

SUPPLEMENT DATED 8 JUNE 2023 TO THE PROSPECTUS DATED 27 SEPTEMBER 2022



Southern Gas Networks plc



Scotland Gas Networks plc

SOUTHERN GAS NETWORKS PLC

(incorporated with limited liability under the laws of England and Wales under registered number 05167021)

(Legal Entity Identifier: 549300SPX8573VZ2SK79)

SCOTLAND GAS NETWORKS PLC

(incorporated with limited liability under the laws of Scotland under registered number SC264065)

(Legal Entity Identifier: 549300Y7M5CC1U5DBX07)

£5,000,000,000

Euro Medium Term Note Programme

This supplement (“this **Supplement**”) is prepared as a supplement to, and must be read in conjunction with the base prospectus dated 27 September 2022 (the “**Prospectus**”, which definition includes the Prospectus and all information incorporated by reference therein) relating to the £5,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by each of Southern Gas Networks plc (“**Southern GN**”) and Scotland Gas Networks plc (“**Scotland GN**”) (together, the “**Issuers**” and each an “**Issuer**”). This Supplement together with the Prospectus constitutes a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”). This Supplement constitutes a supplementary prospectus for the purposes of Article 23 of the UK Prospectus Regulation.

Unless otherwise defined in this Supplement, terms defined in the Prospectus have the same meaning when used in this Supplement. Unless stated otherwise, page numbers referred to in this Supplement refer to pages in the Prospectus.

This Supplement has been approved by the Financial Conduct Authority (the “**FCA**”), as competent authority under the UK Prospectus Regulation, as a supplement to the Prospectus in compliance with the UK Prospectus Regulation. The FCA only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of either an Issuer or the quality of the Notes that are the subject of this Supplement and the Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

Each Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each Issuer the information contained in this Supplement is in accordance with the facts and this Supplement makes no omission likely to affect its import.

The purpose of this Supplement is to:

- (I) incorporate by reference the unaudited interim financial information for each of Southern GN and Scotland GN for the six-month period ended 30 September 2022. Each Issuer, being the relevant person responsible for the financial information included in the unaudited interim financial information, approves such financial information;
- (II) update the risk factor “*Licence conditions and compliance*” Chapter 3 (*Risk Factors*) of the Prospectus to reflect the risks in connection with the Issuer’s non-compliance with the gas emergency standards set by its respective GT Licence for 2022/2023; and

- (III) update the section “*Standards of service*” in Chapter 7 (*Business Description*) of the Prospectus to further describe the requirements set by such gas emergency standards and the remedial and recovery measures taken by each Issuer,

each as described further below.

(I) DOCUMENTS INCORPORATED BY REFERENCE

The unaudited interim financial information of Southern GN and Scotland GN for the six month period ended 30 September 2022 (available at: <https://www.sgn.co.uk/reports-publications>) shall, by virtue of this Supplement, be incorporated in, and form part of, the Prospectus.

(II) RISK FACTORS

The sub-section “*Licence conditions and compliance*” in Chapter 3 (*Risk Factors*) and page 27 of the Prospectus shall be updated by adding a new paragraph at the end as follows:

“In particular, and as further disclosed in Chapter 7 (*Business Description*), each Issuer has failed to comply with the gas emergency standards that are required by its respective GT Licence for the regulatory period 1 April 2022 to 31 March 2023.

In relation to this non-compliance, Ofgem could (i) issue a provisional order, if it appears to Ofgem that the relevant Issuer is in breach and Ofgem feels it is necessary to act before a final order can be made; (ii) issue a final order, requiring the relevant Issuer to take steps to secure compliance with its GT Licence in respect of a breach or likely breach; (iii) issue a fine (via a penalty notice) and/or consumer redress order, either alone or in combination with a final order or a confirmed provisional order; (iv) under its enforcement guidelines, take “Alternative Action”, covering a variety of practices, such as acceptance of undertakings, independent audits or voluntary redress payments; or (v) under its enforcement guidelines, take no action on grounds that investigating is not a priority. The maximum financial penalty that can be imposed by Ofgem is 10% of the regulated person’s turnover.

Each Issuer has self-reported this non-compliance to Ofgem and there has been constructive engagement to date. There has been no indication from Ofgem to the Issuers regarding what (if any) enforcement action it may take. Enforcement action by Ofgem in relation to non-compliance with the gas emergency standard could result in financial loss, damage to the Issuers’ reputations, and possible adverse consequences under the Issuers’ finance documents, in which case the relevant Issuer may not have sufficient funds to meet its respective payment obligations under the Notes or comply with the terms and conditions of the Notes. Whilst each Issuer is not aware of any facts or circumstances that would cause any further non-compliance of its standards of service (nor has any indication or communication from Ofgem of such been received), it is possible that the reallocation of workloads and additional resources required in order to implement the short-term and long-term recovery measures (as further disclosed in Chapter 7 (*Business Description*)) could unintentionally result in a breach of other standards of service.

(III) STANDARDS OF SERVICE

The section “*Standards of service*” in Chapter 7 (*Business Description*) and page 97 of the Prospectus shall be updated by replacing the second paragraph with the following:

“The GT Licence of each Issuer requires that, for each regulatory period, where a report of gas emergency is received, the Issuer attends or procures the attendance of an emergency service provider at the site of the incident within the specified time in 97 per cent., or more, of incidents across the regulatory period. The specified time is 1 hour in respect of uncontrolled gas escapes or other uncontrolled gas emergencies and 2 hours in respect of controlled gas escapes or other controlled gas emergencies. The gas emergency standards apply to each Issuer separately.

For the regulatory period 1 April 2022 to 31 March 2023:

- Southern GN has failed to meet both the controlled and uncontrolled gas emergency standards; and
- Scotland GN has failed to meet the controlled gas emergency standard.

The Issuers are aware of two penalty decisions made by Ofgem for similar breaches of the gas emergency standard against two gas distribution networks (not the Issuers) in February 2012. The penalties imposed ranged from £900,000 (0.26% of annual turnover of the relevant licence holder at the time) to £4,300,000 (0.28% of annual turnover of the relevant licence holder at the time). The maximum financial penalty that can be imposed by Ofgem is 10% of the regulated person's turnover.

Each Issuer is implementing a recovery and remediation plan through a combination of both short-term and long-term measures. Short-term recovery measures, including securing additional third-party resources and vehicles, and adjusting how resources are prioritised, have already been implemented by each Issuer. As well as these short-term measures, each Issuer is in discussions with Ofgem over proposed longer-term recovery and remediation plans. For Southern GN, these centre around securing additional in-house resources and modernising certain elements of the business that are key to delivering standards of service, including incident management and emergency and repair. For Scotland GN, these centre around increasing available resources and winter preparedness. In particular, the Issuers have started implementing an extensive recruitment plan to hire a substantial number of new staff, including large numbers of apprenticeships and trainees to provide an extended talent pipeline for the future. As the date of this Prospectus (as supplemented) this plan is on-track with approximately 230 offers accepted.”.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference in this Supplement and (b) any other statement in or incorporated by reference in the Prospectus prior to the date of this Supplement, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus. An investor should be aware of its rights arising pursuant to Section 87Q(4) of the FSMA.

If documents which are incorporated by reference to this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the UK Prospectus Regulation except where such information or other documents are specifically incorporated by reference or where this Supplement is specifically defined as including such information.

The date of this Supplement is 8 June 2023.