



Providing energy in a
reliable and sustainable way

SSE plc Sustainability Report 2016



Introduction

About SSE

SSE is a UK-listed energy company focussed on the energy markets in the UK and Ireland. Its core purpose is to provide the energy people need in a reliable and sustainable way. To deliver this, SSE is involved in the generation, transmission, distribution and supply of electricity; in the production, storage, distribution and supply of gas; and in other energy-related services.

Wholesale – Energy production, generation and storage
SSE provides energy and related services for customers in wholesale energy markets in Great Britain and Ireland. SSE delivers this through Energy Portfolio Management and Electricity Generation, Gas Production and Gas Storage. It is the leading generator of electricity from renewable sources across the UK and Ireland.

Networks – Transmission and distribution of energy
SSE has an ownership interest in energy networks businesses: electricity transmission in the north of Scotland; electricity distribution in the north of Scotland and central southern England; and in gas distribution in Scotland and southern England.

Retail – supply of energy and related services
SSE supplies electricity, gas and related services, such as telecoms, in markets in Great Britain and Ireland. It is focused on attracting and retaining customers through excellent service and a brand people trust. It also incorporates SSE Enterprise, which brings together key SSE services for industrial, commercial and public sector customers.

More information

This is the 2016 Sustainability Report. For more information about SSE's business strategy, SSE's 2016 Annual Report is available on www.sse.com. Further information is available on www.sse.com/beingresponsible and SSE welcomes comment from its stakeholders on its approach to sustainability.

About this report

Reporting on SSE's material sustainability impacts (financial and non-financial) is integrated into its 2016 Annual Report. To make more detailed information about its sustainability approach accessible and transparent to all stakeholders, this report provides an overview of key policies, management and performance, with a particular focus on the 2015/16 financial year.

The scope of this report is focussed on key performance data relating to SSE's wholly owned subsidiaries. On occasion this report refers to activities of joint ventures – in these instances SSE will make it clear this is the case. The report includes three years of data for around 120 key reporting areas. It also highlights a series of dilemmas faced by SSE in managing its economic, social and environmental impact.

In 2016, SSE sought assurance on its carbon and water data from professionals services firm PwC. PwC also undertook the economic analysis of SSE's contribution to GDP in the UK and Ireland.

Listening to stakeholders

A wide variety of stakeholders seek information regarding SSE's sustainability performance. This report helps to meet that need. SSE is committed to ongoing two-way, multi-channel engagement. In the first instance, you can contact SSE at sustainability@sse.com.

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Providing energy in a sustainable way

Chief Executive's introduction

Working to improve disclosure and performance

SSE exists to provide energy in a reliable and sustainable way. In doing so it heats and lights the homes and business premises of its customers and aims to achieve its core financial objective: to deliver a return to its shareholders through the payment of a dividend that rises at least in line with inflation each year.

It is widely understood by SSE, its stakeholders and its shareholders that the sustainability of that financial objective is influenced by many non-financial factors. Sometimes referred to as 'externalities', the careful management of and respect for social and environmental impacts can improve the long-term viability of a business. This is especially true in the case of an energy company.

By definition sustainability impacts are broad and complex, which is why we must have a clear understanding of our most material impacts. In SSE's case, these are most clearly defined as energy affordability, the contribution we make to ensure the security of the electricity system in the UK and Ireland, and finally, our contribution to tackling climate change.

In 2015/16 the UN Summit on Climate Change reached an important international consensus on the scale of action required. SSE regards that as an important signal that the decarbonisation of the energy sector in the UK and Ireland must remain front of mind in our strategy considerations for the future.

Beyond these issues, there are many ways in which SSE has an impact on the world around us. For example, as an employer we have an impact on society and as an operator of plant and machinery we have local environmental impacts too.

This 2016 Sustainability Report builds upon the reporting from last year. This year we have sought external assurance from professional services firm PwC on our carbon and water data. In anticipation of the final guidance on gender pay reporting, we have sought to 'go early' in detailing SSE's pay statistics. Of course, the point of disclosure is not just to increase accountability but to create the conditions for change too. SSE can play a part in bringing about greater diversity and inclusion within the workplace, not just for women, but for all under represented groups in society too.

Alistair Phillips-Davies
Chief Executive



SSE's Strategy

Providing an essential service

SSE's core purpose, providing energy, is an essential service which people and businesses need, and in the past was delivered by the public sector. This means SSE must respect the special status of its position and work to earn its place in the society it operates within.

Sustainability is therefore core to SSE's business strategy. To meet its business objective and manage risk over the long-term, SSE must operate responsibly. SSE's environmental, social and economic impacts are significant and SSE believes it should actively manage those impacts to secure long-term commercial success and deliver value to stakeholders.

Sustainability key indicators 2015/16

| | 2015/16 | 2014/15 |
|---|-----------------|-----------------|
| Safety: Total Recordable Injury Rate per 100,000 hours worked | 0.23 | 0.23 |
| Economic contribution: Contribution to GDP UK/Ireland | £8.87bn / €805m | £8.81bn / €966m |
| Taxes paid: (profit, property, environment and employment taxes in the UK) | £453.9m | £506.2m |
| Carbon emissions: (Carbon dioxide equivalent (CO ₂ e) 000's tonnes) | 13,066 | 16,749 |
| UK employee productivity: (direct contribution to GDP per capita) | £129,700 | £139,900 |

A year of challenge

SSE seeks to conduct its business in a way that enhances value to wider society and therefore helps meet its core financial objectives. In doing so, it aims to build trust with customers and stakeholders which, in turn, reduces the risk from change caused by increased political or regulatory requirements in the respect of energy provision. Nevertheless, there are many market and political trends that affect SSE's business (see SSE's Annual Report 2016). Specifically relating to sustainability impacts, three key themes have been reinforced through 2015/16:

1. The Climate Change agreement at the UN COP21 in Paris requires ongoing action to meet global greenhouse gas reduction targets;
2. In the UK, the smart metering roll out programme is gathering pace and will lead to the digitalisation of the energy sector;

3. The ongoing challenge of rebuilding trust between large businesses and their customers remains key.

It is within these contexts that SSE seeks to meet its sustainability objectives.

An integrated governance approach

SSE's strategy and business operating model aims to integrate the challenges of sustainability. Detail on how SSE is responding to these challenges can be found in SSE's Annual Report 2016. SSE's Chief Executive has overall lead responsibility for sustainability including at Board-level. The Executive Committee monitors the operational and financial performance of sustainability-related activities across the organisation and reviews progress quarterly. This committee is supported by The Governance and Disclosure Committee which governs sustainability management and reporting.

The Sustainable Development Goals

SSE reports its sustainability performance against the structure set out in its 'Responsible House'. Understanding that the new UN Sustainable Development Goals (SDGs) are set not only for governments to achieve, but for business and civil society to contribute to as well, this year SSE has considered the most material SDGs according to its business impacts. As a first step in reporting against the SDGs, each section in this report specifies the goals where SSE's activities have contributed in a positive way.



SSE's Responsible House

Bringing sustainability to life

SSE's core purpose is to provide the energy people need in a reliable and sustainable way. Sustainability has been one of six core values guiding decisions and actions within SSE since 2006.

Sustainability

Our actions and decisions are ethical, responsible and balanced, helping to achieve environmental, social and economic well-being for current and future generations.

To bring this value to life for employees across the SSE group, the SSE Responsible House was created in 2013. This year it has been simplified slightly, focussing on six core areas of impact, underpinned by an ethos of 'doing no harm' to people or the natural environment.



Responsible Service Provider

Doing more to provide reliable and affordable energy

SSE aims to provide reliable and sustainable energy to its customers through its Retail business, which supplies energy to over 8.2 million households and businesses across Great Britain and Ireland, and its Networks business, which delivers electricity to over 3.7 million homes and businesses through its electricity distribution networks in the north of Scotland and central southern England.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|---|------------------|---------|---------|
| Total energy customer accounts (GB, Ire) | m | 8.21 | 8.58 |
| GB dual fuel energy bill based on current Ofgem typical domestic consumption values ¹ | £ | 1,088 | 1,115 |
| Retail customer complaints to third parties (GB) ² | n | 1,416 | 1,528 |
| National customer satisfaction index for retail – UK | score out of 100 | 73 | 72 |
| Household/small business aged debt (GB, Ire) | £m | 103.2 | 106.2 |
| Customers that have received assistance from SSE through Warm Homes Discount scheme (WHD) | n | 325,194 | 336,794 |
| Accumulative total of homes fitted with energy efficiency measures as part of Energy Company Obligation (ECO), since the scheme started in 2013 | n | 265,037 | 223,457 |
| Homes fitted with energy efficiency measures as part of Northern Ireland Sustainable Energy Programme (NISEP) | n | 976 | 560 |
| Estimated number of Networks customers on Priority Services Register (PSR) at end of each financial year (31 March) | n | 451,490 | 329,229 |
| Accumulative total of smart meters installed | n | 184,363 | 40,834 |

1. Figures at March in each financial year.
2. Ombudsman: Energy Services and Citizens Advice.

Affordable energy

The affordability of energy is affected by three core elements: the price of energy per unit, the amount of energy consumed and the income of the household. While the issue of household income is most effectively tackled at a societal level, SSE is doing what it can to keep energy affordable through fair and stable prices, energy efficiency programmes and working with a range of local and national partners to support vulnerable customers.

Energy prices

In March 2016, SSE implemented its third price cut in Great Britain during the period of its unique two and a half year price freeze,

reducing gas prices by a further 5.3%.

SSE Airtricity reduced household electricity prices in Ireland by 2% from 11 January 2016, following an earlier 2% cut to electricity along with a 4% cut to gas prices in April 2015. In Northern Ireland, the company reduced its electricity prices by 8% in April 2015 and by a further 1.3% from 11 January 2016.

In Northern Ireland, SSE Airtricity reduced its regulated natural gas prices by 10% from 1 October 2015. This followed an earlier 7.8% cut in April 2015. The setting of SSE Airtricity's regulated gas prices follows a Price Control review conducted every six

months by the Northern Ireland Utility Regulator.

Fuel poverty

With 4.5 million households considered fuel poor in the UK¹, tackling fuel poverty continues to be a critical challenge facing the Great Britain and Ireland energy markets. An estimated 70% of these households are also classed as vulnerable – for example, households with elderly or disabled residents or those with a long-term illness².

SSE's Retail business provides schemes such as the Warm Homes Discount (WHD) to help customers in need of additional financial support. The UK government mandated

scheme offers a £140 rebate to particularly vulnerable groups, as well as a Priority Assistance Fund which provides debt relief, free energy efficient appliances and bespoke payment arrangements. During 2015/16, around 325,000 customers received assistance from SSE worth over £48.5m through these initiatives and partnership projects with National Energy Action (NEA), Citizens Advice and the Home Heat Helpline.

In Great Britain, SSE has also committed to use future unclaimed credit balances that cannot be returned to customers to provide additional support for

vulnerable customers. SSE has now reallocated historic unclaimed credits to the value of more than £28m through this commitment.

Understanding regional differences

Fuel poverty has a regional aspect. This can result from factors such as the age of the housing stock, regional changes in climate and relative income levels³. Within SSE's two network distribution areas, 39% of households in the north of Scotland are in fuel poverty compared to 12% in central southern England. SSE Power Distribution (SSEPD)'s 2015/16 Annual Distribution Survey also

revealed more than 40% of all its customers across both regions are concerned about or struggle to pay energy bills.

SSEPD established a partnership in 2015/16 with Warmworks, an organisation which offers a range of energy saving measures and renewable technologies to households in, or at risk of, fuel poverty in the north of Scotland. The partnership closes a funding gap that prevents SSE's most vulnerable consumers from accessing state help to reduce their energy bills and make their homes warmer and safer.



Energy efficiency

Energy efficiency improvements are the most sustainable way to keep energy bills lower over the long-term. SSE helps households reduce their energy use and targets this support at customers who need it most. It does this through government mandated initiatives such as the Energy Company Obligation (ECO), which requires energy suppliers to install energy efficiency measures in customers'

homes. Between January 2013 and March 2016, SSE helped improve the efficiency of over 242,000 homes across Great Britain through the installation of energy efficiency measures such as loft, cavity and solid wall insulation, and boiler replacements. These measures will provide estimated notional lifetime bill savings for customers of over £1,000m.

Through the Northern Ireland Sustainable Energy Programme (NISEP), which helps householders in Northern Ireland to install energy saving measures in their homes, SSE Airtricity installed almost 1,000 further energy efficiency measures during 2015/16, including cavity wall and loft insulation.

¹A household is considered to be fuel poor if they are required to spend more than 10% of their income on fuel to maintain an adequate standard of warmth (usually 21°C for the main living area, and 18°C for other occupied rooms).
²DECC (2015) Annual Fuel Poverty Statistics Report.

Responsible Service Provider

Accessible energy

SSE strives to ensure that all of its customers have equal access to its services – regardless of their circumstances – and seeks to support those who may require extra help to do so.

Inclusive service provision

SSE strives to provide energy in an inclusive way across its whole business and understands customers have a wide variety of individual needs which must be recognised. Some customers' personal circumstances mean they are more vulnerable than others. The Equality Act 2010 requires service providers like SSE to make reasonable adjustments for customers with 'protected characteristics', including age, disability, gender reassignment and race.

bsi.

SSE has now also enlisted the help of the British Standards Institution (BSi) to help deepen and create a more sophisticated understanding of customer vulnerability. At its heart is an appreciation that vulnerability is a complex, dynamic state which can affect anyone at any time for many different reasons. By adopting a broader definition of vulnerability than those defined in legislation, SSE is ensuring it can respond more effectively to the needs of customers in vulnerable positions.

As a first step, SSE's Networks business, which distributes electricity to 3.7 million homes and workplaces, achieved the British Standard for inclusive service provision (BS18477) in November 2015 – the gold standard for companies seeking to respond to vulnerability.

Digitalisation of the energy system

SSE has embarked on the smart meter roll-out, which is one of the biggest infrastructure projects the energy sector has seen in years. Over the next five years it is intended that every household in the country will receive smart meters. SSE will be responsible for the installation of more than seven million. The smart meter roll-out is a unique opportunity for SSE to engage and empower customers with more information than ever before, helping them to take control of their energy. The new smart meters will make energy more accessible by providing customers with accurate, real-time data about their usage, accurate bills and innovative new products and services.

Simplified billing

Ofgem recognises there needs to be reform in energy bills and is currently undertaking work to create clearer and better energy bills across the industry in the future. As contribution to this work, in February 2016, SSE published a new, simplified bill following a year-long research project designed to bring an end to customer confusion around bills. The new design is the result of in-depth engagement with customers and stakeholders to find out what customers really want from their bill.

When compared to the old bill, SSE found that more than three times as many bill payers find the new design appealing, and seven times as many customers found it easy to find the information they need on the new bill.

While the bill cannot currently be used with customers in a live environment, with growing regulatory scrutiny of energy bills, the new simplified bill is intended to make a significant contribution to the work being done by Ofgem.



SSE's indicators and targets in this section address the Sustainable Development Goals:



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



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Responsible Service Provider

Dilemma

Managing debt

Helping customers avoid energy debt is an important function of SSE's Retail business. While SSE aims to keep energy prices as affordable as possible, it recognises some customers may struggle to meet their energy costs. SSE seeks to support its customers sensitively and works on the principles of early intervention and flexible response to different needs.

SSE is therefore concerned that over 50% of payday loans are taken out to cover living expenses, including utility bills⁴. Payday loans can be a contributing factor to problematic debt⁵ and are

not a sustainable way to cover the cost of energy bills. SSE has measures in place to support customers who struggle to meet their energy costs, including flexible and innovative payment plans, and a Priority Assistance Fund which provides debt relief.

On every occasion, SSE would encourage its customers to contact them before seeking payday loan solutions to pay gas and electricity bills. In 2016/17, SSE will investigate further ways it can support its customers to avoid problematic debt.

⁴CMA (2015) Payday lending market investigation.

⁵Financial Conduct Authority (2014) Proposals for a price cap on high-cost short-term credit.

Case study

Partnering with SignVideo

During 2015/16, work was undertaken to develop a new service to provide equal access to SSE's customer services for people that use British Sign Language (BSL). In 2016, SSE became the first energy company in the UK to offer customer service via BSL through its customer service centres – revolutionising the way deaf BSL users can interact with employees about their energy and other services.

The new service, provided in partnership with SignVideo, is available instantly on tablets, smartphones, computers and laptops and allows deaf or hard of hearing customers who use BSL to make and receive BSL interpreted video calls so they can effectively and effortlessly communicate with hearing people. The interpretation service is making a real difference to customers whose needs were not being fully met by the traditional services offered through SSE's customer service centres.

Responsible Society Member

Connected to the rest of society

SSE is deeply interconnected with the society it serves and operates within. SSE understands that it must contribute to this society by sharing the value it creates, through actions such as paying its fair share of tax and paying its employees a Living Wage. As a responsible society member, SSE aims to understand how it can best contribute to society at all levels, from national economies to local communities.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|---|--------|---------------|---------------|
| Total contribution to UK/Irish GDP ¹ | Ebn/€m | 8.87/805 | 8.81/966 |
| Total UK/Ireland jobs supported ² | n | 113,640/4,910 | 106,320/5,380 |
| UK/Ireland employee productivity compared to national averages ³ | n:1 | 2.4:1/2.4:1 | 2.6:1/2.3:1 |
| Payment of UK/Irish corporation tax ⁴ | €m/€m | 130.8/0.04 | 155.2/7.3 |
| Total taxes paid in UK/Ireland | €m/€m | 453.9/15.2 | 506.2/20.1 |
| Charitable giving ⁵ | €m | 4.83 | 4.16 |

1. In current prices, from PwC analysis.
2. Measured as headcount, from PwC analysis.
3. Based on GVA per capita and data provided by the UK's Office for National Statistics (ONS) and Ireland's Central Statistics Office (CSO), from PwC analysis.
4. The reduction in corporation tax paid in Ireland is due to the impact of capital allowances available for 2015 and 2016 on the Great Island CCGT plant constructed at Wexford County, Ireland. SSE is the only FTSE100 company to be Fair Tax Mark accredited. For more information on the Fair Tax Mark please see the case study on page 13 and the tax publications on www.sse.com/beingresponsible.
5. Total across UK and Ireland, including: charitable donations through match funding, community investment funds, resilient communities fund, financial value of employee volunteering. Breakdown found within the 'Charitable giving' section on page 12.

SSE relies on society to allow it to operate and be commercially successful. While SSE contributes positively to society by providing reliable and sustainable energy, it must also share the value it creates and earn the right to make a profit. This is especially the case because energy was once nationalised and so SSE depends on society for the right to pay dividends to shareholders.



Responsible Society Member

Supporting jobs and contributing to the UK and Irish economies

SSE continues to be one of the only companies to report its total contribution to GDP each year alongside its Annual Results and within its Annual Report. 2015/16 was the fifth financial year that SSE has reported the jobs it supports across the

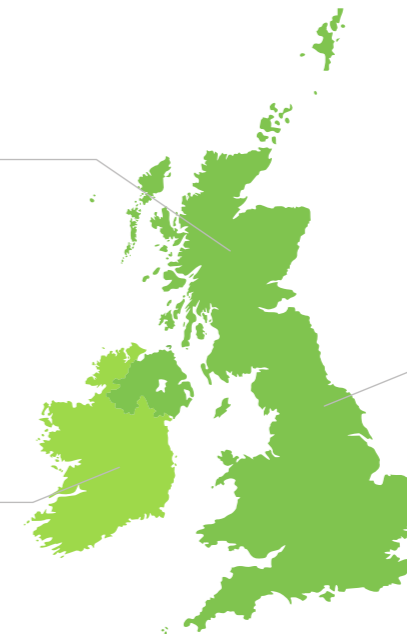
UK and Ireland and the contribution it makes to these economies. All reports for SSE's economic contribution in the UK and Ireland for FY12-FY16 inclusive can be found on www.sse.com/beingresponsible.

Contribution to the Scottish economy

In FY16, SSE contributed £1.5bn to Scottish GDP and supported 17,290 jobs, the equivalent of one in every 143 jobs in Scotland. Over the last five years, SSE has contributed over £7bn to the Scottish economy.

Contribution to the Irish economy

In FY16, SSE contributed €805m to Irish GDP and supported 4,910 jobs, the equivalent of one in every 365 jobs in the Republic of Ireland. Over the last five years, SSE has contributed more than €4.3bn to the Irish economy.



Contribution to the UK economy

In FY16, SSE contributed £8.9bn to UK GDP and supported 113,640 jobs, the equivalent of one in every 280 jobs in the UK. Over the last five years, SSE has contributed £45.4bn to the UK economy.

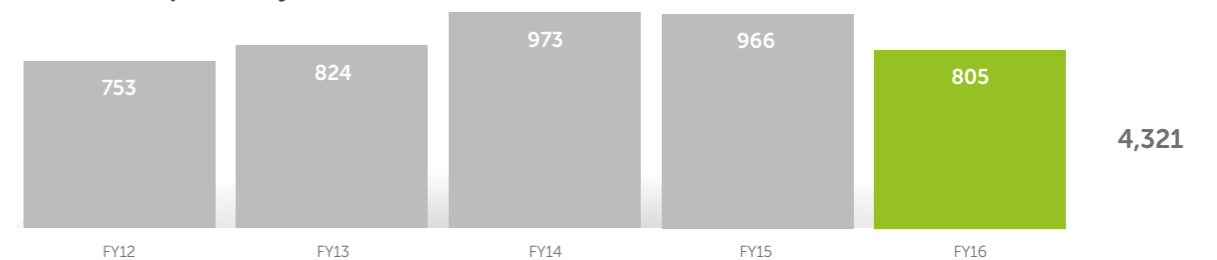
SSE's economic contribution in the Republic of Ireland

While SSE has made a relatively consistent contribution to the UK economy over the past five years, the contribution made to Irish GDP decreased from €966m in 2014/15 to €805m in 2015/16.

This decrease was mostly driven by SSE's new Great Island Combined Cycle Gas Turbine (CCGT) plant moving into commercial generation in April 2015 after a two year construction phase, where

1,200 contractors were employed on site and over €350m was directly invested by SSE. The economic contribution from Great Island has therefore moved from high levels of supply chain spend to a smaller but more long-term impact from the ongoing operation and maintenance of the plant. This is consistent with SSE's historical economic impact in Ireland, which increased significantly for 2013/14 and 2014/15.

Total over the past five years (€m)



Source: SSE, PwC analysis. PwC has adjusted past results using the GDP deflator so that the price level is more comparable with its FY16 results. The values are expressed in current prices rather than the price level for the year of analysis

Charitable giving

| | Unit | 2015/16 | 2014/15 |
|---|------|---------|---------|
| Community investment fund ¹ | £m | 3.96 | 3.7 |
| Resilient communities fund ² | £000 | 497 | - |
| Value of employee volunteering ³ | £000 | 355 | 441 |
| Donations through match funding | £000 | 67 | 20 |

1. Including funds in both the UK and Ireland. Please see page 15 for more information.
2. Please see page 15 for more information.
3. 2015/16 value calculated using a £27,000 median base salary. 2014/15 value taken from SSE's Responsibility Review 2015.

Employer Supported Volunteering

Every SSE employee is entitled to spend at least one working day each year volunteering to help support community initiatives that are important to them. In 2015/16, SSE employees volunteered 3,422 days which helped support 564 projects across the UK and Ireland. In the last year SSE has also invested in a new online employee volunteering system which will make the process of finding and signing up to volunteering opportunities much easier for employees. This should help increase participation levels after a decline in uptake from 26% in 2014/15 to 17% in 2015/16.

Match funding

SSE also offers to match employee fundraising up to £250. The match funding programme was launched in October 2014 and has provided around £87,000 to 224 different charities and local groups since then, with £67,100 of funds granted in 2015/16.

Future benefits from investing in the past

In 2015/16 SSE began construction of its Pitlochry Dam Visitor Centre which will open in autumn 2016. The £4m investment will bring significant economic and social benefits to the local area. As well as increased economic activity during the construction period, the centre will employ up to 18 people and is expected to attract more than 75,000 tourists each year.

The objectives of the centre are to:

- Preserve and share the story of hydro electricity for current and future generations.
- Demonstrate the value of renewable energy to the environment and society as a whole.
- Signal the importance of biodiversity, in particular managing salmon in the rivers and lochs that supply SSE's hydro electric power stations.

In summer 2015 SSE opened its corporate archive, also based in Pitlochry. In 2016/17, SSE will outline its plans for its collection of electrical exhibits housed at the former Museum of Electricity in Christchurch.

SSE's indicators and targets in this section address the Sustainable Development Goals:



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



Make cities and human settlements inclusive, safe, resilient and sustainable.



Strengthen the means of implementation and revitalize the global partnership for sustainable development

Dilemma

Defining the good corporation and its role in modern society

UK's biggest businesses have a collective problem – around 40% of the public believe British business behaves unethically⁶ and a third of employees say they don't trust the company they work for⁷.

To understand what makes a good corporation and what its role in modern society should be, SSE began hosting

a series of public debates in 2015/16. The debates, for business leaders, commentators and investors, question how companies can do the right thing by society as well as by their customers, employees and shareholders. The first event, held in London in June 2015, focussed on a company's responsibility to pay their fair share of tax, and the second

event in Edinburgh in March 2016 looked at how business can be mindful of some of society's greatest challenges like the problem of youth unemployment.

Booklets for both events can be found on www.sse.com/beingresponsible.

- ⁶https://www.ibe.org.uk/userassets/briefings/ibe_%20attitudes_survey_2015.pdf
- ⁷<http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/state-of-trust/employee-trust-divide/>



Case study

Paying a fair share of tax

Since 2014, SSE has remained the only FTSE 100 company with the Fair Tax Mark, an independent stamp of approval for businesses that proactively demonstrate they pay the right amount of tax, in the right place, at the right time.

To be Fair Tax accredited, SSE cannot use artificial tax avoidance schemes or tax havens. It also

must actively report additional information to Fair Tax Mark, including country-by-country data stating exactly what it does, what profit it makes, and the taxes it pays in the countries it operates in. This is all published on www.sse.com/beingresponsible and means SSE goes well beyond current UK company law requirements.

PwC's 2015 Total Tax Contribution report stated SSE is the 11th biggest tax payer of the 100 Group companies⁵. For SSE, paying tax is the proper way to give back to the society that it depends on to be successful. It paid £130.8m in UK corporation tax and a total of £465.1m in taxes paid overall in 2015/16 for the UK and Ireland.

⁵For the full report please see www.pwc.co.uk/services/tax/total-tax-contribution-100-group.html

Responsible Operator

Producing and delivering sustainable energy

SSE operates a range of assets across the UK and Ireland and has a responsibility to do this in an efficient, reliable and sustainable way. SSE aims to use resources responsibly and be transparent in its reporting of this. As a responsible operator, SSE must also work to minimise disturbance from its activities to the communities that it works within.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|--|-------------------------|---------|---------|
| Carbon intensity of electricity generation | kgCO ₂ e/MWh | 397 | 474 |
| Scope 1 carbon emissions ¹ | ktCO ₂ e | 11,021 | 13,079 |
| Scope 2 carbon emissions ² | ktCO ₂ e | 1,138 | 1,244 |
| Scope 3 carbon emissions ³ | ktCO ₂ e | 906 | 2,451 |
| Total carbon emissions | ktCO ₂ e | 13,066 | 16,749 |
| Total water abstracted | Billions m ³ | 28.8 | 27 |
| Output of renewables (includes pumped storage) | GWh | 9,695 | 8,656 |
| Total generation output | GWh | 27,776 | 27,587 |
| Customer minutes lost SHEPD/ SEPD | Average per customer | 55/41 | 69/57 |
| Customer interruptions SHEPD/ SEPD | Per 100 customers | 66/47 | 70/60 |

1. Direct greenhouse gas emissions occurring from sources owned or controlled by the company.
 2. Indirect greenhouse gas emissions from the generation of purchased electricity consumed by the company.
 3. Indirect greenhouse gas emissions resulting from a company's activities but which occur from sources not owned or controlled by the company.

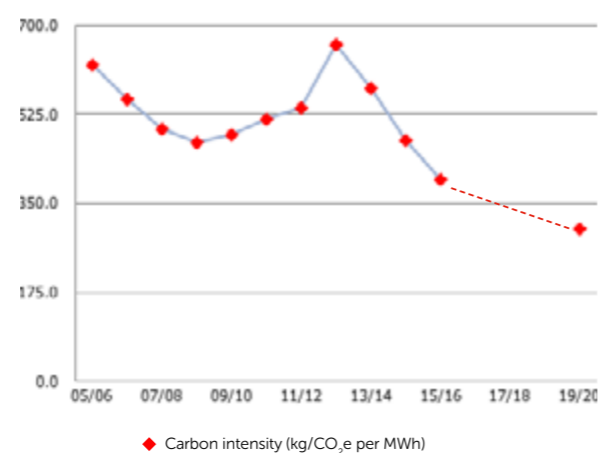
Climate change and carbon performance

SSE's electricity generation activities are a major source of carbon emissions in the UK and Ireland. With more consensus on managing the impacts of climate change than ever before, SSE recognises it has a significant role to play in supporting the Great Britain and Irish energy markets to move towards low carbon generation by 2050. SSE has a number of targets to reduce carbon emissions arising from its business activities, including:

- Reducing the carbon intensity of its electricity generation to 50% of 2006 levels by 2020.
- Reducing its carbon emissions relating to distribution losses by 3% between 2015 and 2023.
- Energy efficiency programmes to reduce carbon emissions associated with its property portfolio by 15% by 2017, based on 2012 levels.

Between 2014/15 and 2015/16, SSE's total carbon emissions decreased by 22%. This comprised the following: scope 1 emissions reduced by 16%; scope 2 emissions reduced by

Scope 1 carbon intensity performance against SSE's 2020 target



9%; scope 3 emissions reduced by 63%.

The fall in SSE's carbon emissions is a result of its well-established energy strategy, which includes:

- **Continued investment in renewable generation and an expanding renewable portfolio.** By 2019, SSE expects its total renewable energy capacity will be over 3.7GW.
- **Switch from coal and gas generation to a portfolio focused on renewables and gas.** SSE's coal output reduced from 9,143GWh to 6,141GWh between 2014/15 and 2015/16.
- **Investment in infrastructure to connect new renewables to the electricity network.** A further 88 wind, hydro and solar generation developments were connected to SSE's upgraded electricity network in 2015/16.
- **Continued focus on the energy efficiency of SSE's own business operations.** See "Responsible energy use" below.

PwC has assured SSE's scope 1, scope 2 and scope 3 carbon emissions, and water data for 2015/16. The assurance statement and the criteria used for reporting these indicators can be found at www.sse.com/beingresponsible.

Responsible resource use

Managing water use

With water scarcity becoming an increasingly important issue to stakeholders, SSE enhanced transparency of its water management by responding to the Carbon Disclosure Project (CDP)

Water survey for the first year in 2016. Results will be published in autumn 2016 by CDP.

In total for 2015/16, SSE abstracted 28.8 billion m³ of water and consumed 8 million m³. The vast majority of water abstracted by SSE was used in its hydro generation operations (28.5 billion m³) and was therefore returned to the environment almost immediately.

In 2015/16, SSE's thermal generation activities abstracted 292 million m³ of water and consumed 8 million m³ (19 million m³ 2014/15). This reduction in consumption was a result of a change in the generation mix with less coal fired power generation output and greater output from the gas power stations.

Responsible energy use

SSE has a behaviour change programme to engage employees on energy efficiency activities and invested £5.4m on energy efficiency technologies in its buildings and depots in 2015/16. Energy use has reduced by 19% and associated carbon emissions have fallen by 4,855 tonnes CO₂e since 2011/12.

Waste management

SSE has waste management controls within each of its businesses. However, this has not been collated at a SSE Group level. During 2014/15, SSE reviewed its waste streams and is implementing actions to reduce, reuse and recycle this waste. This activity will provide the basis for a group-wide co-ordinated waste minimisation programme across SSE and will supply the data for transparent and robust reporting in this area in future years.

Connecting with local communities
Community Investment Funds
 SSE operates an industry-

Responsible Operator

leading community investment programme which delivers financial support for community projects near its renewable energy developments in both the UK and Ireland. Since 2002, SSE has granted over £23m⁸ and €4.3m to support more than 7,000 community initiatives. In 2015/16, SSE provided £3.2m from its 23 community funds in Great Britain. Over £760,000⁹ was also granted to local communities within Ireland during this period.

In 2015, SSE became a Living Wage Friendly Funder which means it seeks to ensure all employment posts supported through its community funds in Great Britain meet the Living Wage rate of pay.

Resilient Communities Fund

In April 2015, SSE's power distribution business launched the Resilient Communities Fund to provide financial support for communities to prepare for extreme weather events. The £1.3m fund will run over a two-year period and granted a total of almost £500,000 in its first year.

SSE's indicators and targets in this section address the Sustainable Development Goals:



Ensure sustainable consumption and production patterns.



Take urgent action to combat climate change and its impacts.

⁸Includes Great Britain and Northern Ireland funds.
⁹Conversion from euro to pounds calculated using the HMRC average yearly exchange rate up to 31 March 2016.

Responsible Operator

Dilemma

Decarbonisation and its impact to local communities

Costs at SSE's Ferrybridge C Power Station in West Yorkshire rose due to its age and increasing environmental obligations, and it was forecast to make significant financial losses in the future. This financial situation, combined with the political consensus that coal has a limited role in the future, meant keeping the station open was not sustainable. So on 31 March 2016, after 50 years of electricity production, Ferrybridge C closed.

This was a difficult decision to take because SSE's coal-fired power stations have provided economic support and jobs to their local communities as well as playing a role in security of the UK's energy supply. Although the closure of Ferrybridge will undoubtedly impact its local communities, SSE has sought to protect jobs and redeploy people across other parts of the group. The impact to the local economy has also been partly

mitigated through the £300m investment in multi-fuel electricity generation at the Ferrybridge site, with planning consent for a second multi-fuel project on the same site now achieved.



Case study

Adapting to climate change in SSE's networks business

In the winter of 2015/16, 12 Atlantic storms hit the UK and caused significant damage to the SSE's electricity networks. SSE has continued to invest in network reinforcement and tree cutting programmes to improve its response to power supply disruption during extreme weather events like these. SSE has also invested in automating the power

network, and in the event of a power-cut power can be re-routed to reconnect customers more quickly.

One of the largest investments across the network was in "smart fuse" technology – devices which detect faults and, if it is safe to do so, switch the power back on automatically. This means customers

can be reconnected in minutes and don't have to wait for an engineer to reach the fault site. As a result of the investment programmes, SSE's response times have improved significantly with a fall in customer minutes lost (the period without electricity supply).

Responsible Employer

Attract, develop and retain

SSE believes in an approach to responsible employment that drives value in the long-term. Its commercial success depends on the ability to attract, develop and retain a sustainable pipeline of highly engaged employees. This means bringing in new talent, from different and diverse backgrounds, as well as maintaining and investing in growing the human capital – the talent, knowledge, skills and abilities – of those it already employs.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|---|-------|------------|------------|
| Total number of employees ¹ | n | 21,118 | 19,965 |
| Total number of hours worked ² | n | 39,128,900 | 36,717,450 |
| Employee retention rate ³ | % | 89 | 87 |
| Lost days per year due to sickness | n | 182,058 | 165,407 |
| Average age | Years | 40 | 40 |
| Average/median length of service | Years | 9.43/7.22 | 9.34/6.57 |
| Total number of training interventions ⁴ | n | 63,052 | 48,656 |
| Investment in pipelines ⁵ | £m | 12.7 | 11 |
| Ratio of CEO earnings to average employee earnings ⁶ | n:1 | 42:1 | - |
| Employee gender (female) | % | 31 | 30 |
| Male/female employees earning over £40,000 | % | 25.3/11.9 | 23.6/10.9 |

1. Headcount at 31 March 2016, including employees within Windtowers Ltd.
2. Based on standard contractual hours over a 52 week period (excludes Overtime & Standby).
3. Excludes end of fixed term contracts and internal transfers.
4. Including targeting courses, workshops, seminars on e-learning packages.
5. Total cost of apprentice, engineering graduate and Technical Skills Trainee programmes.
6. See page 110 in SSE's Annual Report 2016 for further details.

Tackling strategic challenges

The energy industry is facing two significant employment challenges. Firstly, almost 50% of the energy industry's skilled workforce is expected to retire by 2023. Secondly, there is a severe lack of diversity across SSE's business and across the entire energy industry, with just 15% of jobs in the sector held by women and only 4% of employees from Black, Asian and Minority Ethnic communities. Amongst other things, this has the clear effect of limiting the skills base available to a company like SSE.

If SSE wants to be a competitive and commercially successful business in the future then it is important to take action now. Information on SSE's strategy for building pipelines of new employees as well as training and developing current employees can be found in the Responsible Employer section of SSE's Annual Report 2016 (p24-26). SSE's approach to tackling the lack of diversity within its organisation and across the energy sector is detailed within this section.

Responsible Employer

Paying a fair wage

SSE has been a proud Living Wage accredited employer in the UK since 2013, and will continue to pay the voluntary higher wage rate to help ensure its direct employees and those working on its sites through its supply chain earn enough to live a decent life. The Living Wage as set by the Living Wage Foundation is higher than the new UK minimum wage rate, named the "national living wage", and is paid to employees aged 18 and over rather than 25 and over.

A new Living Wage movement: Ireland

On 1 January 2016, SSE became the first large corporate business in Ireland to become a Living Wage employer – guaranteeing all employees a Living Wage of at least €11.50 an hour to cover the basic cost of living. Around 8% of SSE's workforce in Ireland (61

| Minimum Wage 21-24 | Minimum Wage 25+ ('national living wage') | Living Wage |
|---|--|---|
| £6.70 | £7.20 from April 2016 | £8.25 across the UK and £9.40 in London |
| Law | Law | Voluntary |
| 21 and older | 25 and older | 18 and older |
| Negotiated settlement based on recommendations from businesses and trade unions | A % of median income, currently at 55% it aims to reach 60% of median income by 2020 | Calculation made according to the cost of living, based on a basket of household goods and services |
| No London Weighting | No London Weighting | Yes - there is a separate higher rate for London |

people) received a wage increase as a result. The average wage increase was €560 per annum, with individual increases ranging from €15 to almost €5,000. Over the next year SSE will continue to play its part in creating an Irish Living Wage movement.



Creating a great place to work

SSE is committed to helping create a happy and healthy workplace for its employees. This means many different things, from making sure employees feel respected and safe, to promoting healthy working lives and a good work-life balance.

Employee satisfaction at work

SSE carries out a regular externally-facilitated survey to assess employee opinion and engagement. The 2015/16 survey achieved an 89% response rate and an employee engagement index of 77%. The survey provides the opportunity for SSE to better understand where its strengths and weaknesses are for employee engagement, and consequently help identify priority areas.

Employee well-being

Encouraging healthy working lives is a large part of SSE's overall approach to health and safety.

In 2015/16 SSE took several actions to progress its employee well-being:

- It launched its largest ever employee well-being campaign where employees walked the equivalent of across the five nations of Great Britain and Ireland. Around 25% of SSE's employees signed up and walked more than 480,000 miles between them.
- Life Changing Choices, an online and app based lifestyle change programme, was introduced by SSE in September 2015. All employees were offered 12 months free access, with around 1,000 people signing up.
- Approximately 1,800 employees took part in lifestyle health checks carried out at some of SSE's larger sites.

- Mental health training in health and well-being resilience was delivered to SSE managers and supervisors.

SSE's indicators and targets in this section address the Sustainable Development Goals:



Achieve gender equality and empower all women and girls



Reduce inequality within and among countries

Responsible Employer

Dilemma

Responding to a challenging business environment

At the end of 2015/16, SSE announced the difficult decision to close its 37 remaining Scottish Hydro Electric retail shops along with its associated online shop; impacting 119 employees. The shops, unable to compete with larger online retailers, had been loss-making for a number of years – with no realistic prospect of that long-term trend reversing. Each part of SSE's business must ultimately be sustainable

in its own right, with resources used to ensure the needs of customers, and society, are met in the best possible way.

When it comes to workforce changes, SSE aims to avoid redundancies wherever possible in favour of redeployment or re-training. SSE seeks to contribute to a strong Scottish economy and in 2015/16, SSE directly employed over 7,200 people

in Scotland and supported a further 10,000 Scottish jobs through its economic activity.

Mindful of the locations in which the retail shops were located, SSE has adopted a flexible and responsible approach to their disposal, to maximise the opportunity for the premises to be put to active use rather than lying empty.

Case study

Quantifying the value of different backgrounds

Last year SSE measured the economic value of the skills and talent of its employees in its human capital report 'Valuable People'. This year SSE used that new knowledge to understand the value of investing in a typically undervalued group: unemployed young people.

Since 2008, SSE has invested over £1m and helped more than 230 individuals join Barnardo's Works, a programme which gives unemployed young people, from very diverse and often challenging backgrounds, the opportunity to complete a six month work placement with SSE. The young people can demonstrate their ability and talent, receiving higher long-term wages as a result, and wider society gains from reduced payments of unemployment benefits and increased income tax payments. SSE gains from different experience, perspectives and knowledge: a more productive and profitable workforce.

SSE estimated the return on every £1 it invested for each of these three groups over a five year period, showing the compelling business case to intervene in one of society's bigger challenges.

| Invested by SSE | Return on Investment | Individual | Companies | Society |
|-----------------|----------------------|------------|-----------|---------|
| £1 | £7.67 | £2.22 | £3.38 | £2.07 |

Responsible Employer

The gender pay gap in the UK

The UK Government has introduced a requirement from 2018 onwards for companies with over 250 employees to annually disclose their gender pay gap as at 30 April.

The gender pay gap differs from equal pay as it is not exclusively about men and women doing the same job but being paid differently. When calculating the difference in average earnings, the gender pay gap takes into account all jobs, at all levels and all salaries within an organisation. This means the gender pay gap

can result from many different factors, some of which will be discussed here for SSE's business.

SSE believes collecting and reporting data on gender pay will help inform businesses and wider society to tackle the issue. It therefore welcomes the new UK Government regulation and

will meet this requirement in full according to the guidelines, once finalised. In the meantime SSE has calculated its gap between men and women's pay according to the draft guidance, two years ahead of the proposed deadline for reporting.

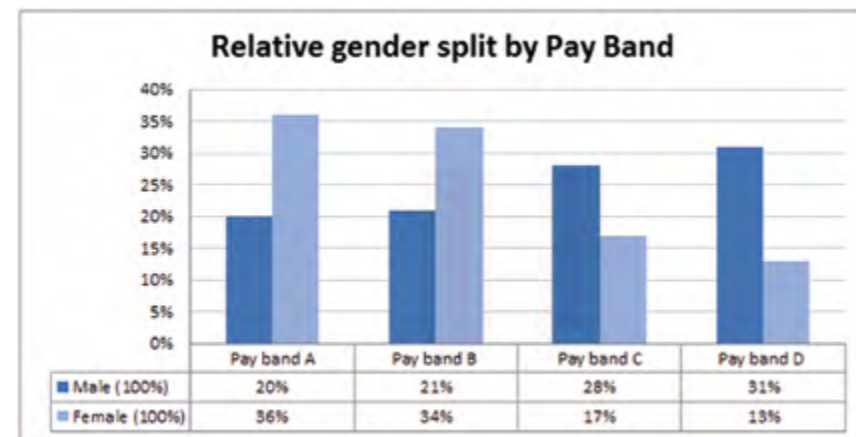
Reporting SSE's gender pay gap

The draft requirements state companies must show the overall mean and median gender pay gap based on hourly rate¹⁰, as well as breaking this down to show the gender distribution across four equally sized quartiles based on pay range. Each quartile contains approximately 5,000 employees. Companies are also required to show the relative

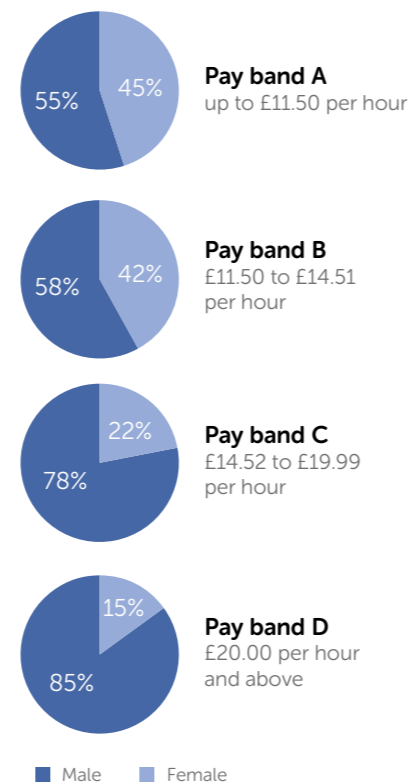
proportion by total gender (ie men = 100%, women = 100%) in each of the four pay bands.

As of 30 April 2016, the overall gender pay gap within SSE was:

| | |
|---|-------|
| Mean pay difference between male and female employees | 23.4% |
| Median pay difference between male and female employees | 19.4% |



Gender split by pay band



¹⁰'Pay' to include base pay, paid leave, maternity and paternity pay, sick pay, area allowance, shift pay, bonus and other allowances (car, on-call, stand-by, clothing, first aider, fire warden) and excludes overtime, expenses, salary sacrifice, benefits-in-kind, redundancy, pay arrears and tax credits.

Currently within the draft requirements, companies must also disclose the proportion of men and women who get paid a bonus and the average gross bonus paid to each gender in the 12 months before the assessment date.

| | | |
|--|--------|-----------|
| Proportion of male and female employees receiving bonus | Male | 34.2% |
| | Female | 12.3% |
| Average gross bonus paid to employees | Male | £4,791.69 |
| | Female | £3,258.49 |
| Difference in mean bonus between male and female employees | | 32.0% |

Understanding SSE's gender pay gap

SSE's gender pay gap of 19.4% for 2015/16 is broadly in line with the UK gap of 19.2%¹¹. SSE operates within the energy industry; a traditionally male-dominated sector which consists of 18% women¹². While SSE's proportion of female employees is around 30%, SSE still has a lot of work to do. To close its gender pay gap, SSE must work to attract more women into its business, and must ensure many of the roles women come into have good earning and progression potential.

SSE's analysis supports the view that under-representation of women in highly skilled and highly paid roles is the key reason for its gender pay gap. Within the top ten operational job categories at SSE¹³, there are over 6,000 men and fewer than 200 women. As well as generally lower starting salaries, the salary progression in administrative and advisory roles occupied by many women typically span three pay levels in SSE's grading structure, compared to five for operational roles. Over time, through on-

going attainment of skills and experience, employees in technical operational jobs therefore have the potential to progress to higher salaries.

Under-representation of women in operational roles is driven by a number of factors. These include things like the flexibility of working hours offered. But most importantly, there is a serious shortage of women with the skill requirements for these jobs. This is the result of proportionately very low numbers of girls and women studying STEM (science, technology, engineering and maths) subjects at school and university. Men continue to dominate undergraduate degrees in Engineering & Technology (86%) and Computer Science (83%). Women who then go on to pursue a career in STEM drops further: just 13% of employees in STEM-classed occupations are female¹⁴.

¹¹ONS, April 2015 figures.

¹²ONS, Labour Work Force Survey 2015.

¹³Engineer, Electrician, Meter Operative, Technician, Meter Reader, Linesman, Apprentice, Craftsman, Operative, Joiner.

¹⁴WISE UK Stats 2014, The talent pipeline from classroom to boardroom.

Taking action on SSE's gender pay gap: IN, ON and UP

Unfortunately there is no quick fix to the gender pay gap, but SSE is taking a series of measures now and in the long-term to promote a diverse and inclusive workforce. SSE's gender diversity strategy focuses on three key elements: encouraging women **in**, supporting women to stay **on**, and helping women to progress **up**. In 2015/16 SSE committed to a number of key actions in line with its diversity strategy:

Education

SSE is building a more co-ordinated approach to the work it does in schools to promote engineering careers, including a £100,000 partnership with the educational charity Teach First to specifically support more STEM teachers in schools and encourage young women to consider a career in this area.

Recruitment

Changes to SSE's recruitment positioning in 2015/16, including using women employees within its adverts, video blogs and

webpages, resulted in a 44% increase in women applying for its apprenticeship programme. For its graduate engineering programme, less than 1% of offers were made by SSE to women in 2014/15. This increased to 23.5% in 2015/16.

Flexibility

SSE is undertaking a process of assessing its culture, policies and processes to attract more women into the company, as well as keep them there. Key to this is addressing agile and flexible working practices. Through investment in technology and working design, SSE's new offices in Reading will pilot and evaluate the benefits of flexible and agile working arrangements.

Back to work

SSE is encouraging 'returnships', where women with STEM skills are returning back to work following a career break, through its partnerships with Prospect and Equate Scotland. A higher proportion of women also take

career breaks, largely for family reasons. SSE has therefore introduced a range of advanced career support during and after parental leave.

Pay

SSE is committed to increasing the number of women in the most senior positions within the company. It has therefore set a target to more than double the proportion of women earning over £40,000 a year, to at least 25% by 2025.

Society

As a complementary activity, SSE is targeting its sponsorship activities towards female sport. Research shows woman who participate in sport are generally higher achievers in business, and SSE sees its participation in this area as creating potential pipelines of future talent. Examples include the SSE Women's FA Cup and sponsoring 'next generation' athletes through Sports Aid, 60% of who are female.

Responsible Buyer

Using SSE's buying power for good

SSE aims to be a responsible buyer of goods and services and treat the companies it does business with in an ethical and fair way. SSE seeks to work in partnership with its suppliers to achieve long-term sustainable benefits.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|---|--------------------------|---------|---------|
| Total Recordable Injury Rate (TRIR) contractors | Per 100,000 hours worked | 0.56 | 0.48 |
| Accident Frequency Rate (AFR) contractors | n | 0.22 | 0.25 |
| Supply chain employees impacted by the Living Wage ¹ | n | 400 | 80 |
| Value of Open4Business contracts ² | £m | 22.8 | 56.8 |
| Total procurement spend | £bn | 2.7 | 2 |

1. Estimated by KPMG. Full report can be found at www.sse.com/beingresponsible.
2. See page 28

Encouraging responsible business practice

SSE has implemented sustainability practices across its business to address key societal challenges, for example becoming a Living Wage employer and implementing it throughout its supply chain. It also aims to understand the environmental and social practices of its supply chain to reduce its non-financial risks, build better relationships with suppliers and create value across its business. This approach is an increasing component to SSE's sustainability and the delivery of its business strategy.

SSE has developed a range of tools to encourage responsible business practices across its supply chain, including:

- Responsible Procurement Charter.
- Responsibility dashboard with performance indicators.
- Sustainability criteria as part of the prequalification process.
- Introduction of clauses to cover sustainability topics in SSE's standard contract forms for new suppliers.

As a result of this approach, SSE has improved contractor safety performance, introduced the Living Wage, and addressed new legislation, such as the Modern Slavery Act, across its supply chain.

Improving safety in the supply chain

SSE has been working to understand how its contractor safety performance compares with others. As a result SSE has divided its contractor risk into two key groups: large capital projects which are mainly construction projects, and all other operations. Across these groups SSE has developed balanced scorecards that monitor contractors' safety performance.

For the large capital projects, SSE has focused on engaging with its contractors at an early stage. The focus has been on setting the expectations of safety standards through activities such as safety tours with senior management in the contractor company and workshops to identify and mitigate safety risks.

For the operations group, due to the diverse nature of the activities involved, action on safety has focused on engaging contractors on the processes, procedures

and minimum standards set by SSE, the safety induction content and the implementation of the contractor lifecycle process.

This approach has helped to improve SSE's contractor safety performance. The accident frequency rate (serious incidents) for SSE's contractors has fallen in 2015/16; although the total recordable injury rate (TRIR) has increased slightly (see performance summary).

SSE remains focussed on its enduring goal of zero incidents and continues to work closely with its contractors to improve performance across all of its business units.

SSE's indicators and targets in this section address the Sustainable Development Goals:



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



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Dilemma

Modern slavery in the supply chain

SSE has zero tolerance of modern slavery in all its different forms, both in its business and in its supply chain. For the first time, SSE has produced a Modern Slavery Statement and taken initial measures to ensure modern slavery is not present in its supply chain.

The next steps of understanding the risk to SSE of modern slavery are challenging. While SSE does not believe it is exposed to high risk suppliers in its supply chain, the possibility can

never be ruled out. SSE will undertake a risk assessment of the goods and services it procures and will seek to mitigate any risk identified through training its procurement and commercial managers and gathering greater information from high risk supply partners. To reflect the level of challenge involved, this process is being reviewed by the Governance and Disclosure Committee (equivalent to Executive Committee level) and any decisions will be approved by the Board.



Case study

The Living Wage across SSE's supply chain

In September 2013 SSE became a Living Wage accredited employer. Since April 2014, SSE has been rolling out the Living Wage across its multi-billion pound supply chain. SSE implements a 'Living Wage Clause' into every new service and works contract and requires its contractors do the same. All employees who work regularly on an SSE site are guaranteed the Living Wage – even though they are not directly employed by SSE.

In 2015 SSE commissioned KPMG research to measure the 'ripple effect' of paying the Living Wage through its supply chain. The research found that by

April 2016, approximately 400 full-time equivalent employees within SSE's supply chain would have received a pay rise because of SSE's Living Wage commitment. By 2020, when all SSE's contracts are expected to contain the Living Wage Clause, approximately 800 full-time workers will have received a salary increase – around five times more than SSE's direct employees who benefitted from the pay rise at the start of April 2015. The analysis estimated these employees, from security guards on site to cleaners in offices, gained an average pay rise of £1,030 from being paid the Living Wage in 2014/15.

Responsible Developer

Balancing impacts and making better decisions

Developing and upgrading the energy infrastructure in the UK and Ireland is an essential part of providing the energy people need. With the transition towards a low carbon economy, it is increasingly important that this infrastructure has sufficient capacity to deliver 'greener' energy. Developing this infrastructure however, can have impacts on people's lives, both negative and positive. New projects can create jobs, but they can also have visual and physical impacts on landscapes and the environment. It is therefore important to develop these projects responsibly, listening to stakeholders and responding in a balanced way.

| Performance summary | Unit | 2015/16 | 2014/15 |
|---|------|---------|---------|
| Total renewable generation capacity (GB) | MW | 2,731 | 2,851 |
| Total renewable generation capacity (NI) | MW | 88 | 88 |
| Total renewable generation capacity (ROI) | MW | 456 | 456 |
| Onshore wind pipeline | MW | 1,331 | 1,117 |
| Onshore wind in construction | MW | 583 | 367 |
| Offshore wind pipeline | MW | 3,185 | 2,540 |

Managing developments

Environmental impacts

Inevitably, construction projects will impact the natural environment in some way, so SSE seeks to take a strategic approach to managing these impacts throughout the entire development process – from project initiation through to operation. Of course, SSE meets planning obligations to undertake detailed Environmental Impact Assessments (EIA) for the majority of its larger projects, however where a statutory EIA is not required, SSE will often still undertake an environmental assessment of a project to ensure work is carried out as sensitively as possible.

Biodiversity

SSE published its first biodiversity report in January 2015, to meet Scottish regulatory requirements. While a report is only required to be produced every three years,

SSE has decided to publish its biodiversity report on an annual basis. The second biodiversity report, published in early 2016, can be found at www.sse.com/beingresponsible.

The Biodiversity Report 2015 sets out SSE's Biodiversity Strategy and the progress that has been made against it during the 2015 calendar year. It is a more comprehensive report, with the scope extended to SSE's operations across the UK and Ireland.



Socio-economic impacts

SSE works closely with local communities to minimise disturbance caused by its developments. This is done by employing a range of engagement and communication methods which go beyond minimum legal requirements, such as face-to-face communication and drop-in sessions to establish a two-way dialogue with stakeholders from an early stage. This process informs the decisions taken throughout the project life cycle.

SSE aims to maximise local economic benefit of its projects, which often create and support hundreds of jobs during development and construction. SSE encourages, and benefits from, healthy competition in local supply chains that operate within a diverse wider economy. It believes this helps ensure local communities are sustainable for the future.

One way SSE supports this is by targeting small to medium sized enterprises through its Open4Business portals in areas of significant major project activity. At 31 March 2016, a total of £85.7m worth of contracts or subcontracts had been awarded to local businesses since the first portal was launched in 2012.

Investing to solve environmental challenges

Connecting renewables

To support the transition to a low carbon electricity system, SSE invested £832m in new electricity network infrastructure in 2015/16 which has allowed the connection of new renewable generation capacity. In 2015, the replacement Beaulieu-Denny 400kV overhead line was completed and there was a successful start to the new Caithness-Moray link, SSE's largest single capital investment to date.

Investing in low carbon generation

SSE has the largest renewable energy capacity in the UK and Ireland, at 3,275MW, and continues to invest in renewable energy – over £291m in 2015/16. During this period, Strathly North wind farm became operational in the north of Scotland, contributing 67MW of renewable energy capacity to SSE's portfolio.

When complete, the Galway Wind Park will be Ireland's largest wind farm at 174MW. SSE's share of the wind farm will be 120MW. The Galway Wind Park delivery team won the award for Excellence in Sustainability at the 2016 Irish Industry Construction Awards.

Avoiding landfill

SSE is also investing in new electricity production that avoids sending waste to landfill. The

Ferrybridge Multifuel 2 (FM2) project in West Yorkshire was granted planning consent in October 2015 and will process up to 675,000 tonnes of waste derived fuels each year to produce around 70MW of electricity. The project is in addition to the newly constructed 68MW Ferrybridge Multifuel 1 (FM1) project. The FM1 and FM2 projects, which represent a £600m investment, can make a positive contribution to tackling one of the UK's environmental challenges.

A future for electric cars?

In the long-term, SSE understands that low carbon electricity may have a major role to play in decarbonising the heat and transport sectors. In 2015, SSE's My Electric Avenue project received the Innovation Award from the Northern Automotive Alliance. The project monitored the impact that charging of electric vehicles could have on the electricity network. The key lesson learnt was that electricity networks can typically manage between 30% and 50% of customers charging their electric vehicles at the same time before any issues arise. The project trialled a new technology, known as 'Esprit,' which successfully monitored and controlled the electricity used when the cars were on charge. This technology could make it possible to avoid drastic network strengthening in a future with increasing electric vehicle usage.

Responsible Developer

SSE's indicators and targets in this section address the Sustainable Development Goals:



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



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



Make cities and human settlements inclusive, safe, resilient and sustainable.

Responsible Developer

Dilemma

Understanding impacts

Since 2014, SSE has been measuring and valuing the impacts from some of its major infrastructure projects in new ways.

The Beaully-Denny study quantified and valued the environmental, social, economic and tax impacts resulting from upgrading the transmission line in monetary terms. This study was the largest of its kind and developed new methodologies now used for several other projects at SSE. The study allowed SSE to value the gross impacts of the

construction process, as well as the net impact from different options for geographical routing of the line.

Impact modelling was also undertaken for the Wyndford Estate district heating scheme, the Caithness to Moray submarine cable and Clyde Extension wind farm in 2015/16. In an industry first, SSE partnered with its turbine manufacturers, Siemens, for the Clyde Extension economic modelling. This allowed SSE to capture the economic

impact to the Scottish and UK economies from its turbine spend, approximately 55% of total project cost, which would not have been possible without this joint approach.

Quantification of impacts helps SSE manage and inform decision-making around future developments. However, as SSE gathers increasing knowledge, it must ensure it responds in an appropriate manner that maximises the positive impacts from its developments.



Case study

Using research to improve developments

Research plays an important role in learning from existing developments and allowing for evidence-based decisions to be made. In 2015, SSE commissioned a study to understand the potential impacts Beatrice offshore wind farm, in the Outer Moray Firth, may have on salmon migration routes. By tracking young salmon (smolts) as they migrate seawards, SSE aims to establish a baseline understanding of the numbers that successfully

make it to the Moray Firth, and develop a deeper understanding of their behaviour once out at sea.

The study will address an important knowledge gap, as very little is known about the marine stage of a salmon's life. With this knowledge SSE can develop mitigation measures for the construction and operation of its offshore developments in order to reduce the likelihood of causing any disturbance.

Do No Harm

Safety and Ethics: the foundation of SSE's sustainability strategy

In a world where corporate conduct and responsibility are under scrutiny, SSE's foundation 'do no harm' is built on its six core values that drive the right behaviours to ensure it is a responsible, transparent and sustainable business.

Performance summary

| | Unit | 2015/16 | 2014/15 |
|---|---------------------------------|---------|---------|
| Total Recordable Injury Rate (TRIR) – employees and contractors | Number per 100,000 hours worked | 0.23 | 0.23 |
| Total Accident Frequency Rate (AFR) – employees and contractors | Number per 100,000 hours worked | 0.1 | 0.1 |
| Environmental prosecutions | n | 0 | 0 |
| Recorded whistle blowing incidents | n | 41 | - |
| Formal grievances raised | n | 76 | 80 |
| Formal disciplinary procedures instigated | n | 288 | 319 |

SSE's first value and priority is Safety

SSE believes all accidents are preventable, so it does everything safely and responsibly or not at all.

SSE's overall safety goal is 100% injury free working, by both SSE's employees and the contractors working on SSE's major sites and developments. SSE's total recordable injury rate for employees and employees of other companies working SSE sites was 0.23 per 100,000 hours worked in 2015/16. This is the same as the previous year.

Responsibility for safe working starts with the Executive Committee but extends to every person in the organisation. The SSE Board is advised by the Safety, Health and Environment Advisory Committee (SHEAC) on policy, targets and strategy for improved performance.

To effectively manage safety, SSE strives to embed a positive safety culture, the 'Safety Family', based on fairness, trust and co-operation; as well as through the application of a robust Safety Management System which focuses on Policy, People, Processes, Plant and Performance.

Improving performance through SSE's enduring goals

During 2015/16 SSE rolled out its seven enduring goals to deliver improved safety performance. These focus on: improving process safety; delivering leading practices between SSE and its

contractors; lowering the risks related to driving through ProjectDrive; reinforcing positive behaviour change through SSE's Safety Family programme; occupational health and well-being; crisis management; and environmental management.

"If there was a disappointment in 2015/16, it was probably in the area of safety. While the 113 people injured is a smaller number than the previous year's 119, the impact to teams where colleagues have been hurt is all too clear. We all need to play our part to keep things safe and learn the lessons from past incidents as we turn our attention to the year ahead. We need to make sure we really know the risks we face and have plans in place to focus on delivering improvements."

Alistair Phillips-Davies

Driving safety

One area of particular concern is the number of serious incidents involving company vehicles, with 29 Class 1 Road Traffic Collision Accountable incidents in 2015/16. Driving is one of the most dangerous things people do and is a significant safety risk for SSE employees. To improve SSE's driving safety performance SSE has implemented ProjectDrive, which is a new way of managing driving risk and improving driving safety at SSE. It involves:

Do no harm

- reviewing driver competencies through online assessments as well as providing plenty of training, guidance and support to employees and managers;
- the introduction of a new driver risk assessment to help raise driver awareness of the risks of journeys and help drivers to plan journeys; and
- a new permit to drive system that helps the business to manage driver safety risk.

In 2015/16 the permit to drive system identified over 13,300 people that drive on behalf of SSE covering 40 million miles. These changes are aimed at making significant improvements in SSE's driving safety performance, enabling employees to make journeys end safely every time.

Reinforcing an ethical business culture

A culture of Speaking Up

In 2015/16 SSE enhanced its whistleblowing procedures through the implementation of an externally hosted 'Speak Up' phone line and email service, so that employees can be confident that there will be no recriminations to the whistle-blower if wrongdoing is reported. For the first time, SSE has published the number of whistle-blowing incidents (see performance summary).

Human rights

In 2015/16, SSE established a new policy on Human Rights. Based on the UN Global Compact, the policy outlines the fundamental principles that guide SSE's employees, recognising that in both its direct employment and through its supply chain, human rights must be actively respected and protected. The policy also outlines SSE's commitment to meeting the provision of the UK's Modern

Slavery Act and can be found at www.sse.com/beingresponsible.

Code of ethical business conduct

SSE's code of ethical business conduct provides the basis from which employees are guided in terms of the ethical business standards they are expected to meet. SSE became a subscriber to the Institute of Business Ethics in 2015/16, and, as a result of their advice and feedback, is undergoing a review of its existing code with plans to launch an improved code early in 2016/17.

Maintaining an ethical approach to political advocacy

Political and regulatory change are one of SSE's principal risks. This is because the markets in which SSE operates are subject to a high degree of regulatory and legislative intervention at both domestic and EU level. Legal and compliance obligations can change explicitly with the introduction of new or revised legislation, or implicitly due to evolving interpretation and legal precedent.

As a result, SSE believes it is appropriate to contribute constructively and collaboratively to debates and discussions with institutions of government and other stakeholders about the future of public policy, legislation and regulation affecting those parts of the energy market in which SSE has a commercial interest. SSE understands that its role in the legislative or policy process is to provide views, insights and expert opinion to Government Departments and other stakeholders, where appropriate.

Political engagement of this kind is an acceptable and critical aspect of the legislative process,

provided that legal requirements are complied with. Given the perception exists that political advocacy, political engagement or 'lobbying' can result in undue influence or imbalanced public policy, SSE is committed to ensuring that its political engagement and representations to institutions of government¹⁵ are conducted to the highest ethical standards and there is a degree of transparency about how SSE interacts with Government. It therefore adopts a constructive approach to legislation such as the UK's Freedom of Information Act 2000.

There were three notable developments in the year 2015/16 concerning SSE's political engagement policy:

1. SSE stated its commitment to responsible political engagement by publishing externally – for the first time – a political engagement policy¹⁶. This policy is in place for all employees and is consistently applied across the SSE Group. It governs SSE's policies in this area – for example its policy on political contributions - and serves as a guide to how employees should conduct themselves when representing SSE to government or other institutions.
2. The internal control environment was strengthened when SSE signed up to voluntary membership, as a Corporate Affiliate, to the Chartered Institute of Public Relations' UK Lobbying Register. Alongside the SSE Group policy, employees are governed by its Code of Conduct. SSE also participates in mandatory

registration for political engagement where such registers exist¹⁷.



3. In its external advocacy, SSE does not directly or indirectly employ any sitting MP, MEP, Peer or any member of the Scottish Parliament or the National Assembly of Wales or the Northern Ireland Assembly or the Republic of Ireland Houses of the Oireachtas (Parliament) or the Greater London Assembly, or any connected person or persons. If any such person is employed by SSE or a joint venture or associate company, he or she will be expected to be fully compliant and transparent in declaring any actual or perceived conflicts of interest.

SSE does, however, respond constructively to offers of placements for SSE employees in Government Departments (including devolved administrations) and Government Employee placements (including devolved administrations) at SSE where such secondments add to the career development of the individual and add value to the project they are being seconded into. All secondments are time limited and remuneration is based on bespoke agreements. SSE will publish each year a list of any such secondments. Most recently, in December 2015, an SSE employee completed a four month secondment to the UK Government, during which the employee was

excluded from policy matters relating to energy and the Department of Energy and Climate Change.

SSE understands that there is an expectation that it conducts its political engagement in a responsible manner. It will make further disclosures to increase transparency and is working with external partners to achieve this.

¹⁵ "Institutions of Government" means all European, United Kingdom, English, Welsh, Scottish, ROI and Northern Ireland central, regional and local government bodies and agencies, public bodies and political parties.

¹⁶ <http://sse.com/beingresponsible/responsiblegovernance/political-engagement-policy/>

¹⁷ See SSE's returns in the Ireland Register of Lobbying www.lobbying.ie and SSE's European Declaration here - <http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=64436972598-17>

Do no harm

SSE's indicators and targets in this section address the Sustainable Development Goals:



Ensure healthy lives and promote well-being for all at all ages



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



Strengthen the means of implementation and revitalize the global partnership for sustainable development

Reporting and data SSE's sustainability performance

The following section reports SSE's social, environmental and economic KPIs. For transparency, three year's worth of data is provided against each KPI where possible.



Social KPIs

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|--|----------------------------|-----------------------|------------|------------|------------|
| Health and safety | | | | | |
| Accident Frequency Rate - employees | G4 - LA6 | Per 100,000 hours | 0.07 | 0.04 | 0.05 |
| Total Recordable Injury Rate - employees | G4 - LA6 | Per 100,000 hours | 0.15 | 0.12 | 0.12 |
| Fatal incidents - employees | G4 - LA6 | Number | 0 | 1 | 0 |
| Accident Frequency Rate - contractors | G4 - LA6 | Per 100,000 hours | 0.22 | 0.25 | 0.20 |
| Total Recordable Injury Rate - contractors | G4 - LA6 | Per 100,000 hours | 0.56 | 0.48 | 0.42 |
| Fatal incidents - contractors | G4 - LA6 | Number | 0 | 0 | 0 |
| Accident Frequency Rate - employees and contractors | G4 - LA7 | Per 100,000 hours | 0.1 | 0.1 | 0.09 |
| Total Recordable Injury Rate - employees and contractors | G4 - LA8 | Per 100,000 hours | 0.23 | 0.23 | 0.2 |
| Dangerous or potentially dangerous road traffic incidents involving SSE employees driving company vehicles | G4 - LA6 | Rate per 100 vehicles | 0.37 | 0.28 | 0.25 |
| Lost days per year due to sickness | | Number | 182,058 | 165,407 | 161,717 |
| General employment statistics | | | | | |
| Total number of employees ¹ | G4 - LA12 | Number | 21,118 | 19,965 | 19,894 |
| Ratio of CEO earnings to average employee earnings ² | | Number:1 | 42:1 | - | - |
| Total number of hours worked ³ | | Hours | 39,128,900 | 36,717,450 | 37,045,000 |
| Sustainable employment | | | | | |
| Employee retention rate ⁴ | G4 - LA1 | % | 89 | 87 | 91 |
| Average/median length of service | | Years | 9.43/7.22 | 9.34/6.57 | 9.07/6.00 |
| Employees with flexible working arrangements | | % | 8.8 | 9.1 | 10.6 |
| Employee productivity - Direct contribution to GDP per capita (UK) | | £ | 129,700 | 139,900 | 115,700 |
| Employee productivity compared to national averages - UK ⁵ | | Number:1 | 2.4:1 | 2.6:1 | 2.2:1 |
| Employee productivity compared to national averages - Ireland ⁵ | | Number:1 | 2.4:1 | 2.3:1 | 2.6:1 |
| Employees covered by Living Wage (UK only) | G4 - EC5 | % | 100 | 100 | 100 |
| Employees covered by Minimum Wage | G4 - EC5 | % | 100 | 100 | 100 |
| Human capital value | G4 - EC5 | £bn | - | 3.4 | - |
| Employee engagement | | | | | |
| Employee engagement survey participation | | % | 89 | 92 | 92 |
| Employee engagement survey result | | % engagement index | 77 | 73 | 78 |
| Employees participating in the share incentive plan | | % | 64 | 52 | 53 |
| Employees participating in the sharesave plan | | % | 41 | 41 | 40 |

1. Headcount at 31 March 2016, including employees within Windtowers Ltd.
 2. See page 110 in SSE's Annual Report 2016 for further details.
 3. Based on standard contractual hours over a 52 week period (excludes Overtime & Standby).
 4. Excludes end of fixed term contracts and internal transfers.
 5. Based on GVA per capita and data provided by the UK's Office for National Statistics (ONS) and Ireland's Central Statistics Office (CSO), from PwC analysis.

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|--|----------------------------|----------|---|-----------|-----------|
| Employee skill development (training and education) | | | | | |
| Investment in externally-provided training and development | G4 - LA10 | £m | 2.1 | 1.1 | 2.5 |
| Investment in pipelines ⁶ | G4 - LA10 | £m | 12.7 | 11 | - |
| Total number of training interventions ⁷ | G4 - LA10 | Number | 63,052 | 48,656 | - |
| Equal opportunities and non-discrimination | | | | | |
| Percentage of female employees | G4 - LA12 | % | 31 | 30 | 30 |
| Average age of employees | G4 - LA12 | Years | 40 | 40 | 41 |
| Male/female employees earning over £40,000 | G4 - LA13 | % | 25.3/11.9 | 23.6/10.9 | 23.2/10.7 |
| Diversity of Board | G4 - LA12 | % female | 33 | 25 | 33 |
| Human rights | | | | | |
| Human rights grievances filed through formal mechanisms | G4 - HR12 | Number | 0 | 0 | 0 |
| Modern Slavery Statement | | | http://sse.com/media/400902/statement-on-modern-slavery-v1.pdf | | |
| Corporate governance | | | | | |
| Corporate Governance Report | G4 - 56 | | http://sse.com/aboutus/corporategovernance/ | | |
| Business ethics | | | | | |
| Code of business ethics - including anti-corruption, anti-bribery and anti-competitiveness | | | http://sse.com/aboutus/corporategovernance/ | | |
| Recorded whistle blowing incidents | | Number | 41 | - | - |
| Formal grievances raised | G4 - LA16 | Number | 76 | 80 | 88 |
| Formal disciplinary procedures instigated | G4 - LA16 | Number | 288 | 319 | 420 |
| Suppliers | | | | | |
| Total procurement spend | G4 - EC9 | £bn | 2.7 | 2 | - |
| Supply chain employees impacted by Living Wage ⁸ | G4 - EC9 | Number | 400 | 80 | - |
| Value of Open4Business contracts | G4 - EC9 | £m | 22.8 | 56.8 | - |
| Community | | | | | |
| Employee days donated to charity | | Days | 3,422 | 5,000 | 8,041 |
| Employees involved in community volunteering | | % | 17 | 26 | 41 |
| Value of employee days donated to charity | | £ | 355,000 | 440,626 | 683,405 |
| Community investments funds | | £m | 3.96 | 3.7 | 4.5 |
| Charitable giving ⁹ | | £m | 4.83 | 4.16 | 5.18 |

6. Total cost of apprentice, engineering graduate and Technical Skills Trainee programmes.
 7. Including targeting courses, workshops, seminars on e-learning packages.
 8. Estimated by KPMG. Full report can be found at www.sse.com/beingresponsible.
 9. Total across UK and Ireland, including: charitable donations through match funding, community investment funds, resilient communities fund, financial value of employee volunteering. Breakdown found within the 'Charitable giving' section on page 12.

Environmental KPIs

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|--|----------------------------|-------------------------------|-------------|-------------|-------------|
| Environmental management | | | | | |
| Number of major incidents | G4 - EN29 | Number | 0 | 0 | 1 |
| Number of serious incidents | G4 - EN29 | Number | 11 | 4 | 6 |
| Number of minor incidents | G4 - EN29 | Number | 20 | 31 | 34 |
| Environmental prosecutions | G4 - EN29 | Number | 0 | 0 | 0 |
| Carbon emissions (climate change) | | | | | |
| Scope 1 emissions (emissions from operations owned or controlled by the organisation) | G4 - EN15 | 000s tonnes CO ₂ e | 11,021 | 13,079 | 20,722 |
| Scope 2 emissions (emissions from the generation of purchased electricity, heating and cooling consumed by the organisation) | G4 - EN16 | 000s tonnes CO ₂ e | 1,138 | 1,244 | 1,163 |
| Scope 3 emissions (emissions that occur outside of the organisation in support of its activities) | G4 - EN17 | 000s tonnes CO ₂ e | 906 | 2,426 | 3,505 |
| Total carbon emissions | | 000s tonnes CO ₂ e | 13,066 | 16,749 | 25,389 |
| Carbon intensity of electricity generation | G4 - EN18 | kg CO ₂ e per MWh | 397 | 474 | 576 |
| Energy consumption | | | | | |
| Carbon Reduction Commitment (CRC) performance (absolute) | | tonnes CO ₂ e | 20,276 | 22,788 | 23,449 |
| CRC target achieved compared to base | | % reduction | 19.0% | 10.3% | 6.7% |
| Total electricity consumption in buildings covered by CRC | G4 - EN3 | kWh | 102,485,611 | 107,695,334 | 117,056,911 |
| Total gas consumption in buildings covered by CRC | G4 - EN3 | kWh | 6,295,651 | 10,303,824 | 10,451,412 |
| Total energy consumption in buildings covered by CRC | G4 - EN3 | kWh | 108,781,262 | 117,999,158 | 127,508,323 |

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|---|----------------------------|------------------------|------------|------------|------------|
| Travel and transport | | | | | |
| Fuel used in operational plant and vehicles | | Litres | 14,231,632 | 13,788,400 | 14,446,621 |
| Flights | | km | 20,576,438 | 18,660,228 | 15,465,353 |
| Train | | km | 7,039,160 | 5,822,964 | 5,175,182 |
| Company cars | | km | 41,452,578 | 38,711,546 | 40,039,523 |
| Water consumption | | | | | |
| Total water abstracted | G4 - EN8 | Million m ³ | 28,856 | 27,109 | 27,914 |
| Total water consumed | | Million m ³ | 8.1 | 19.4 | 15.9 |
| Total water returned | G4 - EN22 | Million m ³ | 28,848 | 27,090 | 27,898 |
| Total water abstracted & returned - hydro | G4 - EN8 | Million m ³ | 28,563 | 27,027 | 27,569 |
| Total water consumed - buildings | | Million m ³ | 0.078 | 0.076 | 0.073 |
| Total water abstracted - thermal | G4 - EN8 | Million m ³ | 292.5 | 82.4 | 345.4 |
| Total water consumed - thermal | | Million m ³ | 8 | 19.3 | 15.8 |
| Total water returned - thermal | G4 - EN22 | Million m ³ | 284.6 | 62.8 | 329.3 |
| Emissions to air | | | | | |
| SO ₂ | G4 - EN21 | Tonnes | 10,685 | 16,871 | 29,969 |
| NO _x | G4 - EN21 | Tonnes | 6704 | 9,977 | 24,233 |
| SF ₆ | G4 - EN21 | kg | 23 | 21 | 11 |

Economic KPIs

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|---|----------------------------|----------------------|---------|----------|----------|
| Financial performance | | | | | |
| Adjusted profit before tax (PBT) | | £m | 1513.5 | 1,564.70 | 1,551.10 |
| Adjusted earnings per share | | Pence per share | 119.5 | 124.1 | 123.4 |
| Dividend per share | | Pence per share | 89.4 | 88.4 | 86.7 |
| Economic contribution | | | | | |
| Total economic contribution - UK GDP ¹⁰ | G4-EC1 | £bn | 8.87 | 8.81 | 9.22 |
| Total economic contribution - Ireland GDP ¹⁰ | G4-EC1 | €m | 805 | 966 | 973 |
| Total economic contribution - Scotland GDP ¹⁰ | G4-EC1 | £m | 1,555 | 1,469 | 1,412 |
| Total jobs supported - UK ¹¹ | G4-EC8 | Number | 113,640 | 106,320 | 111,950 |
| Total jobs supported - Ireland ¹¹ | G4-EC8 | Number | 4,910 | 5,380 | 5,340 |
| Total jobs supported - Scotland ¹¹ | G4-EC8 | Number | 17,290 | 17,730 | 17,010 |
| Regulated Asset Value - Transmission, Distribution and 50% share in SGN | G4-EC7 | £m | 7,957 | 7,350 | 6,820 |
| Taxation | | | | | |
| Adjusted current corporation tax charge | G4 - EC1 | £m | 193.4 | 224.8 | 236.7 |
| Payment of UK corporation tax | G4 - EC1 | £m | 130.8 | 155.2 | 115.4 |
| Payment of Irish corporation tax ¹² | G4 - EC1 | €m | 0.04 | 7.3 | 11.1 |
| Total taxes paid in UK | G4 - EC1 | £m | 453.9 | 506.2 | 431.6 |
| Total taxes paid in Ireland | G4 - EC1 | €m | 15.2 | 20.1 | 24.5 |
| Investment | | | | | |
| Total investment and capital expenditure | G4-EC7 | £m | 1,618.7 | 1,475.3 | 1,582.5 |
| Renewable generation investment | G4-EC7 | £m | 291.8 | 239.0 | 339.9 |
| Thermal generation investment | G4-EC7 | £m | 90.8 | 160.6 | 276.6 |
| Networks investment | G4-EC7 | £m | 831.7 | 794.8 | 712.1 |
| Networks operations | | | | | |
| Electricity distributed | | TWh | 39.5 | 39.6 | 40.4 |
| Customer minutes lost - SHEPD | | Average per customer | 55 | 69 | 77 |
| Customer minutes lost - SEPD | | Average per customer | 41 | 57 | 67 |
| Customer interruptions - SHEPD | | Per 100 customers | 66 | 70 | 75 |
| Customer interruptions - SEPD | | Per 100 customers | 47 | 60 | 68 |

10. In current prices, from PwC analysis.

11. Measured as headcount, from PwC analysis.

12. The reduction in corporation tax paid in Ireland is due to the impact of capital allowances available for 2015 and 2016 on the Great Island CCGT plant constructed at Wexford County, Ireland. SSE is the only FTSE100 company to be Fair Tax Mark accredited. For more information on the Fair Tax Mark please see the case study on page 13 and the tax publications on www.sse.com/beingresponsible.

| | GRI-G4 Indicator Reference | Unit | 2016/15 | 2015/14 | 2014/13 |
|---|----------------------------|------------------|-----------|-----------|-----------|
| Diversity of generation portfolio | | | | | |
| Output of renewables (includes pumped storage) | | GWh | 9,695 | 8,656 | 9,271 |
| Renewable output as % of total output | | % | 35 | 31 | 26 |
| Output of thermal generation | | GWh | 18,081 | 18,931 | 26,687 |
| Total generation output | | GWh | 27,776 | 27,587 | 35,958 |
| Capacity of renewables | | MW | 3,275 | 3,394 | 3,326 |
| Renewable capacity as % of total capacity | | % | 31 | 29 | 29 |
| Capacity of thermal generation | | MW | 7,282 | 8,339 | 8,339 |
| Total generation capacity | | MW | 10,557 | 11,733 | 11,665 |
| Onshore wind pipeline | | MW | 1,331 | 1,117 | 776 |
| Onshore wind in construction | | MW | 583 | 367 | 361 |
| Offshore wind pipeline (Beatrice/ other projects) | | MW | 235/ 2950 | 332/ 2208 | 498/ 3720 |
| Transmission projects in construction | | Number | 5 | 4 | 4 |
| Retail customers | | | | | |
| Total energy customer accounts (GB,Ire) | | Million | 8.21 | 8.58 | 9.1 |
| GB dual fuel energy bill based on current Ofgem typical domestic consumption values ¹³ | | £ | 1,088 | 1,115 | - |
| Retail customer complaints to third parties (GB) ¹⁴ | | Number | 1,416 | 1528 | 1208 |
| National Customer Satisfaction Index for retail - UK | | Score out of 100 | 73 | 72 | 71 |
| Household/small business aged debt (GB,Ire) | | £m | 103.2 | 106.2 | 117.8 |
| Customers that have received assistance from SSE through Warm Homes Discount scheme (WHD) | | Number | 325,194 | 336,794 | 314,389 |
| Accumulative total of homes fitted with energy efficiency measures as part of Energy Company Obligation (ECO), since the scheme started in 2013 | | Number | 265,037 | 223,457 | 100,861 |
| Homes fitted with energy efficiency measures as part of Northern Ireland Sustainable Energy Programme (NISEP) | | Number | 976 | 560 | - |
| Accumulative total of smart meters installed | | Number | 184,363 | 40,834 | 964 |

13. Figures at March in each financial year.

14. Ombudsman: Energy Services and Citizens Advice.

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