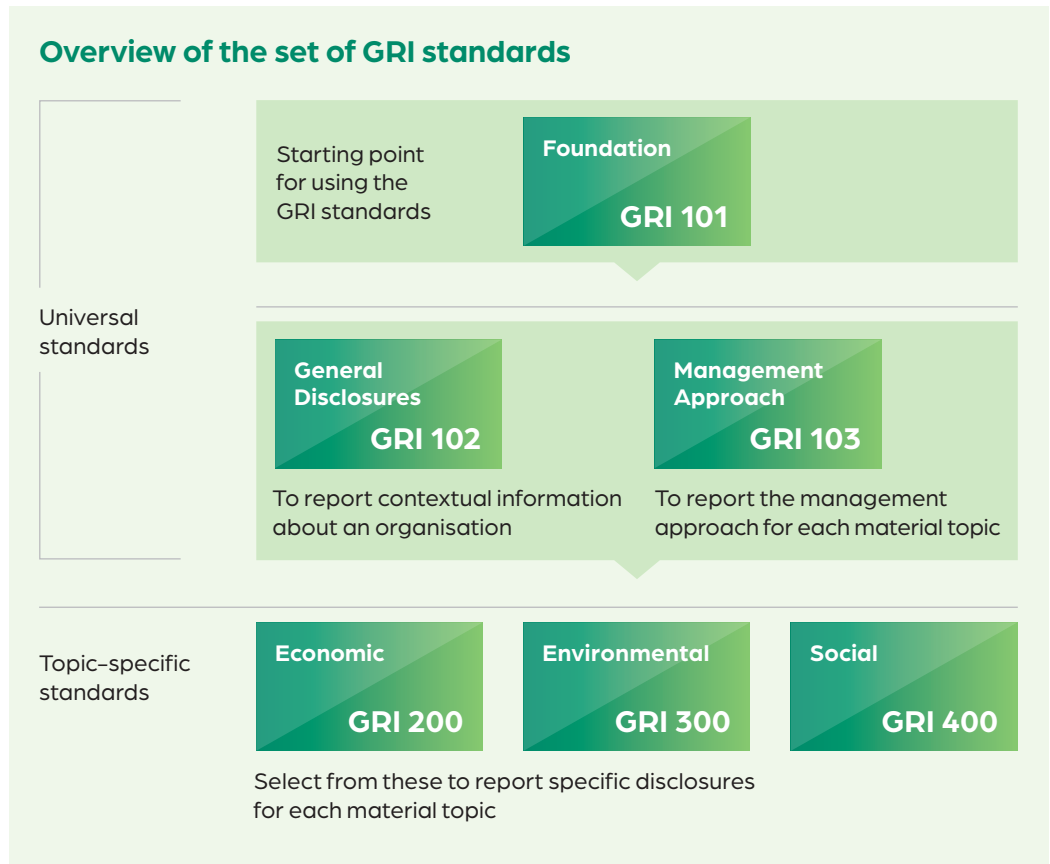
SASB

The SASB Standards Application Guidance applies to all SASB Sustainability Accounting Standards ('SASB standards' or 'industry standards'). This guidance is incorporated by reference in each industry standard and is considered part of the standard itself. SASB industry standards contain disclosure topics, associated accounting metrics and technical protocols, and activity metrics for each industry. Unless otherwise specified in the technical protocols, the guidance contained herein applies to the definitions, scope, implementation, compilation, and presentation of the accounting metrics.

▶ **SASB industry standards can be obtained at www.sasb.org/standards/**

GRI

The Global Reporting Initiative reporting standards (GRI standards) are designed to be used by organisations to report about their impacts on the economy, the environment, and society. GRI 103 considers management approach and is relevant across all Group activity. Whilst there may not be specific reference to this standard, the required information is disclosed throughout the main body of the report. Specific disclosure of each material topic for all other GRI standards can be found in relevant sections of Data Centre.

Overview of the set of GRI standards

Universal standards

Starting point for using the GRI standards — **Foundation GRI 101**

General Disclosures GRI 102 — To report contextual information about an organisation

Management Approach GRI 103 — To report the management approach for each material topic

Topic-specific standards

Economic GRI 200

Environmental GRI 300

Social GRI 400

Select from these to report specific disclosures for each material topic

Our contribution to the United Nations Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

Our operations and key services contribute to a number of the United Nations Sustainable Development Goals, and we feel we are strongly positioned to make a positive difference, as summarised below:

3 GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well–being for all at all ages.

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls.

7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.

SMS RESPONSE

SMS's people strategy is 'to enable a high performance, reward and engagement culture' with a core focus on employee wellbeing. SMS has a broad range of active wellbeing programmes spanning mental health first aid, professional learning and development courses, Tommy's Pregnancy at Work Accredited Scheme, and many more. To sustain our high level of employee engagement culture, we introduced regular temperature check sessions to encourage the involvement of our people to share best practice, ideas or concerns, answering queries whilst always ensuring open communication. Checking how our people are feeling and gathering suggestions for improvements is crucial.

Health and safety is, and always will be, our number one priority. We are committed to being a safe, secure and reliable organisation and will act diligently to protect our employees' health and safety and that of others who may be affected by our activities at all times. Safety is one of our core values and we will continually strive to improve our performance to meet our aspiration of zero harm across our business.

SMS RESPONSE

SMS supports and encourages a culture of gender diversity amongst its workforce. It is the contributions of our people from all backgrounds that ensure we are successful, as only innovative thinking will produce the solutions we need to tackle the varying challenges faced by our business. SMS has engaged with internal and external stakeholders to support gender balance, reviewing policy, creating links with supporting organisations and delivering training to progress our gender and equality objectives.
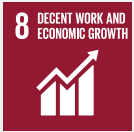
SMS RESPONSE

SMS services are centred on delivering a full range of energy assets that enable affordable, reliable, sustainable and modern energy for all. From smart meters which enable consumers to control of their consumption, through to battery technology that supports the storage of renewable energy, SMS is leading the low–carbon energy revolution. We are growing our service packages which support the decarbonised, affordable and reliable energy systems of the future through investment in carbon reduction ('CaRe') assets.

Our contribution to the United Nations Sustainable Development Goals

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

SMS RESPONSE

Our wide range of partners provide us with the goods and services that we depend on to deliver for our customers. Reliable supplier relationships with clear communications and requirements are thus crucial in delivering our business model and strategy. Our thorough onboarding process helps us minimise risk in areas such as: ethics, quality, and supply chain security. SMS is continually developing its data gathering and diligence in supply chain with the implementation of an Electronic Quality Management System (EQMS) platform to support further transparency and monitoring.

Take urgent action to combat climate change and its impacts.

SMS RESPONSE

Climate change remains an issue that will require action from all areas of government, business, and the wider human population. SMS is acting to reduce our climate impact, taking responsibility for the carbon emissions generated by our operations. We have set an ambitious 2030 carbon neutral target, which will see our Scope 1 and 2 emissions reduced to net–zero through actions taken across both our fleet and buildings.

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SMS RESPONSE

SMS has a culture of strong and transparent governance. Our culture and principles are driven from the top and the passion of our leadership team is evident in every aspect of their management, from the policies they set through to their everyday actions. We are rigorous in our compliance to legal and voluntary requirements, and ensure proactive measures to mitigate risk across our operations.

Environment

Sustainable futures

Inspired by our core value of 'Sustainability', SMS aims to lead the UK's transition to a low–carbon future. We have committed to achieving a target of net–zero carbon emissions across the business by 2030, and we are also assisting our clients with their carbon reduction journeys through funding and delivery of sustainability–focused services.

Sustainable futures

The priority we accord to ESG and sustainability in our business is emphasised by the establishment of a 'Health, Safety and Sustainability' Board committee in H1 2020. This Committee sets objectives, reviews policies and procedures, and monitors performance in these areas, and ensures the provision of appropriate resources to meet the Group's objective of reducing both its own carbon footprint and that of its customers.

> **WE ARE PASSIONATE ABOUT USING OUR CAPABILITIES AND RESOURCES TO MAKE A POSITIVE IMPACT AND ARE PROUD OF OUR CLIMATE CHANGE CREDENTIALS."**
>
> **Tim Mortlock**
> Chief Operating Officer

During the year we have realised a range of achievements through our Health, Safety and Sustainability Committee (HSS), including ESG strategy, communication with ratings agencies, benchmarking, and climate–related risk analysis. Our supporting ESG Working Group spans directors and senior leadership across all supporting functions, and ensures our objectives and activities are relevant and achievable. It also facilitates sharing of best practice across the Group and supports the development of capacity and capability at all levels throughout the business to deliver on our goals.

Our net–zero target was developed by the HSS Committee and ESG Working Group, with final approval from the Board. Actions involved in achieving this deadline are attributed to a range of stakeholders across the business.

Our positive impacts delivered through carbon and energy reduction services (mitigated carbon):

2020 Meters
9,718 TCO_2e

2020 Lighting Projects
4,666 TCO_2e

2020 Heating Projects
624 TCO_2e

Setting the scene

The material environmental topics for SMS are our fleet movements and the emissions created from our buildings, as these are the significant environmental impacts for our organisation. Our fleet movements account for the majority of total emissions (90%), with our building estate accounting for the remaining emissions (10%).

We have used the Sustainability Accounting Standards Board (SASB) materiality matrix, with additional topics which reflect our business services and activities.

The specific environmental impacts from our material activities occur from our commercial fleet, which includes owned installation vehicles that serve customers across the UK. These vehicles have Internal Combustion Engines (ICE), which generate emissions through the combustion of diesel. The environmental impacts from our buildings occur through energy consumption and fugitive gas from our air conditioning across our leasehold and freehold offices, warehouses, and training centres.

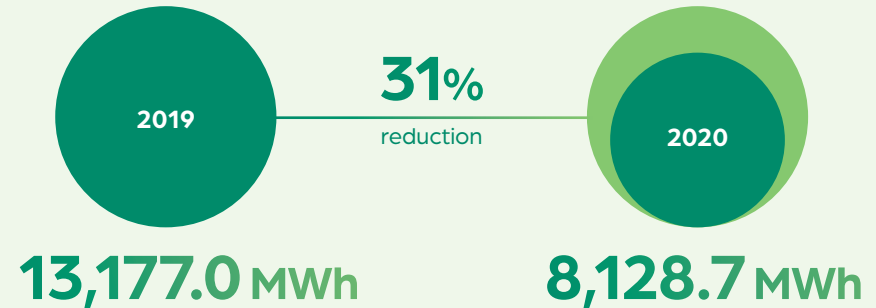We reduced our total emissions by

44%

We are continually improving our data breadth and quality. The current limitations to our emissions calculations include the exclusion of non–tracked fleet, which span a small number of emergency 4x4 vehicles and company cars. Our building emissions calculations exclude newly acquired sites, where consistent data is not yet available. Where data is missing, calculations are made based on standard factors including occupation, previous performance, and floor area as appropriate.

SMS has a dedicated fleet management team which manages all aspects of the operational and strategic running of our fleet. Our fleet management is supported through our integrated management systems which include health, safety, environmental and quality ISO systems, and our ISO 50001 energy management system. SMS is an accredited Freight Transport Association (FTA) Van Excellence Operator, demonstrating high operational standards required for a commercial fleet.

Our buildings are also managed under the ISO management systems, with actions supported through a network of facilities coordinators.

More than

3 million

meter, energy and data assets installed across the UK to date

Energy data

Energy consumption total:

2019 — **31%** reduction — **2020**

13,177.0 MWh   **8,128.7 MWh**

Water data/facts

Water consumption:

2019 — **61%** reduction — **2020**

7,540.5 m³   **2,915.1 m³**
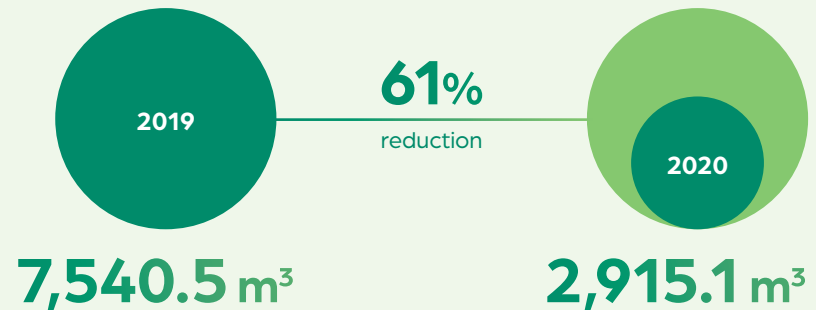
* Our water use occurs from employee use in bathrooms and kitchenettes across our sites, this reduction is a reflection of the COVID–19 operating changes, which resulted in lower occupancy.

Environmental Management Systems

At SMS, we have developed and implemented an Integrated Quality, Environmental and Occupational Health and Safety Management System, which uses the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 standards as a framework to document and improve our operational practices.

Our Energy Management System (EnMS) has achieved the external ISO 50001 certification. Achievement of this standard confirms that our energy management strives towards best practice and aligns with the transformation and decarbonisation of the UK's energy networks. Our EnMS does this by providing a framework of policy, procedures, monitoring and targets which enables us to identify and realise energy efficiency improvements across our organisation.

Our management systems are supported by a top–level commitment to integrity, transparency and continual improvement. These commitments are evident in the related health, safety, quality, and environmental policies. Our management systems ensure relevant targets and adequate resources and plans are in place to achieve those goals.

Through the management systems, there is also a non–conformance process in place, ensuring continual improvement through monitoring of performance indicators and successful completion of action plans. The performance of these management systems is measured through a rigorous audit program. Internal audits are conducted to verify that processes and procedures and work activities comply with planned expectations including customer contractual requirements and other management system requirements. Where nonconformities are identified, robust action is taken to eliminate the root cause to prevent reoccurrence. Corrective actions will be appropriate to the effects of the nonconformity. Full review and analyses are undertaken to identify the root cause,

all necessary actions implemented, and results reviewed for effectiveness. All road traffic accidents are documented onto the Electronic Quality Management System (EQMS) system along with the vehicle management system operated by the Fleet Department.

Management review meetings are held at least annually, with additional reviews undertaken if deemed necessary by senior management. Reviews are undertaken within each business unit in order to ensure the continuing suitability, adequacy and effectiveness of the management systems, and to ensure that the policies, procedures, registers and improvement objectives are still relevant to the Company's objectives and needs of customers and changing legislation. The review shows the possibilities for improvement and any need for changes in the management systems.

In this report we have used the materiality matrix developed by the Sustainability Accounting Standards Board (SASB), with additional topics to reflect our business services and activities.

Sources of environmental impact

Our fleet

Our fleet emissions arise from the combustion of diesel in our owned engineer vans, which serve customers across the UK.

Our estate

Our buildings — leasehold and freehold offices, warehouses, and training centres — consume energy, as well as generate certain fugitive gases from air conditioning systems.

As with our fleet, we manage our buildings via our integrated ISO–certified management systems spanning health, safety, environment, quality, and energy. This work is supported by a network of facilities coordinators.

Emissions performance

Our footprint is the carbon produced by our operational activities. Our Scope 1 looks at the energy consumed by our fleet vehicle and gas consumed across our sites, as well as fugitive emissions from air conditioning. Our Scope 2 looks at our electricity consumption.

'Scoping' is an emissions calculation methodology, used in-line with the Greenhouse Gas Protocol, to better understand the source of carbon emissions.

GREENHOUSE GAS PROTOCOL

	2020	2019	2018	Commentary
Total Scope 1 (TCO$_2$e)	**1,761.5**	**2,977.3**	**2,683.4**	**Scope 1 covers the direct emissions from our operations.**
Company–owned vehicles (TCO$_2$e)	1,690.0	2,879.7	2,628.4	Our owned and tracked fleet vehicles.
Gas (TCO$_2$e)	42.0	50.5	55.0	Gas heating serves four of our office buildings across the UK.
Gas Oil (TCO$_2$e)[1]	1.6	–	–	A new building utilising oil heating was added to our estate in 2020.
F–Gas (TCO$_2$e)[1]	27.9	47.1	–	F–Gas is the refrigerant used within air conditioning for cooling workspaces and server rooms.
Scope 2 (TCO$_2$e)				**Scope 2 covers indirect emissions from our operations.**
Location–based (TCO$_2$e)	**153.7**	**205.1**	**167.3**	**Electricity lights, heats and powers our operations across warehouses, offices and training centres in the UK.**
Market based[1] (TCO$_2$e) (including green energy contracts)	91.9	93.9	38.3	We source green contracts for our electricity where possible. This excludes shared–lease spaces, where contracts are controlled by the landlord, and new sites.
Total Scope 3 (TCO$_2$e)	**533.8**	**1,164.3**	**–**	**Scope 3 covers emissions from up and down our value chain, including those of suppliers and service providers.**
Vehicle business travel	104.3	444.5	–	Travel in employee–owned vehicles.
Diesel upstream supply[1]	405.0	685.0	–	Upstream production of diesel to supply our vans with fuel.
Transport and distribution electricity[1]	13.2	17.4	–	Upstream production of electricity for use on our sites.
'Well to tank' water supply[1]	3.1	7.9	–	The utilities required to provide our warehouses, offices and training centres with water emit carbon through their supply and treatment operations.
'Well to tank' Gas[1]	5.5	6.6	–	Upstream production of gas for use on our sites.
'Well to tank' Gas Oil[1]	0.4	–	–	Upstream production of gas oil for use on a site.
Waste[1]	2.3	2.9	–	The processing of waste generated by our sites.
Total Scope 1, 2 & 3 (TCO$_2$e) (Scope 2 location–based)	**2,449.0**	**4,346.7**	**2,850.7**	
Carbon intensity Scope 1, 2 & 3 (TCO$_2$e/£m)	23.8	38.0	28.9	'Carbon intensity' shows how many tonnes of GHG gas emissions are produced per £m of revenue realised.
Operational energy consumption (MWh)	8,128.7	13,177.0	11,840.5	This is the total energy consumption of our operations, spanning activities included in Scopes 1 and 2 (excluding F–Gas).

1 Data is voluntary under Streamlined Energy and Carbon Reporting (SECR), but included here for completeness of scope reporting under the GHG Protocol.

As a major energy solutions company, we are particularly sensitive to the environmental climate in which we operate and the impact we have, both through our work for customers and in building our own sustainable energy infrastructure. We are passionate about using our capabilities and resources to make a positive impact and are proud to confirm that SMS has no climate change controversies to declare.

Scope 1: Direct emissions

Fleet: 1,690.0T CO_2e
Ave 450 active vehicles.
Coving over 8.8million miles.

Gas: 42.0T CO_2e
Gas heating serves 4 of our office buildings across the UK.

F–Gas: 27.9T CO_2e
Airconditioning keeps IT Servers and Office spaces cool across 7 of our sites.

Gas Oil: 1.6T CO_2e
Oil heating serves 1 of our office buildings.

Scope 2: Indirect emissions

Electricity: 153.7T CO_2e (Location based)
Electricity lights, heat and power our operations across 17 warehouses, offices and training centres in the UK, in addition to an electric pool car active between our Doncaster sites.

Electricity: 91.9T CO_2e (Market based)
We have sourced renewably generated electricity for 60% of our sites. Renewable Generation Origin Certificates (REGO's) ensure we are confident of the provenance of our energy.

Scope 3: All other emissions

'Well to tank' Diesel: 405.0 T CO_2e
Upstream production of Diesel to supply our vans with fuel.

Business travel: 104.3 T CO_2e
Travel in employee owned vehicles.

'Transport and distribution' Electricity: 13.2 T CO_2e
Upstream production of Electricity for use on our sites.

'Well to tank' water supply: 3.1T CO_2e
The utilities required to serve our warehouses, offices and training centres with water emit carbon through their supply and treatment operations.

'Well to tank' Gas: 5.5 T CCO_2e
Upstream production processes of Gas for use on our sites.

'Well to tank' Gas Oil: 0.4 T CO_2e
Upstream production processes of Gas Oil for use on our site.

Waste: 2.3T CO_2e
The processing of our waste from our sites.

Carbon reduction activity

During 2020, we have felt the impact of COVID–19 restrictions and subsequent changes in business operations across both our buildings and fleet. This has, in turn, impacted on our ability to progress our sustainability plans for the Company due to closure of sites, reduction in fleet movement and the temporary standing–down of staff. Our energy and carbon consumption has, however, significantly reduced, reflecting the realities of having fewer staff, offices, and vehicles active during the ongoing periods of restriction. We have continued our fleet operational control initiatives where possible, as a rolling action plan under our ISO 50001 management system, and have controlled building energy consumption using site closure check lists for vacated buildings.

COVID–19 has also forced a significant, accelerated evolution of work practices with the rapid transition to working from home for our office–based staff, bringing with it the opportunity to re-imagine how we work in the future. We embrace the benefits of the flexibility and adaptability that have been brought to the fore over the past year.

2020's performance means we have a challenging benchmark for 2021 reduction targets, but we will be working hard to leverage our learnings and 'build back better' as we navigate out of the pandemic.

Beyond the immediate COVID–19 impacts, however, 2020 marked a significant achievement for the Group in the context of its sustainability strategy: the development and announcement of our new 'net–zero' target. This is the result of months of rigorous planning, collaboration and communication with a broad range of stakeholders.

Our in–house energy experts have commenced work on estate improvements in–line with announced 2030 net zero targets. This process includes detailed 3D modelling of the first of our core buildings within a building performance simulation software. This model will help us to assess the current building performance as well as to identify, simulate and evaluate improvements such as the building fabric insulation and window replacement. This initial step focuses on bringing down the energy demand of the building, prior to next steps of evaluating control systems, and renewable energy generation.
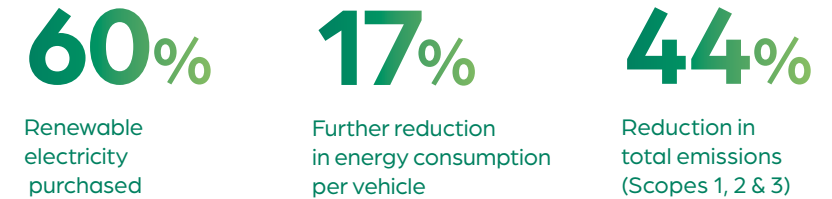
> "
> **A SIGNIFICANT ACHIEVEMENT AGAINST OUR SUSTAINABILITY STRATEGY THIS YEAR HAS BEEN THE DEVELOPMENT AND ANNOUNCEMENT OF OUR NEW NET–ZERO 2030 TARGET."**

We currently use data from smart meter energy saving research in addition to monitoring the effects of our energy saving projects in order to calculate total emissions saved through our services.

Our positive impacts delivered through carbon and energy reduction services:

	2020	2019	2018
Tonnes of carbon mitigated by smart meters (TCO$_2$e)[1]	**9,718**	21,337	20,376
Tonnes of carbon mitigated by energy efficiency projects (TCO$_2$e)[2]	**5,291**	3,444	1,055

1 Derived from annual savings on domestic property consumption as a result of the installation of a smart meter. Calculated based on the number of smart meters installed by SMS each year.

2 Derived from energy savings achieved by customers as a result of energy efficiency projects delivered by SMS. This measure records total energy savings in a given year, including the flow–through impact of projects delivered in a previous period.

60%
Renewable electricity purchased

17%
Further reduction in energy consumption per vehicle

44%
Reduction in total emissions (Scopes 1, 2 & 3)

SMS Sustainability Report 2020

Social

Putting our people first

At SMS, we aim to create a sustainable and safe environment for all where customer excellence is key, innovation is encouraged, and employees are proud; in turn, nurturing a thriving workplace and a business that supports the wider society.

We ensure diverse and inclusive environments and promote wellbeing, whilst empowering communities to take control of their carbon footprint and tackle local and global issues.

COVID–19: Supporting all stakeholders

Shareholders

We engaged proactively with shareholders, providing regular updates and releasing several Regulatory News Service announcements through the year. Our share price reaction has been positive and our financial results have come in marginally ahead of market expectations for the year.

Customers

We have communicated frequently with customers to provide updates on our services and risk assessments, and to give them information on new health and safety protocols. We have endeavoured to support our customers – and the end consumer – wherever possible.

Employees

Protecting the safety and wellbeing of our people has been our top priority. Various forums have been used to engage with teams across the business and an extensive suite of wellbeing initiatives has been implemented. Staff have remained financially supported, without exception.

Suppliers

Our long–standing partner relationships remain stronger than ever. Our key focus was on vendors critical to maintaining the operation of our Asset Installation business. We engaged early to ascertain potential risks to the supply chain for key items. In this way, we were able to respond quickly to potential PPE shortages, ensuring we had sufficient access through alternative suppliers.

Lenders

Our lenders were kept up to date on key developments during the year and were directly involved in discussions around the impact of the disposal of a minority of meter assets on the business and, of course, the subsequent voluntary debt prepayment. Bank reporting was provided without exception, with no breaches to our covenants in the year.

Government and regulatory bodies

We proactively engaged with government and regulatory bodies to come together as an industry, helping to develop aligned strategies in response to the crisis. We actively participated in the COVID–19 Remobilisation Working Group chaired by the Department for Business, Energy & Industrial Strategy (BEIS), and represented Meter Asset Providers (MAPs) on a Data Communications Company (DCC)–chaired–chaired Communications Hub Supply Chain Group, helping to evaluate how best to slow down deliveries while keeping supply running.

The material social topics for SMS are Employee management, Health and safety, and Supply chain. These are the significant touchpoints for influencing social impacts within our organisation.

Employee management

SMS employs over 1,000 people and operates across the UK.

Health and safety

SMS is directly responsible for the safety, wellbeing, and engagement of internal stakeholders via employment.

Contractors operate under their own occupational health and safety management systems.

Supply chain

SMS is also indirectly responsible for the safety, wellbeing and engagement of a range of external stakeholders, through our supply chain and in our local communities.

WE ARE NOT JUST AN OUTSOURCE PARTNER; WE SEEK TO BECOME AN EXTENSION OF OUR CUSTOMERS' BUSINESSES."

Lost–Time Incident Rate (LTIR 2020)

0.20

2019: 0.75

Putting our people first

We listen closely to our employees, and this engagement has enabled us to improve our reward initiatives and implement a range of new and enhanced measures including a cycle scheme, an enhanced maternity scheme, and additional annual leave.

The Group has achieved various external accreditations and recognition during the reporting year, including WorkingMums and WorkingDads 'Top Employer Charter' and being named as Utility Week 'Employer of the Year' finalist. We've also received accreditations for healthy working, pregnancy, mental health, and disability support, amongst others.

Health and wellbeing activity is primarily communicated via the Wellbeing page of the Company's intranet, to which all employees have access. SMS has gained many of the below accreditations and memberships in recognition of the Company's

efforts, which include the training of 26 mental health first aiders, an ongoing online fitness programme, improved maternity leave, and direct and anonymous access to mindfulness and other mental health resources.

Awards, memberships and accreditations

Awards/memberships/accreditations obtained in 2020

WE ARE A SIGNATORY OF THE CODE — CODE

C-19 BUSINESS PLEDGE

MINDFUL EMPLOYER

disability confident EMPLOYER

SCOTTISH Business Pledge

Bronze Award

workingmums.co.uk
Quality. Diversity. Flexibility.

workingdads
Quality. Diversity. Flexibility.

Memberships/accreditations retained in 2020

We are a Living Wage Employer

career ready

Tommy's pregnancy at work

> **THE GROUP HAS ACHIEVED VARIOUS EXTERNAL RECOGNITIONS DURING THE REPORTING YEAR, INCLUDING BEING SHORTLISTED AS A FINALIST FOR UTILITY WEEK 'EMPLOYER OF THE YEAR'."**

Our core values and behaviours

Fostered through extensive workshops and feedback from a wide range of employees across our organisation, we have developed five core values and associated behaviours linked to our commitment of 'Putting our people first'.

These values demonstrate our cultural attitudes and approach in the workplace, which include:

• how we act;

• what we say and how we say it;

• how we treat others; and

• how we expect to be treated.

These values drive the behaviours we wish to see demonstrated throughout our business practices. We strive to provide an environment and experience that embed these values on a consistent basis, and to ensure that all employees take responsibility for their own behaviour in the workplace. A shared understanding of what is expected and what is acceptable to others, and consistency of approach from all employees, is essential to truly live our values, and we are committed to providing an environment and experience which reflects them.

Safety
Take care of your wellbeing and others
Take ownership and responsibility
Be aware
Report and action

Customer excellence
Listen and respect
Go the extra mile
Be polite
Show empathy

Innovation
Share and encourage new ideas
Find solutions
Be creative
Think for the future

Pride
Be trustworthy
Give praise and recognition
Work to the best of your ability
Work as one team

Sustainability
Make greener decisions
Build an enjoyable and healthy working environment
Positive towards change
Encourage others to act sustainably

Putting our people first

Our core values and behaviours

Employee management

Company benefits are applicable to all SMS employees, subject to successful completion of their six–month probationary period (or a three–month period in the case of pension auto–enrolment).

Some benefits will be prorated for part–time employees.

Benefits include:

- 25 personal holiday days per year, with an additional allocation of eight public holidays
- After five years' service, an additional five days' annual leave is awarded
- Cycle Scheme
- Automatic enrolment in the SMS Stakeholder Pension Scheme
- Eligibility to join the SMS Share Incentive Plan after six months' employment
- Life insurance of 4 x annual salary.

SMS is working hard towards becoming an employer of choice and has gained the following accreditations and recognitions: Accredited Living Wage Employer; Disability Confident Employer; Scottish Business Pledge; Tommy's Pregnancy At Work; Working Mums Top Employer; and is a member of the Employers' Network for Equality and Inclusion.

The Board of SMS empowers the Group HR Director with the responsibility to champion this work throughout the organisation.

SMS is committed to treating its employees and applicants fairly and equally regardless of age, disability, marriage or civil partnership, pregnancy or maternity, race, religion or belief, gender, gender reassignment, or sexual orientation. Decisions on recruitment and selection are based solely on objective and job–related criteria. SMS aims to create a positive, diverse and inclusive working environment that attracts, develops and retains our people. The Group operates an equal opportunities, diversity and inclusion policy, which is documented in its employee handbook and made available to employees through the intranet. This aims to ensure that all employees, potential employees, and other individuals are treated fairly and equally. We are members of the Employers Network for Equality & Inclusion, and we will continue to drive continuous improvement with regard to equality, diversity and inclusion in our culture.

6%

increase in female employees represented in top quartile

Employee development

We are building the foundations to support business growth and sustainability and we reinforce our values and associated behaviours with every interaction we make. Our people understand what our brand stands for because it is an integral part of our employee journey. Our new eLearning course, 'Equality, Diversity and Inclusion', was rolled out to all of our employees to increase understanding and awareness of other cultures and is a mandatory element of the corporate induction for all new employees.

We are actively involved in the Career Ready Mentor Scheme, working with a high school near our head office in Glasgow to provide mentorship to support future career and study choices. In addition, all of our engineering new joiners participate in a 'buddy system' where they are supported by a more experienced member of the team.

best companies

26

Trained mental health first aiders throughout the business

"

AT THE VERY HEART OF OUR BUSINESS IS A PHILOSOPHY AND COMMITMENT TO ENSURE WE 'PUT OUR PEOPLE FIRST'. THIS MEANS WE MAKE EVERY EFFORT TO CONTINUALLY LISTEN, COMMUNICATE, AND ENGAGE WITH ALL SMS COLLEAGUES TO BUILD A BETTER WORKPLACE BASED ON FEEDBACK, ESTABLISH A CULTURE THAT UPHOLDS OUR CORE COMPANY VALUES AND – ULTIMATELY – GIVES EMPLOYEES ALL THE SUPPORT THEY NEED TO THRIVE."

Judy Keir
Group HR Director

Employee engagement

In August 2020 we launched our first ever external Group employee engagement survey with the help of Best Companies, an independent workplace engagement specialist, whereby 50% of employees responded. We received feedback on what we do well as a business, and what areas we can show improvement in to help guide future strategies.

Actions implemented in response to employee feedback were communicated with all employees via an infographic, with the theme of 'You Said, We Did'. We have since implemented a continual improvement plan across all areas of the business, with a second survey undertaken in February 2021, whereby we received an improved response rate of 75%, to gauge YOY improvement.

EMPLOYEE ENGAGEMENT

February 2021
Best Companies Results

best companies

In February 2021, we invited all SMS colleagues to anonymously complete our 2nd external engagement survey through Best Companies, the UK's leading specialists in workplace and employee engagement and an accrediting body for the country's best businesses to work for.

The purpose of the survey was to understand what we do well, and what we could improve, based on your feedback. This allows us to acknowledge and address your thoughts as we continue our exciting journey to becoming an **Employer of Choice.**

Been accredited as 'One to Watch' from Best Companies for high levels of employee engagement

75%
response rate

771
employees
(+25% from August 2020)

£771
donated to MIND, the mental health charity, resulting from £1 donated from every completed survey

Our people

SMS has an Equal Opportunities, Diversity and Inclusion Policy, Health, Safety and Quality Policy, and Environmental and Energy Policy in place. Our Modern Slavery Statement can be found on our company website and outlines the due diligence we carry out to ensure that new suppliers are not associated with modern slavery.

SMS is accredited to ISO 9001 for all its policies and procedures.

SMS have dedicated HR, SHEQ (safety, health, environment and quality) and Supplier/Purchasing teams who manage all aspects of the operational and strategic running of our social impacts. SMS utilises integrated management systems (IMS) which span health, safety, environmental and quality ISO systems, providing a platform to support leadership, management, engagement, and improvement.

Our teams, strategy and systems have been established to support the retention and development of SMS's ethical standards and commitment to people internal and external to our business.

Our management systems are supported by a senior commitment to integrity, transparency and continual improvement. These commitments are evident in the related health, safety, quality, and environmental policies. Our management systems ensure relevant targets are in place and adequate resources and plans are in place to achieve those goals. Through the management systems there is a non–conformance process in place. Management reviews ensure continual improvement in these systems, through monitoring of performance indicators and successful completion of action plans.

C–19 business pledge

SMS has signed the C–19 Business Pledge. SMS are one of 250 organisations globally who have made their C–19 Business Pledge, with other organisations including: PWC; BP; Coca Cola; EY; and Sainsburys. Founded by former UK Cabinet Minister Justine Greening and UK entrepreneur David Harrison, the aim of the C–19 Business Pledge is to encourage businesses to be a force for good by making a commitment to doing what they can to tackle the Coronavirus (COVID–19) pandemic. These objectives are not only about helping us to get through the immediate challenges of COVID–19, they are also about the recovery. Business has a crucial role to play in helping to rebuild the economy over the medium to long term, and this will have an immediate and long–lasting impact on our employees, customers, and community.

From the start of the COVID–19 lockdown, the Group continued to deliver emergency callout services ensuring continuity of energy supply, including to care homes and critical national infrastructure. Updated risk assessments were implemented, and appropriate Personal Protective Equipment (PPE) and training were issued to support this activity. SMS has also been an active member of the Smart Metering Remobilisation Working Group, assembled by BEIS to act as a forum to proactively address the challenges faced by COVID–19 and share best working practices in relation to smart meter installations.
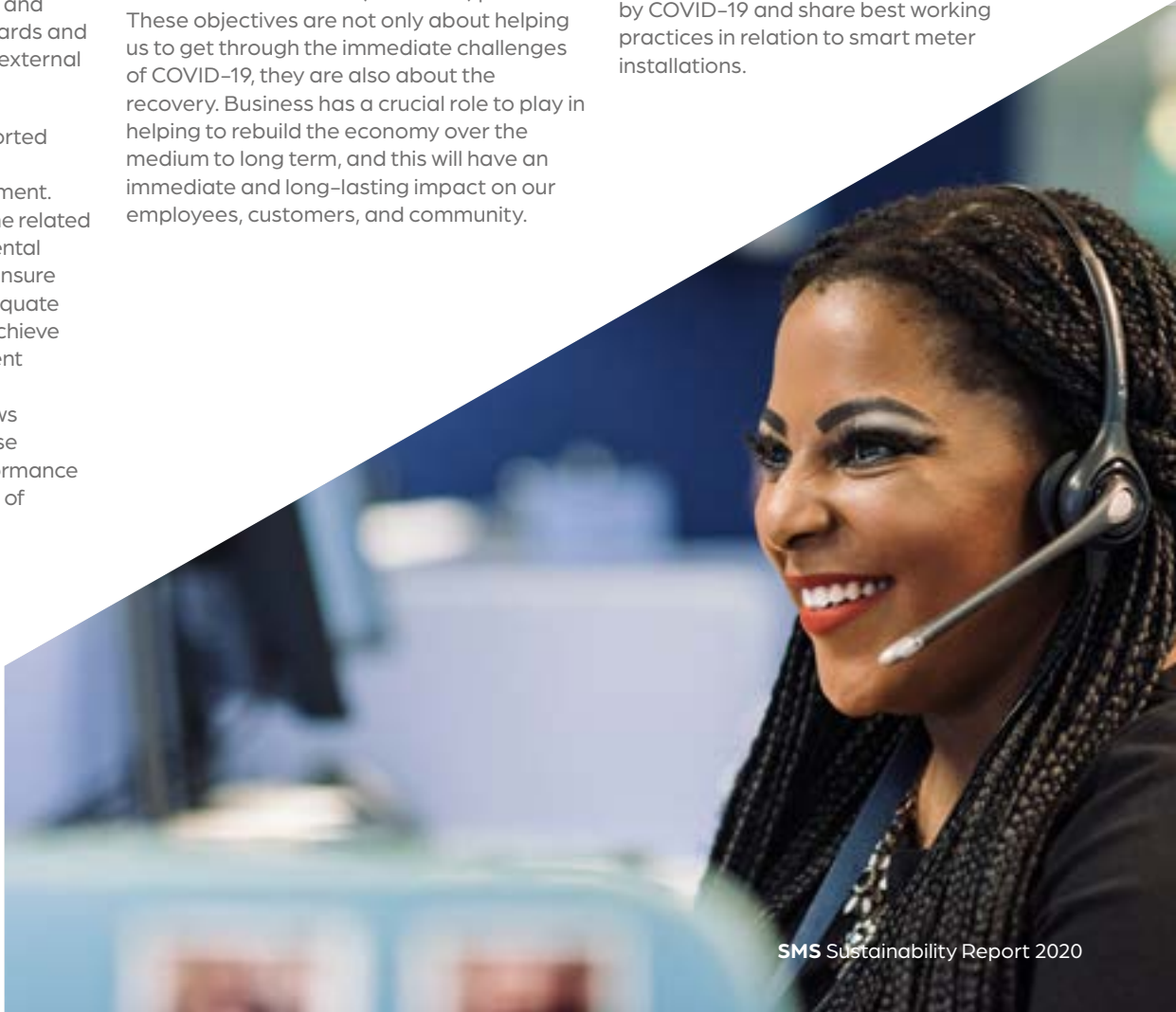
Gender and equality

SMS supports and encourages a culture of gender diversity amongst its workforce.

It is the contributions of our people from all backgrounds that ensure we are successful, as only a diverse and engaged workforce will produce the solutions we need to tackle the varying challenges faced by our business. Industry–leading thinking will diversify and transition the energy market and therefore SMS welcomes and supports gender pay gap reporting and is committed to equal opportunities, diversity, and inclusion throughout the business.

We are prioritising the utilisation of tools, including a new pay and reward framework, to monitor pay and ensure there is no bias towards either gender from the point of recruitment, through to salary conversations and progression opportunities. We continue to actively promote gender balance within the Group.

Being part of the historically male–dominated engineering industry, it is not surprising that SMS has such a wide gender split between men and women, and that a gender pay gap exists. Overall, SMS has a 32% female and 68% male workforce. We continue to explore how we can attract women into our organisation to create a more even gender balance. Although, as an equal opportunities' employer, we firmly believe in appointing the best candidate into the role, regardless of their gender or other protected characteristics as specified by the Equality Act.
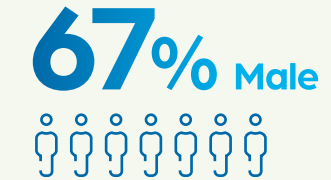
Gender breakdown[1]

Board of Directors

71% Male

29% Female

Senior Management

71% Male

29% Female

Other Employees

67% Male

33% Female
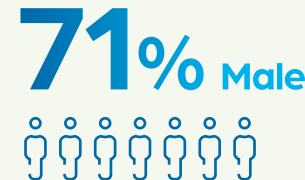
1 All statistics calculated using data at 5 April 2020.

The mean gender pay gap for the consolidated Group is 23.3% and the median gender pay gap is 34.5%. The rationale specifically within SMS includes:

- there are more men than women within the engineering industry, from which we source most of our employees;
- there are more men than women in senior roles;
- there are more women in part–time roles;
- there are more women in lower paying roles; and
- engineers are subject to a monthly health and safety–related performance bonus.

There are significantly more male employees in senior roles, in the upper, middle, and top pay grade quartiles, which contributes to our gender pay gap. However, the percentage of female employees in the lower pay quartile

of the organisation has decreased by 7% on the prior year, and there has been an increase of 6% in the percentage of female employees represented in the top quartile, which is positive.

Most of these issues are, however, prevalent throughout the UK and on a wider global level. They are therefore not limited to SMS, as can be seen via EngineeringUK, which provides workforce statistics. In 2020, 14.5% of those working in engineering occupations, across all industries, were women. Encouragingly, this represented a 2.5% increase from the 12% reported in 2018. Just 11.2% of those in engineering occupations within the engineering workforce were women, compared to 22% of those in engineering occupations outside the engineering workforce.

Importantly, SMS has taken positive action in 2020 which includes:

- The appointment of a woman — Miriam Greenwood — to Chair of the Board;
- The introduction of a new, unified Group–wide pay and reward structure, which ensures equality and consistency across the Group based on career levels and performance;
- The appointment of women into three senior roles including New Energy Director, Energy Sector Specialist, and Head of Marketing, and the appointment of two women into management level roles; Business Architect and HR Business Partner. In addition, 2020 saw the internal promotion of five females to management and senior level; and
- Membership to the 'Tomorrow's Engineers' Code.

Health and safety

The SMS Health and safety management system is certified to ISO 45001. The system was implemented to assist with compliance to UK legal requirements. All activities and workplaces are within scope of the management system.

The Fleet Department coordinate all aspects of both short and long term health risks for drivers. This includes health checks, training, and driver performance monitoring. Vehicle checks are carried out daily and weekly using an app-based system, which enables real-time reporting on vehicle condition, reducing the time and resources required, and ensuring that issues are dealt with swiftly in order to maintain the safety of the vehicle fleet.

Any unsafe acts and conditions can be reported via EQMS and our whistleblowing channel. Should employees encounter a hazardous situation they should not proceed and can report without fear of reprisal. All incidents are investigated with escalation protocols in place for serious incidents. Causations are collated and periodically reviewed with any learning incorporated into the Health and Safety management system.

Results of internal and external risk management audits, carried out in-line with ISO 45001, are communicated via Board reporting and through the senior management team and senior leadership team forums.

Regional safety forums cover aspects such as the health and safety management system and other pertinent details on health and safety matters. Regional safety forums are conducted quarterly across the business, with a cross section of the workforce participating in the forums which are governed by terms of reference.

Occupational Health Service Providers (OHSPs) – 'PAM Group' and 'Integral' – provide a range of services across the UK for SMS, including an advisory service for all occupational health risks that the business encounters. SMS has an Employee Assistance Programme that employees can access, confidentially, if they are experiencing any issues at work, whereby contact details for the OHSPs are made available to employees. SMS has provided both OHSPs with a scope of works and advise accordingly via regular contact with the SHEQ, HR, and Fleet functions. Monthly reports are provided from the OHSPs and are reviewed by SHEQ and HR.

SMS has a monthly bonus in place for engineering staff which incorporates health and safety, stock management, completion rate, and compliance.

A full suite of occupational health and safety training is delivered across the business. Board members, Executive Directors and senior managers have all undertaken leadership-focused health and safety training, whilst IOSH 'Managing Safely' is delivered to managers and supervisors. Engineers and support staff receive training on induction and get regular updates via the Company's bespoke, electronic 'Nimble' training package. Comprehensive technical training is delivered via the SMS training academy in Bolton to all engineering staff.

Supply chain

The SMS procurement function reports to the Group Financial Controller, through to the Chief Financial Officer, and ultimately to the Chief Executive Officer at Board level.

Informally, it is operational staff who, working in conjunction with procurement team, negotiate purchases from our Tier 1 vendor base, strengthening the supply chain function by providing technical expertise. These teams ultimately report into the Chief Operating Officer, to attain board level authority.

We systematically monitor vendors' performance on an ongoing basis and are currently migrating this work from a manual system to an Electronic Quality Management System (EQMS). The new system will enable data to be collated directly from the vendor base and systematically reviewed to check for any non–compliance. Vendors will be grouped by type, and a new vendor manager platform is being launched. This will track 62 individual reportable data items, ranging from vendor insurance to sustainability targets. It will also allow SMS to streamline administration and address any vendor duplication.

Compliance

Health and safety, minimum living wages, maximum working hours, freedom of association and the right to collective bargaining, child labour, acceptable living conditions, non–discrimination, corporal punishment/disciplinary practices and forced labour standards are covered in both the standard SMS Supplier Questionnaire and within legally binding contracts with Tier 1 vendors.

As a member of the Chartered Institute of Procurement & Supply (CIPS), the Procurement Manager is supporting SMS's journey towards achieving the Institute's FCIPS standard for procurement. Furthermore, as we develop our EQMS we will be able to share best practice and discuss topical issues with our vendors. EQMS is set up so that vendors must upload updated certificates, policies, insurance, etc., on a regular basis. If they fail to do so, they will be rejected by the platform after an eight–week period.

0

Fines, non–monetary sanctions or cases in the reporting year

0

Non–compliances were identified

Governance

Operating responsibly and ethically

To uphold our moral and legal obligations through responsible and ethical practices, ensuring the integrity and transparency of all our activities; from our supply chain to our people, our operations to our customers and wider society.

Operating responsibly and ethically

SMS has overlaid the requirements for GRI, SASB and TCFD reporting, alongside ESG Rating Agency touch points, to ensure an encompassing report. Utilising these key reporting frameworks ensures we provide information relevant to all stakeholders. See Annual report and accounts pages 39 to 42 for further details on our stakeholders.

> "ETHICAL, FAIR AND DILIGENT GOVERNANCE UNDERPINS ALL OUR BUSINESS ACTIVITIES, BUILT ON THE FOUNDATIONS OF OUR CULTURE AND VALUES."
>
> **Miriam Greenwood,**
> Non-executive Chairman

5

ISO certified management systems spanning SMS operations. ISO 9001, ISO 45001, ISO 27001, ISO 14001 and ISO 50001

0

Data breaches in the reporting year

The material governance topics for SMS, according to the SASB materiality matrix, are Legal and Financial and Information Technology. As a service-driven company we have evaluated our stakeholder needs and we believe that rigour and transparency in our legal compliance, financial and information technology processes and performance are highly material to our stakeholders.

Sustainability and Corporate Governance

The Board has overall responsibility for corporate governance across SMS to ensure that the Group is managed for the long-term benefit of all stakeholders. The Board is responsible for setting the tone at the top and monitoring business performance. This includes regularly reviewing risks that could impact on delivering the Group's strategic and organisational objectives. The Board is supported by an effective corporate governance structure, including the Audit Committee which reviews the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit and risk management processes.

Our culture and principles are driven from the top and the passion of our leadership team is evident in the policies they set and in their everyday actions. This ethos runs consistently through the Company's business values, policies, processes, and management systems to ensure a consistent, integrated business-wide approach to sustainability.

We believe in effective and efficient decision making in a manner that incorporates the needs of our many stakeholders. Our aim of continual improvement of our processes and risk management, whilst supporting the continued growth of the business, is vital in the ever-evolving corporate governance regime we adhere to. The Company adopts the provisions of the Quoted Companies Alliance's Corporate Governance Code (the QCA Code) published in April 2018 and further details with regards to the Company's compliance with the QCA Code is set out within the Company's Annual report and accounts. Whilst the Company does not currently adopt the UK Corporate Governance Code (most recently updated in 2018), it endeavours to stay up to date with its requirements and continues to adopt elements of it, where appropriate.

Accountability and internal control

The Board currently comprises:

Miriam Greenwood, OBE DL
Non–executive Chairman

Alan Foy
Chief Executive Officer

David Thompson
Chief Financial Officer[1]

Tim Mortlock
Chief Operating Officer

Graeme Bissett
Senior Independent Non–executive Director

Ruth Leak
Independent Non–executive Director

Jamie Richards
Independent Non–executive Director

Craig McGinn
Group Company Secretary and General Counsel for the Group

Consultation with relevant individuals is conducted as required, with potential for both internal and external Subject Matter Experts attendance at Committee meetings.

1 David Thompson will leave the Group on 31 March 2021. He will be replaced by Gavin Urwin, who joined the Group on 8 February 2021 as CFO–Designate.

The Chairman of the Board is an Independent Non–executive Director and is therefore well placed to oversee the adequacy and effectiveness of internal controls and risk management systems across the business.

The Board is supported by an effective corporate governance structure, including the Audit Committee, which continuously reviews the effectiveness of the Group's internal control mechanisms, financial reporting, internal audit, and risk management processes.

8
Scheduled Board meetings are held each year

Role of the Audit Committee

- Monitoring the integrity of the financial statements, including reviewing significant financial reporting issues and judgements alongside the findings of the external auditor.

- Advising the Board on the appropriateness of the 'fair, balanced and understandable' statement in relation to the Annual report and accounts.

- Overseeing the relationship with the external auditor, the external audit process and the nature and scope of the external audit, including the auditor's appointment, effectiveness, independence and fees.

- Overseeing the nature and scope of internal audit and co–ordination with the activities of the external auditor.

- Reviewing the effectiveness of the Group's systems for internal financial control, financial reporting and risk management.

Role of the Audit Committee
continued

Chairman Miriam Greenwood also acts as Chair of the HSS Committee, and has delegated authority to set objectives, targets, and policies for managing issues related to ESG, including the development of and performance against our ESG targets and ambitions.

The Chief Operating Officer has overall responsibility for SMS's ESG matters and is responsible for setting Group ESG objectives and strategy to be approved by the Board, including policies related to climate change. Through membership of the Board and attendance at the HSS Committee, the Chief Operating Officer ensures that issues associated with ESG are represented consistently at the highest level. Specifically, the Chief Operating Officer personally sponsored the development of our 'net–zero by 2030' emissions target and HSS Committee to facilitate SMS's climate change ambitions.

The terms of reference of the Audit, Remuneration, Nomination, Information Technology and HSS committees, the principal committees of the Board, have been approved by the Board and are available on the Company's website (www.sms–plc.com) under the Corporate Governance section of the website. These terms of reference are reviewed annually and have been reviewed in the current year.

SMS does not currently externally verify its ESG and Sustainability reporting but is considering doing so in future.

During 2019, significant progress was made towards readiness for the January 2020 evolution of the EQMS quality management system to incorporate capability for centrally tracking and co–ordinating Group compliance, safety, health and environment, and risk management activities and Group Internal Audit actions. We continue to expand the use of the EQMS platform to automate and control our internal processes to continually improve our governance practices. Monitoring and reporting of risk to the Board and Audit Committee have been further developed alongside a number of internal audit reviews into specific risk areas within the business which have assisted risk management in those areas.

The Group's operational control of legal risk is overseen by its General Counsel.

The Board has overall responsibility for the Group's system of internal control and risk management and for reviewing the effectiveness of this system. It is supported by the Audit Committee in reviewing the effectiveness of the Group's risk process and internal control systems. Such a system can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls. A robust assessment of the principal risks faced by the Group has also been undertaken.

Data security

The General Counsel is an expert in data protection and is the appointed Data Protection Officer (DPO). The DPO monitors internal GDPR compliance and, through a series of internal and external communication platforms, informs and advises staff and third parties of our obligations and expectations under GDPR.

SMS utilises compliance to governing bodies as guidance of collection, usage and retention of customer data. SMS's Data Protection Policy holds full details of relevant requirements, practices, and conduct.

The Information Technology Committee is chaired by Ruth Leak, an information technology specialist, and comprises all of the non–executive directors. Alan Foy, David Thompson and Tim Mortlock attended by invitation.

The Committee ensures appropriate information technology standards and procedures are in place, including those related to the Data Protection Act 2018 and, in close liaison with the Audit Committee, it ensures that information and technology risks are identified, assessed and managed with actions implemented as appropriate.

Annual GDPR training for all SMS staff

In February 2020, the Company retained ISO 27001 security certification. This was a significant project, with contributions from all parts of our business to bring it to a successful conclusion. It is a significant milestone in enhancing the Company's approach to information security, securing the SMS environment and protecting our assets and data. This accreditation is just one part of an ongoing journey to uphold and continually improve the standards the Company operates under.

Governance of climate-related risks and opportunities

During 2020 we became a signatory to the Taskforce for Climate-related Financial Disclosure (TCFD), which represents our support for organisations to develop greater understanding of the impact climate change has on businesses, including aligning our own disclosures. Whilst climate-related change will have a profound affect on business in the broader sense, the risk is very low for SMS specifically. Understanding these changes enables organisations to mitigate risks and effectively seize opportunities. Embedding climate-related risk and opportunity processes into how we function enables us to be more resilient now and into the future.

The HSS Committee oversees progress against our targets, monitors short-term and medium/long-term sustainability risks and opportunities, alongside their probability, potential impact on our business, and our mitigation measures. It also facilitates sharing of best practices across the Group and supports the development of capacity and capability at all levels throughout the business to deliver on our goals.

The ESG Working Group is made up of management representatives from across the Group who manage operational support departments for the business; these include HR Director, Group Head of SHEQ, Fleet Manager, Group Company Secretary, Senior Sustainability Consultant, IT and Info Sec and Purchasing Manager. The ESG Working Group collates relevant data, delivers improvement projects, and supports culture change for ESG initiatives.

The ESG Working Group supports the HSS Committee's consideration of climate-related issues, with members receiving invites to present at the HSS Committee meeting to share specific information as necessary. This can take the form of delivering supporting data, legal, or market insights.

For all our significant business impacts, including climate-related issues, we assess the recurring or one-off impact on various elements of the organisation such as sales, margins, costs, reputation, regulatory, and continuity of goods and operations.

Through both our business continuity and IMS registers, and specific climate change risk and opportunity process, all relevant aspects of sustainability impacts are evaluated. Panel discussions set thresholds to define 'substantive' financial and strategic impacts (detailed in our CDP Report), ratings, and articulate full impacts.

These processes ensure stakeholders have relevant information and understanding to inform business strategy, policy, process, and financials.

Our climate-related risks are integrated into both Business Continuity and Integrated Management System (IMS) risk registers, which ensure on-going monitoring.

During the year, the Audit Committee reviews the risk assessment process and receives information from other committees, enabling the Audit Committee to monitor the risks and level of control in place.

Key company risks and opportunities can be seen within the Annual report and accounts, with specific climate-related risks detailed in our CDP report. These cover a range of physical, operational, and transitional risks and opportunities for SMS.

The Board's performance with respect to governance of economic, environmental, and social topics is reviewed as part of the Board evaluation process.

Each year, the Company executes a performance evaluation process for the Board, its Committees, and individual Directors. This process gives the Directors the opportunity to identify areas for improvement both jointly and individually using questionnaires, one-to-one sessions with the Chairman and open discussion.

CDP: Rating B

During 2020 we became a signatory to the Taskforce for Climate-related Financial Disclosure

0-3 yrs

Short-term horizon for addressing climate-related risks and opportunities

Governance structures

SMS's governance structures are laid out within our Annual report and accounts, which details our committees, related stakeholders, responsibilities, and processes.

As part of the annual performance evaluation of the Board, the Senior Independent Director led an assessment of the Chairman's performance. There were also discussions between the Chairman and the Non-executive Directors, without the Executive Directors present, to discuss feedback for each Executive Director in advance of their appraisals. During 2020 an internally facilitated evaluation was carried out by the Company Secretary, using an online self-evaluation questionnaire. The participants were asked to score 25 statements on a scale of 1 to 5 and to provide written comments, including areas for improvement.

All Directors responded to the questionnaire, answering 80 questions through a combination of multiple-choice selections and free text, which gave Directors the opportunity to provide written comments, including on areas for improvement. The questionnaire covered all aspects of Board performance including: Board/Committee structure and composition; conduct of meetings; meeting dynamics; governance; strategy; financial reporting and risk management; health and safety; and stakeholders. The Company Secretary collated the responses from the questionnaire and initial feedback from the evaluation was presented to the Board for discussion.

The overall assessment is that the Board continues to operate effectively and it has performed well during the year, especially in light of COVID-19 and the resulting restrictions, which mean that the Board has not been able to meet in person since March 2020.

We are in the process of reviewing focus areas arising from the 2020 evaluation process. Key actions will be agreed, and these will form part of the Board's agenda for the coming year.

"
EFFECTIVE STAKEHOLDER ENGAGEMENT IS KEY TO OUR SUCCESS, HELPING THE BOARD AND MANAGEMENT MAKE BETTER DECISIONS."

Operational policies

The Group operates to the following policies:

- Integrated Management Systems Policy (H&S, Quality, Environment)
- Environment and Energy Policy
- Information Security Policy
- Anti–Bribery Policy
- Code of Conduct Policy
- Data Protection Policy
- Data Retention and Disposal Policy
- Dignity at Work Policy
- Equal Opportunities, Diversity and Inclusion Policy
- Share Dealing Policy
- Secure Data Transfer Policy
- Whistleblowing Policy

The Group encourages staff to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise. The Group has put in place a whistleblowing procedure where employees can confidentially report any concerns or wrongdoing. This procedure may be used to report incidents of fraud, bribery and corruption, discrimination, bullying or harassment, breaches of the Group's health and safety or quality compliance, or environmental concerns. The Group provides the Audit Committee with information in relation to matters reported, any subsequent investigation and follow–up actions.

Our anti–bribery and corruption policy includes guidance to employees on the giving, receiving, and recording of business gifts and hospitality, together with other areas of specific risk, and is reviewed annually to ensure it remains fit for purpose. Any breaches of policy are investigated and reported to the Audit Committee. During 2020, there were no cases of reported bribery or corruption.

Engagement with stakeholders

Stakeholder engagement is critical to the long–term success and financial sustainability of our business. It is the process by which we develop our knowledge and understanding of each stakeholder group (as detailed in our Annual report and accounts) and the key drivers for each of them in their interaction with our business. We have proactively

sought to maintain open, engaged, and transparent dialogue with all stakeholder groups during 2020 and this has led to an enhanced understanding by us of their key concerns, which we have embedded within Board and Committee discussions held throughout the year.

The Board recognises its responsibility to understand and consider stakeholder views as part of its decision–making process and remains committed to fostering effective business relationships. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and the business, and to enable the Board to understand and consider these issues in its decision making. Key topics raised through stakeholder engagement are

covered in the Annual report and accounts and span areas such as sustainability, technology, wellbeing and the UK smart meter rollout.

In addition to our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups. The Board closely monitors and reviews the results of all employee engagement, as well as any other feedback it receives to ensure alignment of interests.

Data centre

Transparency in our operations is critical to assuring stakeholders of our ethical and encompassing management, driving down exposure to risk. We have leveraged both the SASB materiality matrix and GRI standards to communicate our performance. Our Data centre contains additional details and metrics, further representing our Environmental, Social and Governance activities in 2020.
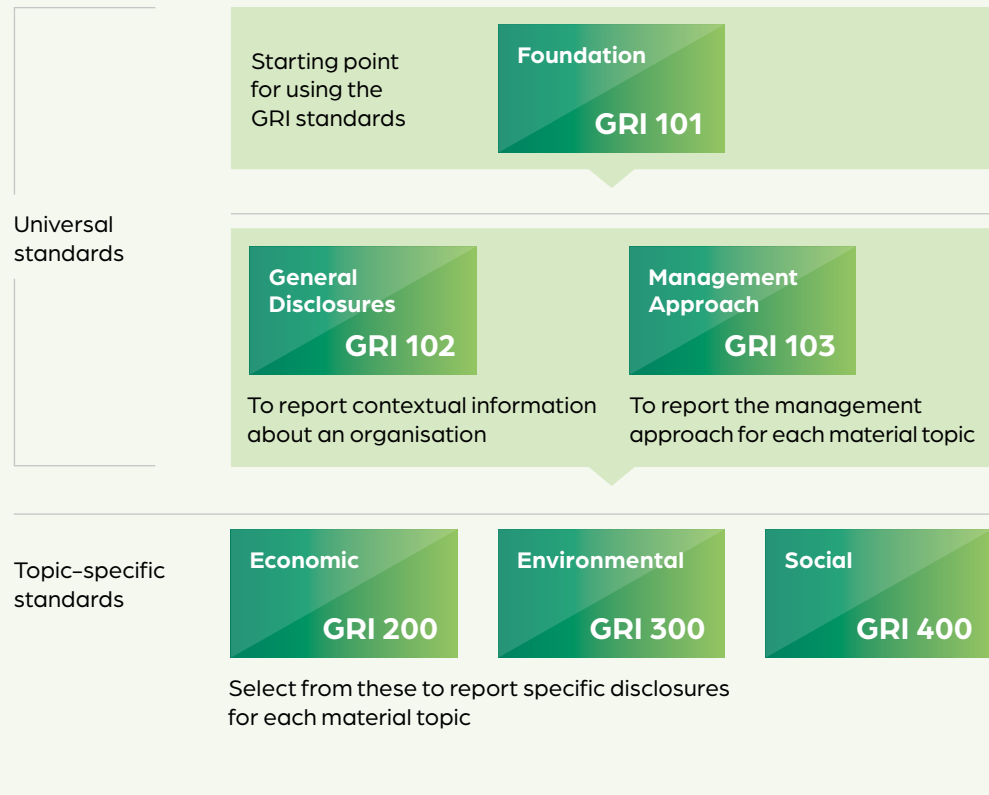
GRI standards utilised in reporting:

GRI 101	Foundation 2016
GRI 102	General disclosures 2016
GRI 103	Management approach 2016
GRI 201	Economic performance 2016
GRI 204	Procurement practices 2016
GRI 307	Environmental compliance 2016
GRI 305	Emissions 2016
GRI 401	Employment 2016
GRI 403	Occupational health and safety 2018
GRI 405	Diversity and equal opportunities 2016
GRI 418	Customer privacy 2016

SASB standards utilised in reporting:

SV–HL–310

SV–PS–000

SV–PS–510

SV–PS–230

SV–PS–330

IF–EU–110

IF–EU–120

IF–EU–140

IF–EN–250

IF–WM–320

RR–FC–130

RR–FC–320

Overview of the set of GRI standards

Universal standards

Starting point for using the GRI standards

Foundation

GRI 101

General Disclosures

GRI 102

To report contextual information about an organisation

Management Approach

GRI 103

To report the management approach for each material topic

Topic–specific standards

Economic

GRI 200

Environmental

GRI 300

Social

GRI 400

Select from these to report specific disclosures for each material topic

Environment

Carbon emissions

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Scope 1 CO$_2$ emissions	Scope 1 by source/activity; Mobile Combustion/Fleet Movement	GRI 305–1	2,879.7	1,690.0	T CO$_2$e	Fleet movement/Mobile combustion is our most significant emissions generating activity, occurring from diesel combustion and encompasses our tracked fleet activities.
	Scope 1 by source; Stationary Combustion Gas	GRI 305–1	50.5	42.0	T CO$_2$e	Stationary combustion encompasses gas consumed by our gas boilers for space heating.
	Scope 1 by source; Stationary Combustion Gas Oil	GRI 305–1	0	1.6	T CO$_2$e	Stationary combustion encompasses oil consumed by our oil boilers for space heating. In 2020 we had a site enter our reporting scope which utilises oil for heating.
	Scope 1 by source; Fugitive F–Gas	GRI 305–1	47.1	27.9	T CO$_2$e	Fugitive emission sources are from air conditioning units used in offices.
	Scope 1 by activity; Building operation	GRI 305–1	97.6	71.5	T CO$_2$e	Buildings operation includes natural gas and oil combustion and fugitive emissions from air conditioners.
Total Scope 2 CO$_2$ emissions	a. Gross location–based energy indirect (Scope 2) GHG emissions in metric tons of CO$_2$ equivalent.	GRI 305–2 TCFD	205.1	153.7	T CO$_2$e	–
Scope 2 CO$_2$ emissions	b. Gross market–based energy indirect (Scope 2) GHG emissions in metric tons of CO$_2$ equivalent.	GRI 305–2	93.9	91.9	T CO$_2$e	–
	c. Location based, Gases included in the calculation; CO$_2$	GRI 305–2	203.4	152.3	T CO$_2$	CO$_2$ – electricity location based.
	c. Location based, Gases included in the calculation; CH4	GRI 305–2	0.52	0.47	T CH4	CH4 – electricity location based.
	c. Location based, Gases included in the calculation; N2O	GRI 305–2	1.10	0.91	T N2O	N20 – electricity location based
	d. Base year for the calculations, if applicable, including: i. the rationale for choosing it; ii. emissions in the base year;	GRI 305–2	–	2019	Year	The Scope 2 baseline has been chosen as it was the most up–to–date energy data available, inline with our energy management system and alignment with the annual financial reporting year at SMS. 2019 energy and emissions performance covered above.
	iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.	GRI 305–2	–	–	–	Base year emissions have not been changed by any significant events or impacts.
	e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	GRI 305–2	–	–	–	Emissions factors used are sourced from BEIS government annual data releases. Residual mix emission factors are sourced from the Association of Issuing Bodies (AIB), with 2019 data used while 2020 is yet to be released.

Environment

Carbon emissions continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Scope 2 CO₂ emissions continued	f. Consolidation approach for emissions; whether equity share, financial control, or operational control.	GRI 305–2	–	–	–	Consolidation of emissions is based on operational control where applicable.
	g. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 305–2	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.
Scope 3 CO₂ emissions	a. Total Gross Scope 3 GHG emissions in metric tons of CO₂ equivalent.	TCFD GRI 305–3	1,164.4	533.7	T CO₂e	–
	b. If available, the gases included in the calculation; whether CO₂, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	GRI 305–3	–	–	–	Our Scope 3 is not broken down into specific gases due to the lack of conversion factors available through BEIS for Scope 3 emissions.
	c. Biogenic CO₂ emissions in metric tons of CO₂ equivalent.	GRI 305–3	0	0	T CO₂e	SMS do not conduct activities that generate biogenic emissions, and therefore have no related emissions.
	d. Other indirect (Scope 3) GHG emissions categories and activities included in the calculation.	GRI 305–3	–	–	–	SMS Scope 3 emissions encompass purchased services for Water supply and treatment, well–to–tank emissions for Diesel and Natural Gas, Gas Oil and electricity distribution.
	e. Base year for the calculation, if applicable, including: i. the rationale for choosing it;	GRI 305–3	–	2019	Year	The Scope 3 baseline has been chosen as it was the most up–to–date energy data available, inline with our energy management system and alignment with the annual financial reporting year at SMS 2019 energy and emissions performance covered above.
	ii. emissions in the base year;	GRI 305–3	–	1,164.4	T CO₂e	2019 reporting year is base year.
	iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.	GRI 305–3	–	–	–	Base year emissions have not been changed by any significant events or impacts.
	f. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.	GRI 305–3	–	–	–	Emissions factors used are sourced from BEIS government annual data releases.
	g. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 305–3	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.

Environment

Carbon emissions continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Scope 3 CO₂ emissions continued	Upstream categories included 1. Purchased goods and services	GRI 305–3	716.9	427.1	T CO₂e	Purchased services for Water supply and treatment, well–to–tank emissions for Diesel and Natural Gas, Gas Oil and electricity distribution.
	Upstream categories included 5. Waste generated in operations	GRI 305–3	2.9	2.3	T CO₂e	SMS has a number of offices, warehouses and other buildings, waste produced from these sites is processed by regional waste handling companies which then pass figures to SMS. Government produced conversion factors are then used to calculate emissions.
	Upstream categories excluded 2. Capital goods 3. Fuel– and energy–related activities (not included in Scope 1 or Scope 2) 4. Upstream transportation and distribution, 6. Business travel, 7. Employee commuting, 8. Upstream leased assets	GRI 305–3	444.5	104.3	T CO₂e	Data includes business travel data only. SMS relevant capital goods are included in other categories within this table. SMS energy and fuel related activities have been covered in Scope 1 and 2 emissions quoted. This includes building utilities and fleet emissions. Upstream transportation and distribution is considered de minimis in comparison to operational transportation emissions. This could also be incorporated into Lifecyle data for our physical products such as smart meters. It has therefore been excluded, but may be reviewed in future. SMS have leased assets within our fleet and building estate. These are currently incorporated in our Scope 1 and 2 emissions. Evaluation is required to understand the quantity of this.
	Downstream categories included 11. Use of sold products 13. Downstream leased assets	GRI 305–3	–21,337.2	–9,718.4	T CO₂e	SMS have downstream leased assets in the form of our installed meters. Smart meters enable energy savings through transparency of time–of–use consumption to customers. We have used government commissioned research and quantitative energy monitoring to establish the energy savings delivered by our products and services. EnergyGB completed government commissioned research on energy saved by smart meter users, confirming a 3% reduction in consumption. This saving can be used to calculate impact of the meters that we install. We include this in a holistic view of our business activities, and have calculated our 'positive carbon impact' or emissions mitigated. Excluded from this figure is our emissions mitigated through energy efficiency projects delivered to customers.
	Downstream categories excluded 9. Downstream transportation and distribution, 10. Processing of sold products, 12. End–of–life treatment of sold products, 14. Franchises, 15. Investments For each of these categories and activities, the organisation can provide a figure in CO₂equivalent or explain why certain data are not included.	GRI 305–3	–	–	–	SMS current activities include a small amount of downstream transportation. This is likely to increase under our current business strategy and will need evaluating in future. SMS is not involved in products that require processing. Smart meters have a long service life which would likely result in 'use' or 'manufacture' phases having much higher full–life impact. The end–of–life has been evaluated to de minimis compared to working with the upstream impacts, and therefore supply chain data has taken priority for SMS emissions calculations. SMS does not have franchises. SMS does not have relevant investments in 2019.
Carbon intensity	a. GHG emissions intensity ratio for the organisation.	GRI 305–4	28	19	TCO₂/£m	(Scope 1 and 2) TCO₂e/ £m revenue. See Annual report and accounts for intensity metric including Scope 1, 2 and 3).

Environment

Carbon emissions continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Carbon intensity continued	b. Organisation–specific metric (the denominator) chosen to calculate the ratio.	GRI 305–4	114.3	103.0	£m	Revenue is used as the denominator in intensity ratio.
	c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).	GRI 305–4	–	–	–	Scope 1 and 2 emissions are included in SMS intensity metrics above. SMS SECR table in Annual report and accounts shows intensity for Scope 1, 2 and 3.
	d. Gases included in the calculation; whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	GRI 305–4	–	–	T CO_2e	CO_2, CH4 and N20 breakdown included above.
	d. Gases included in the calculation; whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	GRI 305–4	47.1	27.9	kg CO_2e	HFC (407c and 410a).
Other emissions	CFC a. Production, imports, and exports of ODS in metric tons of CFC–11 (trichlorofluoromethane) equivalent. b. Substances included in the calculation. c. Source of the emission factors used. d. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 305–6	0	0	T CO_2e	SMS has no CFCs emissions, see HFCs for refrigerant fugitive emissions.
	NOx	GRI 305–7 SASB: IF–EU–120a.1	786.5	470.3	kg NOx	NOx emissions from fleet movements.
	CO	GRI 305–7 SASB: IF–EU–120a.1	2,686.2	1,606.2	kg CO	CO emissions from fleet movements.
	HC + NOx	GRI 305–7 SASB: IF–EU–120a.1	907.5	542.6	kg HC + NOx	HC + NOx emissions from fleet movements.
	b. Source of the emission factors used.	GRI 305–7 SASB: IF–EU–120a.1	–	–	–	Emissions factor is sourced from manufacturers statement and provided through vehicle V5.

Environment

Carbon emissions continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Other emissions continued	c. Standards, methodologies, assumptions, and/or calculation tools used	GRI 305–7 SASB: IF–EU–120a.1	–	–	–	Calculations are based on manufacturers emissions factors, utilising kWh of diesel from litres as per BEIS conversion factors.
Management	Explain whether it is subject to any country, regional, or industry–level emissions regulations and policies; and provide examples of these regulations and policies;	GRI	–	–	–	SMS has low emissions, falling below emissions thresholds to be included in any regulating initiatives such as EU ETS. SMS does fall under the SECR disclosure requirements, which are encompassed in both the above and the Annual report and accounts. Operationally our fleet vehicles fall indirectly under emissions obligations, these are satisfied through regular servicing and compliance ensured through Motor Vehicle Testing (MOT's) and auditing of monthly MPG reports. All LCV are tracked which enables the fleet department to monitor driving styles and idling.
	Percentage covered under (2) emissions–limiting regulations, and (3) emissions–reporting	SASB: IF–EU–110a.1	0	0	%	SMS have no emissions covered under emissions regulations or reporting during 2020.

Environment

Energy consumption

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Energy use	Total Energy Consumed	GRI 302–1 SASB: RR–FC–130a.1	13,177.0	8,128.7	MWh	–
	Percentage Grid Electricity	SASB: RR–FC–130a.1	100	100	%	–
	Percentage Renewable	SASB: RR–FC–130a.1	0	0	%	–
	a & e. Total fuel consumption within the organisation from non–renewable sources, in joules or multiples	GRI 302–1	47,437.1	29,263.3	GJ	This data also represents Total energy consumption within the organisation.
	Fuel types used. Diesel	GRI 302–1	43,559.8	26,046.0	GJ	–
	Fuel types used. Electricity	GRI 302–1	2,888.3	2,372.8	GJ	–
	Fuel types used. Natural Gas	GRI 302–1	989.0	821.5	GJ	–
	b. Total fuel consumption within the organisation from renewable sources, in joules or multiples, and including fuel types used.	GRI 302–1	–	–	GJ	SMS have no renewables generation sources in the year of reporting. Renewable electricity contracts are in place as detailed in Scope 2 section.
	c. In joules, watt–hours or multiples, the total: i. electricity consumption ii. heating consumption iii. cooling consumption iv. steam consumption	GRI 302–1	–	–	GJ	Electricity data is included above. SMS has no heating, cooling or steam direct consumption.

Environment

Energy consumption continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Energy use continued	d. In joules, watt–hours or multiples, the total: i. electricity sold ii. heating sold iii. cooling sold iv. steam sold	GRI 302–1	0	0	GJ	SMS had not sold electricity in reporting year.
	f. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 302–1	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.
	g. Source of the conversion factors used.	GRI 302–1	–	–	–	Emissions factors used are sourced from BEIS government annual data releases.
	Scope 3 a. Energy consumption outside of the organisation, in joules or multiples.	GRI 302–2	–	–	GJ	Scope 3 emissions are currently calculated on 'Well–to–Tank' emissions and waste processing, direct energy consumption is not yet calculated for these data sets.
	b. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 302–2	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.
	c. Source of the conversion factors used.	GRI 302–2	–	–	v	Emissions factors used are sourced from BEIS government annual data releases.
Energy intensity	a. Energy intensity ratio for the organisation.	GRI 302–3	115.3	78.9	MWh/£m	SMS energy intensity is based on Scope 1 and 2, and £m revenue.
	Percentage change in Intensity from previous year	–	–4	–31	%	Energy Intensity Change.
	b. Organisation–specific metric (the denominator) chosen to calculate the ratio.	GRI 302–3	£m	–	–	Revenue is used as the denominator in intensity ratio.
	c. Types of energy included in the intensity ratio; whether fuel, electricity, heating, cooling, steam, or all.	GRI 302–3	–	–	–	All relevant fuels are included; Diesel, Gas, Gas Oil, Electricity. Excludes Scope 3 energy sources.
	d. Whether the ratio uses energy consumption within the organisation, outside of it, or both.	GRI 302–3	–	–	–	Energy consumption within the organisation is used in energy intensity calculations.

Environment

Water data

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Other metrics	Total water withdrawn	SASB IF–EU–140a.1	7,540.5	2,915.1	m³	Water withdrawn is aggregated from water meter and estimate data across SMS building estate.
	Total water consumed	SASB IF–EU–140a.1	0	0	m³	Water is not actively consumed by any processes conducted by SMS in the reporting year. SMS does have a very small proportion consumed by staff on sites, but this is not currently calculated.
	Percentage of water consumed in regions with High or Extremely High Baseline Water Stress	SASB IF–EU–140a.1	0	0	%	All water is used within the UK and Ireland, which has no defined 'water stress' regions.
	Number of incidents of non–compliance associated with water quantity and/or quality permits, standards, and regulations	SASB IF–EU–140a.2	0	0	#	SMS has no incidents of non–compliance associated with water quantity and/or quality permits, standards, and regulations in the reporting year.

Offsetting

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Offsets	When reporting on GHG emissions targets, the reporting organisation shall explain whether offsets were used to meet the targets, including the type, amount, criteria or scheme of which the offsets are part.	GRI	–	–	–	SMS does not utilise any Carbon Offsetting at this time.

Environment

Carbon reduction activities

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Reductions	a. GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO_2 equivalent.	GRI 305–5	880.8	285.0	T CO_2e	Our fleet emissions have been significantly impacted by the COVID–19 restrictions throughout 2020, reflecting a reduction in smart meter installs during the initial lockdown period. Our fleet operational control initiative continues to be a rolling action plan under our ISO 50001 management system. Our fleet team have continued focus on 'Driver Styles' training and implemented consumption audits. In addition to training and monitoring, monthly figures are aggregated and trend analysis used to identify issues, and implement early mitigation steps.
	b. Gases included in the reduction calculation; whether CO_2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all.	GRI 305–5	CO_2e	–	Gases	CO_2 equivalent is used in reductions calculations, emissions factors used are sourced from BEIS government annual data releases.
	c. Base year or baseline, including the rationale for choosing it.	GRI 305–5	2018	2019	Year	This baseline has been chosen as it was the most up–to–date energy data available, inline with our energy management standards and alignment with the annual financial reporting year at SMS.
	d. Scopes in which reductions took place; whether direct (Scope 1), energy indirect (Scope 2), and/ or other indirect (Scope 3).	GRI 305–5	1	1	Scope	Based on combustion of Diesel in tracked fleet vehicles. Reductions observed across all scopes, however not all can be separated from COVID–19 operational impacts.
	e. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 305–5	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.
	a. Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.	GRI 302–4	27,625.8	16,314.7	GJ/ Vehicle	Reduction is based on energy use per vehicle following Energy Management System action plans delivering a 17% reduction in kWh/vehicle.
	b. Types of energy included in the reductions; whether fuel, electricity, heating, cooling, steam, or all.	GRI 302–4	–	–	–	Reduction is calculated from fleet energy reductions in Litres of Diesel. This calculation excludes building reductions.
	c. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it.	GRI 302–4	–	–	–	Reduction is based on EnPIs as part of our Energy Management System, which measures year on year performance. Base year is 2018.
	d. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 302–4	–	–	–	SMS extrapolates percentage energy saving per vehicle to understand the impact of projects and actions taken, whilst our fleet continues to grow.

Environment

Carbon and energy reduction services

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Products and services	a. Reductions in energy requirements of sold products and services achieved during the reporting period, in joules or multiples.	GRI 302–5	0	0	MWh	Our products and services are based on reducing energy consumption and emissions. Whilst the energy and emissions savings have been significant for our customers, (see pages 12 and 13) the energy consumed by the operation of smart meters or lighting solutions has not changed.
	b. Basis for calculating reductions in energy consumption, such as base year or baseline, including the rationale for choosing it.	GRI 302–5	2018	2019	Year	This baseline has been chosen as it was the most up–to–date energy data available, inline with our energy management standards and alignment with the annual financial reporting year at SMS.
	c. Standards, methodologies, assumptions, and/or calculation tools used.	GRI 302–5	–	–	–	SMS utilises the GHG protocol guidance for emissions accounting methodology and calculations.
	Alternative Energy Products and Services	ESG Rating Agencies	–	–	–	Low Carbon energy is among key strategic objectives, with the development and implementation of carbon reduction ('CaRe') assets a key strategic target.
	Energy Efficiency Products and Services	ESG Rating Agencies	–	–	–	Energy Efficiency products and services are a key part in the end to end services offered by SMS to help customers achieve their ambitions for low carbon energy.
	Green Building Products and Services	ESG Rating Agencies	–	–	–	Our low carbon energy products and services are a critical aspect of green building now and in the future.
	Pollution Prevention and Control Products and Services	ESG Rating Agencies	–	–	–	SMS are not involved in direct pollution prevention or control products or services such as filtering or spill response. Our services are indirect pollution mitigation through energy use reduction services.
	Sustainable Water Products and Services	ESG Rating Agencies	–	–	–	SMS are not involved in direct sustainable water products or services such as leak detection hardware or bunding. Our services are indirect, such as operational control through water use data services.

Environment

Climate–related risks and opportunities

Section	Category	Applicable frameworks			Notes

Climate risks	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:
	  i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;
	  ii. a description of the impact associated with the risk or opportunity;
	  iii. the financial implications of the risk or opportunity before action is taken;
	  iv. the methods used to manage the risk or opportunity;
	  v. the costs of actions taken to manage the risk or opportunity.
		GRI 201–1	1	Risk	**SOURCE**
					Climate change is leading to increased intensity and frequency of severe weather events, such as prolonged and heavy rainfall in the UK, increasing frequency of extreme wind, drought or snow. These weather changes have the potential to significantly impact SMS, effecting the safety of its employees, assets and operations.
					
					RISK
					The key risk associated with these events is the health and safety risk to employees, with secondary impact of decrease in revenue from disruption to business as usual. SMS has a significant proportion of employees' vehicle–based, in our Engineer Team, where driving conditions are a key factor in safety. Risk scenarios encompass an incident occurrence leading to significant injury, illness or loss of life to an employee or third party.
					The potential financial impact and likelihood is dependent on how widespread or severe any event might be, and how many employees or assets could be affected, with the possibility of major safety incidents increased if more of the UK is affected or the weather more intense.
					Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.

	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:
	  i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;
	  ii. a description of the impact associated with the risk or opportunity;
	  iii. the financial implications of the risk or opportunity before action is taken;
	  iv. the methods used to manage the risk or opportunity;
	  v. the costs of actions taken to manage the risk or opportunity.
		GRI 201–1	2	Risk	**SOURCE**
					Climate change is leading to increased frequency of weather events, such as prolonged and heavy rainfall in the UK, increasing frequency of extreme wind, drought or snow.
					These weather changes have the potential to significantly impact SMS, affecting the ability to continue business as usual. This can take the form of disruption to transportation including employee and supply chain, operation of warehousing and offices, and information networks such as onsite servers. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.
					
					RISK
					Supply chain risk: The Group relies on a limited number of critical suppliers, including meter manufacturers, and failure of one critical supplier could have significant operational and financial implications. Key risks to our supply chain include inability to fulfill customer orders, resulting in business continuity issues and legal and financial exposure.
					Fleet, Warehouse and Office operation risk: Frequent interruptions to business as usual at physical locations and transportation–based activities could have significant impact on productivity.
					Data critical systems risk: Weather related failure of core and/or critical information technology systems could result in operational interruption. This could take the form of temporary loss of critical business systems, loss or corruption of data, potentially having a detrimental impact on customer service and potential loss of revenue through inability to meet customer orders or issue invoices.

Environment

Climate–related risks and opportunities continued

Section	Category	Applicable frameworks			Notes
Climate risks continued	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	GRI 201–1	3	Risk	**SOURCE** It is well–understood by policymakers that businesses plan over a time horizon longer than the political cycle, but long–term policymaking to support these decisions has proven to be difficult in practice. In the UK a lack of clarity from Government on decarbonisation policies required to meet climate change commitments, exacerbated by Brexit and most recently COVID–19, making investment decisions more difficult. 2050 net–zero legislation has given direction however, definition and clarity of actions are yet to be shared. **RISK** SMS is a leader in the transition to a low carbon economy, rapidly developing services to support a range of new and existing customers to achieve carbon reductions. Policy can both positively and negatively impact the perceived value of any key area of decarbonisation, with the potential to lead the market away from SMS offering through lack of support. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.
	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	GRI 201–1	4	Risk	**SOURCE** In the pursuit of reducing carbon, taxation is a frequently used government tool to change markets and consumer behaviour. Gradually escalating carbon taxation in the UK is projected to continue to result in rises in fuel and energy costs. **RISK** As energy consumption through vehicle fuel and estate utilities is required to run our business operations, rises in energy costs have a direct impact to our business. In contrast to the benefits carbon taxation brings to the appeal to our services, a related increase in operational overheads impact the profitability of our business. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.
	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	GRI 201–1	1	Opportunity	**SOURCE** BEIS announced a proposed extension of the UK smart meter rollout deadline to 30 June 2025 with annual mandatory performance targets to be introduced on a supplier by supplier basis. C.70% of all meters covered by the UK smart meter rollout are still to be exchanged with the industry–wide run rate just over 1 million meters per quarter. **OPPORTUNITY** SMS is an established and reputable supplier of smart meters with contracts in place with major energy suppliers across the UK. The smart meter extension has increased the time supplier have to achieve the targets set out for smart meter installs, which in turn extends SMS's ability to support the installations required. c.36.5 million meters still to be exchanged in the industry as a whole. Our contracted c.2 million pipeline opportunity from existing contracts with independent energy suppliers should add a further c.£40m of ILARR. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.

Environment

Climate–related risks and opportunities continued

Section	Category	Applicable frameworks			Notes
Climate risks continued	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity.	GRI 201–1	2	Opportunity	**SOURCE** In June 2019 Government–legislated the target of net–zero carbon emissions by 2050, which is expected to drive the public policy agenda and consequent business and consumer response. Ofgem has set out its decarbonisation action plan, detailing its next steps on an urgent, but decades–long, journey towards net–zero. **OPPORTUNITY** A new market for the management and operation of carbon reduction ('CaRe') assets, including EV charging points and battery storage, continues to evolve and developments in this space are accelerating. The next few years will see intense evolution across the energy production and consumption landscape and we have seen significant growth opportunities in CaRe assets from within our energy management division. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.
	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	GRI 201–1	3	Opportunity	**SOURCE** Government target for all new vehicles to be electric by 2035, with a ban on the sale of new petrol, diesel and hybrid vehicles due to be enforced accordingly. The government's Road to Zero strategy includes legislation designed to improve EV uptake. Decarbonising heating is a big challenge facing the energy sector with residential heating alone currently responsible for c.18% of the UK's greenhouse gas emissions. Ofgem has set out its decarbonisation action plan to identify and tackle regulatory barriers, and remove obstacles to new business models, products and services. **OPPORTUNITY** Electrification of transport and heat represents a fundamental shift in markets and energy networks, amounting to over £100b in total market size. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.
	a. Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including: i. a description of the risk or opportunity and its classification as either physical, regulatory, or other; ii. a description of the impact associated with the risk or opportunity; iii. the financial implications of the risk or opportunity before action is taken; iv. the methods used to manage the risk or opportunity; v. the costs of actions taken to manage the risk or opportunity	GRI 201–1	4	Opportunity	**SOURCE** The digitisation of the energy network is increasing in scale and breadth as the energy systems rapidly evolve to meet demand. This includes current data sources such as volume of data being generated by smart meters and other devices and the technology being used to drive efficiency and enhance customer experience. The digital revolution is driving a more dynamic energy system, with demand and generation needing to be able to respond to each other on a local basis; Artificial intelligence, automation and use of blockchain have potential to further disrupt the energy market. **OPPORTUNITY** The exponential growth of data gathering, processing and response systems represents a significant emerging market opportunity. The scale of this can be seen in examples such as: over 2.8 trillion data points will be collected in 2050 to understand where EVs are charging on the electricity system. Full details of all SMS climate–related risks and opportunities are detailed within our CDP submission.

Social

Materiality and boundaries

Section	Category	Applicable frameworks	Notes
Materiality and boundaries	Any specific limitation regarding the topic Boundary.	GRI 103–1	There are no specific limitations set for SMS social impacts, SMS continues to mature and expand the engagement, monitoring and targeting across relevant aspects.

Materiality	For each material topic:
	
	a. An explanation of how the organisation evaluates the management approach, including:
	
	  i. the mechanisms for evaluating the effectiveness of the management approach;
	  ii. the results of the evaluation of the management approach;
	  iii. any related adjustments to the management approach
		GRI 103–3	SMS management systems performance is monitored through rigorous audit program. Internal audits are conducted to verify that processes and procedures and work activities comply with planned expectations including customer contractual requirements and other management system requirements.
			
			Where nonconformities are identified, robust action is taken to eliminate the root cause to prevent reoccurrence. Corrective actions will be appropriate to the effects of the nonconformity. Full review and analysis will be undertaken to identify the root cause and all necessary actions will be implemented and results reviewed for effectiveness.
			
			Management review meetings are held at least annually, with additional reviews undertaken if deemed necessary by senior management. Reviews are undertaken within each business unit in order to ensure the continuing suitability, adequacy and effectiveness of the management systems and to ensure that the policies, procedures, registers and improvement objectives are still relevant to the Company's objectives and needs of customers and changing legislation. The review shows the possibilities for improvement and any need for changes in the management systems.

Social

Management

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Materiality continued	Description of reports to assess, monitor, and reduce exposure of workforce to human health hazards	SASB RR–FC–320a.2	–	–	–	PRO_SHE_017 Risk Management Procedure follows the hierarchy of control for reducing health risks for the workforce. Two Occupational Health Providers engaged to advise, assess and monitor health risks.
	a. A description of the processes used to identify work–related hazards and assess risks on a routine and non–routine basis, and to apply the hierarchy of controls in order to eliminate hazards and minimize risks, including: i. how the organisation ensures the quality of these processes, including the competency of persons who carry them out; ii. how the results of these processes are used to evaluate and continually improve the occupational health and safety management system.	GRI 403–2	–	–	–	PRO_SHE_017 Risk Management Procedure is implemented to manage hazards and risks i) all procedures are audited internally and externally to ISO 9001, competency matrices available for job roles. ii) Results are communicated via the Board Report, Senior Management Team and Senior Leadership Team forums.
	a. An explanation of how the organisation facilitates workers' access to non–occupational medical and healthcare services, and the scope of access provided.	GRI 403–6	–	–	–	Primary non occupational medical and healthcare is via the National Health Service (NHS). All employees have access to 'Smart Health' via SMS which amongst a host of other services, provides instance access to a GP appointment for all and prescriptions to be delivered to homes. Senior staff members have access to private medical services.
	a. A description of the organisation's approach to preventing or mitigating significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships, and the related hazards and risks.	GRI 403–7	–	–	–	Regular inspections and audits are carried out across all business functions by the SHEQ and Technical Assurance teams. A dedicated internal audit team carry out regular audits on all business systems. The findings from all of the above are formally reported to the operating Board of Directors.
	b. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	GRI 403–8	0	0	#	No workers have been excluded.

Social

Management continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Materiality continued	c. Any contextual information necessary to understand how the occupational health and safety data have been compiled, such as any standards, methodologies, and assumptions used.	GRI 403–8	–	–	–	All data is compiled, and cross checked with the Finance and HR functions.
	a. A description of internal and external mechanisms for: i. seeking advice about ethical and lawful behaviour, and organisational integrity; ii. reporting concerns about unethical or unlawful behaviour, and organisational integrity.	GRI 102–17	–	–	–	There are policies in place regarding Whistleblowing, Anti–bribery, Charitable and Political Donations, Gifts and Hospitality. We have a Grievance Policy and robust process in place for dealing with grievances. Our dedicated HR team can provide specialist technical advice and there is access to an external lawyer, supported by an in–house legal team. Further to this we can refer to relevant government websites for the most up to date guidance where appropriate.
	a. Percentage of total employees covered by collective bargaining agreements.	GRI 102–41	0	0	%	0% as we are not unionised.

	a. Total number and rate of new employee hires during the reporting period, by age group, gender and region.
	b. Total number and rate of employee turnover during the reporting period, by age group, gender and region.
		GRI 401–1	Headcount in 2019 was 1,218.5.
			• Total Number of new starts – 782
			• By Gender; Female 242, Male 540
			• By Age Group; Under 30: 334, 30 – 50: 358, Over 50 – 90
			• By Region;
			  • Cambridge – 12
			  • Cardiff – 83
			  • Doncaster – 616
			  • Glasgow – 67
			  • Ireland – 4
				Average headcount in 2020 was 1,096
				• Total Number of new starts – 106
				• By Gender; Female 40, Male 66
				• By Age Group; Under 30: 36, 30 – 50: 57, Over 50: 13
				• By Region;
				  • Cambridge – 3
				  • Cardiff – 58
				  • Doncaster – 20
				  • Glasgow – 18
				  • Ireland – 7
				• Total Number of leavers – 352
				• By Gender; Female 98, Male 254
				• By Age Group; Under 30: 113, 30 – 50: 187, Over 50: 52
				• By Region;
				  • Cambridge – 4
				  • Cardiff – 56
				  • Doncaster – 268
				  • Glasgow – 22
				  • Ireland – 2
					–	–

Social

Management continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Turnover	(1) Voluntary and (2) involuntary turnover rate for employees	SASB SV–HL–310a.1 SV–PS–330a.2	Average employees in 2019 was 1,218.5. Voluntary Leaver – 340/Involuntary Leavers – 126 Voluntary Turnover – 27.9/Involuntary Turnover – 10.3 Reasons for leaving – predominately performance related for involuntary and new role for voluntary	Average employees in 2020 was 1,096 Voluntary Leaver – 246/Involuntary Leavers – 106 Voluntary Turnover – 22.44%/Involuntary Turnover – 9.67% Reasons for leaving – predominately performance/disciplinary related for involuntary and new role for voluntary	–	–
	Targets and deadlines related to supply chain management	ESG Rating Agencies	–	–	–	SMS Procurement has categorised its vendor base held on SharePoint in readiness for its new EQMS (Electronic Quality Management System) coming onboard to help identify similar vendor types within the EQMS system and will also prove key to SMS in order to rationalise its vendor base once spend is also brought into the platform from SMS ERP system. The first stage of the EQMS platform successfully went live in September 2020 which enables new vendor onboarding requests to be systematically processed and improves the initial onboarding of vendors via Issue Manager. This will then be followed up by end of February 2021 with the vendor manager platform. Within the development of the EQMS platform Procurement have currently identified a number of individual reportable data fields ranging from vendor insurance cover through to sustainability targets, once fields are completed by the vendor this will allow for greater transparency to both Procurement and company–wide employees (based on access rights). Once the platform is live and EQMS holds SMS ERP vendor codes, it is SMS Procurement intent to bring across vendor spend from the ERP system to allow for spend analytics for tier rating and elimination of duplicate vendor types across group bringing through cost saving targets whilst reducing the vendor base and administrative time for its finance teams. Longer term goals and aspirations of the EQMS platform is to have vendors self populating files and bringing in a fair and transparent monitoring of SMS data base with most up to date information being populated. Further development of Risk Manager in EQMS can bring in KPI reporting which is also business critical.

Social

Management continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Turnover continued	Training programmes for suppliers on labour rights issues or plans to do so	ESG Rating Agencies	–	–	–	We do not currently have training programmes for suppliers on labour rights issues. As SMS develops its EQMS (Electronic Quality Management System) platform and closer monitoring of its vendor base – will allow for best practice to be shared. It is Procurement ambition is to attain FCIPS standard which strengthens a closer working relationship with the body CIPS and Continuous Personal Development to enable translation and training of best practice to SMS supply chain.
	Monitoring of supply chain non–compliance incidents or practices	ESG Rating Agencies	–	–	–	SMS do not currently conduct monitoring of supply chain non–compliance incidents or practices. As we develop closer monitoring of our vendor base through the EQMS (Electronic Quality Management System) and working relationships with vendors; best practice will be shared. It is Procurement ambition is to attain FCIPS standard which strengthens a closer working relationship with the body CIPS and therefore SMS Development to enable translation and training of best practice to SMS supply chain.
	Share information on interaction with NGOs, labour groups or industry peers on social supply chain issues.	ESG Rating Agencies	–	–	–	As a MCIPS member, SMS Procurement function is kept up to date with social supply chain issues, further interaction with CIPS and the development to attain FCIPS status will help draw out topical issues to share with SMS Supply chain.
	Significant changes to the organisation's size, structure, ownership, or supply chain	GRI 102–10	–	–	–	Please see Annual report and accounts.
	Description of policies and programs to prevent worker harassment	SASB SV–HL–310a.4	–	–	–	We have an employee handbook which all new starters are required to read and e–sign, further to this our policies are available on the Company intranet page, including our Dignity At Work and Equal Opportunities, Diversity and Inclusion Policy. We also require all new starters to complete our in–house Equality and Diversity e–training module.

Social

Social performance data

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Performance	Disclose data on lost–time incident rate (LTIR)	SASB IF–EN–250a.2	0.48	0.20	#	Lost time injury frequency rate.
	(1) Total recordable incident rate (TRIR) and	SASB RR–FC–320a.1	0	–	#	TRIR not currently recorded.
	(2) fatality rate	SASB RR–FC–320a.1	0	–	#	Fatality rate is zero.
	(3) near miss frequency rate (NMFR)	SASB RR–FC–320a.1	15.14	14.82	#	Near Miss Frequency Rate 15.3 – no separate data for the categories listed above.
	Safety Measurement System BASIC percentiles for: (1) Unsafe Driving	SASB IF–WM–320a.2	–	–	–	Driving styles and speed limit adherence are measured.
	Safety Measurement System BASIC percentiles for: (2) Hours–of–Service Compliance	SASB IF–WM–320a.2	–	–	–	Driver hours are recorded and monitored.
	Safety Measurement System BASIC percentiles for: (3) Driver Fitness	SASB IF–WM–320a.2	–	–	–	Driver fitness is monitored, regular random and for cause drug and alcohol checks are undertaken.
	Safety Measurement System BASIC percentiles for: (4) Controlled Substances/Alcohol	SASB IF–WM–320a.2	–	–	–	Regular random and for cause drug and alcohol checks are undertaken.
	a. For all employees: i. The number and rate of fatalities as a result of work–related injury; ii. The number and rate of high–consequence work–related injuries (excluding fatalities);	GRI 403–9	–	–	–	i. None ii. None
	a. For all employees: iii. The number of recordable work–related injuries	GRI 403–9	10	20	#	Work related injuries.
	a. For all employees: iii. The rate of recordable work–related injuries	GRI 403–9	0.45	0.98	#	Frequency rates are based on number of installs.
	a. For all employees: iv. The main types of work–related injury; v. The number of hours worked.	GRI 403–9	–	–	–	iv. Musculoskeletal injuries is the main type of work–related injury. v. Frequency rates are based on number of installs rather than hours worked.

Social

Social performance data continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes

Performance continued	b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation:
	  i. The number and rate of fatalities as a result of work–related injury;
	  ii. The number and rate of high–consequence work–related injuries (excluding fatalities);
	  iii. The number and rate of recordable work–related injuries;
	  iv. The main types of work–related injury;
	  v. The number of hours worked.
		GRI 403–9	–	–	–	i. None
						ii. None

	b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation:
	  iii. The number and rate of recordable work–related injuries;
	  iv. The main types of work–related injury;
	  v. The number of hours worked.
		GRI 403–9	–	2	–	iii. Data not available for 2019. Data not available for frequency rate.
						iv. N/A
						v. Frequency rates are based on number of installs rather than hours worked.

	b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation:
	  iv. The main types of work–related injury;
	  v. The number of hours worked.
		GRI 403–9	–	–	–	Data not available for 2019.
						Manual handling is the main type of work–related injury.

	c. The work–related hazards that pose a risk of high–consequence injury, including: i. how these hazards have been determined	GRI 403–9	–	–	–	Through risk assessment and consultation we have identified Working with gas and electricity, plant and vehicle movement, driving, work at height.
	c. The work–related hazards that pose a risk of high–consequence injury, including: ii. which of these hazards have caused or contributed to high–consequence injuries during the reporting period;	GRI 403–9	–	–	–	Data not available.
	c. The work–related hazards that pose a risk of high–consequence injury, including: iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.	GRI 403–9	–	–	–	Minimise exposure to the risks/hazards identified, Risk assessments and method statements in place. No live working permitted, competent personnel carry out all works, safe tools and equipment used. Supervision and monitoring. PPE where required.

Social

Social performance data continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Performance continued	d. Any actions taken or underway to eliminate other work–related hazards and minimize risks using the hierarchy of controls.	GRI 403–9	–	–	–	Ergonomic training planned to reduce the number of Musculoskeletal injuries.
	e. Whether the rates have been calculated based on 200,000 or 1,000,000 hours worked.	GRI 403–9	100,000	100,000	hours	Frequency rates based on installs x 100,000.
	f. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	GRI 403–9	–	–	–	None excluded
Safety	g. Any contextual information necessary to understand how the rate of fatalities data have been compiled, such as any standards, methodologies, and assumptions used.	GRI 403–9	–	–	–	Relevant industry standards stipulate that frequency rates should be based on installs rather than working hours.
	a. For all employees: i. The number of fatalities as a result of work–related ill health; ii. The number of cases of recordable work–related ill health; iii. The main types of work–related ill health.	GRI 403–10	–	–	–	i. None ii. Not collated separately to injury, as per above. iii. Not collated separately to injury, as per above.
	b. For all workers who are not employees but whose work and/or workplace is controlled by the organisation: i. The number of fatalities as a result of work–related ill health; ii. The number of cases of recordable work–related ill health; iii. The main types of work–related ill health.	GRI 403–10	–	–	–	i. None ii. None iii. None
	c. The work–related hazards that pose a risk of ill health, including: i. how these hazards have been determined; ii. which of these hazards have caused or contributed to cases of ill health during the reporting period; iii. actions taken or underway to eliminate these hazards and minimize risks using the hierarchy of controls.	GRI 403–10	–	–	–	Work related hazards have been defined as working with gas and electricity. i. Hazards have been identified through H&S management systems. ii. No injuries relating to gas or electricity in the reporting period. iii. No live working permitted; competent personnel carry out all works. Ergonomic training planned to reduce the number of musculoskeletal injuries.
	d. Whether and, if so, why any workers have been excluded from this disclosure, including the types of worker excluded.	GRI 403–10	–	–	–	No workers have been excluded from this calculation.

Social

Social performance data continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Safety continued	e. Any contextual information necessary to understand how the work–related ill health data have been compiled, such as any standards, methodologies, and assumptions used.	GRI 403–10	–	–	–	Industry standards stipulate that frequency rates should be based on installs rather than working hours.
	Total amount of monetary losses as a result of legal proceedings associated with labour law violations	SV–HL–310a.2	0	0	£	No legal proceedings associated with labour law violations.
	Employee engagement as a percentage Disclosure shall include a description of the methodology employed.	SASB SV–PS–330a.3	65.12	50	%	We launched our 2nd external employee engagement survey via 'Best Companies' in February 2021. 75% of employees responded. We received feedback on what we do well as a business and what areas we could do better at. Following that we will share the results via an infographic to employees and will implement an action plan across all areas of the business, with a further survey in 2022 to gauge YOY improvement. We were accredited with a 'Once to Watch' by 'Best Companies' for high levels of employee engagement.
	Number of employees by: (1) full–time and part–time	SASB SV–PS–000.A	1,268	1,024	#	Figures as at 31 December 2020.
	Number of employees by: (1) full–time and part–time	SASB SV–PS–000.A	1,268	1,024	#	Figures as at 31 December 2020.
	Number of employees by: temporary	SASB SV–PS–000.A	5	4	#	Temporary employee is defined as fixed term staff employed by SMS, and excludes agency employees. Figures as at 31 December 2020.
	Number of employees by: contract	SASB SV–PS–000.A	–	–	#	Data is not currently available.
	Employee hours worked, percentage billable	SASB SV–PS–000.B	–	–	Hours	Hours worked and percentage billable is not currently calculated. SMS will pursue this for future reporting.

Social

Social performance data continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Safety continued	a. Total number of employees by employment contract (permanent and temporary), by gender.	GRI 102–8	Female: Permanent 398/ Temporary 4 Male: Permanent 870/ Temporary 1	Female: Permanent 340/ Temporary 1 Male: Permanent 680/ Temporary 3	–	–
	b. Total number of employees by employment contract (permanent and temporary), by region.	GRI 102–8	Cardiff: Permanent 286/Temp 2 Cambridge: Permanent 29/ Temp 0 Glasgow: Permanent 186/Temp 2 Doncaster: Permanent 761/Temp 1 Ireland: Permanent 6/ Temp 0	Cardiff: Permanent 287/ Temp 2 Cambridge: Permanent 27/ Temp 0 Glasgow: Permanent 183/ Temp 1 Doncaster: Permanent 509/Temp 1 Ireland: Permanent 14/ Temp 0	#	–
	c. Total number of employees by employment type (full–time and part–time), by gender.	GRI 102–8	Full–time: Female 337/ Male 849 Part–time: Female 65/ Male 22	Full–time: Female 283/ Male 665 Part–time: Female 58/ Male 18	#	–
	d. Whether a significant portion of the organisation's activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	GRI 102–8	–	–	–	SMS deploys subcontractors to complete a portion of our field–based metering works. This includes installing and/or exchanging gas and electricity meters at domestic or industrial and commercial sites. This is not a significant portion of our work as it is only 6.9% of the overall workforce.
	e. Any significant variations in the numbers reported in Disclosures 102–8–a, 102–8–b, and 102–8–c (such as seasonal variations in the tourism or agricultural industries).	GRI 102–8	–	–	–	No significant seasonal variations however number of fixed term workers increase slightly over summer months as we take on a small number of summer workers and work experience employees.
	f. An explanation of how the data have been compiled, including any assumptions made.	GRI 102–8	–	–	–	Reports produced using our online HR system (Cezanne) with a reporting date of 31 December 2020. Temporary employees are defined as fixed term staff employed by SMS, and excludes agency paid employees. Region refers to the regional payroll each employee falls into and not their residential address.

Social

Gender and equality

Section	Category	Applicable frameworks	Notes
Performance	Percentage of gender and racial/ethnic group representation for (1) executive management and (2) all other employees The entity shall describe its policies and programs for fostering equitable employee representation across its global operations.	SASB SV–PS–330a.1	See our Gender pay report for further details.
	Share Managerial or board level responsibility for diversity initiatives	ESG Rating Agencies	Judy Keir, Group HR Director has responsibility to champion this throughout the organisation, supported by the Non–executive Directors and Board
	a. Total number of employees that were entitled to parental leave, by gender. b. Total number of employees that took parental leave, by gender. c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender. d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender. e. Return to work and retention rates of employees that took parental leave, by gender.	GRI 401–3	Data not currently available.

Social

Gender and equality

Section	Category	Applicable frameworks	Notes
Performance continued	a. Percentage of individuals within the organisation's governance bodies in each of the following diversity categories: i. Gender ii. Age group: under 30 years old, 30–50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	GRI 405–1	**i. Non–executive** **50%** Male **50%** Female **Board*** **71%** Male **29%** Female **ii. Non–executive** **0%** Under 30 **0%** 30–50 **100%** Over 50 **Board*** **0%** Under 30 **80%** 30–50 **20%** Over 50
	b. Percentage of employees per employee category in each of the following diversity categories: ii. Age group: under 30 years old, 30–50 years old, over 50 years old; iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).	–	**24%** Under 30 **59%** 30–50 **17%** Over 50 Based on employment as of 31 December 2020
	a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.	GRI 405–2	From 2020 V 2019 for the consolidated Group, overall, the SMS Group has a 32% female and a 68% male workforce. The percentage of female employees has decreased slightly in the lower pay quartile of the organisation by 7% which is positive, however there are significantly more male employees (in senior roles) in the upper middle and top pay grade quartiles, which contributes to a gender pay gap. That said, there has been an increase of 6% in the percentage of female employees (compared to 2019) represented in the top quartile.
	b. The definition used for 'significant locations of operation'.	GRI 405–2	SMS operate in the UK and Ireland therefore the whole business is included in the figures provided.

* Board calculations consist of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and General Counsel.
The Non–executive Directors are not included in the 'Board' figures, they are included in the Non–executive figures only.

Social

Remuneration and incentives

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Remuneration and incentives	Develop or share existing evidence of variable incentive pay for non–officer staff	ESG Rating Agencies	–	–	–	A monthly bonus in place for engineering staff. A discretionary annual performance related bonus for senior employees which is dependent on achievement of both individual and company performance measures.
	Describe actions on building long–term performance related pay for Directors	ESG Rating Agencies	–	–	–	SMS has introduced one SMS pay and reward framework across the business using a third–party company, Verditer Consulting Limited, to benchmark our salaries using WTW and construct the framework.
	Average hourly wage, by region	SASB SV–HL–310a.3	–	–	–	Glasgow £20.49/Cardiff £14.89/Cambridge £28.96 Information calculated using average hourly rate based on the 31 December 2019. Region is defined as the payroll area in which an individual belongs to – Cardiff, Cambridge, Doncaster or Glasgow. Doncaster and Solo Energy data not currently available.
	Percentage of employees earning minimum wage, by region	SASB SV–HL–310a.3	0	0	%	(2) 0% – we are a Living Wage Employer therefore no employees receive minimum wage.

	a. Remuneration policies for the highest governance body and senior executives for the following types of remuneration:
	  i. Fixed pay and variable pay, including performance–based pay, equity–based pay, bonuses, and deferred or vested shares;
	  ii. Sign–on bonuses or recruitment incentive payments;
	  iii. Termination payments;
	  iv. Clawbacks;
	  v. Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees.
	b. How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental, and social topics.
		GRI 102–35	–	–	–	Remuneration details can be found in our Annual report and accounts

	a. Ratio of the annual total compensation for the organisation's highest–paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest–paid individual) in the same country.	GRI 102–38	102–38	–	Ratio	Predominantly UK and Republic of Ireland based operations. Recently opened in Australia (2 employees).
	a. Ratio of the percentage increase in annual total compensation for the organisation's highest–paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest–paid individual) in the same country.	GRI 102–39	–	–	–	Ratio of total compensations is not currently calculated.

Governance

Materiality and boundaries

Section	Category	Applicable frameworks	Notes
Materiality and boundaries	The Boundary for the material topic, which includes a description of: i. where the impacts occur; ii. the organisation's involvement with the impacts. For example, whether the organisation has caused or contributed to the impacts, or is directly linked to the impacts through its business relationships.	GRI 103–1	i. SMS governance commitments pertain to operational control across legal requirements, financial conduct and Information Technology activities. ii. SMS is directly responsible for the legal, financial and IT operations so far as reasonably influenceable.
	Any specific limitation regarding the topic Boundary.	GRI 103–1	There are no specific limitations set for SMS governance impacts, however reasonable expectations of influence and control must be observed.
	a. Significant changes from previous reporting periods in the list of material topics and topic Boundaries	GRI 102–49	None
	a. Reporting period for the information provided	GRI 102–50	Year ended 31 December 2020.
	a. If applicable, the date of the most recent previous report	GRI 102–51	This is the first Sustainability Report.
	Reporting cycle	GRI 102–52	Annual

Governance

Materiality and boundaries continued

Section	Category	Applicable frameworks	Notes
Materiality and boundaries continued	For each material topic: a. An explanation of how the organisation evaluates the management approach, including: i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach.	GRI 103-3	**BOARD EVALUATION** Each year, the Company carries out a performance evaluation of the Board, its Committees and individual Directors. This process gives the Directors the opportunity to identify areas for improvement both jointly and individually using questionnaires, one-to-one sessions with the Chairman, and open discussion. As part of the annual performance evaluation of the Board, the Senior Independent Director led an assessment of the Chairman's performance. There were also discussions between the Chairman and the Non-executive Directors, without the Executive Directors present, to discuss feedback for each Executive Director in advance of their appraisals. No significant concerns were raised. The intention is that an external performance evaluation of the Board, the Board Committees and individual Directors will be undertaken in 2021. **FY 2020 BOARD EVALUATION** During 2020 an internally facilitated evaluation was carried out by the Company Secretary, using an online self-evaluation questionnaire. The participants were asked to score 25 statements on a scale of 1 to 5 and to provide written comments, including areas for improvement. All Directors responded to the questionnaire, answering 80 questions through a combination of multiple-choice selections and free text, which gave Directors the opportunity to provide written comments, including on areas for improvement. The questionnaire covered all aspects of Board performance including: Board/ Committee structure and composition; conduct of meetings; meeting dynamics; governance; strategy; financial reporting and risk management; health and safety; and stakeholders. The Company Secretary collated the responses from the questionnaire and initial feedback from the evaluation was presented to the Board for discussion. The overall assessment is that the Board continues to operate effectively and it has performed well during the year, especially in light of COVID-19 and the resulting restrictions, which mean that the Board has not been able to meet in person since March 2020. We are in the process of reviewing focus areas arising from the 2020 evaluation process. Key actions will be agreed, and these will form part of the Board's agenda for the coming year. There were no significant additional focus areas arising from the 2019 feedback process.
Context	For each material topic: a. An explanation of how the organisation manages the topic	GRI 103-2	It is the Board's role to ensure that the Group is governed for the long-term benefit of all of its stakeholders. The Board ensures effective and efficient decision making in a manner that incorporates the needs of our many stakeholders. SMS's Annual report and accounts set out the relevant provisions in accordance with the Quoted Companies Alliance's Corporate Governance Code (the QCA Code). SMS structure of Board, Committees, and Working Groups underpinned with ISO certified frameworks have been implemented to ensure rigorous and encompassing management of all governance responsibilities.
	b. A statement of the purpose of the management approach.	GRI 103-2	Corporate governance is an important part of the Group's strategy and our aim of continual improvement of our processes and risk management, whilst supporting the continued growth of the business. SMS's management approach of Board, Committees and Working Groups ensures rigour and continuous improvement across all aspects of corporate governance.

Governance

Materiality and boundaries continued

Section	Category	Applicable frameworks	Notes

Context continued	c. A description of the following, if the management approach includes that component:
	  i. Policies
	  ii. Commitments
	  iii. Goals and targets
	  iv. Responsibilities
	  v. Resources
	  vi. Grievance mechanisms
	  vii. Specific actions, such as processes, projects, programs and initiatives
		GRI 103–2	SMS details governance policies, commitments, goals and responsibilities alongside further information in the Annual report and accounts.
			
			Audit, Remuneration, Nomination, Information Technology and Health, Safety and Sustainability (HSS) Committees support the Board in all aspects of governance.
			
			In addition to ISO 9001, ISO 14001, and ISO 45001, SMS have followed the risk methodology as laid down in ISO 27005, this methodology adopts the general concepts specified in ISO/IEC 27001 and helps to assist in the satisfactory implementation of Information Security based on a risk management approach.

	102–1 a. Name of the organisation.
	102–2 a. A description of the organisation's activities.
	    b. Primary brands, products, and services, including an explanation of any products or services that are banned in certain markets.
	102–3 a. Location of the organisation's headquarters.
	102–4 a. Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report.
	102–5 a. Nature of ownership and legal form.
	102–6 a. Markets served, including:
	  i. geographic locations where products and services are offered;
	  ii. sectors served;
	  iii. types of customers and beneficiaries.
	102–7 a. Scale of the organisation, including:
	  i. total number of employees;
	  ii. total number of operations;
	  iii. net sales (for private sector organisations);
	  iv. total capitalisation (for private sector organisations) broken down in terms of debt and equity;
	  v. quantity of products or services provided
		GRI 102–1 to 102–7	All relevant organisational details can be found in the Annual report and accounts.

Governance

Governance of climate–related risks and opportunities

Section	Category	Applicable frameworks	Notes
Performance	4. How management (through specific positions and/or management committees) monitors climate–related issues.	TCFD	Internal Audit also considers the risks at operating company and Group level when developing the internal audit plan. Aggregation of all audit performance is communicated up to board level through the Audit Committee.
	C) Describe the resilience of the organisation's strategy, taking into consideration different climate–related scenarios, including a 2°C or lower scenario. 1. Where they believe their strategies may be affected by climate–related risks and opportunities;	TCFD	SMS conducts qualitative scenario analysis enabling insight into the potential risks and opportunities posed by Climate Change. SMS services are closely linked to the global level mitigation actions against climate–related scenarios; leading the delivery of low–carbon energy. SMS's services have a wide range of opportunities presented by the global move to take action on reducing carbon, and have a number of key opportunities identified to pursue. Risks presented by climate–related aspects include the weather disruption creating safety implications to employees, and increasing fossil fuel taxes impacting on operational costs. Full details of these can be seen with our CDP report.
	2. How their strategies might change to address such potential risks and opportunities; and	TCFD	SMS strategies have been developed and are continually updated as our climate–related risks and opportunities evolve. This is possible through feedback loops within our Business Continuity, IMS and Audit structures.
	3. The climate–related scenarios and associated time horizon(s) considered.	TCFD	SMS have defined 3 time horizons to define climate–related risks and opportunities: 1. Our short–term time horizon for assessing climate–related risks and opportunities at SMS's is 0 to 3 years. The ESG Working Group, through delegated authority from Health, Safety and Sustainability Committee have determined the short–term time horizon as it has majority alignment with the Group's current capital programme and is within the strategy planning period. There is a greater degree of confidence over the forecasting assumptions modelled can be established. Targets within this timescale are held by department leadership, an example of this include our fleet team only purchasing PHEV/EV following Q1 2023. 2. SMS's medium–term horizon for considering climate–related risks and opportunities is 3 to 10 years (to 2030). This is influenced by work done by the Committee on Climate Change (CCC), which is an independent, statutory body set up to monitor the UK's progress towards meeting targets set out in the Climate Change Act 2008 and to ensure emissions targets are set based on expert independent assessment of the evidence. The carbon budgets and the CCC's recommendations both impact policy makers' time horizons, which in turn provides a framework for SMS's business planning. Key influencers in this timescale include the end of the extended smart meter roll out, restriction of fossil fuel vehicles after 2035. SMS most notable target in this timescale is net–zero 2030 Scope 1 and 2. 3. The long–term horizon runs beyond 10 years and is focused on the trends and scenarios that may shape the future energy system, including climate–related policy, markets, technology and weather/climate impacts. The period from 2030 and beyond, is the period where there is far less clarity or certainty around the market and policy. Nevertheless, it is possible for SMS to understand and consider a number of permutations of both opportunities and threats it may face in that period. SMS addresses this horizon in its long–term strategies, which primarily serve the vision to be at the forefront of the smart energy revolution.
	Whether and how the organisation applies the Precautionary Principle or approach	GRI 102–11	SMS endeavours to exceed Precautionary Principles through the services offered and the ambitious internal net–zero target. This proactive approach enables us to realise the benefits of opportunities relating to climate–related changes.

Governance

Governance structures

Section	Category	Applicable frameworks	Notes
Performance continued	External verification of CSR/ESG/Sustainability reporting	ESG Rating Agencies	SMS does not currently externally verify ESG/Sustainability reporting but is considering doing so in future.
	Description of approach to ensuring professional integrity.	SASB SV–PS–510a.1	All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.
			All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. All Directors are supplied with information in a timely manner in a form, and of a quality, appropriate to enable them to discharge their duties.
			In addition, the Company Secretary ensures that the Directors receive appropriate training where necessary. Regular training is provided on relevant topics such as health and safety, AIM Rules and the Market Abuse Regulation and these programmes run continuously through the year. Refresher training on the AIM Rules and Market Abuse Regulation was provided by a third party to the entire Board in the first half of the year. All Directors are encouraged to keep themselves up to date with regard to changes in industry, practice and regulations and the Company continuously assesses its training programmes to ensure they are relevant and up to date.
	a. Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	GRI 102–19	Delegating authority for economic, environmental, and social topics is in place for Committees acting on behalf of the Board. The HSS, Audit, Remuneration, IT and Nomination Committees have responsibility and authority for environmental, social and economic topics.
			Full details of this can be seen within the Annual report and accounts.

	a. Nomination and selection processes for the highest governance body and its committees.
	b. Criteria used for nominating and selecting highest governance body members, including whether and how:
	  i. stakeholders (including shareholders) are involved;
	  ii. diversity is considered;
	  iii. independence is considered;
	  iv. expertise and experience relating to economic, environmental, and social topics are considered.
		GRI 102–24	We have a nomination committee responsible for reviewing the structure, size and composition (including skills, knowledge, experience, diversity and balance of Executive and Non–executive Directors) of the Board and its Committees and make recommendations to the Board with regard to any changes.

			— Identify and nominate, for the approval of the Board, candidates to fill Board vacancies or expand the Board.
			— Keep under review the time commitment expected from the Chairman and the Non–executive Directors.
			The Nomination Committee is currently made up of one Executive Director and all the independent Non–executive Directors, each of whom is independent.
			The Committee is chaired by the Chairman, unless the matter under discussion is their own succession. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Committee is also assisted by executive search consultants where required. Our policy is to have a broad range of skills, backgrounds and experience.
			We do not set any specific targets, but we fully recognise the benefits of greater diversity and will continue to take account of this when considering any particular appointment. We will continue to ensure that we appoint the best people for the relevant roles.
			As the Group continues to develop, all Directors will be consulted on the composition of the Board in the context of this growth. This includes its size, the appropriate range of skills and the balance between Executive and Non–executive Directors, all of which are assessed as part of the annual Board evaluation process.

Governance

Governance structures continued

Section	Category	Applicable frameworks	Notes

Performance continued	a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed.
	b. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum:
	  i. Cross-board membership;
	  ii. Cross-shareholding with suppliers and other stakeholders;
	  iii. Existence of controlling shareholder;
	  iv. Related party disclosures.
		GRI 102–25	Board meetings are scheduled to be held eight times each year. Between these meetings, as required, additional Board meetings and Board Committee meetings may be held to progress the Company's business. A part of each Board meeting is dedicated to the discussion of specific strategy matters. Any conflicts of interest are declared at the start of each Board meeting and appropriate action is taken where necessary to ensure independent judgement is not overridden. More than half the Board, excluding the Chairman, are considered independent, which helps to address any conflicts of interest that may arise.

	a. Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	GRI 102–26	SMS's HSS Committee and supporting ESG Working Group have delegated authority for the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics.
	a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	GRI 102–27	During 2020 the Company undertook a Board Evaluation process in order to inform Directors of Board performance and to gain insights. The overall assessment is that the Board continues to operate effectively and it has performed well during the year, especially in light of COVID–19 and the resulting restrictions, which mean that the Board has not been able to meet in person since March 2020. We are in the process of reviewing focus areas arising from the 2020 evaluation process. Key actions will be agreed, and these will form part of the Board's agenda for the coming year. There were no significant additional focus areas arising from the 2019 feedback process.
	Highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental, and social topics.	GRI 102–30	Effectiveness of the organisation's risk management processes for economic, environmental, and social topics is reviewed through a number of routes, according to the system the risk is held within. Our IMS, Business Continuity and Audit Committees each include processes to monitor the effectiveness of risk management, which span all levels of organisational activity.
	a. The highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material topics are covered.	GRI 102–32	Our Sustainability Report is approved by the HSS Committee, with reviews completed by our ESG Working Group, which spans leaders across key areas of the business. Environmental data is independently Quality Assessed (QA) by a separate team from the Sustainability consultants who compile the initial data.
	a. A list of stakeholder groups engaged by the organisation	GRI 102–40	Our Annual report and accounts details stakeholder engagement, which span shareholders, customers, employees, suppliers, lenders/financiers, government bodies and regulatory bodies.
	a. A list of all entities included in the organisation's consolidated financial statements or equivalent documents. b. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	GRI 102–45	Entities included in the financial statements are fully detailed in the Annual report and accounts, these span SMS and all subsidiaries. These entities are the same as covered by this report.
	a. The effect of any restatements of information given in previous reports, and the reasons for such restatements.	GRI 102–48	SMS has no restatements of reported information in the reporting year.

Governance

Ethical conduct

Section	Category	Applicable frameworks	Notes
Policy	Stock ownership guidelines	ESG Rating Agencies	SMS are a public limited company with shares held on the Alternative Investment Market (AIM), ownership terms are inline with AIM requirements.
	A list of externally–developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes, or which it endorses.	GRI 102–12	During 2020 we became a TCFD Supporter which represents our support of organisations developing understanding of the impact climate change will have upon their business, including aligning our own disclosures. In 2020 we also became a signatory of the Global Compact, which represents our commitment to upholding and disclosing ethical principles across human rights, labour, environment and anticorruption.

Data security

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Management	Description of approach to identifying and addressing data security risks	SV–PS–230a.1	–	–	–	The ISO 27001 model of risk management has been agreed and adopted by senior management within the organisation and is addressed at the Risk committee which is a sub committee of the board, it is also discussed at a management level on a monthly basis where risks that fall into the category of medium–high and high which is above the organisation's risk appetite.
	Description of policies and practices relating to collection, usage, and retention of customer information	SV–PS–230a.2	–	–	–	SMS complies with the Data Protection Act 2018 and other legislation in relation to the collection, usage and retention of customer data. SMS Data Protection Policy holds full details of relevant requirements, practices and conduct.
	(1) Number of data breaches, (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII), (3) number of customers affected Disclosure shall include a description of corrective actions implemented in response to data breaches.	SASB SV–PS–230a.3	0	0	#	SMS has no reportable Data Security Breaches in the reporting year.
Performance	(1) Number of Data breaches, (2) percentage involving customers' confidential business information (CBI) or personally identifiable information (PII), (3) number of customers affected	SASB SV–PS–230a.3	0	0	#	In the reporting year there have been no reportable breaches of Critical Business Information or Personally Identifiable Information reported to Infosec, although this may not be the case within the Data Protection Office.

Governance

Governance performance data

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Performance	a. Direct economic value generated and distributed (EVG&D) on an accruals basis, including the basic components for the organisation's global operations as listed below. If data are presented on a cash basis, report the justification for this decision in addition to reporting the following basic components: i. Direct economic value generated: revenues; ii. Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments; iii. Economic value retained: 'direct economic value generated' less 'economic value distributed'. b. Where significant, report EVG&D separately at country, regional, or market levels, and the criteria used for defining significance.	GRI 201–1	–	–	–	Full financial data pertaining to revenue, operating costs, wages, benefits and more can be found within the Annual report and accounts.
	a. If the plan's liabilities are met by the organisation's general resources, the estimated value of those liabilities. b. If a separate fund exists to pay the plan's pension liabilities: i. the extent to which the scheme's liabilities are estimated to be covered by the assets that have been set aside to meet them; ii. the basis on which that estimate has been arrived at; iii. when that estimate was made. c. If a fund set up to pay the plan's pension liabilities is not fully covered, explain the strategy, if any, adopted by the employer to work towards full coverage, and the timescale, if any, by which the employer hopes to achieve full coverage. d. Percentage of salary contributed by employee or employer. e. Level of participation in retirement plans, such as participation in mandatory or voluntary schemes, regional, or country–based schemes, or those with financial impact.	GRI 201–3	–	–	–	Part (a) general liabilities are included in the financial statements of Annual report and accounts. **Parts (d) and (e) combined:** SMS Group is broken down in to the following subsidiaries, which manage varying pension contributions and participation. **SMS Data Connections:** 141 employees in the Pension scheme which is 75% of total employees. The current breakdown of contributions is :– 55% Contribute minimum 4% matched by the company 39% Contribute 5% matched by the company 6% Contribute over 5% but only 5% matched by the company **SMS Energy Services:** 250 employees in the pension scheme which is 90% of total employees. Employer contribution is 4% with an employee contribution a minimum of 4% **Qton:** 25 employees in the pension scheme which is 93% of total employees. Employer contribution is 5% with an employee contribution of 5%. **CH4:** 523 employees in the pension scheme which is 82% of total employees. Employer contribution is 4% with an employee contribution a minimum of 4% **Solo Cork Office:** Of the 10 employees, only 1 employee was paying into a pension – 10%. Employee 13%, Employer 4% **Solo Orkney Office:** The Employee and Employer Pensions are both 4%. All 3 employees were on the pension – 100%.

Governance

Governance performance data continued

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes

Performance continued	a. Total monetary value of financial assistance received by the organisation from any government during the reporting period, including:
	  i. tax relief and tax credits;
	  ii. subsidies;
	  iii. investment grants, research and development grants, and other relevant types of grant;
	  iv. awards;
	  v. royalty holidays;
	  vi. financial assistance from Export Credit Agencies (ECAs);
	  vii. financial incentives;
	  viii. other financial benefits received or receivable from any government for any operation.
	b. The information in 201–4–a by country.
	c. Whether, and the extent to which, any government is present in the shareholding structure.
		GRI 201–4	–	–	–	Certain details pertaining to financial assistance such as tax, subsidies and grants can be found within the Annual report and accounts.

	Total amount of monetary losses as a result of legal proceedings associated with professional integrity.	SASB SV–PS–510a.2	0	–	£	No legal proceedings associated with professional integrity in reporting year.
	a. Total number and nature of critical concerns that were communicated to the highest governance body. b. Mechanism(s) used to address and resolve critical concerns	GRI 102–34	0	0	#	There have been no critical concerns raised during the reporting year.
Financials	Targets to increase investment in clean tech	ESG Rating Agencies	–	–	–	CaRe assets represent a significant portion of the UKs roadmap to net–zero 2050, and SMS have developed new services which will propel the transition to reliable renewable energy for all. As of 2020 we have already established exclusivity over a 470MW pipeline of grid–scale battery storage projects, of which 90MW is under construction and forecast to be energised by the end of 2021.
	R&D expense	ESG Rating Agencies	–	–	–	Research and development expense can be found within the CPD report for the reporting year.

Governance

Memberships, certifications and affiliations

Section	Category	Applicable frameworks	Notes	Notes continued
Performance	a. A list of the main memberships of industry or other associations, and national or international advocacy organisations.	GRI 102–13	SMS has the following affiliations, certifications and applications of frameworks: Sustainable Development Goal Commitment; Submitted for approval in 2020 UN Global Compact; Submitted for approval in 2020 TCFD Registered Supporter ISO 9001 ISO 14001 ISO 27001 ISO 50001 ISO 45001 Achilles Verify Certificate – Energy Services Achilles UVDB Certificate – SMS Meter Assets AMI CoP Certificate – CH4 AMI CoP Certificate – Trojan ASPCoP SMS Data Management Construction Line – Energy Services Elexon PAB HH Elexon PAB NHH EUA SMS Meter Assets Gas Safe Certificate – CH4 Gas Safe Certificate – Trojan Utilities GIRS Certificate Design & Project Management – SMS Connections	ICO Registration Certificate – CH4 Tier 2 ICO Registration Certificate – Energy Services Tier 2 ICO Registration Certificate – Qton Tier 2 ICO Registration Certificate – SMS Connections ICO Registration Certificate – SMS Data Management ICO Registration Certificate – SMS Meter Assets ICO Registration Certificate – Solo ICO Registration Certificate – Trojan Investors in People Certificate – Energy Services MAMCoP Certificate – CH4 MAMCoP Certificate – SMS Meter Assets MAMCoP Certificate – Trojan Utilities MOCOPA – CH4 MOCOPA – Energy Services MOCOPA – Trojan Utilities NERS Certificate 1 – Energy Services NERS Certificate 2 – Energy Services SMS EUSR Membership Certificate 2020 21 SafeContractor Certificate – Energy Services ECA Membership NICEIC Accreditation
	Global Compact Signatory Status	ESG Rating Agencies	SMS has achieved Global Compact signatory status in 2020.	
	QMS certification	ESG Rating Agencies	SMS are certified to ISO 9001, ISO 45001, ISO 27001, ISO 14001 and ISO 50001.	

Governance

Remuneration and incentives

Section	Category	Applicable frameworks	Notes
Performance	a. Process for determining remuneration.	GRI 102–36	The Remuneration Committee is responsible for reviewing and making recommendations to the Board on the total remuneration for the Executive Directors and senior management. The Remuneration Committee oversees SMS's remuneration policy, strategy and implementation to ensure that the policy delivers on the key objectives of building a sustainable business, growing earnings and delivering strong returns for the benefit of all its stakeholders, including shareholders and its wider workforce.
	b. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management.	GRI 102–36	During the year, the Committee engaged FIT Remuneration Consultants to assist with benchmarking Executive Directors' and Non–executive Directors' remuneration. FIT Remuneration Consultants are considered to be independent of both the Board and each of the Executive and Non–executive Directors. They have not provided any other services to the Directors.
	c. Any other relationships that the remuneration consultants have with the organisation.	GRI 102–36	The Remuneration Committee comprises all the independent Non–executive Directors and meets a minimum of twice a year. The Remuneration Committee invite attendance at the meetings, as appropriate, but no Executive Director is involved in any decision relating to their own remuneration.
	a. How stakeholders' views are sought and taken into account regarding remuneration. b. If applicable, the results of votes on remuneration policies and proposals.	GRI 102–37	Remuneration Committee welcomes the views of shareholders in respect of pay policy as well as those views expressed on behalf of shareholders by their respective proxy advisers. The Committee documents all remuneration related comments made at the Company's AGM and feedback received during consultation with shareholders throughout the year. Any feedback received is fully considered by the Committee and amendments may be made to the remuneration policy where thought necessary.

Controversy reporting

Environment

SMS Controversy definition:

A controversy is defined as an incident or accident which results in the final apportion of blame having been determined against SMS plc in circumstances where SMS plc does not have the appropriate insurance in place to cover said incident or accident.

SASB Road incident definition:

1.3 An accident is defined as:

an occurrence involving a commercial motor vehicle operating on a highway in interstate or intrastate commerce that results in:

1.3.1 A fatality;

1.3.2 Bodily injury to a person who, as a result of the injury, immediately receives medical treatment away from the scene of the accident; or 1.3.3 One or more motor vehicles incurring disabling damage as a result of the accident, requiring the motor vehicle(s) to be transported away from the scene by a tow truck or other motor vehicle.

1.4 An accident does not include:

1.4.1 An occurrence involving only boarding and alighting from a stationary motor vehicle; or

1.4.2 An occurrence involving only the loading or unloading of cargo

Section	Category	Applicable frameworks	Notes
Controversies	Statement of Climate Change Controversies	ESG Rating Agencies	SMS has no Climate Change Controversies in the reporting year.
	Environmental Impacts on Communities Controversies	ESG Rating Agencies	SMS has no Environmental Impacts on Communities Controversies in the reporting year.
	Operational Impacts on Ecosystems Controversies	ESG Rating Agencies	SMS has no Operational Impacts on Ecosystems Controversies in the reporting year.
	Environmentally Controversial Investments Controversies	ESG Rating Agencies	SMS has no Environmentally Controversial Investments Controversies in the reporting year.
	Raw Material Impact Controversies	ESG Rating Agencies	Raw Material Impact and relating Controversies are not relevant to any SMS activities in the reporting year.
	Water Stress Controversies	ESG Rating Agencies	Water Stress Controversies are not relevant to any SMS activities in the reporting year.
	Toxic Emissions & Waste Controversies	ESG Rating Agencies	Toxic Emissions & Waste Controversies are not relevant to any SMS activities in the reporting year.
	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	SASB IF-EU-140a.2	SMS has no incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations in the reporting year.
	Product & Services Environmental Incidents	ESG Rating Agencies	SMS has no Product & Services Environmental Incidents in the reporting year.

Controversy reporting

Social

Section	Category	Applicable frameworks	Notes
Controversies	Chemical Safety Controversies	ESG Rating Agencies	SMS has no Chemical Safety Controversies in the reporting year.
	Product Safety & Quality Controversies	ESG Rating Agencies	SMS has no Product Safety and Quality Controversies in the reporting year.
	Operational Incidents	ESG Rating Agencies	SMS has no Operational Incidents in the reporting year.
	Customer Incidents/Controversies	ESG Rating Agencies	SMS has no Customer Incidents/Controversies in the reporting year.
	Society & Community Incidents/Controversies	ESG Rating Agencies	SMS has no Society and Community Incidents/Controversies in the reporting year.
	Employee Incidents/Controversies	ESG Rating Agencies	SMS has no Employee Incidents/Controversies in the reporting year.
	Total amount of monetary losses as a result of legal proceedings associated with defect– and safety–related incidents	SASB IF–EN–250a.2	SMS has no defect– and safety–related incidents in the reporting year, and therefore no monetary losses as a result of legal proceedings associated with defect– and safety–related incidents.
	Amount of defect– and safety–related rework costs	SASB IF–EN–250a.1	SMS has no defect– and safety–related rework in the reporting year.
	Number of road accidents and incidents	SASB IF–WM–320a.3	As per the SASB definition, SMS has had 28 road accidents and/or incidents in the reporting year
	a. Significant fines and non–monetary sanctions for non–compliance with environmental laws and/or regulations in terms of: i. total monetary value of significant fines; ii. total number of non–monetary sanctions; iii. cases brought through dispute resolution mechanisms. b. If the organisation has not identified any non–compliance with environmental laws and/or regulations, a brief statement of this fact is sufficient.	GRI 307–1	SMS has no fines, non–monetary sanctions or cases in the reporting year. No non–compliances identified.
	Discrimination and Diversity Controversies	ESG Rating Agencies	SMS has no Discrimination and Diversity Controversies in the reporting year.
	Controversial Working Conditions Controversies	ESG Rating Agencies	SMS has no Controversial Working Conditions Controversies in the reporting year.
	Collective Bargaining and Union Labour Controversies	ESG Rating Agencies	SMS are not unionised therefore there were no Collective Bargaining and Union Labour Controversies during the reporting period.

Controversy reporting

Social continued

Section	Category	Applicable frameworks	Notes
Controversies continued	Supply Chain Labour Controversies	ESG Rating Agencies	SMS has no Supply Chain Labour Controversies in the reporting year.
	Supply Chain Incidents	ESG Rating Agencies	SMS has no Supply Chain Incidents in the reporting year.
	Social Supply Chain Incidents/Controversies	ESG Rating Agencies	SMS has no Social Supply Chain Incidents/Controversies in the reporting year.
	Controversial Workplace Accidents Controversies	ESG Rating Agencies	SMS has no Controversial Workplace Accident Controversies in the reporting year. All accidents are investigated by a team of competent personnel and this will include the participation of any injured parties.

Controversy reporting

Governance

Section	Category	Applicable frameworks	2019 performance	2020 performance	Unit	Notes
Controversies	Data Security Breaches Controversies	ESG Rating Agencies	0	0	#	SMS has no reportable Data Security Breaches Controversies in the reporting year.
	Customer Fraud Controversies	ESG Rating Agencies	0	0	#	SMS has no Customer Fraud Controversies in the reporting year.
	a. Total number of substantiated complaints received concerning breaches of customer privacy, categorised by: i. complaints received from outside parties and substantiated by the organisation; ii. complaints from regulatory bodies.	GRI 418–1	0	0	#	None in reporting period.
	b. Total number of identified leaks, thefts, or losses of customer data.	GRI 418–1	0	0	#	None in reporting period.
	c. If the organisation has not identified any substantiated complaints, a brief statement of this fact is sufficient.	GRI 418–1	0	0	#	Within the reporting year there have been no breaches of Critical Business Information or Personally Identifiable Information reported to Infosec, although this may not be the case within the Data Protection Office.
	Discriminatory Access to Basic Services Controversies	ESG Rating Agencies	0	0	#	SMS has no Discriminatory Access to Basic Services Controversies in the reporting year.
	Marketing Controversies	ESG Rating Agencies	0	0	#	SMS has no Marketing Controversies in the reporting year.
	Anti–Competitive Behaviour Controversies	ESG Rating Agencies	0	0	#	SMS has no Anti–Competitive Behaviour Controversies in there reporting year.
	Bribery and Corruption Controversies	ESG Rating Agencies	0	0	#	SMS has no Bribery and Corruption Controversies in the reporting year.
	Business Ethics Controversies	ESG Rating Agencies	0	0	#	SMS has no Business Ethics Controversies in the reporting year.
	Taxes and Subsidies Controversies	ESG Rating Agencies	0	0	#	SMS has no Taxes and Subsidies Controversies in the reporting year.
	Business ethics, Governance and Public Policy incidents/ controversies	ESG Rating Agencies	0	0	#	SMS has no Business ethics, Governance and Public Policy incidents/controversies in the reporting year.

SMS