Building a
sustainable future

SMS Sustainability Report 2024

SMS

Welcome to our Sustainability Report 2024

As a business centred on delivering low–carbon smart energy solutions, sustainability underpins everything we do. Within our comprehensive reporting we demonstrate our approach and progress on tackling issues that matter to our business and stakeholders.

Delivering carbon reduction

Guiding our customers to realise significant carbon reduction

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Solar PV training

Building the competency of our engineers through renewables training

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Supply chain ESG panel

Supporting supply chain insights through thought leadership

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Meter innovation

Leading in metering innovation at our training academy and test lab

p48

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.

Grid-scale battery storage

Energy services

Energy data

EV infrastructure

Behind-the-meter services

Smart meters

The UK set new records for renewable power in 2024: 50.5% of total energy generated was renewable, solar reached capacity of over 17.6GW, and over 250,000 heat pumps were installed — all supported by grid battery capacity of over 7GWh. Simultaneously, the transition to smart metering within the UK has reached 38 million meters, representing 66% of all meters, as we make further strides towards a comprehensive smart energy network.

For SMS, 2024 was a year of change and evolution, welcoming our new investors and announcing our joining forces with Horizon and Smart Meter Assets. These developments enable us to deliver an extensive and encompassing smart energy offering, whilst maintaining our exceptional levels of service and customer satisfaction. Our depth of knowledge across the full energy lifecycle — from first connections through to metering and smart data, and energy storage to renewables — enables us to deliver a wraparound service for our customers.

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Within this report we are proud to share our strides and standards across all relevant aspects of environmental, social and governance progress with our customers, partners and wider stakeholders."

Tim Mortlock
Chief Executive Officer

Providing an encompassing service

SMS Group

As an independent energy infrastructure and solutions provider, we work uniquely with stakeholders across the full spectrum of energy generation, supply and consumption.

With a track record of serving a range of notable partners in the utility, industrial and commercial, and UK public sectors for more than 25 years, we have an exceptional understanding of the energy marketplace and its ongoing transformation. Through our range of innovative energy solutions we are delivering the future of smart energy – working closely with private and public sector partners to decarbonise the UK economy by 2050.

To deliver our exceptional services we utilise a centralised approach for our governance activities. This means that all our established subsidiaries are covered by our Group policies and processes, as described in this Sustainability Report. This encompassing framework ensures best-practice, efficient and standardised working.

Through our wide-ranging brands, we are changing how businesses and consumers use energy for the better, and in the process helping achieve a greener and more sustainable energy system that benefits everyone.

Our key brands

- **Smart Metering Systems**
- **CH4**
- **Metis Energy**
- **QTON**
- **SMS Connections**
- **SMS Data Management**
- **SMS Energy Services**
- **SMS Meter Assets**
- **SMS Solo Energy**
- **SMS Utilities Academy**
- **n3rgy**
- **Horizon Energy Infrastructure**
- **Horizon Energy Ventures**
- **Horizon Water Infrastructure**
- **Smart Meter Assets**

Serving our customers' needs

Our services

SMS provides the complete energy solution: from energy infrastructure that enables more sustainable homes and businesses, to the integrated energy management and project delivery critical for carbon reduction.

We are changing how businesses and consumers use energy, for the better: helping achieve a more sustainable energy system for everyone. Through our engineering and technology expertise, we're committed to creating a smarter, greener and more affordable energy system that works better for all of society.

Our services span the full energy lifecycle:

Infrastructure connections
Future-proofing local and national networks, ensuring businesses, homes and vehicles are connected.

Metering
As an accredited meter asset provider, meter operator and asset manager, we are a fully integrated installation partner for energy suppliers.

Smart energy data
We provide high-quality utility data solutions that create enduring value, improve efficiency and empower sustainable action.

Energy services
Our energy services team provides business energy solutions and strategic carbon reduction projects, helping your organisations realise their sustainability objectives and optimise its utility costs.

Renewables
Our expertise across energy and specifically renewables enables us to support a range of projects and customers, including fully funded turnkey renewable installations and publicly-funded research projects in homes and businesses.

Intelligent asset operation
Our scalable, cloud-based data platform, Metis, intelligently operates low-carbon assets distributed across the energy network.

Flexigrid™
By intelligently operating distributed energy resources as a virtual power plant, Flexigrid™ delivers the real-time flexibility essential for a decarbonised system.

Batteries
Grid batteries are critical to improve the adoption of cleaner renewables across the UK, reducing reliance on fossil fuels and helping to bolster system resilience and flexibility as we transition to more intermittent forms of generation.

ESG recognition

Our ESG commitments

EcoVadis

We submit ourselves for rating by EcoVadis, a platform for supplier engagement on management of ESG risk and compliance. Our 2024 rating is the Gold Award, having increased from Bronze in 2023, putting us in the top 5% of organisations and 96th percentile for ESG performance. Our scorecard is available for new and existing customers to view through the EcoVadis platform.

Hellios

We are a participant in the Hellios FSQS (Financial Services Qualification System), a supplier information and risk management platform benchmarking supply chain risk management for the banking sector. We achieved performance in the top 25% for ESG in 2024.

The Climate Pledge

Through The Climate Pledge, we have committed to reach net zero carbon emissions by 2030. Our decarbonisation strategy is in line with the Paris Agreement. It delivers real business changes and innovations, and measures and reports greenhouse gas emissions on a regular basis.

UN Global Compact

As a signatory to the United Nations (UN) Global Compact, we commit to upholding ethical principles and disclosing our performance across human rights, labour, the environment and anti–corruption. Our reporting on these critical aspects can be found throughout this Sustainability Report.

Engaging our ESG stakeholders

Encompassing reporting

This report presents our environmental, social and governance (ESG) performance indicators, demonstrating our core commitments and performance in calendar year 2024, supplemented with additional forward–looking commentary.

We clearly communicate an encompassing view of our organisation's achievements, how we serve our customers, communities and employees, and how we ensure a greener energy system for all. This report also complements and serves as our 2024 Communication on Progress to the United Nations Global Compact.

Assurance

We ensure the reliability of our ESG statements through the assurance process of our internal audit team, who review the full content of our Sustainability Report and online Data Centre documents, seeking to ensure the accuracy of the statements within. In addition to our internal audit process, the statements and carbon emissions within our Streamlined Energy and Carbon Report, which are also included within our Annual report and accounts, are assured by an external third party as part of our financial end–of–year reporting process.

ESG data selection and frameworks

In line with leading best practice, we utilise international ESG reporting frameworks to guide our data selection and communication process. Our materiality matrix and section headings are guided by the European Sustainability Reporting Standards categories, supporting clear alignment and disclosure. We utilise our ESG data to support our business and disclose relevant, transparent information to our stakeholders. Following our privatisation in Q1 2024, this year we have transitioned from reporting in accordance with Global Reporting Initiative (GRI) standards, to reporting with reference to GRI standards. Our GRI index can be found within the Data Centre on our website.

Materiality assessment

ESG materiality

Materiality refers to the process of identifying and prioritising the most important issues for a company and its stakeholders, which are then actioned and communicated within reporting.

We know our customers value clear and transparent communication, and we have therefore used the internationally recognised Global Reporting Initiative (GRI) reporting standards, specifically GRI 3 Material Topics, to ensure best practice in this area. Our efforts enhance our status as a trusted partner to our customers and demonstrate our shared values.

In 2024, we streamlined our material areas by aligning them with the European Sustainability Reporting Standards, (ESRS) topical categories. Embedded within this process is a 'double materiality' approach. This considers both the impact that an area has on SMS as a business and the impact that we have as a business on the area.

Although we are not currently required to comply with the EU's Corporate Sustainability Reporting Directive and the related ESRS reporting standards, we remain proactive in monitoring any regulatory changes across Europe, so we are alert to impacts on our customers and aligned on our outlook. In addition, by structuring our material topics according to the ESRS categories, we can achieve greater clarity, allowing for greater comparability with industry peers and ensuring our reporting meets evolving stakeholder needs.

Materiality matrix

Importance to stakeholders (y-axis)

Business impact (x-axis)
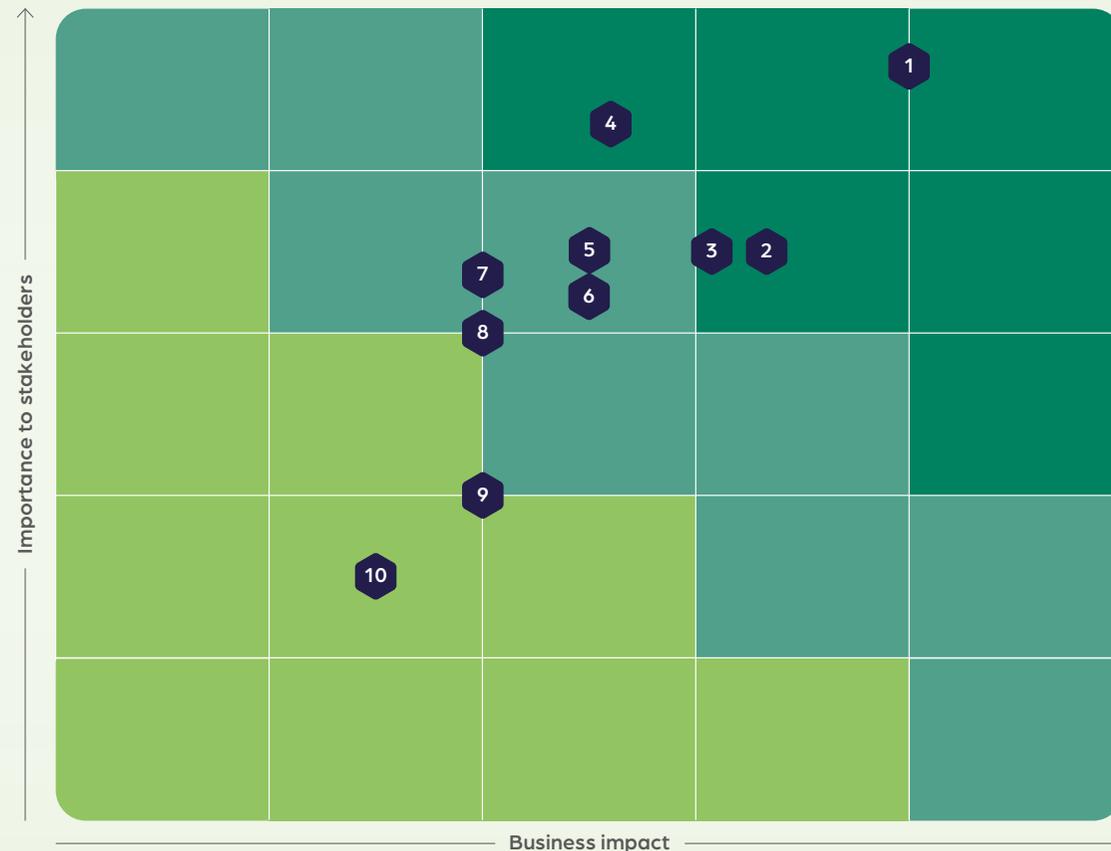
Focus area

1 Consumers and end-users
2 Climate change
3 Own workforce
4 Business conduct

Ongoing importance

5 Pollution
6 Workers in value chain
7 Resource use and circular economy
8 Water and marine resources

Watch list

9 Affected communities
10 Biodiversity and ecosystems

▶ Click on these topics to find out more.

Delivering on our ESG ambitions

Responsible targeting and performance

We are guided by our key strategies across all environmental, social and governance areas, underpinned by specific targets to ensure we continually improve in line with our commitments to the United Nations' Sustainable Development Goals (SDGs) and Global Compact.

Supporting frameworks

SMS strategy	SDGs	UN Global Compact Principles	Performance in 2024
Sustainable futures We are leading the UK's transition to a low-carbon future; underpinned by our commitment to a net-zero target by 2030. We assist our clients and wider consumers with their carbon reduction journeys through funding and delivery of sustainably focused services.	**7** AFFORDABLE AND CLEAN ENERGY **13** CLIMATE ACTION	**Principle 7:** Businesses should support a precautionary approach to environmental challenges; **Principle 8:** undertake initiatives to promote greater environmental responsibility; and **Principle 9:** encourage the development and diffusion of environmentally friendly technologies.	Support our customers to mitigate carbon through our low-carbon smart energy services: **~86.9k** tCO$_2$e mitigated
Putting people first To create a sustainable and safety-focused culture for all, nurturing a thriving workplace and business that support wider society. We ensure diverse, inclusive environments and promote wellbeing, whilst empowering communities to take control of their carbon footprint and tackle local and global issues.	**3** GOOD HEALTH AND WELL-BEING **5** GENDER EQUALITY **8** DECENT WORK AND ECONOMIC GROWTH	**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; and **Principle 6:** the elimination of discrimination in respect of employment and occupation.	Work with our employees to drive down our injury rate: **50%** reduction in Lost Time Injury Rate
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, and from our operations to our customers and wider society.	**16** PEACE, JUSTICE AND STRONG INSTITUTIONS	**Principle 2:** make sure that they are not complicit in human rights abuses; **Principle 4:** the elimination of all forms of forced and compulsory labour; **Principle 5:** the effective abolition of child labour; and **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.	Maintain all relevant ISO-certified management systems: **100%**

Environment

Sustainable futures

A greener, more sustainable future is at the core of our business and is the fundamental basis of our services as we work together to achieve smarter, low-carbon energy and systems with our clients.

This purpose is echoed across our operations and is evident in our net zero 2030 carbon reduction roadmap.

Environment introduction

Environment overview

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Sustainability, climate and environment considerations are embedded into everything we do as a Company, and we are proud of our exceptional standards in this area."

Charlotte Gregory
Head of Sustainability

From our double materiality assessment, and under the European Sustainability Reporting Standards (ESRS) architecture, we have identified and expanded our most material reporting areas within the ESRS Environment standard.

Climate change

Across the theme of climate change we have three key aspects: the positive impact of our services, the footprint of our operations, and our steps to mitigate climate impact on our business.

Pollution

With regard to pollution, we are both reducing air pollution through transitioning our fleet, and remaining diligent in our handling of hazardous materials.

Resource use and circular economy

We understand our pivotal role in building the circular economy and reducing resource use, and have established recycling and duty–of–care processes for our materials and equipment.

Water

Clean water is a critical resource, which we are dedicated to preserving – first and foremost through our water metering services.

Biodiversity

Although we have limited direct impact on biodiversity, we continue to be vigilant in this area and ensure we discharge our compliance responsibilities.

Climate change

Delivering carbon reduction through our services

The positive impact of our services and internal efforts continued to grow in 2024 with the continued expansion of our low-carbon smart energy services. Our two most material issues of Customers and Climate indicate how integral delivering a greener, smarter energy system is to our business.

Mitigating climate change and reducing carbon emissions related to energy consumption is at the core of our business services; we do this through assisting our clients and wider consumers with their carbon reduction journeys and through funding and delivery of sustainably focused services. Our 'handprint' represents the carbon mitigation achieved by our customers from the impact and delivery of our energy services and solutions, such as smart meters and energy projects.

Where possible we have quantified the positive impacts of our services utilising publicly available, third-party data to demonstrate the real-world benefits.

Metering impacts: We aim to support UK energy users in better understanding their energy use through the installation of smart meters. Smart meters provide real-time consumption data, enabling customers to make informed energy-saving decisions, which in turn reduce demand and emissions.

Data impacts: Advanced data analytics allows us to empower customers to optimise their energy usage and identify any inefficiencies, which can help reduce their carbon footprints.

Consulting and energy projects: Our expert-led consulting services drive impactful energy projects, such as provided strategic energy management and efficiency-focused upgrades, which clients achieve measurable emissions reductions.

Renewable energy services: We continue to develop our renewable energy services to increase clean energy adoption. By integrating renewables into existing grids and infrastructure, we are contributing to long-term decarbonisation efforts. We aim to incorporate the positive impacts of these services into our future reporting cycles, once quantitative project outcomes are available.

Our carbon mitigation

80,981 tCO_2e
● Smart meters[1]

5,921 tCO_2e
● Energy projects[2]

86,902 tCO_2e total

1   Derived from annual savings on domestic property consumption as a result of the installation of a smart meter, including the flow-through impact of installations completed in the previous year. Figure is calculated based on the number of domestic smart meters under management at 31 December 2024, including third-party-managed assets.
2   Derived from energy savings achieved by customers as a result of energy efficiency projects delivered by SMS, including the flow-through impact of projects delivered in the previous period.

Climate change

Our positive impact

Delivering a greener energy landscape is at the very heart of our mission as a business and, through our low–carbon energy infrastructure and technologies, we are creating more sustainable homes and businesses. Across our smart metering and work with commercial customers we have supported quantifiable reductions in both carbon and costs.

Case study

Carbon reduction from domestic smart meters

Smart meters are a key enabler of the UK's net zero 2050 ambitions, providing critical infrastructure to support the transition to a decarbonised and digitised energy system.
By using smart meters customers can realise tangible reductions in their energy use and therefore reduce carbon emissions. Department for Energy Security and Net Zero has reviewed the quantitative impact of smart meters for consumers, finding significant benefits including a reduction in overall energy consumption as a result of better information on costs and use of energy, which drives behavioural change. By applying the average percentage energy reductions found by this review onto average domestic energy consumption, we can calculate the positive energy and carbon impacts of our smart meter portfolio as shown within our 'handprint'.

Case study

Delivering hotel chain energy efficiency and renewables

We recently completed installation of energy–efficient heating and cooling controls in a key client's 500th hotel.
This behind–the–meter energy–efficiency opportunity was identified, assessed and developed by SMS, and is being delivered together with a specialist HVAC controls partner. The project has provided our valued hospitality customer with £7.5 million of energy cost savings to date, and forms a key element of the hotel chain's net–zero operational carbon strategy, which SMS is leading on their behalf.

Building on nearly a decade of service to this client, we provide a range of support spanning energy procurement, bill validation, meter connections and energy consultancy services, alongside our delivery of installation projects. In addition to this project, we are working on heat pump installations and solar photovoltaics rollout across the client's estate, supporting the business's net–zero ambitions.

£7.5m
energy cost saving for a key client

Climate change
Our positive impact continued

Case study

Reducing energy use through smart energy data for business customers

We have anticipated and proactively developed solutions to support the rollout of critical new legislation that requires non–domestic energy suppliers make historical and current energy data visually and freely available to their business customers.

Our intelligent energy management platform, smart energy data, gives clear visibility of an organisation's entire energy portfolio, helping turn data into energy– saving insights. Since legislation implementation in October 2024, we have launched a fully branded version of this for a large utilities customer, capturing data from all advanced and smart meters on the platform for the benefit of over 150,000 end users.

This service not only gives the customer an advantage over the competition in terms of visualising energy data, but also provides a stepping stone for future flexibility services. These could include demand flexibility discounts, rewarding users for off–peak energy consumption; tariff analysis to model the different charges that make up a utility bill; and behind the meter on–site renewables generation.

Over 150,000
end users
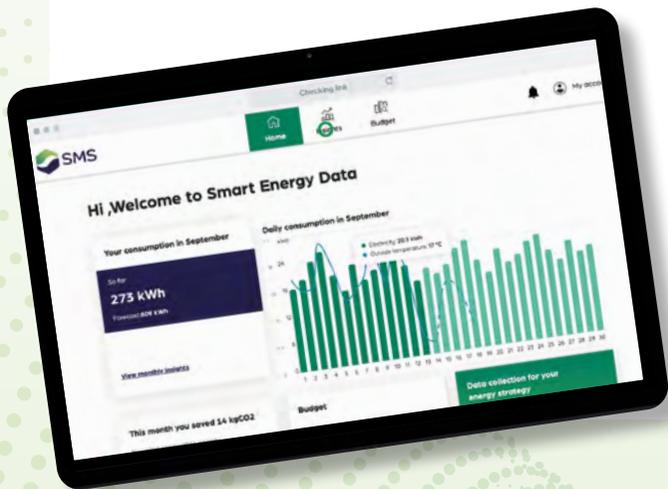
Case study

Saving energy through actionable insights

Since 2017, SMS has supported a large professional services client in improving energy management across its UK property portfolio, which includes offices, data centres and production units.
Through our metering, data and technical energy expertise, we have implemented an efficient data–driven approach to improve energy management and reduce wastage. For example, we developed energy consumption dashboards for each site, to provide real–time insights into consumption trends and inefficiencies. We also established regular energy review calls with the client's teams, which enabled collaborative decision–making and targeted energy– saving actions.

Our work has delivered a significant, easily measurable impact on energy consumption, with an annual energy reduction of 8,873,940 kWh, equivalent to over 2,000 tCO_2e, compared to the client's 2016 baseline.

Over 2,000 tCO_2e
reduction

Climate change

Decarbonising the grid

Grid batteries are critical to facilitiate the adoption of cleaner renewables across the UK, reducing reliance on fossil fuels and helping to bolster system resilience and flexibility as we transition to more intermittent forms of generation.

In 2024 a further two SMS electricity storage sites went live, and we now operate 320MW of grid battery capacity, which we can discharge strategically to support grid stability, continuity and renewable integration through a range of services:

- Capacity market
- Wholesale market
- Balancing mechanism
- Ancillary services market
- Embedded benefits,

These services will be increasingly essential as we move away from fossil fuels and towards full electrification of our heating and transport systems, placing more demand than ever before on our electricity system. By facilitating much higher levels of lower-cost solar and wind generation, and helping to avoid the need for future costly investments to reinforce grid capacity, battery storage helps reduce the UK's carbon emissions and contributes to a more affordable energy system for consumers.

Early indications suggest that battery storage could support an 82% reduction in the global warming potential, also known as the emissions intensity, of the UK electricity grid by 2040.

Carbon accounting

We account for the carbon associated with operating our battery sites using a location–based grid average emission factor. This reflects the average proportions of renewable, nuclear and fossil fuels contributing to our electricity in the UK across the year, and is a standard figure released by the UK Government's Department for Energy Security and Net Zero (DESNZ) each year. However, to calculate our carbon footprint more accurately, in 2024 we began working with industry partners, through the Electricity Storage Network, to determine a methodology for effectively calculating grid battery emissions that accounts for charging during periods of low emissions and discharging at periods of higher emissions.

Increasing efficiency

In 2024 we also conducted energy surveys as recommended by the Energy Saving Opportunities Scheme (ESOS) to identify opportunities to increase efficiency at our battery sites. As we are aware that all batteries have inherent energy losses during operation, we continue to work to drive down these losses, which are captured in our Scope 2 emissions. We consistently look to apply the carbon hierarchy of 'avoid, reduce, substitute and offset' emissions to support grid decarbonisation.

Climate change

Understanding our emissions

We utilise the internationally recognised GHG Protocol to ensure that we provide comprehensive and standardised data calculations. Our reporting covers all emissions from our business activities, and all sites and operations during the calendar year 2024.

Our Scope 1 calculation looks at: the energy consumed by our fleet vehicles; gas consumed across our offices, warehouses and training centre; and fugitive emissions from air conditioning. Our Scope 2 calculation looks at our electricity consumption. Scope 3 accounts for the emissions generated within our value chain. In line with our vision, 'To be at the heart of the low–carbon smart energy revolution', we continue to mobilise growing amounts of battery–supplied balancing services. These represent our main source of emissions, but are essential to support grid stability and renewable entry into the UK electricity network.

The table below incorporates our mandatory Streamlined Energy and Carbon Reporting (SECR) requirements, together with material voluntary disclosures.

	2024[2] tCO2e	2023 tCO2e	2022 tCO2e	Commentary
Total Scope 1	**2,983.5**	**3,388.1**	**3,142.5**	**Scope 1 comprises the direct emissions from our operations.**
Company–owned vehicles	2,932.7	3,283.2	3,054.9	Our owned and tracked fleet vehicles.
Gas	50.2	64.6	69.3	Gas heating serves six of our properties across the UK.
F–gas[1]	0.6	40.3	16.4	F–gas is the refrigerant used in air conditioning for cooling workspaces and server rooms.
Total Scope 2 location–based	**6,307.7**	**4,143.7**	**1,233.2**	**Scope 2 comprises the indirect emissions associated with our operations.**
Electricity (buildings)	101.7	109.9	122.0	Electricity lights, heats and powers our operations across warehouses, offices and training centre in the UK and Ireland.
Electricity (battery sites)	6,204.1	4,032.1	1,111.2	Net electricity used to operate cooling and communication systems at our grid battery sites.
UK electricity for Electric Vehicles	1.9	1.7	—	Our growing fleet of electric vans, with additional vehicles purchased in the year.
Total Scope 2 market–based[1] (including green energy contracts)	**11,713.6**	**7,201.4**	**2,100.5**	**We source green contracts for our electricity where possible.**
Total Scope 3	**34,975.8**	**19,897.8**	**4,258.5**	**Scope 3 comprises emissions from up and down our value chain, including those of suppliers and service providers.**

1 Data disclosure is voluntary under the SECR requirements, but we include it for completeness of Scope reporting under the GHG Protocol.

2 New entities Horizon Energy Infrastructure, Horizon Energy Ventures and Smart Meter Assets will be reported from 2026.

Climate change
Understanding our emissions continued

11%
reduction in fleet emissions

22%
reduction in gas consumption

29%
reduction in building Scope 1 & 2 emissions

	2024[3] tCO2e	2023 tCO2e	2022 tCO2e	Commentary
Category 3: Fuel- and energy-related activities (not included in Scope 1 or Scope 2				
Diesel upstream supply[1]	700.7	785.6	715.3	Upstream emissions for the production of diesel to supply Company-owned fleet.
Petrol upstream supply[1]	14.2	14.8	15.5	Upstream emissions for the production of petrol to supply Company-owned fleet.
Transport and distribution electricity[1]	557.3	358.3	112.8	Upstream emissions of purchased electricity for battery operation and use in our warehouses, offices and training centre.
Generation of purchased electricity that is sold to end users[1]	33,174.1	17,958.5	2,949.0	Upstream emissions of purchased electricity for our Battery Energy Storage Systems, which is sold back to the grid.
Category 6: Business travel				
Vehicle business travel	158.8	426.9	57.9	Business travel in employee-owned vehicles.
Air and rail business travel	105.6	—	—	Business travel by air and rail.
Category 7: Employee commuting				
Employee teleworking[1]	265.1	353.6	374.2	The carbon emissions from energy used to power office equipment and for heating by employees working from home.
Total Scope 1, 2 & 3 (TCO2e)	**44,266.4**	**27,429.5**	**8,634.2**	**Total emissions, utilising Scope 2 location-based method.**
Carbon intensity Scope 1, 2 & 3 (tCO2e/£m)[2]	222.0	158.8	63.7	Shows the amount of emissions produced to achieve the revenue realised, per £m.
Operational energy consumption (MWh)	43,024.2	34,109.8	19,446.5	This is the total energy consumption of our operations, spanning activities included in Scope 1 and 2 (excluding F-gas).

1 Data disclosure is voluntary under the SECR requirements, but we include it for completeness of Scope reporting under the GHG Protocol.

2 Following the improvement of methodologies a small number of previous years' totals have changed. The original figures can be found in previous Annual Reports, available on the **Companies House website**.

3 New entities Horizon Energy Infrastructure, Horizon Energy Ventures and Smart Meter Assets will be reported from 2026.

Climate change

Emissions changes explained

Through 2024 we continued to grow and evolve as an organisation, and we saw these changes reflected across our emissions.

Scope 1:
Direct emissions

Fleet:

2,932.7 tCO_2e

Fleet emissions decreased 11% during the year due to changes in metering work and therefore reduced travel required.

Gas:

50.2 tCO_2e

Gas consumption reduced 25% following the complete removal of gas from our first net-zero office building, Prennau House, at the end of 2023.

F-gas:

0.6 tCO_2e

Significant decrease due to reduction in leaks compared to 2023.

Scope 2:
Indirect emissions

Buildings electricity:

101.7 tCO_2e

(Location-based) Reduced by 7% over the year as we further rationalised our estate, saw the benefits of proactive energy management and continued to harness the solar photovoltaic potential from two of our sites.

Battery electricity:

6,204.1 tCO_2e

(Location-based) In 2024 SMS mobilised a further 80MW of battery capacity.

Electricity:

10,590.4 tCO_2e

(Market-based) We have continued to source 100% renewably generated electricity for our owned sites. Our battery consumption is not able to be covered by renewable energy contracts, as trading is directly with wholesale markets and National Grid, operating in the very short-term markets (day ahead and intraday), which removes the option to align directly with energy based purely on its provenance.

Scope 3:
Value chain emissions

'Well to tank' diesel:

700.7 tCO_2e

Upstream production of diesel for SMS's use decreased with reduced fleet activity during the year.

Business travel:

264.4 tCO_2e

In 2024 structural changes within the business naturally led to decreased travel.

Transport and distribution electricity:

557.3 tCO_2e

Upstream production of electricity, 98% of which goes towards maintaining our grid battery sites, with the remaining 2% used by our buildings. Increases reflect the increase in battery sites operating during the year.

Generation of purchased electricity that is sold to end users:

29,681.8 tCO_2e

Increased, as we continue to mobilise further battery sites, increase our battery storage capacity and support the grid with our Battery Energy Storage Systems balancing and ancillary services.

'Well to tank' petrol:

14.2 tCO_2e

Upstream production of petrol decreased with reduced fleet activity during the year.

Employees' teleworking:

265.1 tCO_2e

25% reduction, due to an updated calculation methodology which assumes homeworkers spend 100% of their time at home, while engineers are excluded from the calculation.

Climate change

Working towards a net-zero future

We are committed to demonstrating sustainability leadership within our operations and value chain. Like our customers, we are focused on decoupling our commercial growth from our emissions footprint. This outlook supports our decision-making, with focus on our key emissions areas of grid battery operation, fleet use and building operation.

Ambitions for 2026–2030

✓ **Grid batteries**
Continue to drive down energy storage losses through audit activity and maintenance, aiming to align emissions reduction with grid average.
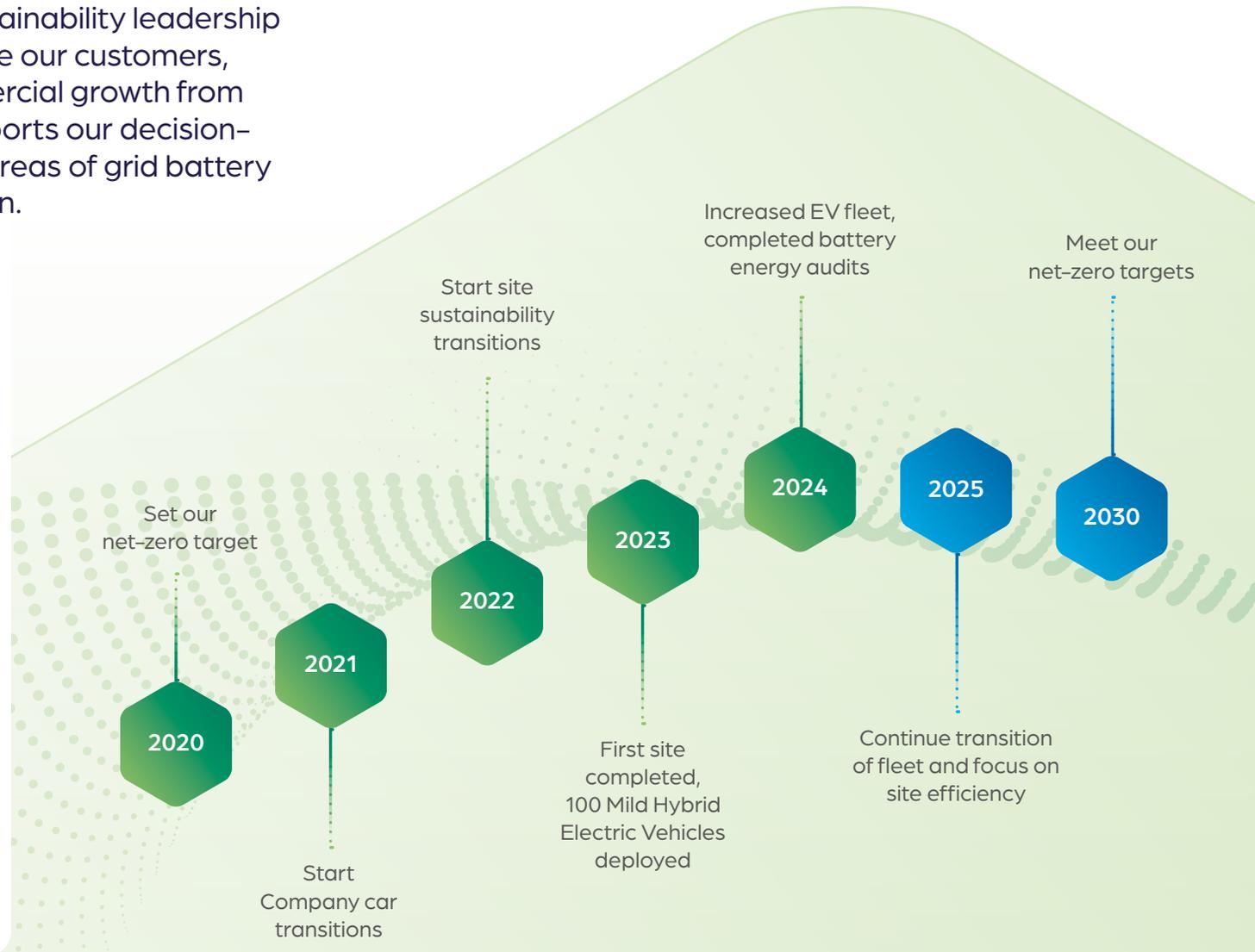
✓ **Fleet**
Continue to deliver our fleet replacement strategy, increasing our Plug-in Hybrid Electric Vehicle and Electric Vehicle assets to realise a reduction in emissions.

✓ **Buildings**
Continue upgrades to our core sites and implement our evolving estate requirements to deliver a reduction in emissions.

We continue to work towards verification against science-based targets, and we have successfully modelled our current targets against the Science Based Targets initiative Sectoral and Absolute Contraction approaches.

2020
Set our net-zero target

2021
Start Company car transitions

2022
Start site sustainability transitions

2023
First site completed, 100 Mild Hybrid Electric Vehicles deployed

2024
Increased EV fleet, completed battery energy audits

2025
Continue transition of fleet and focus on site efficiency

2030
Meet our net-zero targets

Climate change
Reducing estate emissions

Building monitoring

Across SMS, we have a range of buildings spanning offices, warehouses and a training centre. These are managed by a network of facilities coordinators and managers to support comfortable, safe and compliant working environments. In 2024 our buildings' energy consumption continued to be monitored closely through our ISO 50001 management systems and subsequent monthly energy reports, supporting our net–zero ambitions.

Case study

Customer net zero roadmap development

SMS supported a major UK bank's retail network in identifying opportunities to lower carbon emissions and achieve its 2030 emissions reduction targets. This was achieved through conducting energy audits on sites and extrapolating findings across the wider portfolio. Following the identification of opportunities, carbon savings were quantified for each individual opportunity.

Net zero roadmaps were created that highlighted the actual emissions, the projected emissions based on the current trajectory, and the client's targets. We identified the gap between the projected emissions and the targets, quantifying the individual benefits from implementing the opportunities and providing the client with all the tools they needed to successfully realise their net–zero ambitions.

Case study

Prennau House office

As part of our journey towards net zero emissions, we have carried out sustainability upgrades to one of our core sites in Cardiff. Prennau House is a three–storey 1,094m^2 office building that had a baseline energy rating of DEC 90 (D) in 2019. The site served as a pilot location to integrate energy–efficient technologies, renewable energy solutions and smart systems.

In 2024 we continued to realise significant reductions on Prennau House's 2019 baseline emissions.

Decarbonised

our heating through the removal of gas

49.3%

reduction in total energy consumption

54.5%

reduction in carbon emissions

53 kWh/m^2

energy intensity reduced from 165 kWh/m^2 to 112 kWh/m^2

Key improvements:

- **Glazing and façade** – Enhanced to reduce heat loss and improve energy efficiency of the building.
- **Renewables** – Installation of an ~30kWh solar photovoltaics array and a ~17kWh battery storage system.
- **Heating upgrades** – Installation of five Daikin air source heat pumps.
- **Smart technology** – Deployment of a Shelly cloud–based heating control system, smart Thermostatic Radiator Valve, and advanced thermostats.

This project demonstrates SMS's commitment to sustainability, progressing our net zero roadmap and delivering practical and measurable benefits to the environment. By showcasing Prennau House as a successful case study, we aim to inspire and support future installations, helping our customers adopt sustainable practices and achieve their own energy–efficiency goals.

~£6,700

and 81,000kWh savings per year

Climate change

Mitigating climate risk

As an organisation at the leading edge of the low-carbon transition, we are acutely aware of the importance of evaluating the impacts of climate change on our activities now and into the future. We have proactively reported on this area since 2020, and although no longer mandated to report to the Task Force on Climate-related Financial Disclosures (TCFD), we understand our customers are keen to understand our climate resilience.

Climate governance

The Board has oversight of climate-related issues through established processes in our overarching risk and opportunities framework. The Board is supported by the ESG Working Group, which comprises members of senior management from key supporting business functions. The ESG Working Group exists to ensure appropriate accountability and alignment is embedded into our strategic planning, decision-making and everyday processes. This forum enables appropriate consideration and integration of climate aspects at the most senior levels, meaning that we are able to ensure our business remains resilient to climate change.

Managing climate impact

We assess climate risks and integrate relevant aspects into our operations through business area leaders. Proactive measures are in place to mitigate any potential disruptions as well as to capitalise on any business opportunities. As a result of this process, we are confident all key risks are adequately managed and mitigated.

Our climate mitigation

Through addressing the risks and leveraging the opportunities highlighted in the graphic shown right, we reinforce the strength, stability and reliability of our operations and services. This approach also demonstrates to our customers our commitment to ensuring operational business continuity, adapting to regulatory changes and developing our services to cope with future challenges.

Risk mitigation

Physical
Extreme weather – flooding, heat, storms

Protecting our road-based employees
We understand extreme weather and climate events can lead to interruption of the operation of 'on the road' activities such as metering and engineering teams, and we have rigorous processes in place to mitigate impacts.

Resilience in our site-based IT systems
Our business continuity plans mitigate risks from extreme weather and climate events which could damage assets and lead to the interruption of critical IT systems.

Transitional
Market, regulation and policy, legal

Transitioning from fossil-fuel usage
Our efficiency projects and net zero roadmap mitigate the risks associated with potential future government policies on carbon pricing and emissions, and the energy transition, which could result in higher operating costs.

Opportunities

Transitional
Market, regulation and policy, legal

Supporting our metering customers through the smart meter rollout
We are well positioned to support customers while capitalising on the opportunities associated with smart meter rollout extensions and half-hourly settlement demands, which extend business opportunities within our existing customer base.

Meeeting demand for emerging carbon reduction services
We have developed capability to support increasing demand for emerging carbon reduction services, and our data and technologies allow for expansion in this market.

Pollution

Reducing and preventing pollution

We are diligent in our activities to prevent pollution across the organisation, and we take a proactive approach to transitioning our fleet away from fossil fuels in order to reduce direct impacts.

Fleet management systems

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 by integrated management systems which include health, safety, environmental and quality ISO systems, and our ISO 50001 energy management system. These systems are supported by our bespoke Driver Scorecard, which enables monitoring through an interactive dashboard.

Reducing our fleet-related pollution

In line with our net zero roadmap and strategic ambitions, the business has undertaken a significant fleet renewal initiative in the form of replacement of a large proportion of vehicles. This update includes modern internal combustion engine (ICE) vans and twelve electric vehicles (EVs). The addition of these EVs increased the total number of vehicles in our fully electric fleet to 15.

We understand that vehicle emissions have a pollution impact. The addition of these EVs not only demonstrates our commitment to reducing our carbon footprint but also our commitment to the communities in which we operate. Expanding our EV fleet also enables our customers to realise Scope 3 carbon reductions associated with our service provision, reflecting a shared responsibility.

Prioritising sustainable transport solutions further enhances our operational capabilities by ensuring access to a growing number of restricted areas, including Ultra Low Emission Zones (ULEZes), contributing to future-proofing our business.

Fleet performance

In 2024 we updated our internal fleet energy performance indicator to kWh/mile. This measurement prioritises efficiency of movement, rather than the previous less sophisticated measurement of numbers of vehicles, and was made possible by increased data quality.

Our focus on efficiency ensures smoother, more reliable operations, enabling timely deliveries and services that align with the expectations of our end customers. These efforts directly contribute to reducing disruptions in local communities by minimising vehicle emissions, noise pollution and traffic congestion.

Resource use and circular economy

Diligence in our waste handling

We are aware of the waste streams produced by our business and, in line with our corporate values, ISO 14001, and the waste hierarchy, we endeavour to reduce, reuse, and recycle wherever possible.

Our role in building the circular economy is recognised by the business and consequently we are diligent in our actions in this area. Our main source of potential waste at SMS is our returned meters, and for these we have comprehensive recycling processes in place.

Meter refurbishments

For every retrofitted smart meter, we ensure that the resulting removed meter is safely and responsibly managed to ensure the materials maintain their useful life. We handled a large number of returned meter assets in 2024, of which a proportion are owned and returned to third parties, with the remaining meters being SMS assets. These SMS assets include both domestic and Industrial and Commercial meters and are returned to us via two triage partners who are specialists in the refurbishment and recycling of both electric and gas meters.

Reusable meters are carefully refurbished at fully equipped and certificated meter testing facilities, where they are reprogrammed and tested. A number of testing, cleaning, calibration and programming activities are performed to ensure all meters are safe and accurate, ready for redeployment. Not only does this avoid waste, but it also supports the circular economy, ensuring these meters retain their material value and purpose, even after they have been used.

Compliance with regulations

We are fully committed to adhering to all regulatory requirements for environmental sustainability. As part of this commitment, we hold a valid Waste Carrier Licence and maintain compliance with the UK's Waste Electrical and Electronic Equipment (WEEE) regulations. These certifications ensure that we responsibly manage and dispose of waste materials, including electronic waste from the meters that we put on the market, in line with legal and environmental standards.

24%
increase in recycling rate

82%
recycling rate

0%
to landfill

Water and biodiversity

Action on the environment

Whilst both biodiversity and water have been evaluated to be of low materiality, we ensure continued vigilance and compliance in these areas.

Biodiversity

Although battery sites are required to be unobstructed and closely controlled for health, safety and security reasons, we have nevertheless focused on delivering biodiversity and environmentally positive outcomes when possible. Under the updated Environment Act 2021, all planning permissions granted in England (with a few exemptions) must deliver at least 10% biodiversity net gain. Net gain is calculated via specific government-provided tools which use habitat as a proxy for biodiversity, with a primary application being to provide planners and developments with a method of establishing how much ('units') and what type of habitats should be created or enhanced to ensure that the impacts of developments do not result in a net loss of biodiversity.

While we continue to complete projects approved before the legislation commencement date, we will ensure all planning-stage sites meet this requirement moving forward. We already have a flagship site outside Newton in Warwickshire which demonstrates the gains that can be achieved when working with landowners to deliver significant gains.

Water data and metering services

We are keenly aware of both the pressures faced by the UK water network and utilities, and their impact on the environment, and we leverage our expertise to support smarter water solutions. We are proud to serve customers through our brand Horizon Water Infrastructure, which provides innovative, tailor-made data-as-a-service end-to-end solutions to the water sector. As smart monitoring becomes essential for leakage detection, water balance management, event tracking and customer engagement, our tailored solutions empower water companies to maximise operational efficiency. Our dedicated team of water industry professionals and partners collaborates to design, initiate and implement smart water programmes for water companies. In addition, we can act as a meter asset provider (MAP), offering an innovative off-balance-sheet financing model that eases financial pressures and spreads programme costs over 15–20 years.

Our smart solutions have undergone rigorous testing and trials, ensuring robust and reliable data provision. They represent a reliable and bespoke smart meter programme to help identify and ultimately stop leaks for our customers.

Social

Our social focus
Our 'Levelling Up' goals as shown on page 31, underpin our key social materiality issues. They guide our efforts to create meaningful social impact, foster workforce development, and support affected communities.

Social introduction

Social overview

❝

We focus on critical areas such as health and safety, diversity, fair pay, and combating modern slavery. These initiatives, aligned with 'Leveling Up Purpose Goals' and demonstrated through our services, highlight our commitment to responsible business practices."

Judy Keir
Chief People Officer

From our double materiality assessment, and under the European Sustainability Reporting Standards (ESRS) architecture, we have identified and expanded our most material reporting areas within the ESRS Social standard.

Consumers and end-users

Consumers and end-users are pivotal to the success of our services, and their choice to move towards more sustainable solutions brings both direct and indirect benefits. Internally we are diligent in safeguarding critical aspects of customer services and security of information.

Own workforce

To support our employees, we focus on critical aspects of health and safety, employer-of-choice activities, training and diversity. We believe in putting our people first, as evidenced by our well-established culture of high performance, reward and engagement.

Workers in value chain

Our extended supply chain is vital to providing our services, and protecting those within it is a moral imperative. As such, human rights compliance and diligence is non-negotiable.

Affected communities

We know how important it is to be a good citizen in our communities, and so we support a wide range of activities via our employees and charity donations.

Consumers and end–users

Delivering social good through smart energy

Consumers and end customers are pivotal to the success of our services, and their choice to move towards more sustainable solutions brings both direct and indirect benefits across communities and the environment. We are proud to support more affordable living through our solutions.

Case study
Delivering decarbonisation for social housing

As a delivery partner on the Social Housing Decarbonisation Fund demonstration project 'Domestic Optimised Retrofit Innovation Concept' (DORIC), we have been able to offer a unique insight into the requirements and realities of rolling out retrofit solutions within the social housing sector. The project focused on a whole–home energy efficiency approach, aiming to demonstrate a viable route to net zero carbon emissions for the UK social housing sector, whilst also reducing fuel poverty among residents. This included the deployment of solar panels and heat pumps, installed alongside behind–the–meter battery storage systems, to avoid the need for residents to use carbon–intensive fuels.

By leveraging our financing services to fund the rollout of the assets, we were able to ensure no upfront cost to the landlord or tenants. In addition, through our Flexigrid™ software we are able to remotely optimise the use of a battery to remove the need for active consumer behaviour change and maximise the consumption of renewable electricity generated on site by the solar panels. The project also provides wider benefits through optimised grid import and export of electricity via each home's smart meter to deliver the demand–side management that is essential for wider grid decarbonisation.

Through implementing fabric upgrades in tandem with the installation of renewable energy assets, the project showcases a financially innovative and scalable route to achieving net zero emissions.

Case study
Energy Saver app

We are proud to be supporting Oxfordshire County Council in a government–backed solar and battery trial which leverages smart meter data through our Metis platform to deliver a range of financial and carbon benefits, including:

- A breakdown of energy consumption, empowering customers to adjust their habits, cut usage and lower bills.
- Energy spike alerts, to enable residents to address issues and prevent financial impact.
- Budget tracking tools which give residents the opportunity to monitor costs and make informed decisions on usage.
- Personalised tips based on individuals homes and usage, providing bespoke information on changes which could help save money.
- Suggestions for future steps to save money through solar and heat pumps.

The project is accessed by use of a custom–designed app. It aims to show how giving consumers more information about their energy use and offering tariffs that encourage using electricity when it's cheaper (and greener) can help more people to start using smart energy appliances such as batteries, heat pumps or intelligent white goods.

This switch would mean they can use less power during busy, expensive times and more when it's cheaper and greener, ultimately saving money by optimising the demand flexibility of their homes.

The trial covers up to 50,000 homes and small businesses in Oxfordshire, and in addition to the energy app, residents will be given the opportunity to upgrade their property with smart technology through an affordable monthly subscription.

The Energy Saver app was a finalist in the 'Unlocking Data' category of the 2024 Utility Week Awards

Goal 13: Harnessing the Energy Transition: ensuring that the energy transition is fair and creates opportunities across the UK. **See page 31**

Consumers and end–users

Customer services

Serving our customers is at the heart of everything we do, and a critical aspect of gaining and retaining key clients. We are keenly aware of our legal and voluntary obligations, and ensuring all customers have an excellent experience with us is embedded in our culture, as highlighted by our core value of 'Customer Excellence'.

Governance

Our metering customer services activities are overseen at Board level through frequent performance reports and commentary. Our dedicated customer services team members are supported by team leaders and led by the Head of Central Service Delivery. This framework enables a shared understanding of both end customer needs and the needs of our contractual clients.

Performance indicators

We strive for continual improvement of our performance and subscribe to independent third–party customer ratings services in order to track customer satisfaction. We ended 2024 with a very good Trustpilot rating of 4 stars from over 16,000 individual ratings. The level of upheld complaints was also low, at 0.09% of the total number of jobs.

Accessible contact

We ensure a range of channels are available for end customers to contact us, from phoning or emailing directly to via their energy supplier.

This ensures a customer can submit a query at any time of day and from virtually anywhere, with the confidence their enquiry will be received and acted upon.

Processes

We are here to support end customers to voice their concerns; and we take appropriate action to resolve any issues and, critically, communicate back to the customer. We do this by following a set of procedures which ensure we address concerns appropriately:

- First, we capture and categorise customer complaint information; this can be directly from discussion with the customer, or through one of our energy supply partners, and can span a range of issues such as a failed meter installation appointment;

- next, we investigate the issues raised; this can include engaging relevant internal departments, such as our technical or operational teams; and

- finally, we get back to the customer; this gives confidence we have acted on their enquiry and ensures we close out issues to their satisfaction.

Bespoke support

We handle a wide range of enquiries ranging from our established domestic, industrial and commercial metering workstreams to activities linked to our new energy services. Although we have scripts to ensure we capture all relevant information, our customer services team work with empathy as a fundamental tool to ensure we do the best we can for all customers in all situations. An underlying understanding of how customers' are feeling ensures we can best resolve any issue.

Business partner care

We understand that customer service excellence is also a non–negotiable for our business–to–business partners. We believe in building long–term relationships rather than focusing on one–time transactions. By actively engaging with customers throughout service delivery, conducting regular follow–ups, and offering personalised support via dedicated account managers, we ensure their evolving needs are met. We embrace transparent communication and proactive engagement to ensure we fully meet customer expectations, reduce misunderstandings and foster trust.

Consumers and end–users

Ensuring security of data and information

At SMS we are committed to securing our customers' data. We have implemented ISO 27001, a leading international information security management system, to ensure we are well placed to meet and exceed the contractual needs of our customers, as well as our legal requirements.

Our management system

The ISO 27001 management system enables us to identify, treat and monitor cyber risks whilst continuously improving our systems to protect our customer data.

Information security and data privacy

The SMS General Counsel is appointed as the Company's Data Protection Officer (DPO). The DPO takes a proactive role in ensuring internal compliance with the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and other relevant legislation.

The DPO advises and informs staff and third parties of our obligations and expectations under regulation through internal and external communication platforms. SMS's Data Protection Policy provides full details of SMS' compliance with the relevant requirements, practices, DPA and data privacy legislation. SMS utilises compliance monitoring based on international standards to guide the full information lifecycle management of customer data.

In addition, the SMS Board is updated on other relevant aspects by the dedicated information security team, ensuring that appropriate information technology standards and procedures are in place, including those related to the DPA, and that all information and technology risks are identified, assessed and managed, with actions implemented as appropriate.

Certification and audits

At SMS our ISO 27001 certification utilises our comprehensive internal information security framework alongside internal and external audits to ensure continual improvement of our performance.

In addition, within our SMS Energy Services division, we attained Cyber Essentials Plus in 2022, the highest level of certification offered under the Government–backed Cyber Essentials scheme.

This certification includes cyber security experts carrying out vulnerability tests to ensure that an organisation's preventative technologies are effective.

Across the SMS group, external audit of information security and data privacy is conducted by a trusted security partner against the Center for Internet Security framework. This activity supports continuous improvement throughout all areas of information security, including an independent review of information security tooling, which reinforces data management and information security.

Battery energy storage system security

SMS has multiple Battery energy storage system (BESS) sites, with more planned in the coming years. This new area of operations is managed in line with the ISO 27001 security standards set for the rest of the wider SMS group.

This alignment ensures a clear security baseline across our business and a structure to manage cyber security risks effectively. We have plans to extend the scope of our existing ISO 27001 certification to include current and any subsequent BESS sites to provide further external assurance.

Annual information security training for all

SMS staff receive monthly information security training in the form of short videos. This incremental approach keeps security at the forefront of our daily operations. The topics of the training modules are reviewed annually to ensure that they remain effective. Foundational courses are included in the recruitment team's standard joiner package for all new employees. The training platform includes reporting functions to monitor completion and ensures employees know their responsibilities to secure information. Face–to–face training is also conducted during site visits to provide engaging sessions tailored to each audience to supplement the online training.

Additionally, to ensure that all SMS employees are aware of the risks presented by phishing threats, SMS utilises third–party vulnerability analysis and simulated phishing attacks, with the results used to show additional awareness training requirements. Specialised technology enables all employees to easily report suspected issues for further action.

Own workforce

Ensuring the safety of our employees

As a business in the energy industry, we are deeply committed to protecting our employees and contractors from the diverse hazards and risks they face on a daily basis. From engineers involved in electricity and gas metering, to contractors working on battery site construction, as well as our office and warehouse staff, we prioritise their safety through a range of tailored control measures and proactive guidance.

Cascaded safety culture

SMS's safety ethos is cascaded from top management down through our policies, as well as being embedded within our culture as a core pillar of our Company values and supported by our dedicated health and safety team. We conduct annual reviews of our Health and Safety Policy and related arrangements, to ensure alignment with current business requirements. This policy, published on both the Company's intranet and external website, serves as a statement of intent and a driver for continual improvement across our management systems and processes, ensuring we maintain the highest safety standards.

Systematic safety

Our commitment to protecting the health and safety of our people and customers is underpinned by our robust health and safety management system. Certified to ISO 45001, the system provides a structured framework for ensuring compliance with legal industry and voluntary obligations. Critically, our management system ensures we continue to meet the continually evolving needs of the industries we work in and the growth and diversification of the business.

Incident and performance reporting

Our safety performance is regularly reported to the Board, and also to a number of key customers to support transparency and trust. We continued to see progress across the majority of our key performance indicators and targets in 2024.

Fleet safety

With a large proportion of our workforce on the road, our fleet management function is pivotal in managing the health, safety and wellbeing of our drivers. To address both short- and long-term health risks, we provide regular health checks, targeted training programmes and ongoing driver performance monitoring. These initiatives ensure our drivers are equipped to operate safely while also maintaining their physical and mental wellbeing.

We continue to use technology and enhanced reporting suites to monitor various aspects of driver performance and harvest critical insights. These highlight improvement opportunities in three main areas:

- **Driving safety** – Trends analysis from motor vehicle incidents (MVIs) enables appropriate assignment of vehicle training, which is provided by our specialist training partners. Our bespoke Driver Scorecard complements this by highlighting undesirable driving behaviours like excessive speed, harsh acceleration or braking, cornering, idling and over-revving.
- **Vehicle safety** – Daily and weekly vehicle checks conducted by drivers and management enable real-time reporting of vehicle condition, allowing for swift identification and resolution of any issues.

- **Fatigue management** – Analysis of door-to-door and driving times is used to monitor risk of driver fatigue and support operational management in planning to meet resource demands.

We have continued to see positive outcomes from our efforts in fleet safety. In 2024 we exceeded both our 2023 fleet performance and target.

50%

YOY reduction in Lost Time Injury Frequency Rate (LTIFR)

Goal 8: Good Health and Wellbeing: ensuring improved mental and physical health at all ages to boost overall wellbeing that allows people to fulfil their potential. **See page 31**

Own workforce
Ensuring the safety of our employees continued

Risk assessments

Ensuring the safety and security of our employees and the public is a core priority, reflected in our materiality assessment and embedded in our operational processes. A key tool we use to mitigate risk is Risk Assessment and Method Statements (RAMs). All critical engineer activities are covered by a suite of RAMs, which are followed diligently by our competent engineers, ensuring all tasks are planned and conducted safely. Additionally, dynamic risk assessments are performed onsite to identify and mitigate emerging hazards in real time, enabling engineers to adapt to changing circumstances effectively.

Occupational health and wellbeing

We utilise occupational health principles to help ensure our employees are healthy and safe and to promote a healthy and productive workforce. We work closely with respected occupational health service providers (OHSPs) to manage occupational health risks encountered within our business and provide support to our employees. Our providers support a range of activities including health assessments, expert advice and practical guidance on workplace adjustments, and recommend proactive interventions to address health concerns.

Our occupational health programme is highlighted to engineers at induction, with awareness ensured through updates delivered through our newsletters to provide employees with the most up-to-date information.

Additional safety at battery sites

Beyond our engineering activities, we are equally committed to public safety at our battery energy storage sites. These sites are safeguarded with robust security measures, including physical barriers, surveillance systems and clearly displayed warning signs, ensuring risks to the public are minimised. This comprehensive approach demonstrates our unwavering commitment to managing risk and maintaining safety in all aspects of our operations.

Continual evolution of safety

As our business continues to grow and expand into new workstreams, we proactively mitigate risk and exposure by embedding health and safety at the early stages. We are able to draw on our highly skilled health and safety team to provide expert advice and guidance on appropriate operational safety control measures, support the development of robust management systems, vet subcontractors though our vendor onboarding process, and assess the effectiveness of these with inspection and monitoring plans.

Goal 8: Good Health and Wellbeing: ensuring improved mental and physical health at all ages to boost overall wellbeing that allows people to fulfil their potential. **See page 31**

Own workforce

Employer of choice

At SMS we are keenly aware that our remuneration, benefits and engagement choices underpin a healthy and productive workforce. These strategies ensure we are retaining and developing our employees, enhancing our 'human capital'. By doing this we are able to deliver to our customers consistent and high–quality services through highly engaged and constantly improving employees.

Within our 'Levelling Up' impact report, which benchmarks an organisation's activity against the Purpose Coalitions 14 Purpose Goals spanning core barriers to opportunity that exist in the UK, our commitment across the following goals is particularly strong:

Goal 3: Positive Destinations Post 16+: ensuring young people have the choice of a high–quality route in education, employment or training.

Goal 5: Open Recruitment: ensuring professions are open to people of all backgrounds through transparent, accessible and open recruitment practices.

Goal 6: Fair Career Progression: ensuring opportunities for career advancement for all based on ability and potential, not connections.

Goal 8: Good Health and Wellbeing: ensuring improved mental and physical health at all ages to boost overall wellbeing that allows people to fulfil their potential.

Goal 13: Harnessing the Energy Transition: ensuring that the energy transition is fair and creates opportunities across the UK.

Living Wage employer

SMS is proud to be a Real Living Wage employer, as advocated by the Living Wage Foundation, whose purpose is to ensure everyone can earn a wage that meets their everyday needs. The Real Living Wage is based on the cost of living and is voluntarily paid by UK employers. SMS is also a proud Living Hours employer, which means we ensure that all employees have at least 4 weeks' notice of shifts, a contract that accurately reflects their working hours, and a guaranteed minimum of 16 hours' work per week (unless requested otherwise).

Enhanced benefits package

We take pride in our benefits package, available to all employees (both full–time and part–time) and we have recently launched a Benefits Hub and Employee Wellbeing page on our Company intranet to allow employees easy access to their benefits in a 'one–stop shop'.

Our Employee Assistance Programme offers a confidential counselling service available 24/7, along with additional free support for employees, such as access to expert health and wellbeing advice including free 24–hour online GP appointments. Our medical insurance programme offers cashback cover for various healthcare options, including optical, dental and chiropractic services and complementary therapies.

Through our cycle scheme we support employee by offering with savings on bikes and accessories, with payments taken tax–efficiently from employees' salary. Our Group family–friendly policies include enhanced pay for paternity/paternity and pdoption leave, as well as five days of paid leave for fertility treatment and for employees who have experienced a miscarriage. We also provide life insurance at a rate of 4x annual salary for all employees, along with wellbeing support.

To ensure a healthy work–life balance, all employees are entitled to up to 30 days of annual leave (plus Bank Holidays) and hybrid working arrangements, where operationally feasible.

We reward loyalty with a long–service cash incentive and ensure the continual development of our employees through funded career development opportunities such as apprenticeships and other professional qualifications.

Enhanced wellbeing–focused benefits for all employees include: Medicash, which supports employees with day–to–day health expenses; SmartHealth, a free support package for employees including online GP appointments and access to health experts; an employee assistance programme offering 24/7 confidential support; the My Healthy Advantage app, providing access to a wealth of health and wellbeing resources; and access to a cycle scheme. We are also proud to have recently launched an employee participation plan for all our employees to encourage ownership and foster a high–performance culture. See page 32 for more information.

Goal 8: Good Health and Wellbeing: ensuring improved mental and physical health at all ages to boost overall wellbeing that allows people to fulfil their potential.

Own workforce

Employee participation plan

We are proud to have launched our Employee Participation Plan, this is a significant step in recognising and rewarding the contributions of SMS's employees.

Launching our Employee Participation Plan

Our Employee Participation Plan (EPP) launched on 28th November 2024 via employee townhalls across our Glasgow, Cardiff, Hoyland, Bolton and Doncaster locations attended by on-site employees. Live videos calls were also hosted with our remote engineering teams.

Released in conjunction with our 'Think like an owner' culture, which is focused upon aligning with common goals, vision and success of the business whilst driving performance and value, we know this new plan cultivates a sense of ownership amongst our employees.

Plan benefits

All eligible employees are automatically enrolled into the EPP at no cost to the individual. Employees can then benefit from when there is a 'Payout Event', such as when the Company Group is sold or listed on a stock exchange (provided it achieves a certain valuation at that point), each eligible employee may receive a financial benefit in the form of a cash payment. Additionally, if the Company Group performs well against the value drivers and key performance indicators determined by SMS, eligible employees may also receive an interim Plan Payout.

Every eligible employee of SMS and its subsidiaries can share in the growth of SMS's value over time in order for employees to share in the success of SMS.

All eligible employees are automatically enrolled

Interim and exit payouts

Own workforce
Employer of choice continued

Continued communication and engagement with our people is critical to our success, and with this in mind as such we have continued to be diligent in bringing employees along on our business evolution journey. We have a wide range of channels to enable open communication to and from our employees, and ensure that we not only listen to our employees but also act on their feedback.

Employee forums

As part of being an owner, we ensure that every team member has a voice in shaping the workplace. Our primary channel for employee engagement is our Employee Voice forum, launched in October 2021, which includes the Chief People Officer and a group of employee representatives. Meeting quarterly, the forum serves as a platform to inform about and discuss issues that affect everyone's working lives and the prospects of the business. It also fosters an inclusive environment where employees can actively contribute to decisions that impact their work and future.

Purposeful engagement

Following our privatisation in 2024 we held additional employee information sharing events in the form of 'townhalls' across all locations in Q3 and Q4. These events included the introduction of our new ownership team and Board members, and the launch of the new employee participation plan, supporting the communication of business updates and Company strategy.

Listening to our employees

We conducted our fourth external employee engagement survey in April 2023 through 'Best Companies', an independent workplace engagement specialists, and were proud to receive a positive result of a '1 Star' accredited rating.

The strictly confidential and independently administered survey allows employees to give honest responses without fear of reprisal, providing a candid picture of how our people feel. We received feedback on what we do well as a business and areas where we can improve to guide future strategies, and we plan to run the survey again in 2025.

Living Our Values Awards

Our quarterly Living Our Values awards celebrate employees from across the business who exemplify our five core Company values: Safety, Customer Excellence, Innovation, Pride and Sustainability. In 2024, we received more than 395 nominations and honoured 97 winners. All nominations are reviewed by a senior management judging panel, which selects winners for each value category. Winners receive a gift voucher, values pin badge and commemorative certificate from our CEO.

'Kudos' peer–to–peer recognition

Kudos, meaning 'praise and honour received for an achievement', is a tool that allows employees to say thanks instantly to anyone in the business. Launched in June 2024, 942 Kudoses were sent to colleagues across the year, with many employees receiving multiple Kudoses each month.

Own workforce

Engineer training and competency

Our national training academy, based in Bolton, delivers accredited training and assessment for professionals looking to gain qualifications or upskill in the domestic and commercial gas and electrical sectors.

The academy serves as the skills development centre for our nationwide engineering workforce, who are trained to the highest of safety and technical standards and fully equipped to carry out the government's smart meter rollout programme across British homes and businesses.

Training services

Our centre is also open to the public, with bespoke courses that cater for new entrants and experienced engineers alike. If you're new to the trade, you can train with SMS to gain fundamental domestic gas and electrical skills to help you progress in your career, whilst more experienced engineers and utility professionals can either refresh their skills or gain commercial qualifications with us. Courses range across electric and gas, including domestic and commercial qualifications, such as diplomas in Smart Metering, Electric Vehicle (EV) Chargepoint Installation and, most recently, the installation and maintenance of small-scale solar photovoltaic systems and which is recognised by the UK's Microgeneration Certification Scheme.

Courses available

- Commercial and domestic gas
- Commercial and domestic electrical
- Diploma in Smart Metering (Power)
- Commercial Electric/Large Power Metering
- Electrical Energy Storage Systems (Batteries)
- Electric Vehicle (EV) Chargepoint Installer
- Solar Photovoltaic (PV) Installation and Maintenance
- Water Regulations

Engineer induction

We ensure the highest technical competency in our engineers through rigorous training. Every new SMS engineer undergoes a thorough induction to the Company and a technical assessment, which includes approximately seven days of mandatory briefings, policy and procedure training, practical installations and assessments, along with their Consolidated Metering Code of Practice assessment. As part of this interactive induction, engineers' skills and competency are assessed in a variety of real-life scenarios. As they progress within SMS, operatives have the opportunity to undertake further development training.

Case study

Upskilling our engineers

We support our engineers to develop and evolve, in line with our business strategy. For example, during 2024 our first group of SMS engineers successfully achieved the LCL Level 3 in the installation and maintenance of small-scale solar photovoltaic (PV) systems. This is a regulated, nationally recognised qualification, based on industry national occupational standards and recognised by the Microgeneration Certification Scheme, and qualifies the newly upskilled engineers to install and maintain solar PV systems. We will continue to roll this training out to more of our engineers, enhancing both our workforce and the in-house offering we can provide our customers.

Goal 3: Positive Destinations Post 16+: ensuring young people have the choice of a high-quality route in education, employment or training. **See page 31**

Own workforce

Employee development

The strategic development of our employees ensures we are fully equipped to meet our customers' needs now and into the future. We are passionate about our people achieving their full potential and developing their skills and knowledge, which is why we are constantly improving our employee support and development activities.

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

Celebrate our differences

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

Be positive towards change

Encourage others to act sustainably

Performance and Development Reviews

Our Performance and Development Review (PDR) process spans all employees and includes both strategic objective setting and performance evaluation. During this annual process, individual performance is evaluated, with time allocated for managers to conduct a formal one-to-one meeting with each team member. These discussions cover strengths, areas needing support, any training and development needs, the setting of agreed measurable targets for the year ahead, and reviewing performance over the previous year. The process is subject to annual review and enhancement, always based on a supportive and collaborative approach to encourage and develop employee and line manager engagement.

Varied and relevant training

In addition to our dedicated engineer training academy, we support the development of our employees through internal and external training. Courses available include everyday essentials such as Excel, internal training to support SMS processes such as procurement and project management, and externally validated professional skills courses. In addition, we ensure the competency of our employees in fundamental safety areas, including fire warden training, emergency first aid at work training, and warehouse courses such as forklift training. These courses vary in format, from virtual courses delivered internally to third-party professionally recognised qualifications.

We continue to expand our training support to ensure our people develop and evolve in line with our business development goals.

Goal 6: Fair Career Progression: ensuring opportunities for career advancement for all based on ability and potential, not connections.

Own workforce

Equality, diversity and inclusion

As an organisation, we understand the importance of diverse and inclusive workforce, and the value it brings. Promoting fairness and treating people equally across not just our Company, but the communities we contribute to and the wider society we live in, is something we feel incredibly passionate about as a business. Equality, diversity & inclusion (EDI) is overseen at Board level, with updates shared by our Chief People Officer.

Embedded approach to EDI

Our EDI initiatives go beyond legal compliance and include diversity monitoring, employee affinity groups and networking groups. Our initiatives ensure we are supporting a diverse workforce and recruit from diverse talent. Our policies and Code of Conduct ensure consistency across all our activities and operations, as within a range of related policies we outline our expectations around fair, equitable and ethical treatment for all. These policies are communicated to new starters and available at all times to all employees via our intranet.

Diversity monitoring

To help us identify, understand and address the needs of our employees we have a voluntary EDI monitoring form. By collating data on the representation of different demographic groups, we can assess the effectiveness of diversity initiatives, pinpoint areas needing improvement, and ultimately create a more inclusive workplace culture. We continue to promote the completion of our EDI voluntary monitoring form to underpin our activities.

Diverse recruiting

People drive success, and therefore recruiting the right people, at the right time, into the right roles, is core to the business both now and for the future. To support this, SMS is committed to applying its Equal Opportunities, Diversity and Inclusion Policy at all stages of recruitment and selection.

We implement this through a range of activities, which include practical steps such as candidates being asked via email, when arranging an interview, if they require any reasonable adjustments as part of the recruitment process, and benchmarking our recruitment processes to ensure our alignment with external bodies and frameworks.

We continue to be a Race at Work Charter signatory, which helps us take practical steps to ensure our workplace is tackling the barriers ethnic minority people may face in recruitment and progression. Our disability practices and policies continue to be recognised, and in 2024 earnt us Disability Confident Leader status for the fourth year running.

Own workforce
Equality, diversity and inclusion continued

Supporting work–life balance

We understand that flexibility and positive work–life balance are critical to attract, engage and retain the current and future talent needed for our growing services. We have a comprehensive suite of policies and standards in place to support a modern workforce.

Our Flexible Working Policy enables us to support our employees with specific life events or changes in their circumstances. Our Hybrid Working Policy gives employees the option to work flexibly where appropriate. These policies allow flexibility to support employees if they are experiencing certain life challenges, i.e. working from home due to menopause symptoms. Our family leave policies (Maternity & Adoption, Paternity and Shared Parental Leave) offer eligible employees enhanced paid time off for a new arrival, allowing them to spend time with their family without the worry of losing pay.

There are several other types of leave available to employees, including enhanced annual leave of 25 days (plus Bank Holidays), with an additional five days at five years' service, as well as time to support dependants. We are also proud to offer our employees up to five days paid carer's leave per year to support their caring responsibilities.

30 days

Up to 30 days annual leave (plus Bank Holidays)

Enhanced maternity, paternity and adoption leave

£500

'Refer a friend' bonus

SMS was a 2024 finalist in the s1jobs Recruitment Awards for Best Diversity & Inclusion Initiative and In–House Recruitment Team of the Year.

Goal 5: Open Recruitment: ensuring professions are open to people of all backgrounds through transparent, accessible and open recruitment practices. **See page 31**

Goal 6: Fair Career Progression: ensuring opportunities for career advancement for all based on ability and potential, not connections. **See page 31**

Workers in value chain

Robust supply chain compliance

Our extended value chain is of ongoing importance, and as such we support it with relevant processes, standards and policies.

Modern slavery

We are clear on our approach to modern slavery, with a robust and publicly communicated statement on our website. As per our Supplier Code of Conduct, we require all suppliers to comply with our Modern Slavery Statement in all activities which are carried out on behalf of SMS. We would take a strong line on any violations and the use of slave labour will lead to the termination of our contracts with such suppliers.

Our operational Modern Slavery Policy

Our longstanding Modern Slavery Policy is communicative of our ethical and moral principles when conducting business. We expect all third parties that we work with to comply with all related legislation and this is supplemented by ensuring that our supplier and service provider contracts include strong obligations regarding compliance with modern slavery legislation.

We would take any allegations of modern slavery, either within our immediate business or wider supply chains, extremely seriously as we consider modern slavery to be a clear violation of the most basic of human rights.

Our policy clearly states that any concerns or doubts about modern slavery should be addressed to SMS' General Counsel. All concerns and reports will be fully investigated and, where appropriate, remedial action will be taken by the Company. Overall accountability is held by the Board of Directors of the Company.

Due diligence and audit

As part of our due diligence process we include clauses within our contracts with new suppliers under which they warrant to us that they are in compliance with, and will remain in compliance with, the terms of the Modern Slavery Act 2015.

As part of our wider due diligence, we liaise with new suppliers to ascertain the exact steps they have taken to ensure that modern slavery does not taint their business. All suppliers must complete a questionnaire requiring them to detail the procedures they have in place to monitor their adherence to the terms of the Act.

Effectiveness

We understand that modern slavery risk is not static, so we intend to proactively advance our understanding of the area and our strategy to mitigate this risk into the future. To assess the effectiveness of our planned measures we will be reviewing the following key areas and reporting on them in future Modern Slavery Statements:

- key staff training;
- actions taken on supply chain auditing and verification;
- steps taken to upskill any suppliers we consider high risk; and
- any investigations undertaken into reports of modern slavery and remedial actions taken in response.

Case study

Supporting Anti–Slavery Week

As part of our relationship with Utilities Against Slavery (UAS), a forum for energy, water and gas providers to collaborate to prevent and address modern slavery, in 2024 we showcased our activities in this area. We proudly supported UAS during Anti–Slavery Week through their supply chain engagement event. The event raises awareness among customers, clients and partners about the critical issue of modern slavery and labour exploitation. At the event SMS's Head of Procurement shared our actions relating to tackling modern slavery, ESG risk and ethical sourcing within panel discussions. We take a zero tolerance approach to modern slavery in all forms and operate a robust supplier due diligence process.

Affected communities

Empowering communities through targeted action

We believe that sustainable organisations have a duty of responsibility not only to their employees, but to the communities within which they operate. With this in mind, we participate in relevant educational, community and charity activities.

Case study

Engaging the next generation

We are passionate about leveraging our expertise to inspire the next generation of smart energy leaders. During 2024 our highly experienced Chartered Smart Product Manager commenced a series of lectures on this topic at the University of Oxford and Oxford Brookes University.

The lectures shared expert insights and thought-provoking real-life case studies with Masters and degree students. A key topic was heat pumps, detailing everything from their domestic and commercial applications to analysing building performance with heat pump, as well as the use of systems digital controls as part of smart energy systems and technologies.

Having received positive feedback, we are proud to continue these lectures into the future and support the students on their STEM journey.

Supporting the Fuel Poverty Forum

In 2024 we participated in two forums organised by National Energy Action (NEA), a charity, addressing fuel poverty across England, Wales and Northern Ireland. The regional forums bring together frontline service providers to highlight good practice and promote dialogue and discussion on a wide range of sectoral issues, which helps NEA shape policy developments and campaigns.

As a provider of smart metering and energy management solutions, we aim to help households manage energy usage, improve efficiency and reduce costs. Attending these forums deepens our understanding of fuel poverty challenges and ways to enhance our solutions.

Critical learnings from the forums included:

- Smart metering and real-time data empower vulnerable consumers to control energy usage.
- Affordable energy solutions are critical to ensure fuel poverty and carbon reduction goals align.
- Social housing projects require robust aftercare to ensure long-term benefits, a focus area for our Metis Energy business.

Our participation in forums such as these deepens our knowledge of on-the-ground challenges and strengthens our commitment to addressing fuel poverty and improving support for vulnerable communities.

Local education

We have proudly been part of Career Ready, a national social mobility charity for young people aged 15–18, for over four years. Our school placement, and in 2024 we hosted a student from Govan High School in Glasgow, who learnt new skills during four weeks in the working environment.

Fundraising

Throughout the year, SMS matched the charity fundraising efforts of over 40 employees through one-off corporate donations to their chosen causes, resulting in a total donation of c.£26,000.

Goal 3: Positive Destinations Post 16+: ensuring young people have the choice of a high-quality route in education, employment or training. **See page 31**

Goal 13: Harnessing the Energy Transition: ensuring that the energy transition is fair and creates opportunities across the UK. **See page 31**

Governance

Operating responsibly
We meet our ethical and legal obligations through responsible and ethical practices, ensuring the integrity and transparency of all our activities.

This commitment extends from our supply chain to our people, and from our operations to our customers and wider society.

Governance introduction

Governance overview

❝

We are firm believers in the importance of maintaining the highest standards of corporate governance."

Tim Mortlock
Chief Executive Officer

From our double materiality assessment, and under the European Sustainability Reporting Standards (ESRS) architecture, we have identified and expanded our most material reporting areas within the ESRS Governance standard.

Organisational structures

Effective corporate governance underpins everything we do, and our Board drives SMS forward — nurturing around it the talent, knowledge and skills that provide the fundamental platform for our services.

Continuity, risk controls and management

We understand the critical nature of business planning and risk control, and we consider the impact of disruptive unpredictable events and potential threats in order to protect the continuity of our services to customers.

Procurement and supply chain

Our secure and compliant value chain is critical to the success of the business, and carrying out our compliance processes diligently is recognised as fundamental to our business.

Innovation

Our knowledgeable teams continue to work at the leading edge of smart energy technology, supporting the development of new solutions to better serve customer needs.

Policies and procedures

Our policies lay out our principles and standards, ensuring all stakeholders have a clear understanding of our culture and expected conduct.

Our organisational structures

Our Board

As a large mature business we have a clear and established governance framework in place. Our Board activities are structured to develop the Group's strategy and to support management in the delivery of the strategy. The Board also oversees governance, risk and reputation management, and financial performance, assuring the health of the Company now and into the future.

Board composition

Tim Mortlock
Chief Executive Officer

Gail Blain
Chief Financial Officer

Neil Jordan
Group Company Secretary and General Counsel

Andrew Furze
Non–executive Director

Yimei Luo
Non–executive Director

Aadhaar Mehra
Non–executive Director

Accreditations, memberships and frameworks

Technical and ethical standards

We underpin the technical and ethical standards of our activities through third–party accreditations, memberships and alignment across key aspects of governance and operation. Our subsidiaries and brands continued to successfully hold a range of awards relevant to their activities in 2024:

Technical and industry

- Achilles UVDB
- Consolidated Metering Code of Practice (CoMCoP)
- Construction Industry Scheme (CIS)
- Constructionline
- ELEXON
- Energy & Utilities Alliance
- Energy & Utility Skills Register (EUSR)
- Energy Brokerage Registered TPI
- Gas Industry Registration Scheme (GIRS)
- Gas Safe Register
- Home Insulation & Energy Systems Quality Assured Contractors Scheme (HIES)

- Information Commissioner's Office (ICO) Register
- MCS 001
- LCL Awards Approved Centre
- National Electricity Registration Scheme (NERS)
- National Skills Academy for Power (NSAP)
- NICEIC Approved Contractor
- Office for Zero Emission Vehicles (OZEV) Authorised Installer
- SafeContractor
- Van Excellence
- Vehicle Charging Infrastructure Solutions (VCIS)

Corporate Social Responsibility

- Cornerstone Employer
- Investor in People
- Living Hours employer
- Living Wage employer
- Levelling Up Purpose Goals
- Race at Work Charter signatory
- The Climate Pledge signatory
- UN Global Compact participant

Supplier rating

- EcoVadis
- Financial Services Qualification System (FSQS)

Information security

- Cyber Essentials Plus
- ISO 27001

Management systems

- ISO 14001
- ISO 27001
- ISO 45001
- ISO 50001
- ISO 9001

Continuity, risk controls and management

Proactive risk management

Business continuity and disaster recovery

We understand, and take seriously, our duty to ensure our products and services are delivered at acceptable levels even during a disruptive incident. Our business continuity management (BCM) framework addresses the impact of unpredictable events such as supply chain disruptions, utility outages, natural disasters or cyber attacks. This framework enhances organisational resilience and enables effective responses and recovery, minimising impacts on personnel, client services, business operations, and the SMS brands.

Business continuity is supported at the highest organisational levels, with the senior leadership team authoring and endorsing the BCM framework, ensuring alignment with broader business goals. A dedicated business continuity team oversees the framework's development, implementation and monitoring to ensure it remains a core operational priority.

In 2024, we continued to build on the BCM framework, aligning our processes and practices with ISO 22301:2015 requirements. This in turn has enhanced our customers' confidence in SMS's ability to maintain critical operations during disruptions.

Our BCM framework has delivered tangible business benefits, including strengthening supply chain resilience through supplier diversification. It has also led to SMS establishing contingency plans and the implementation of additional IT systems, including backup solutions, cloud storage, and disaster recovery measures, to further safeguard our operations.

Following this success, we plan to extend the BCM framework to new business entities and activities. Through comprehensive business impact analyses and risk assessments, we will put in place controls to mitigate or eliminate identified risks, ensuring we maintain operations within acceptable tolerances.

Risk management

At SMS we understand the need for risks to be managed and for control measures to be proactive rather than reactive. This is important for both our employees, and also for our customers, who rely on healthy, safe work practices and effective quality processes for us to deliver their requirements.

As a company, we have taken several key actions and implemented strategies to strengthen our risk management framework. These efforts are designed to proactively identify, assess, mitigate and monitor risks that could affect our operations, financial performance, reputation or compliance.

Key actions in 2024 included:

- Developing a systematic approach to identifying risks across operational, financial, strategic, compliance and reputational areas.
- Strengthening internal controls through regular audits and checks of our adherence to legal and industry standards.
- Leveraging technology to enhance real-time risk identification and response.
- Fostering a risk-aware culture by engaging employees and promoting open communication.
- Engaging third-party auditors to review and improve risk management practices.

These initiatives have significantly enhanced SMS's resilience, enabling effective risk mitigation and sustainable growth.

Continuity, risk controls and management

Commitment to the highest standards

Across SMS we have an established and comprehensive range of integrated governance and management frameworks to support our culture of ethical and rigorous business conduct. Our management systems for quality, health and safety, information security, environment and energy enhance our business performance and embed safe, sustainable practices into our operations.

Our operations are supported by a top-level commitment to integrity and transparency, as reflected in our Integrated SHEQ, Energy and Climate and Sustainability policies. Our management systems ensure relevant objectives, targets and deadlines together with adequate plans, are established to achieve our goals.

To ensure the robustness of our management systems, the majority of activities, products and services undertaken by SMS are included within the systems' scope. This approach enables us to control, monitor and influence outcomes, and continually improve. As our business grows and evolves we will further extend the scope of the management systems to encompass new activities, as well as any existing products and services not currently covered.

During 2024, we successfully maintained all five of our International Organization for Standardization (ISO) certified management systems (9001, 14001, 27001, 45001 and 50001), with zero non-conformances identified, as verified by mid-year external audits.

Leadership and commitment

At SMS, we recognise that the success of our management systems depends on strong leadership and unwavering commitment. Our leadership team has championed these initiatives, aligning business practices with the highest standards of excellence.

Our senior leadership, including the CEO and executive team, has established a clear vision centred on operational excellence, sustainability, customer satisfaction and continuous improvement. This vision is laid out within our policies and consistently communicated across all levels of the organisation, fostering alignment with strategic objectives and ensuring our management systems are integral to business growth and sustainability rather than being solely compliance-driven.

Monitoring and evaluation

SMS proactively reviews and monitors the performance of our processes and services, ensuring that customers' needs and expectations are consistently fulfilled. We measure performance against objectives and other relevant factors, including the effectiveness of processes.

A rigorous audit programme ensures that procedures, processes and work activities comply with regulatory, legislative and ISO requirements for quality, environment, health and safety, information security and energy. These audits identify best practices, weaknesses and non-conformances.

If non-conformances are identified, corrective actions are implemented to address root causes and prevent recurrence. Our Group internal audit team provides an additional layer of governance.

In alignment with ISO requirements, SMS conducts periodic reviews of its management systems to assess their suitability, adequacy and effectiveness. These reviews also ensure alignment with organisational strategy and incorporate any necessary changes based on the objectives of the Company and the needs of customers and other stakeholders. SMS employs process improvement methodologies alongside traditional quality management activities to drive operational improvements.

Continuous improvement

Our management systems underpin our pursuit of continual improvement, and by leveraging audits, engaging employees, employing technology, gathering customer feedback and maintaining strong leadership involvement we ensure that our systems remain effective, efficient and aligned with our business goals. Use of the systems enables us to consistently meet regulatory standards, enhance operational performance, improve customer satisfaction and advance sustainability. Through continuous improvement, SMS remains at the forefront of industry trends, ensuring resilience against future challenges and readiness to seize opportunities.
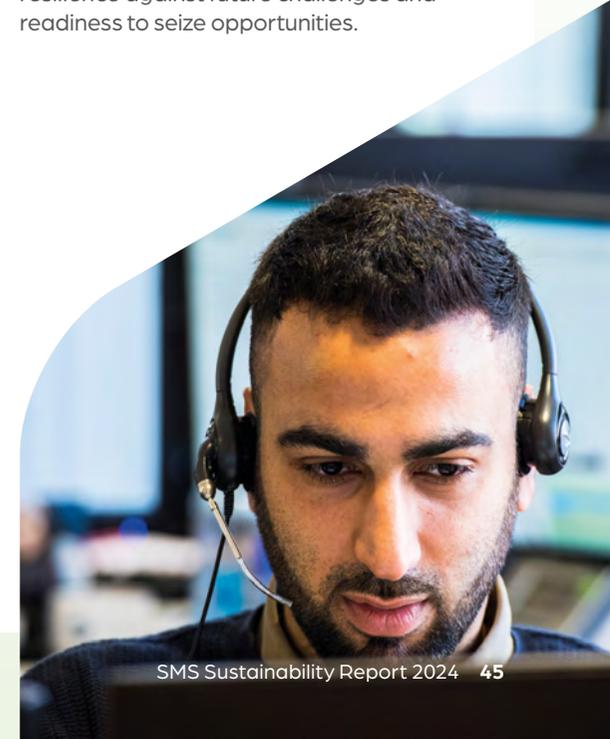
Procurement and supply chain

Ensuring ethical conduct across our supply chain

Our dedicated procurement team oversees our supply relationships, ensuring we deliver the highest quality, alongside cost efficiencies and ethical sourcing across our supply chain for the benefit of our business partners and end customers.

Procurement is structurally embedded into our core business, with the procurement team sitting within the central Group finance team, and reporting through the Director of Financial Planning and Analysis to the Chief Financial Officer to ensure Board-level authority and oversight. This integration ensures appropriate oversight and focus on the vital business operations underpinning our role as a trusted partner with a secure and ethical supply chain.

Supply chain operation and governance

Procurement and supply chain management is of material, ongoing importance to SMS as an organisation, because as ensuring the efficient acquisition of goods and services, and supply chain compliance with legal and voluntary standards in areas such as human rights, is critical to our organisation. Our continuous efforts in this area support our risk management, assure our quality standards and control costs. Effective procurement contributes to overall operational effectiveness, elevates supplier relationships, and ensures the competitiveness of our services.

Supplier compliance and Code of Conduct

We hold our suppliers to high ethical standards via our Code of Conduct, which is in addition to their standard duty to comply with all relevant laws, regulations and licences when working for SMS. To maintain consistency across our supply chain, we clearly lay out our expectations for all suppliers in our Supplier Code of Conduct, with the aim of ensuring sustainability, equality of opportunity and accountability.

Our Code of Conduct mandates stringent standards across a wide range of areas, including:

- Real Living Wage
- diversity and inclusion
- workers' rights
- environment
- health and safety
- resilience and business continuity
- modern slavery and human rights
- fraud, bribery and corruption
- tax compliance
- social media
- data protection and security
- security
- monitoring and reporting.

Our regularly updated Supplier Code of Conduct is publicly available on our website and is shared with our supply base, as a guide to future suppliers as well as a reference point for existing partners.

Driving down risk at supplier onboarding

In addition to our Supplier Code of Conduct, we carry out rigorous screening from the first point of contact with our key suppliers. Our tailored SMS supplier questionnaire and binding contracts with Tier 1 vendors screen for, and require new and existing suppliers to comply with standards on, a range of critical factors including: health and safety; Real Living Wage; 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.

Procurement and supply chain
Ensuring ethical conduct across our supply chain continued

Procurement of renewable energy products

As we continue to grow our Metis Energy services, which include the supply and fit of photovoltaic solar panels, batteries and inverters along with air source heat pumps, we are keenly aware of the sensitivities across the extended supply chain about the related renewable technologies and products. We therefore apply a double materiality lens in areas where we have an indirect impact on key ethical considerations such as human rights and the environment. Where we have evaluated potential for higher exposure, we ensure additional due diligence is implemented and maintained, in addition to our standard supplier activities. We also work closely with our chosen supply partners on improving the sustainability of their sub-tier partners.

Procurement of metering products

SMS's traditional supply chain of smart meters comes from our well-established UK supply partners, with whom we have close relationships. Their products are stocked in our national distribution centre for supply to our field engineers, and we hold healthy stock levels of all meters in our warehouse where possible. When products are too large to be housed in our warehouse, the supply is managed directly to site by our asset team and project coordinators.

We have resilient supply agreements with our key partners, ensuring our capacity to maintain continuity of service to our clients even in adverse situations such as climate related weather events or other supply interruptions. All our meters conform to relevant statutory requirements, and are certified to British and European BS EN regulations and CE markings.

Leading for continual improvement

In line with best practice, the SMS procurement function is led by the Head of Procurement, who is a full member of the Chartered Institute of Procurement & Supply (CIPS). The Head of Procurement is driving SMS's journey towards achieving best practice in supply chain management through implementing the CIPS principles and professional 'toolbox'. These are globally recognised professional standards which represent leading practical, technical and managerial approaches which we continue to embed in our procurement activities.

Supplier monitoring

To ensure adherence to our standards, reduce risk and improve efficiency we monitor vendors' performance on an ongoing basis through our electronic quality management system (EQMS). This system enables data to be collated directly from the vendor base and systematically reviewed to check for any non-compliance. This supports the tracking of individual reportable data items, ranging from vendor insurance to sustainability targets.

As we continue to develop our EQMS platform, we have been able to share best practice and discuss topical issues with our vendors. We have also leveraged the platform to better understand and rationalise our overall supplier database: at the end of each financial quarter, the procurement team analyse and update the tiering of the database to ensure that we keep close to our priority supply chain partners. The EQMS is also set up so that vendors must provide updated certificates, policies, insurance etc. relating to SMS supplier requirements on a regular basis; if they fail to do so, they will be rejected.
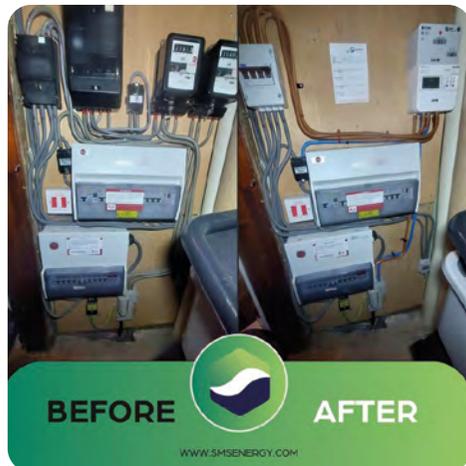
Innovation

Embracing best practice

As part of our commitment to lead in the UK transition to a low-carbon economy, we embrace best practice and championing innovation through our products and services.

BEFORE   AFTER

WWW.SMSENERGY.COM

Case study

Supporting next-generation 'twin-element' meters

In 2024 SMS reached a significant milestone by installing, and supporting the testing of, the first SMETS2 7T 'twin-element' meters. These meters incorporate a 'twin-element' feature meaning they can track energy usage on two distinct circuits simultaneously, typically used for managing different heating loads like hot water and space heating on separate tariffs.

'Twin-element' meters have been designed for simple rollout, which should ensure a smooth transition while meeting deadlines and maintaining customer satisfaction. They are more efficient than the outdated radio teleswitch service (RTS) equipment, and offer multiple benefits:

- heating and hot water schedules are uninterrupted;

- customers can easily access both existing and innovative energy tariffs; and

- multiple devices can be replaced with a single meter.

SMS recognised both the value and the complexity of the required technology switch-over early on, and established our pioneering RTS testing lab. This is the first facility in the country able to replace older RTS meters with the new 'twin-element' meters, and we are pleased to make it available for all energy suppliers to use. The new 'twin-element' design enables the successful replacement of RTS meters, delivering greater operational efficiency and future-proofed solutions for our customers.

Case study

Bridging gaps in connectivity

Part of our commitment to innovation is about driving real change in connectivity, and at the end of 2024 our South Wales–based engineering team achieved a major milestone: 226 4G communication hubs installed across urban and rural areas, from Cardiff and Bristol to remote parts of central Wales and Herefordshire. These devices, installed alongside a smart meter, utilise 4G cellular network technology to transmit data collected by the meter to the energy supplier; essentially upgrading the communication capabilities of the smart meter network to a more reliable and modern standard. By bridging connectivity gaps, as SMS has done here, we are empowering communities and businesses, fostering opportunities for growth, and enabling smarter, more sustainable infrastructure for the future.

Policy and processes

A comprehensive approach

As a mature large organisation, we ensure our ethical processes and policies are owned at Board level by our senior leadership and are embedded within our everyday activities. Our comprehensive policies ensure a high standard of ethical business practice, delivering confidence and promoting shared values with all our customers.

Our anti–bribery, fraud and corruption approach

We are diligent in our processes and actions around bribery, fraud and corruption, driving down risk of exposure through clearly set expectations within our Company policies, and channels for stakeholders to raise concerns.

Our Anti–Bribery Policy sets out the steps all employees must take to prevent bribery and corruption within the business in order to comply with relevant legislation and the Company's requirements. The policy defines what bribery and corruption are, including facilitation payments, the legal and Company position on bribery, risks of not acting with integrity, benefits of integrity, and indicators of bribery and corruption. To increase understanding further and to guide acceptable behaviour, the policy also outlines areas of specific risk such as gifts and hospitality, as well as detailing requirements on full and accurate record –keeping, monitoring and employee responsibilities.

How to raise concerns is described within the policy, alongside highlighting SMS's whistleblowing procedures, which are available as an alternative to the primary reporting process if necessary. The policy is comprehensive and includes what to do about any suspicious activities conducted by another member of staff, a third party who represents the Company, one of the Company's suppliers or competitors, or other relevant stakeholders.

In addition to our Anti–Bribery Policy we operate a number of supporting policies which together deliver an encompassing guide to ethical business practice:

- **Corporate Social Responsibility Policy** — setting out our overarching approach to ethical standards across the business.
- **Code of Conduct** — outlining SMS's expectations regarding employee behaviour.
- **Supplier Code of Conduct** — defining expectations for supply partners to carry out business in line with our own ethical values.

This approach ensures all our employees are alert to SMS's expectations and risks with regard to bribery, fraud and corruption, and are able to act appropriately to meet both the Company's expectations and those of our customers.

Whistleblowing

A structured approach to supporting whistleblowing delivers clear benefits, including combating fraud and avoiding reputational damage. The Company's comprehensive Whistleblowing Policy is applicable to all Company workers, spanning senior managers, officers, Directors, employees, consultants, contractors, trainees, homeworkers, part–time and fixed–term workers, casual and agency staff (collectively referred to as 'employees'). The policy defines what whistleblowing is, how to raise a concern, confidentiality, external disclosures, investigation and outcome processes, and protection and support for whistleblowers, including non–retaliation. It includes an external reporting hotline known as 'Safecall', available 24/7, where employees can confidentially report any concerns.

The procedure spans reporting of incidents of fraud, bribery and corruption, discrimination, bullying or harassment, breaches of the Group's health and safety or quality compliance, or environmental concerns.

We encourage employees to report any concerns about possible impropriety, financial or otherwise. The policy and related procedures are reviewed regularly to ensure conformity to best practice.

The policy is available to all employees on our Company intranet. Details are also included in our Employee Handbook, and the policy is included in the mandatory employee e–learning module 'Anti Bribery, Gifts and Charitable Donations'.

Policy and processes
A comprehensive approach continued

Freedom of association

We are dedicated to respecting our employees' rights through their journey with SMS, which include being open to employee communication, conflict resolution and the fostering of a culture of trust. Our Recruitment and Selection Policy covers a range of commitments to ensure consistency and transparency, and embeds freedom of association and the right to collective bargaining through our alignment with both the Ethical Trading Initiative (ETI) Base Code and the UN Global Compact. Employees are made aware of routes to communicate if they believe discrimination has taken place through the Company Grievance Policy. Additionally, or, if the complaint involves bullying or harassment, the Grievance Policy incorporates relevant aspects of the Dignity at Work Policy.

Operational policies

The Group operates to policies including the following:

- Anti-Bribery Policy
- Business Continuity Management Policy
- Climate and Sustainability Policy
- Code of Conduct
- Corporate Social Responsibility Policy
- Data Protection Policy
- Data Retention and Disposal Policy
- Dignity at Work Policy
- Equal Opportunities, Diversity and Inclusion Policy
- Information Security Policy
- Integrated SHEQ Policy (Safety, Health, Quality, Environment)
- Secure Data Transfer Policy
- Whistleblowing Policy

SMS