

# Sustainable Procurement Plan

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SSE is expanding its commitment to sustainable procurement, and the next stride involves presenting SSE's sustainable procurement plan and goals. Keeping our suppliers, shareholders, clients, and all our internal and external stakeholders in the loop about our sustainable procurement approach has become significantly crucial over the past year. That's why we've decided to openly communicate our sustainable procurement initiatives from both a Group and Business Unit standpoint and outline our future plans in this regard.

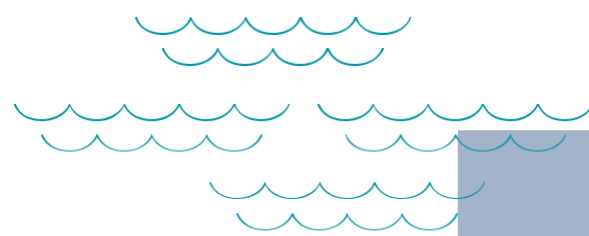
## Vision Statement & Plan

Our vision is to be a pioneer in sustainable and responsible procurement practices in the sector by sourcing clean, renewable, and efficient energy solutions, minimising our environmental footprint, promoting social responsibility, supporting local communities, and implementing sustainable supply chain management practices, all while ensuring the long-term economic success of SSE.

“SSE: Powering Sustainable Success with Responsible Procurement”

To facilitate this vision and ambition, 6 key pillars have been created which form the sustainable procurement plan - these are mapped against 3- and 5-year objectives as shown below:

Pillars	3 Year Objectives	5 Year Objectives
<b>1. Communication of our ambition</b> to our stakeholders	To have a far-reaching sustainable procurement communication strategy	To have a collaborative communication culture that enables stakeholders to share their experience and successes around sustainable procurement
<b>2. Governance and Responsibility</b> of stakeholders across SSE	To have a robust framework for sustainable procurement accountability	To have strengthened the integration of sustainable procurement through KPIs for SSE Procurement Stakeholders
<b>3. Risk mitigation &amp; Opportunity maximisation</b> of sustainability within our supply chain	To have a comprehensive ESG risk and opportunity assessment framework	To have entrenched the risk and opportunity framework into all sourcing and procurement activity
<b>4. Reporting</b> on sustainable procurement measures and supply chain performance	To have an extensive sustainable procurement reporting system	To have enhanced the reporting system through advanced data analytics and technology
<b>5. Collaboration</b> with key stakeholders	To have cultivated sustainability into our Supplier Relationship Management (SRM) program and partnership scheme	To have established strategic alliances enabling us to access innovative sustainable solutions, share best practices, and collaborate on development projects
<b>6. Training &amp; Skills</b> with key stakeholders	To have embedded a detailed learning plan for SSE procurement stakeholders and suppliers to adopt	To have fostered a collaborative learning environment where SSE procurement stakeholders and suppliers can exchange knowledge and share success



## The 90% Club

As well as a broad plan outlined above, we also have created a goal setting plan called the 90% Club. This club comprises of tier one suppliers which represent 90% of our supply chain by spend. These supply chain partners were selected due to the level of engagement we have with them through our purchasing behaviours. This ambition is not just limited to tier one suppliers, as the ambitions that we have within SSE should be filtered down through the value chain. We are not limiting ourselves to 90% of suppliers by spend, as other suppliers are recommended to align with our goals and ambitions.

Our overall goal within the 90% Club is:

**“To empower 90% of SSE’s Supply Chain by spend to be the most Sustainable, Ethical and Responsible suppliers by 2030.”**

Within this overarching goal, sub-goals have been created which are aligned to the UN SDGs and our Sustainability Strategy and intended to be achieved by 2030. These sub-goals are listed below:

General Sustainability
To have 90% of suppliers by spend submit their information to our Sustainable Performance Management Tool (Currently Ecovadis)
To have 90% of suppliers by spend submit embodied sustainability data of the products they offer (e.g., EPDs, LCAs etc)
To have 90% of suppliers by spend offer sustainability training across their workforce.
Taking Climate Action
To have 90% of SSE’s suppliers by spend disclose to their carbon emissions.
To have 90% of SSE’s suppliers by spend set their own science-based targets.
Protecting and Enhancing the Natural Environment
To have 90% of contractors and subcontractors by spend submitting high quality environmental data across all SSE projects including energy, water, waste & emissions.
To incorporate & capture biodiversity actions of 90% of suppliers by spend.
Providing Affordable and Clean Energy
To have 90% of suppliers by spend adopt clean energy solutions across their organisation and value chain.
Investing in Innovation, Industry & Infrastructure
To have 90% of suppliers by spend embed environmental and social action throughout their procurement processes.
To incorporate circular economy ambitions into 90% of contracts by spend with suppliers.
Committed to Decent Work & Economic Growth
To have 90% of suppliers by spend embed social value in their SSE contracts.
To have 90% of suppliers by spend conduct a modern slavery and human rights risk assessment around their products.

To support our Sustainable Procurement plan and goals, SSE Group and our Business Units have been focusing on the following actions and ambitions to embed sustainable procurement and supply chain management into SSE and our supply chain:

## SSE Group Approach Governance

SSE have built a network of dedicated procurement and sustainability professionals who meet monthly to discuss sustainable procurement and supply chain actions.

SSE Group have created a draft Supplier Diversity Strategy which aims to promote SSE to work with diverse suppliers.

Outputs from an internal audit of the governance and implementation of this Sustainable Procurement Code will be prioritised and actioned this year.

## Procurement Processes

SSE has reinvigorated a ESG (Environmental, Social, Governance) Risk Map allowing Procurement stakeholders to identify ESG risks associated with the trade categories from which they are procuring.

SSE Group have built a bespoke list of sustainable ITT (Invitation To Tender) questions to be embedded in ITTs going forward.

SSE Group have developed a Sustainable Procurement Guidance Document to support SSE Procurement Professionals embed sustainability into each stage of our procurement processes.

## Sustainability Tool

SSE's Transmission, Renewables, Enterprise & ECS (Energy Customer Solutions) businesses are adopting a data collection tool designed to efficiently collect and report sustainability data, including carbon emissions (tCO<sub>2</sub>e) from key contractors.

SSE's Enterprise business piloted the Sustainability Tool on the construction of SSE's first Battery Energy Storage System project at Salisbury, with great success.

During 2023/24 FY, SSE Group and the Business Units plan to roll-out the Sustainability Tool (with training) to our direct

construction and operational suppliers in a move to aid sustainability data transparency and improve Scope 3 reporting.

## Supply Chain Sustainability School (SCSS)

Building on from the partnership with the School, SSE have provided sustainable procurement training opportunities for 110 Procurement stakeholders.

Within a year, SSE Group have provided 17,249 resources to 2,004 users across 215 suppliers who represent 38% of SSE's supply chain spend.

## Science-Based Targets Initiative (SBTi)

Through working with suppliers, SSE Group have increased the number who have set a target or committed to SBTi from 29% to 51% through 2022/23 FY.

SSE Group will continue to work with their supply chain to set targets in line with SBTi, with the aim of 50% by the end of 2023/24 FY (currently at 37.5%).

## Carbon Disclosure Project (CDP)

As members of the CDP Supply Chain Program, SSE Group received 248 submissions from their suppliers, who represented 77% of supply chain by spend in 2023.

## Powering Net Zero Pact (PNZP)

As showcased separately within this Code, SSE have had great success through industry collaboration of the PNZP, welcoming in 11 new partners to join SSE in making a more sustainable energy sector.

## Ecovadis

This year, to further push SSE's sustainable ambition internally and with their supply chain, we have partnered with Ecovadis, a leading global sustainability ratings company. SSE Group plan to engage with key supply chain partners to understand their evidence-based sustainability journey whilst also reducing survey fatigue.

From launching in September 2023, SSE Group have 188 suppliers who represent 46% of SSE's supply chain by spend sharing their sustainability performance.

## SSE Renewables Approach

### ESG and Sustainability Clause

SSE Renewables (SSER) have developed an enhanced environmental, social and governance (ESG) and Sustainability Clause. This contractual clause outlines supplier requirements to comply with SSE's Sustainable Procurement Code and align with its sustainability policies, enhanced reporting, increased due diligence, and auditing rights.

### Strategic Suppliers Engagement Sessions

SSER have launched a programme of sustainability sessions with their strategic suppliers to engage them on key ESG ambitions for existing and future renewable projects.

### Human Rights Collaboration

SSER collaborated with third party experts, SFA, to undertake a detailed gap analysis on the approach to human rights due diligence across the supply chain, with a focus on maritime workers.

### Collaboration through the Coalition for Wind Industry Circularity (CWIC)

SSE Renewables with partners the University of Strathclyde, National Manufacturing Institute Scotland and Renewable Parts Ltd, launched the Coalition for Wind Industry Circularity (CWIC). CWIC seeks to bring together the UK wind sector to create a supply chain for the refurbishment and reuse of wind turbine components within the UK. More than 25 organisations have submitted an expression of interest to join CWIC, including some of the world's largest global wind developers, government institutions, innovation bodies and SMEs.



## SSEN Transmission Approach

### Sustainable Works Information Update

SSEN Transmission are currently updating the Sustainable Works Information (SWI) to reflect Transmission's supply chain sustainability requirements. This will be updated during December / January and that they are engaging with a third-party supplier to review and confirm whether it conforms to ISO 20400. As part of this, they will be reviewing and standardising PQQ & ITT questions for SSEN Transmission

### Maturity Assessment

SSEN Transmission are about to embark upon a maturity assessment with their top 20 suppliers (equates to over 80% spend) to find out their maturity relating to sustainability. This will also form part of the SRM (Supplier Relationship Management) program Transmission has in place.

### Collaboration across Networks

SSEN Transmission are also engaging with the GB Transmission Owners to discuss their approach to suppliers regarding sustainability.

### Social Value

There is work being carried out looking at Social Value with the supply chain as a measurement of the social benefit created through our activities in projects going forward and setting requirements with them by Q1 24. This will include local content, accommodation, jobs, apprenticeships, training and other local benefits.

### Reporting

SSEN Transmission will be working with their supply chain to embed a reporting template which will include data sets including SBTi, innovation initiatives and local content.

## SSEN Distribution Approach

### Sustainable Supply Chain Code

SSEN Distribution have launched a Sustainable Supplier code where

they aim to have 80% (by spend) of suppliers signed up by 2028. As part of this work, Distribution are also holding supplier webinars, engagement days and a SharePoint site that will be accessible to all suppliers to enable collaboration.

### ITT Questions

SSEN Distribution have produced a list of Sustainability and Social value ITT questions to be used in tenders.

### ESG KPI's

SSEN Distribution has signed its first ever sustainability-linked Revolving Credit Facility (RCF), further reinforcing the company's commitment to sustainability in line with its Environmental Action Plan and broader sustainability ambitions including serving public interest and inclusive service provision. One of the key KPI's for suppliers is that Distribution are working towards having 35% (by spend) of suppliers with an accredited Science-Based Target by 2026 (the SBT must be set through the SBTi).

## SSE Enterprise Approach

### Solar Supply Chain Due Diligence

SSE Energy Solutions became a member of the Solar Stewardship Initiative with the aim to collaborate with the industry to improve ESG transparency and gain a better understanding of the sustainability risks associated with the solar PV supply chain.

To mitigate the Human Rights risk for SSE Enterprise's first-ever large-scale solar project at Littleton Farm, Energy Solutions appointed a human rights expert company, Slave-Free Alliance (SFA). Together SSE Enterprise carried out an assessment of the prospective Tier 1 solar module suppliers, which resulted in them:

- Implementing extensive risk-based tender questions in all live tender events for prospective suppliers, with additional questions asked around the sourcing of specific high-risk elements. This enables SSE Group and SSE Energy Solutions procurement teams to analyse the risk of human rights violations and

modern slavery, ahead of contracts being awarded.

- Updating the SSE Anti-Bribery and Modern Slavery Clause in their contracts, to include the ability to carry out on-site social audits.
- Developing an Environmental, Social & Governance (ESG) due diligence model which provides an overview of SSE's confidence level of the assessed suppliers to meet ESG requirements. This model represents a "Pass/ Fail" evaluation criteria standard for solar procurement. The ESG questions outline the requirements a supplier needs to have in place for us to work with them. This is currently being used to draft a preferred manufacturing supplier list.
- Drafting a post-award contract plan that is in the process of being agreed upon at the time of publishing this report. This document highlights the seven recommendations and includes KPIs.
- This work will continue. Ongoing frequent and honest communication with the solar module manufacturer will also raise awareness of concerns to suppliers and ensure cooperation to achieve objectives.

### Battery Supplier Diligence

Slave-Free Alliance were also engaged to undertake a review of SSE Enterprise's three Tier 1 Battery Integrators suppliers as a first step to deepening our approach to an assessment of the battery supply chain. This was conducted using open-source research, reviewing each supplier's documentation, and a structured interview. The output was a report for each supplier presenting good practices, areas for improvement, and recommendations for further actions that SSE can take. It was clear that the suppliers have made progress in developing due diligence practices but with each at a different stage, SSE will need to engage further to advance progress.

### Energy Solution Contracts

Over the last 12 months, Energy Solutions have worked with procurement to strengthen sustainability tender questions, increase the weighting of sustainability valuation scores, and

added new sustainability clauses into large capital project contracts. This year, we will look to standardise the sustainability contract clauses across all project and operational contracts to clearly set our expectations from our supply chain moving forward.

### Supplier Engagement

On the 6th of April 2022, SSE Enterprise held our first face-to-face supplier day in Forbury since pre-covid. The sustainability team took the opportunity to talk to suppliers about:

- SSE Energy Solutions' sustainability strategy and the help we needed to achieve supplier-related goals.
- Construction expectations on environmental management, climate action, and resource efficiency & waste, and circular economy
- Supplier Procurement Code and sustainability tender evaluation questions.

This year, we will be looking to gain more insight into SSE Enterprise's supplier net zero plans through a survey which will be emailed to their contacts. With this information, SSE Enterprise will be looking to tailor the content for the next SSE Energy Solutions Supplier Day to provide content which aids supplier learning and future collaboration to expand Scope 3 transparency and reporting.

### SSE Thermal Approach

#### Sustainability questions in Tenders

SSE Thermal have engaged with key tenderers using sustainability questions to understand what they can offer as part of the contract to create additional environmental, social and economic value.

#### Carbon Capture Technologies

As part of SSE Thermal's ambition to decarbonise our Thermal assets, they are working with suppliers who have

expertise in carbon capture technologies and operate globally, to bring the latest technology and experience to support our Net Zero journey. For example, in June 2022, they worked with AECOM and the University of Sheffield on the Flexibly Operated Capture Using Solvent Storage (FOCUSS) project around carbon capture. This collaboration allows SSE Thermal to be at the forefront of the carbon capture technology solutions.

### Low Carbon Thermal Generation

SSE Thermal's hydrogen value chain proof-of-concept project (with key supply chain partners) has been shortlisted to progress to a due diligence phase after submitting a bid for funding and Hydrogen Production Business Model support through the Net Zero Hydrogen Fund. Aldbrough Hydrogen Pathfinder seeks to unite hydrogen production, hydrogen storage and a 100% hydrogen fired open-cycle gas turbine (OCGT) on one site by the middle of the 2020s. This engagement with suppliers will enable and inform the scaling up of SSE's, the wider Humber, and the UK's hydrogen ambitions, and will help de-risk further hydrogen investment.

### SSE ECS Approach

For ECS, sustainable procurement and supply chain management is not a tick-box exercise but a commitment to sustainable growth and ethical business conduct.

### ESG-Related Questions in Tenders

ECS tenders MUST include ESG-related questions. By integrating ESG considerations into the tendering process, organisations can promote and assess the environmental impact, social responsibility, and ethical governance practices of potential suppliers and partners. This approach not only fosters

transparency and accountability but also encourages businesses to adopt sustainable practices and contribute positively to society.

### Supplier Engagement

ECS is working with its key suppliers, by spend, to commit to setting a Science-Based Target and have those targets in place by 2026.

ECS expects its suppliers to be certified to ISO 14001:2015 or equivalent and reports all environmental incidents or permit breaches to ECS.

ECS will signpost SMEs to the CDP Small and Medium-sized Enterprises [2023 Questionnaire and Reporting Guidance](#)

ECS will work with the Supply Chain Sustainability School to provide sustainability learning pathway training for suppliers.

### Supply Chain Due Diligence

ECS will continually and periodically conduct suppliers' due diligence to ensure key suppliers operate according to SSE's standards and expectations.

### Supplier Reporting Tool

ECS will adopt the [SSE sustainability reporting tool](#) already being used by other parts of the group.

### Supporting Businesses in The Community (BiTC)

ECS is committed to Climate Action for Business in the Community (BiTC) by providing mentors to the SME program. Business in the Community (BiTC) has developed a Climate Action for Business programme supported by Scottish Enterprise and Be the Business. This programme is aimed at small and medium businesses (SMEs) in Scotland who want to understand and take action to address the climate crisis. ECS is offering mentors to provide four 2-hour workshops with a variety of key Scottish businesses and suppliers to support them on their carbon journey.

