



Providing more than energy

SSE plc Sustainability Report 2017

Actively managing impacts - SSE's progress

Vision	Targets	Status	RAG	SDG
Service provider To provide the energy people need in a reliable and sustainable way.	Provide sector-leading service to its household and business energy customers.	In Great Britain, SSE was the leading large energy supplier as measured in the quarterly Citizens Advice Energy Supplier Performance Report throughout 2016/17. In Ireland, SSE Airtricity is ranked joint 2nd in the 2016 Commission for Energy Regulation Consumer Survey Report.	Orange	7 Affordable and Clean Energy
	Achieve the British Standard for inclusive service provision (BS18477) in SSE's Retail business and maintain the accreditation in SSE's Networks business.	SSE has committed to gaining the British Standard for inclusive service provision in its Retail business by 2018. In November 2016, SSE's Networks business met the requirements of the accreditation for a second year in a row.	Orange	7 Affordable and Clean Energy
Operator To support the Great British and Irish energy markets move towards low carbon generation by 2050.	Reduce the carbon intensity of SSE's generated electricity by 50% by 2020, from a baseline of 2006 levels (over 600 kgCO ₂ e/MWh).	In 2016/17, the carbon intensity of electricity generated by SSE was 304kgCO ₂ e/MWh. This means that SSE has met its 2020 target early.	Green	13 Climate Action
	Enable low carbon generation to connect to SSE's electricity network.	Scottish and Southern Electricity Networks (SSEN) connected 500MW of renewable generation capacity in the north of Scotland in 2016/17, making it a record year.	Orange	13 Climate Action
Developer To develop and upgrade the energy infrastructure in the UK and Ireland as sustainably as possible.	Invest around £6bn between 2016 and 2020, of which around 2/3 is in renewables and electricity networks.	In 2016/17, SSE's capital investment was £1.7bn.	Orange	9 Industry, Innovation and Infrastructure
	Increase SSE's renewable energy capacity to 4.3GW by 2020.	SSE currently has a total renewable generation capacity (including pumped storage) of 3.3GW.	Orange	7 Affordable and Clean Energy
Buyer To be a responsible buyer of goods and services and to work with suppliers to manage risk in SSE's supply chain and achieve long-term sustainable benefits.	Ensure a comprehensive response to modern slavery in SSE's supply chain.	Due diligence has been implemented and anti-slavery clauses have been included in SSE's standard contracts.	Orange	8 Decent Work and Economic Growth
	Work with contractors to be 'best in class' on safety and keep them as safe as SSE employees. 2016/17 target for contractor TRIR was less than 0.5 per 100,000 hours worked.	SSE nearly met its TRIR target 2016/17, achieving 0.51 per 100,000 hours worked. However, while fewer contractors were injured, the incidents were more serious and included one fatality.	Red	8 Decent Work and Economic Growth
Society member To contribute positively to society through sharing the value it creates at all levels, from national to local economies.	Achieve the Fair Tax Mark accreditation.	SSE achieved the Fair Tax Mark for the third consecutive year in October 2016, achieving a score of 41.5/45 (the threshold for achieving the Fair Tax Mark is 29/45).	Green	1 No Poverty
	'Best-in-class' delivery of SSE's community investment funds in the UK and Ireland.	In 2016/17, SSE awarded a total of £5.78m through its community funds across the UK and Ireland.	Green	11 Sustainable Cities and Communities
Employer To attract, develop and retain a sustainable pipeline of highly engaged employees, and in doing so help to address the lack of diversity and skills shortage in the energy industry.	Ensure all employees receive the accredited Living Wage in the UK and the official Living Wage rate in Ireland.	100% of employees are covered by the Living Wage in both the UK and Ireland.	Green	8 Decent Work and Economic Growth
	Achieve a £15 return for every £1 invested in diversity and inclusion (D&I) initiatives by 2020.	SSE achieved a £4.52 return on investment in 2016/17 for gender only initiatives, with a £7.56 return expected for 2020 with no change to current strategy. Currently refocusing SSE's D&I strategy to achieve a £15 return.	Orange	5 Gender Equality
Do no harm SSE's business activities are underpinned by an ethos of 'doing no harm' with safety being its first priority.	50by20: Reduce the Total Recordable Injury Rate (TRIR) by 50% from 31 March 2017 to 31 March 2021.	TRIR rate per 100,000 hours worked was 0.22 in 2016/17.	Red	8 Decent Work and Economic Growth

About SSE

SSE is a UK-listed energy company focused 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.

About this report

The disclosure of SSE's material sustainability impacts, both financial and non-financial is integrated into its 2017 Annual Report. This Sustainability Report develops that disclosure, providing greater detailed information around SSE's key policies, management and performance in relation to its economic, social and environmental impacts.

The scope of this report is generally focused on key performance data for the 2016/17 financial year 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.

In 2017, SSE sought assurance on its carbon and water data from professional services firm PwC. PwC also undertook the economic analysis of SSE's contribution to the UK and Irish economies.

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Disclaimer: The definitions SSE uses for adjusted measures are consistently applied and are explained in the Annual Report 2017, page 101.

Relentlessly focused on improving SSE's long-term sustainability

SSE is, above all, a long-term business. Its heritage is rooted firmly in the hydro-electric revolution of the 1940s and 50s, an energy transformation that changed lives and built livelihoods. It has power stations that are more than 70 years old and is building electricity transmission assets today that will last another 50 years. As a responsibly-minded company – and as the current custodians of these assets and this company – my colleagues and I are relentlessly focused on securing a long-term sustainable future for SSE.

That is why this Sustainability Report is so important. The identification, articulation and disclosure of SSE's impacts is one of the most important ways we make sure we get the stewardship of this company right. The regular and ongoing interaction with the people and organisations who have an interest in SSE and in the energy sector as a whole – SSE's key stakeholders – helps make sure we are guiding SSE in the right direction for the long-term.

Each year we aim to develop this report a bit further: refining targets, consulting on priorities and reporting progress. Sometimes we might not get it quite right but we give an ongoing commitment to its development and improvement.

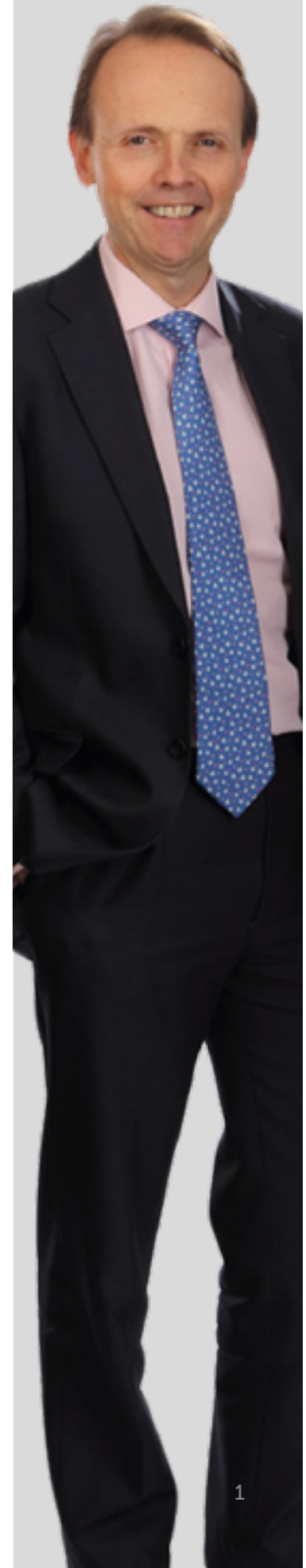
In terms of this 2016/17 report, I would highlight the achievement of SSE's carbon intensity target for 2020. Following the UK's Climate Change Act 2008, SSE set itself a challenging target to halve the carbon intensity of its electricity generation output by 2020, compared with 2006 levels. At the time, this target represented a commitment to fundamentally change the shape of SSE's electricity generation portfolio. So I am pleased that in 2016/17, the average carbon intensity of a kilowatt hour of electricity generated by SSE was 304g of carbon dioxide equivalent. This is less than half it was in 2006. We know exactly how this change came about: the sustained investment in new renewable sources of electricity generation every year between 2009 and 2016, combined with a significant reduction of output from SSE's coal-fired power stations.

At SSE we also understand the ongoing imperative to reduce those emissions further. Back in 2009 there was sufficient clarity in policy to give us confidence to set such a target. That medium-term confidence through the 2020s does not yet exist in a way that would enable us to make a similar commitment. The overall objective is that SSE will grow as a result of doing the things we are good at: developing and constructing new energy assets in a way that is good for people, good for the environment and delivers sustainable business growth for the benefit of investors in the company. A strong and varied pipeline of new projects exists and in the months ahead we will seek to build the investment case for these projects so we support further carbon reductions in the 2020s.

I am also well aware that SSE's sustainability impacts go beyond our impact on climate change. We must make sure we meet the climate challenge in a way that is affordable for our customers; we must contribute to the economy and society we serve; and we must invest in the people who work for us. This year we can report progress in a number of areas, not least in the quantification of economic impacts that result from our activities, further disclosure on our tax affairs and progress in building a more inclusive and diverse company.

As with previous years, feedback is encouraged and is very welcome. Please get in touch by emailing sustainability@sse.com if you have any comments or queries relating to our sustainability performance.

Alistair Philips-Davies

Maintaining a framework for sustainable business activity

SSE's core product – energy – is an essential service which people, organisations and businesses need. This special status means there is an added responsibility for SSE to conduct itself in a way that enhances value to the society which it is part of, when meeting its core business objectives.

Sustainability Performance Summary	2016/17	2015/16
Safety: Total Recordable Injury Rate per 100,000 hours worked	0.22	0.23
Economic contribution: contribution to GDP UK/Ireland	£9.3bn/€779m	£8.9bn/€795m
Total carbon emissions: carbon dioxide equivalent (000's tonnes)	19,395	22,486 ¹
Taxes paid: total taxes paid in UK/Ireland (profit, property, environment and employment taxes)	£385m/€16.5m	£453.9m/€15.2m

¹SSE's total carbon emissions for 2015/16 have been restated due to scope 3 emissions being extended to include emissions from SHE Transmission losses and gas sold.

An integrated governance approach

In order to execute its strategy, meet its business objectives and manage risk over the long-term, SSE needs to ensure it operates sustainably and responsibly. As an energy provider and UK-listed company, SSE's economic, social and environmental impacts are significant and SSE believes it should demonstrate a responsible approach by actively managing those impacts in order to secure long-term commercial success.

The strategic underpinning for SSE's sustainability strategy is the understanding that its core purpose is an essential service that people, organisations and businesses need and that this has in the past been provided by the public sector. There are many people and organisations who have an interest in SSE's activities and the impacts it makes and who are therefore SSE's stakeholders. In order to retain the right to be commercially successful

over the long-term, SSE must be open and accountable to its customers, employees, shareholders – as well as the wider society in which it operates and of which it is part.

SSE's responsibility framework features its defined core purpose, its values and a core group of policies reflected in its Guide to ethical business conduct for SSE employees.

Furthermore, SSE seeks to embrace the letter and the spirit of Section 172 of the Companies Act 2006 and its expectations in terms of stakeholder engagement, and the impact of a company's operations on the community and the environment. This Section provides the basis from which Directors and UK-listed companies should consider their duties in relation to customers, employees and wider society.

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. It is supported by the Governance, Culture and Controls Committee which governs sustainability management.

SSE's Group Principal Risks are reviewed and managed in line with the System of Internal Control set out on pages 24 and 25 of the Annual Report 2017 and in the supplementary Group Risk Report. In response to representations and questions from investors and other stakeholders, SSE has considered the way in which climate change is best reflected in its assessment of Group Principal Risks, full details can be found on pages 8 to 17 of the Group Principal Risk Report.

SSE's Responsible House

SSE's 'Responsible House' provides the basis from which stakeholders can understand how its activities and relationships add value. With the core purpose of the company providing the context, SSE's long-standing sustainability value describes what being sustainable means to SSE. This sustainability value is defined as: "Our actions and decisions are ethical, responsible and balanced, helping to achieve environmental, social and economic well-being for current and future generations."

Three 'bricks' of the house outline the way in which the core businesses across the SSE Group add value as service providers, operators of existing assets and developers of new assets. Three more bricks describe the way in which the SSE Group adds value through core relationships with employees, suppliers and society as a whole. The house is underpinned by an ethos of 'doing no harm' to people or the environment.



Engaging with stakeholders

SSE's success depends on its ability to engage and work constructively with a range of key stakeholders to improve outcomes for customers and shareholders. By understanding and prioritising the significant environmental, social and governance issues that are relevant to its business and stakeholders, SSE is able to ensure it takes the right actions to address them.

Identifying material issues

To identify the most material issues of concern, SSE engages with key stakeholders and monitors emerging trends. An assessment is then taken to rate the impact of the issues on the stakeholders and the business.

SSE monitors emerging trends by interacting with customer panels, community groups, national organisations and it further undertakes research into global trends and drivers. This, along with engagement with a wide variety of other key stakeholders, highlights developing trends which may impact the company, either positively or negatively.

Finding a balance

The core challenge facing SSE remains the 'energy trilemma' – the challenge of maintaining a secure and affordable supply of energy, while mitigating the environmental impact of producing it. Beyond this core sustainability challenge defined as the 'trilemma' SSE has identified nuances to the challenge also important to its stakeholders.

- **Ensuring energy is affordable:** there is an increased focus on ensuring that energy provision is as inclusive as possible and reaches those who need help.

- **Reducing carbon emissions:** beyond the imperative to cut emissions to tackle climate change, there appears to be an increasing (and complementary) focus on local air quality and its impacts on public health.
- **Ensuring security of supply:** in the event of power outages, the public are now placing an increased importance on staying connected electronically in addition to being reconnected to power as quickly as possible.



Case study

Putting stakeholders at the heart of decision-making in SSEN

Scottish and Southern Electricity Networks (SSEN) established an independent Stakeholder Advisory Panel in 2016 to work alongside its Board to help scrutinise business performance and effectiveness in meeting its commitments under the RIIO-T1 and RIIO-ED1 price control frameworks in which it operates.

The Panel consists of a Chair and six members, recruited to reflect a broad range of external interests, skills, knowledge and experience. The objective is to create a step-change in the ability of SSEN to respond to the interests of its stakeholders. Through its work, the Panel brings stakeholder insight and challenge to SSEN's decision-making at the highest level, helping to drive improvement in key processes and outcomes for customers.

A year of challenge

In 2016/17, there were a number of market, economic and political developments, which present challenges to SSE's business, including:

- the outcome of the UK's referendum on membership of the EU in June 2016 and the political and economic events that have followed or may be set to follow;
- the decision in June 2016 by the UK Government to accept the fifth carbon budget for 2028-32; and
- the Competition and Markets Authority's (CMA) Final Decision on Remedies for the GB energy market was also published in June 2016.

Further to this, there are a number of trends and factors that influence SSE's ability to meet its sustainability objectives. These emerging trends are outlined in the box opposite.

Emerging trends

Responsible service provider:

Increasing regulatory scrutiny of both network and retail companies' service provision to energy customers, especially those who are most vulnerable.

Responsible society member:

A heightened public focus on business conduct, with an expectation for business to improve its contribution to society.

Responsible operator:

A significant increase in investor dialogue and information requests regarding SSE's actions and disclosure on the risks and opportunities associated with climate change.

Responsible employer:

The looming skills gaps across the energy sector at the same time as an increased understanding of the value of diverse teams to enhance performance, combined with greater scrutiny of gender pay differentials.

Responsible buyer:

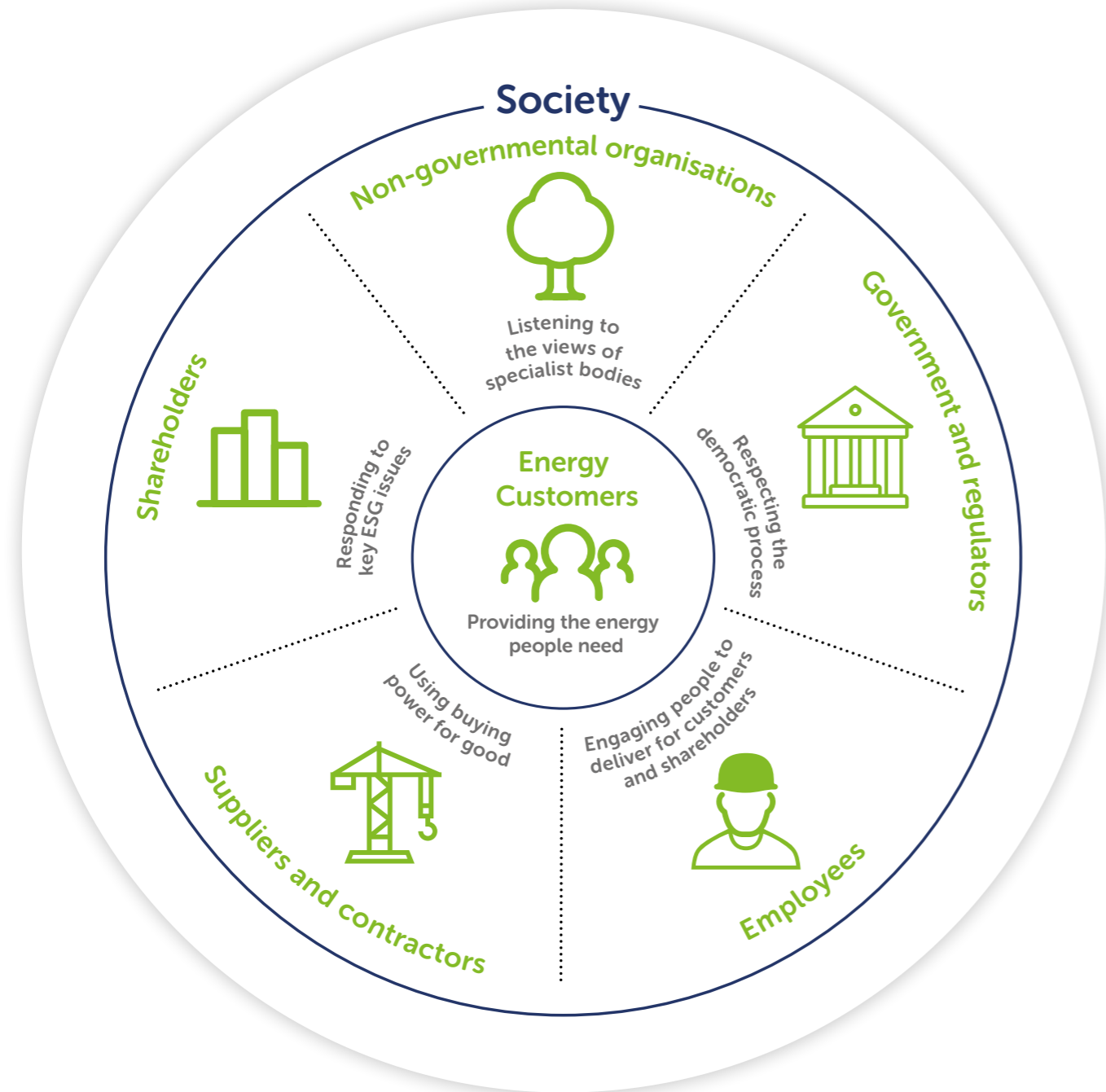
Increasing examination of the way in which large companies are responding to the requirements of the Modern Slavery Act 2015 in the UK.

Responsible developer:

The imperative to be a responsible developer, given the scale and scope of SSE's capital and investment expenditure (around £1.7bn in 2016/17).

Defining SSE's Stakeholders

SSE's stakeholders are people and organisations who have an interest in SSE and the energy sector as a whole. Listening to the perspective of stakeholders influences decision-making within SSE. Each business uses stakeholder feedback to help shape the delivery of its objectives.



Stakeholder issues matrix

Stakeholder group	Engagement methods	Key issues
<p>Energy customers SSE's core purpose is to provide the energy people need in a reliable and sustainable way and one of SSE's core values – Service – is defined as putting the current and future needs of energy customers at the heart of everything it does.</p>	Customer engagement occurs in a number of ways; from customer forums and consultation events held to discuss and debate decisions, through to calls, social media activity and customer surveys and research to understand their preferences and needs.	<ul style="list-style-type: none"> - Affordability of energy; - Quality of customer service; - Accuracy and simplicity of billing; - Using energy efficiently; - Responsiveness to need and vulnerability.
<p>Governments and regulators Customers vote for their governments, which are accountable to them for the direction of energy policy and key decisions about the wider economy. Alongside this, independent regulators have statutory responsibilities to protect customers' interests.</p>	SSE employs teams responsible for dialogue with governing and regulatory bodies to understand their perspectives on issues affecting consumers and the energy system, and to explain SSE's future plans.	<ul style="list-style-type: none"> - Security of energy supplies; - Cost effective decarbonisation; - Fair treatment of customers; - Economic impact of investments; - Conduct of large businesses.
<p>Non-governmental organisations (NGO) and communities NGOs focus on social, environmental and other energy- and business-related issues on behalf of energy customers. They bring a specialist and distinctive view to these issues, which is considered in business decision-making.</p>	SSE works with a wide variety of NGOs with interests in energy, the environment and wider social issues too. SSE actively seeks their engagement through many means, including direct feedback on reports, participation in public events and responses to surveys and consultations.	<ul style="list-style-type: none"> - Environmental protection and decarbonisation; - Customer vulnerability and fuel poverty; - Employment standards including the accredited Living Wage, the gender pay gap and employability programmes; - SSE's economic contribution and its approach to tax matters.
<p>Employees Employees are a vital stakeholder group where high levels of employee engagement support a well-functioning customer focused organisation.</p>	SSE's objective is to create a framework for continuous feedback and improvement for employees. This includes career conversations, all-employee engagement surveys, Joint Negotiating and Consultative Committee, and 'Speak Up' (whistle-blowing).	<ul style="list-style-type: none"> - Opportunities for development and progression; - Flexible, agile family friendly working patterns; - The opportunity to have a say and make a difference within SSE.
<p>Suppliers and contractors Effective engagement with suppliers and contractors can reduce the costs of, and enhance positive economic, social and environmental outcomes from, delivering reliable and sustainable energy for customers.</p>	SSE has a structured approach to engaging with its most strategic supply chain partners. A new framework of category management is being implemented to ensure a more coherent approach to the procurement of common goods and services across SSE.	<ul style="list-style-type: none"> - Manage and mitigate health and safety risks on its sites; - Deliver economic opportunities to local supply chains; - Ensure social risks, such as modern slavery, are mitigated.
<p>Shareholders Shareholders expect to earn a return on their investment in SSE. At the same time, they have a wider concern to ensure SSE is a responsible company that considers shareholders' concerns in its decision-making, especially on environmental, social and governance matters.</p>	SSE has a structured investor relations programme, which includes meetings, roadshows and correspondence on a reactive basis. This covers financial, operational and environmental, social and governance (ESG) issues.	<ul style="list-style-type: none"> - Financial performance; - Investment plans; - Operational performance; - ESG performance.

Supporting the UN Sustainable Development Goals

While SSE's activities support many of the UN Sustainable Development Goals (SDG), it has reviewed which of the goals are most material. SSE is most affected by, and makes a positive contribution to, the five SDGs outlined below.

Sustainable Development Goal	Why it's important	How SSE contributes
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Affordable, reliable and sustainable energy for all</p>	<ul style="list-style-type: none"> SSE provides an essential service. Its main focus is on the affordability of energy and ensuring it offers an inclusive service, reaching those who need help. SSE is a leading generator of electricity from renewable sources across the UK and Ireland. SSE seeks to provide an inclusive service to all of its customers (see pages 10 to 15). SSE delivers energy cost effectively for energy bill payers. SSE operates a range of initiatives to support its customers with the cost of energy, and also supports customers to reduce energy consumption (see page 11). SSE has invested over £3.2bn in renewable energy since April 2010 and has over 3,300MW of renewable generation capacity, including pumped storage (see pages 34 to 36).
 <p>13 CLIMATE ACTION</p>	<p>Take urgent action to combat climate change and its impacts</p>	<ul style="list-style-type: none"> SSE's electricity generation activities are a significant source of carbon emissions in the UK and Ireland. The company has an important role to play in driving a low carbon transition in the energy markets in Great Britain and Ireland. SSE is reducing the carbon intensity of the electricity it generates (see pages 20 to 25). SSE responds to the CDP Climate Change survey each year. SSE has modelled the resilience of its business against three core future energy scenarios (see page 23).
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<ul style="list-style-type: none"> SSE makes a considerable contribution to the UK and Irish economies each year. As a responsible member of society, SSE believes in supporting and creating high quality long-term jobs. SSE contributed £9.3bn and €779m to the UK and Irish economies in 2016/17 and supported a total of 108,440 jobs (see page 17). SSE's UK employee productivity was £172,000 in 2016/17. SSE pays the Living Wage to its employees in the UK and Ireland and has been a Living Wage accredited employer in the UK since 2013. Since April 2014, it has been rolling the Living Wage out through its supply chain (see pages 27 and 33).

Sustainable Development Goal	Why it's important	How SSE contributes
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<ul style="list-style-type: none"> SSE helps maintain and invest in the energy infrastructure society needs. With the transition towards a low carbon economy, it is increasingly important that this infrastructure has sufficient capacity to deliver 'greener' energy. The Caithness-Moray transmission link is the largest single capital project ever undertaken by SSE and is on schedule for completion in 2018. The 174MW Galway Wind Park, currently under construction, will be Ireland's largest wind farm. Phase 1 is owned and financed by SSE and Phase 2 is a joint venture between SSE and Coillte (see page 33). SSE's new national HVDC centre in Cumbernauld, Scotland, provides an industry-wide facility to simulate and test the use of high voltage direct current on the GB electricity network. At 31 March 2017, SSE had installed over 500,000 smart meters (see page 12).
 <p>5 GENDER EQUALITY</p>	<p>Achieve gender equality and empower all women and girls</p>	<ul style="list-style-type: none"> SSE operates in the energy industry which is a traditionally male-dominated sector. While SSE's proportion of female employees is higher than the sector average, it still has a lot of work to do to attract more women into its business and ensure many of the roles women come into have good earning and progression potential. SSE publishes its UK gender pay gap in line with Government guidelines. Understanding its gender pay gap allows SSE to take steps to address it (see pages 30 to 31). SSE's In, On and Up strategy is aimed at promoting gender diversity within the company (see page 31). To complement its efforts to become a more inclusive organisation, SSE sponsors of the SSE Women's FA Cup. Together with the Women's FA SSE will help continue to grow the sport, giving thousands more girls regular access to the game.

Providing reliable and affordable energy

SSE has three different groups of customers, each with different needs: it provides energy and related services to households across Great Britain and Ireland; provides energy and related services to organisations and businesses across Great Britain and Ireland; and delivers electricity to homes, offices and businesses through its Networks business in the north of Scotland and central southern England.

Performance Summary	Unit	2016/17	2015/16
Total domestic and business energy customer accounts (GB, Ire)	Million	8.00	8.21
GB average dual fuel energy bill ¹	£	£1,056	£1,088
Retail customer complaints to third parties (GB) ²	Number	1,322	1,416
uSwitch overall customer satisfaction rating ³	%	76	74
Satisfaction amongst domestic customers with service provided by SSE Airtricity (ROI) (gas/electricity) ⁴	%	n/a	85/89
Customers who have received assistance from SSE through Warm Homes Discount scheme (WHD) in GB	Number	359,505 ⁵	325,194
Number of Networks customers on Priority Services Register (PSR) in GB at 31 March in each financial year	Number	477,438	451,490

¹ SSE's average GB dual fuel energy bill based on current Ofgem typical domestic consumption values. Figures at 31 March in each financial year.
² Ombudsman: Energy Services and Citizens Advice.
³ The uSwitch independent survey asks energy customers to rate energy suppliers in a number of areas, including customer service, online service and value for money.
⁴ From the Commission for Energy Regulation (CER) consumer survey reports. Results for 2016/17 will be available later in 2017.
⁵ The Warm Homes Discount scheme usually runs between 1 June and 31 March annually. The 2016/17 scheme was delayed while awaiting new regulations, and was open between 23 July 2016 to 31 May 2017.

Domestic customers

SSE provides energy to around 7.5 million domestic customers through SSE Retail (Great Britain) and SSE Airtricity (island of Ireland). In Great Britain, the retail energy market has been under significant scrutiny with the Competition and Markets Authority's (CMA) final decision on remedies for the Great British energy market published in June 2016 and some suppliers announcing early in 2017 the difficult decision to increase energy prices.

Affordable and accessible energy

The affordability of energy is affected by a number of elements, over many of which

SSE has little or no influence. SSE seeks to keep energy prices as low as possible for as long as possible for all of its customers.

Energy prices

In March 2017, SSE announced that it had taken the difficult decision to increase standard domestic electricity prices by an average of 14.9% for its customers in Great Britain, but confirmed it will hold gas prices at their current levels. This equates to an average increase of 6.9% for a typical dual fuel customer. This electricity price increase was lower, and came into effect later than, most of SSE's competitors. In fact it came three-and-

a-half years since SSE's last price rise and took effect from 28 April 2017.

The price change reflected the increasing cost of supplying electricity, and specifically higher costs associated with delivering vital government programmes designed to upgrade Britain's ageing energy infrastructure and help the country move towards a lower carbon future. These costs are levied predominantly against electricity customers.

Following cuts to gas and electricity prices in Ireland in 2016, in March 2017, SSE Airtricity increased its regulated natural gas prices in the Greater Belfast

network area by 7.6% – the first such increase in four years. The increase was examined and approved by the Northern Ireland Utility Regulator.

Pre-payment meter price cap

In February 2016, SSE announced price changes for its pre-payment meter (PPM) customers which took effect on 1 April 2017, when all energy suppliers capped prices for PPM customers in-line with new regulations from Ofgem following the CMA investigation. The cap means no PPM customer pays more than the pre-payment levels set by Ofgem.

As a result of the cap, the overall cost of energy decreased for over 75% of SSE's PPM customers. However, due to an increase in the cost of supplying electricity, SSE made the difficult decision to increase prices for a proportion of PPM electricity customers. Ofgem will assess the cap every six months, taking account of market changes and reflecting the cost of supplying energy.

Supporting customers in vulnerable positions

As an essential service provider, looking after its vulnerable customers is central to how SSE operates. In August 2016, SSE was the first energy supplier in Great Britain to publicly commit to achieving the British Standard for Inclusive Service Provision (BS18477) – the gold standard in recognising

and catering for vulnerability in all its forms. Work is ongoing and SSE aims to achieve this in 2018.

In addition to this, SSE has a wide range of practical services to help customers in vulnerable positions, including:

- **Helping with the cost of energy**
In March 2017, SSE launched a £5m fund to provide additional financial support for those who need it most, particularly those who rely on electricity for their heating.
- **Warm Home Discount**
In Great Britain, SSE operates the government mandated Warm Homes Discount (WHD) scheme to help customers in need of additional financial support with their energy bills. The scheme offers a £140 rebate to eligible vulnerable groups, as well as a Priority Assistance Fund which provides debt relief and a holistic package of help including free energy efficient appliances and bespoke payment arrangements and signposting to other forms of support. During 2016/17, over 359,000 customers received assistance from SSE worth over £46.6m through these initiatives and partnership projects with, for example, National Energy Action (NEA) and Citizens Advice.
- **Benefit entitlement checks**
SSE's customer service advisers proactively identified and referred

over 5,000 customers for benefit entitlement checks during 2016/17, with more than 2,700 customers successfully completing the check. This resulted in an average increase in income of more than £3,200 a year per customer, including an exceptional case of a customer SSE referred being entitled to almost £10,500 in annual benefits which they did not know they were entitled to.

- **Mental health awareness training**
SSE introduced a bespoke mental health awareness programme for specialist advisors in Great Britain in October 2017. See case study below for more detail.
- **Increasing accessibility for customers in Ireland**
SSE Airtricity has been working to increasing accessibility for its customers. In March 2017, it won the 'bonkers.ie' Award for Best Online Customer Support Team in recognition of the digital service it offers customers. The online service is in addition to other initiatives it offers for increased accessibility, such as braille billing and talking bills. SSE Airtricity is the only energy supplier in Ireland to offer a talking bill service, which involves members of the vulnerable customer team calling customers who have sight impairments and talking them through their bill.



Case Study: Mental health awareness training

Around one in four people will experience a mental health problem each year, so SSE's customer services team need to be equipped to respond to customers who might have different needs. In October 2016, SSE introduced a new bespoke mental health awareness training programme for its specialised advisors working with vulnerable customers, which it developed with the Scottish Mental Health Research Network at The University of Edinburgh.

To develop the training programme, The University of Edinburgh spent one year conducting in-depth research on behalf of SSE. As part of the project, a booklet has also been produced and given to over 4,000 SSE customer service agents, detailing how to identify and best support vulnerable customers. The booklet has since been distributed to SSE metering engineers involved in the smart meter roll-out.

Getting the most out of smart meters

At 31 March 2017, SSE had installed more than 500,000 smart meters in Great Britain. The smart meter roll-out is a unique opportunity for SSE to engage and empower customers with more information than ever before. 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.

In addition to installations, SSE is working to ensure that customers are getting the most out of their smart meters. SSE has a team of Community Liaison Officers dedicated to providing smart specific support and advice to customers. They engage with local community groups to provide information on the installation process, explain the benefits of smart meters, take time to answer customers' questions and offer energy efficiency advice. The Community Liaison Officers also visit customers in their homes if they require further support once their smart meters are installed, to help them make the most of the benefits.

Adding extra value for customers

In Great Britain, SSE's domestic retail business is increasingly focused on diversifying into new markets. Its home services business, which offers boiler and heating cover, repair and servicing and electrical wiring cover, now has a national presence. As of 31 March 2017, it has nearly 500,000 accounts across broadband, telephone and home services. SSE is targeting further growth in this area as it continues its strategy of becoming a leading retailer of energy and essential services.

In the Republic of Ireland, SSE Airtricity is helping customers go green through supplying certified 100% renewable energy to all its home and business customers¹. In February 2017, it won the Green Energy Provider Award at the 2017 Green Awards in recognition of demonstrating best green practice in Ireland.



Dilemma: Standard Variable Tariffs

As at 31 March 2017, around 70% of SSE's customer accounts in Great Britain are on SSE's standard tariff. While this tariff provides customers with the flexibility of a 'no-ties' variable contract, SSE must work to ensure that customers aren't simply on this tariff by default. SSE made an average profit of 6.9p in the pound in 2016/17 in its energy supply business, which it believes demonstrates that customers on its standard tariff aren't paying over the odds for their energy. SSE sometimes offers time-limited discounts to pass on short-term cost movements, but standard prices reflect the risks and costs that accompany the management of volatile costs for millions of customers.

The challenge for SSE is to ensure its customers are aware of all the options available to them and are making active, informed choices. SSE is always open-minded to reform but in the meantime, it will be trialling new communication approaches to engage standard variable customers with the different products SSE offers.

Business customers

SSE provides energy and related services to meet the needs of businesses across the UK and Ireland, supplying over 500,000 business customer accounts, across a broad and diverse client base ranging from micro-businesses to large national companies. SSE has a focus on providing customers with greener energy and provides certified electricity from renewable sources as standard to its customers in the Republic of Ireland¹ and offers green sourced products to its customers in Northern Ireland and Great Britain, including 'SSE Green' in Great Britain.

Helping customers to be sustainable

SSE has been a major supplier of energy to business in Great Britain since it was formed. In recent years, SSE has identified a trend amongst these customers where there is increasing demand for certificated 'green' energy. In 2016/17, SSE undertook detailed

market research and found that business energy customers are also demonstrating a desire to develop their own sustainability credentials beyond the environment into social issues too.

SSE's Business Energy teams work with their business customers in Great Britain to help them adopt SSE's Sustainable Business Principles and drive business benefit as a result. It calls this its journey towards "Better Business". This journey has three steps:

1. Renewable energy

SSE helps customers switch to SSE Green – SSE's 100% renewable energy tariff. SSE supplies renewable electricity matched to Renewable Energy Guarantee of Origins (REGOs), certifying that the purchased electricity has been generated exclusively through a portfolio of wind and hydro assets. This allows organisations to report zero emissions for their purchased electricity.

2. Energy efficiency

SSE provides energy efficiency advice to support small business customers adopt energy efficient practices across their business, and gives them the tools to engage their staff and take them on the journey towards energy efficiency. Through SSE's energy solutions business (ESG), it offers a range of services to help larger organisations optimise their energy usage.

3. Better business

SSE gives customers the tools to differentiate their business through their sustainability credentials. SSE gives SSE Green customers a certificate and a logo to use to promote their decision to use renewable energy. It also supports customers interested in Fair Tax Mark and Living Wage accreditation by sharing SSE's learnings from securing these accreditations.



Case study: Promoting sustainability with customers

In July 2016, SSE Airtricity Business Energy signed a new four-year agreement to provide 100% renewable energy to the Northern Irish Health and Social Care (HSC) Trusts. This means SSE Airtricity is powering the care and well-being of more than 1.5 million patients attending HSC hospitals and local health centres with a green energy supply.

For the first time in public sector tendering, sustainability was assessed alongside price in the contract evaluation in line with the ten-year government health framework 'Making Life Better'. Uniquely, SSE Airtricity is rolling out a bespoke Sustainability Engagement Programme across each Trust, which includes a package of initiatives directly linked to the 'Making Life Better' framework. This includes initiatives such as an annual student nursing bursary, the delivery of in-service energy awareness weeks, and the supply of zero-emission electric vehicles to transport essential equipment across the region.

¹ SSE Airtricity Limited has been independently verified and certified by the Commission for Energy Regulation (CER) under the Fuel Mix Disclosure process as a supplier of 100% renewable energy to home and business customers in Ireland.

Responsible service provider

Networks distribution customers

Scottish and Southern Electricity Networks (SSEN) is responsible for maintaining the electricity distribution networks supplying 3.7 million homes and businesses across the north of Scotland and central southern England.

Delivering for customers

Throughout 2016/17, SSEN has sought to establish a step-change in the way it engages with its customers in its distribution networks in the north of Scotland and central southern England. The objective is to deliver significant changes to its operations, processes and standards to ensure the needs of its customers remain at the forefront of decision-making.

By improving customer contact experience, including the use of proactive outbound calls, performance against customer satisfaction measures increased from 84.5% in 2015/16 to 86% in 2016/17.

Ahead of winter 2016/17, SSEN delivered an awareness campaign, including advertising on TV, radio and digital outputs. The campaign promoted the new single emergency power cut number 105; what to do during a storm; and the services it provides for customers, including those who may need extra help through SSEN's Priority Services Register (PSR). This was followed up by a customer communication delivered to all 3.7 million customers in its two distribution areas in January 2017. As well as driving

a general increase in awareness of SSEN, these measures have resulted in a three-fold increase in sign-ups to SSEN's PSR.

Providing an inclusive service

In November 2016, SSEN met the requirements of the British Standard for Inclusive Service Provision (BS18477) for a second year in a row. The British Standard for Inclusive Service Provision is the gold standard for companies seeking to respond to vulnerability and it outlines the critical procedures to ensure inclusive services are available and accessible to all customers equally, regardless of their personal circumstances. The standard helps service providers to identify and respond appropriately to different consumer needs.

Working with partners to help customers in vulnerable positions

In March 2017, SSEN's 'Knowledge Transfer Partnership' with the University of Dundee was awarded the highest grade of 'Outstanding' by Innovate UK, the UK's innovation agency sponsored by the Department for Business, Energy and Industrial Strategy.

The project identified a knowledge gap in the understanding of vulnerability, leading SSEN to provide specialist training to employees in its customer contact centres and depots, helping the organisation provide the most appropriate service for each of its

customers. This training allows SSEN employees to adopt a very wide definition of vulnerability, assess and consider each situation and respond to customers as individuals.

This increased focus on the wide scope of vulnerability enabled SSEN to work in partnership with stakeholders to improve the data held on vulnerable consumers. This has led to improvements in areas such as: the support SSEN provides in advance of power cuts and emergency situations; the provision of rest centres and welfare facilities at key locations; and the data quality of those on SSEN's PSR.

Mapping vulnerability

In 2016/17, SSEN created a vulnerability mapping portal which provides it with detailed demographic information about its communities. Vulnerability mapping is a bespoke tool which provides detailed demographic information about the communities served by SSEN. This mapping is already helping SSEN to make informed decisions about where additional assistance might be needed during power cuts and planned supply interruptions, and which communities could benefit from additional resilience planning or more promotion of the PSR. It is even being used to plan more effective partnerships and bring a human and community element into network investment decisions.



Dilemma: Managing constraints on the distribution network

The dramatic expansion of renewable energy, particularly solar, in the first part of this decade posed a challenge to the operators of distribution networks across Great Britain. At the time, the industry was concerned to ensure that development would not be stalled because of technical and physical constraints within those networks, so Ofgem consulted upon, and implemented, a system of 'connect and manage'.

The principle behind this approach was simple: where technically possible, network operators would enable new generation to connect on a 'non firm' basis to the local grid, demand and supply would be managed at the distribution level and network re-enforcements would follow in due course. For SSEN, this process was successful, and connected many hundreds of new generators earlier than would otherwise have been the case. However these 'non firm' connections are impacted when maintenance and upgrades are required to ensure the long-term sustainability of the network. This means that connected generation must often be curtailed in order to enable reinforcements to be completed.

From the generators perspective, this proves to be a difficult time because they cannot generate at full output. In the case of solar generators the issue can be compounded because the work is often best undertaken in summer when there is less demand on the system but it is, of course, the period of greatest solar output. This has led SSEN to rethink its approach to how it communicates and liaises with its generator customers while it plans for outages. Generator forums have been established in both the north of Scotland and the south of England: with the objective of delivering a smoother and more managed approach to the critical network upgrades that must be made.



Case study Launching the national 105 service

In September 2016, the national three-digit telephone number, 105, was launched which allows people to call their electricity network operator if they have a power cut. The new free-to-dial number was developed to help avoid potential confusion or people contacting the wrong organisation, such as the company they pay their energy bill to, after research revealed that 72% of people across Great Britain do not know who to contact if they have a power cut.

Scottish and Southern Electricity Networks (SSEN) worked with the Energy Network Association (ENA) and the country's other electricity network operators to launch the 105 service. It strategically introduced its new SSEN brand to coincide with the launch of 105 and has been successful in raising awareness of the new service. ENA data shows that despite having around 12.9% of the customer base in Great Britain, in the first eight months an average of 14.5% of all calls made to the 105 service nationally were by SSEN customers, with almost 20% made by SSEN customers in the first month the service was launched. In this initial eight month period, SSEN was the only electricity network operator to have, on average, a higher proportion of total calls coming through the 105 service than its customer base.

Creating and sharing value

SSE is deeply interconnected with the society that it operates in and is part of. It relies on society to be able to serve its customers in a reliable and sustainable way, and in return it creates and shares value through paying tax, creating sustainable employment and investing in national energy infrastructure.

Performance Summary	Unit	2016/17	2015/16
Total contribution to GDP (UK/Ireland)	£bn/€m	9.3/779	8.9/795
Total jobs supported (UK/Ireland) ¹	Number	103,720/4,720	113,640/4,910
Employee productivity compared to national averages (UK/Ireland) ²	Number:1	3.1:1/2.4:1	2.4:1/2.4:1
Total taxes paid (UK/Ireland)	£m/€m	385/16.5	453.9/15.2
Investment in communities ³	£m	6.93	4.83

¹Measured as headcount, from PwC analysis.

²Based 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.

³Total across UK and Ireland, including: charitable donations through matched funding, Community Investment Funds, Resilient Communities Fund and financial value of employee volunteering. Breakdown found on page 18.

Contributing to society

SSE's contribution to the UK and Irish economies

In 2016/17, SSE's activities contributed £9.3bn and €779m to the UK and Irish economies and supported over 108,000 jobs. Within the UK contribution, 2016/17 also saw SSE make its largest contribution to the Scottish economy since it started reporting its contribution six years ago, with a £1.9bn contribution to Scottish GDP, representing 1.4% of the Scottish economy.

You can find more information on SSE's

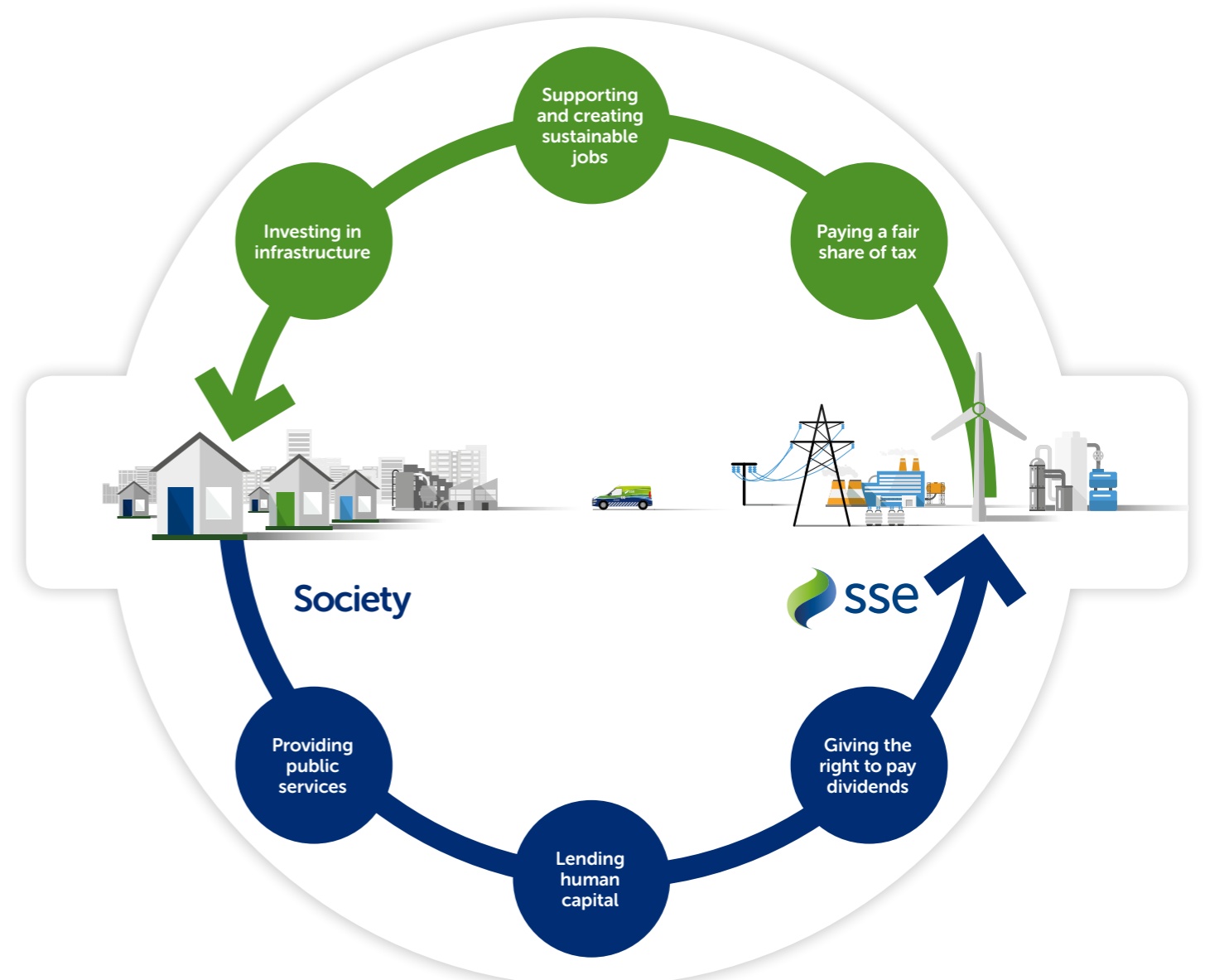
economic contribution in the UK and Ireland over the past six years at www.sse.com/beingresponsible.


Building a competitive, productive and sustainable UK economy

The breadth, scale and scope of SSE operations in the UK and its desire to be a responsible business mean SSE is keen to play an active role in shaping an industrial strategy.

In April 2017, SSE submitted its response to the Department for Business, Energy and Industrial Strategy's industrial strategy consultation. To make a success of the Industrial Strategy, SSE

supports government and business working collaboratively in a national effort to build a competitive, productive and sustainable economy. This will require considering the wider impact of business practices, ensuring that opportunities are created for small and medium sized enterprises to engage in supply chains, and that the UK tax system incentivises, rather than acts as a barrier to, growth.





Case study:

Preserving the heritage of hydro-electricity

SSE's heritage is rooted firmly in the public energy supply companies established after WW2. The story of how power was brought to the most remote parts of the north of Scotland is part of its social history. SSE has a responsibility to preserve that history and make it accessible to the public.

In January 2017, SSE opened a new £4m visitor centre at the Pitlochry Dam and power station, in the heart of Perthshire. The centre showcases the unique history of hydro-electricity in the north of Scotland, tells the story of remarkable feats of engineering and demonstrates how electricity improved people's lives. It also allows visitors to learn more about the importance of newer forms of renewable energy for a low carbon future.

The visitor centre is open all year, is free entry and expects to attract over 88,000 visitors in its first year. Its gift shop, café and events space has generated new all-year-round employment opportunities for the local community.

Responsible society member

1.

2.

3. SSE's Responsible 'Bricks'

4.

5.

Tax transparency

In 2016/17, SSE paid total taxes of £385m and €16.5m in the UK and Ireland. In October 2016, SSE achieved the Fair Tax Mark for the third consecutive year and remains the only FTSE 100 company to have achieved the accreditation. In the same month it also published its Talking Tax 2016 booklet, which provides enhanced transparency around SSE's tax affairs for 2015/16 and presents SSE's tax strategy in detail, in line with the requirements of the UK Government's Finance Act 2016. An updated Talking Tax booklet detailing SSE's tax affairs for 2016/17 will be published in the first half of 2017/18.

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



Supporting communities

Volunteering and matched funding

SSE encourages employees to give something back to the communities in which they live and work, and each employee is entitled to take one working day per year (which remains paid) to volunteer with initiatives that are important to them. In 2016/17, SSE employees volunteered a total of 3,407 days, supporting over 700 projects across the UK and Ireland.

SSE also matched employee fundraising up to £250 in the UK and €300 in Ireland in 2016/17. Since the matched funding programme was first introduced in October 2014, it has provided over £130,000 charities and local groups, with £62,071 of funds granted in 2016/17.

Investment in communities

	Unit	2016/17	2015/16
Community investment fund ¹	£m	5.78	3.96
Resilient communities fund	£	756,105	495,267
Value of employee volunteering ²	£	361,155	355,361
Donations made through matched funding (UK/Ireland)	£/€	62,071/7,755	50,274/2,875

¹Includes both UK and Ireland.

²Values calculated using the median base salary for each financial year. 2015/16 - £27,000 and 2016/17 - £27,561.

Community Investment Funds

SSE provides community funds to the communities near its renewable developments in the UK and Ireland. Since 2002, SSE has granted around £28.2m³ and over €5m to support around 7,700 community initiatives across the UK and Ireland. In 2016/17, SSE provided £4.9m from its 27 community funds in Scotland and England. Over £882,600 was also granted to local communities in the island of Ireland during this period.

SSE Ireland has for the first time published an annual review for its community funds in Ireland, which details the projects supported by the funds in 2016/17. The report can be found at www.ireland.sse.com/being-responsible.

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 fund ran over a two-year period, awarding £1.25m in total to benefit communities in SSE's electricity distribution network areas in the north of Scotland and central southern England. In 2016/17, over £756,000 was awarded from the fund to support 112 community projects. Due to the success of the fund, the decision was taken in 2016/17 to extend it until 2023.



Providing energy in a sustainable way

Managing the issues of climate change, resource use and waste is gaining significant interest from stakeholders interested in the impacts of these issues on business performance and long-term viability. SSE has an important role to play in driving a low carbon transition as well as improving its environmental performance and disclosure.

Performance Summary	Unit	2016/17	2015/16
Carbon intensity	gCO ₂ e/kWh	304	397
Scope 1 carbon emissions ¹	ktCO ₂ e	8,004	11,021
Scope 2 carbon emissions ²	ktCO ₂ e	1,034	1,138
Scope 3 carbon emissions ³	ktCO ₂ e	10,357	10,375
Total carbon emissions	ktCO ₂ e	19,395	22,534
Total water abstracted	Billion m ³	22.7	28.9
Total renewable generation output (inc. pumped storage)	GWh	7,955	9,695
Total generation output	GWh	26,296	27,776
Customer minutes lost SHEPD/SEPD	Average per customer	60/43	55/41
Customer interruptions SHEPD/SEPD	Per 100 customers	68/48	66/47

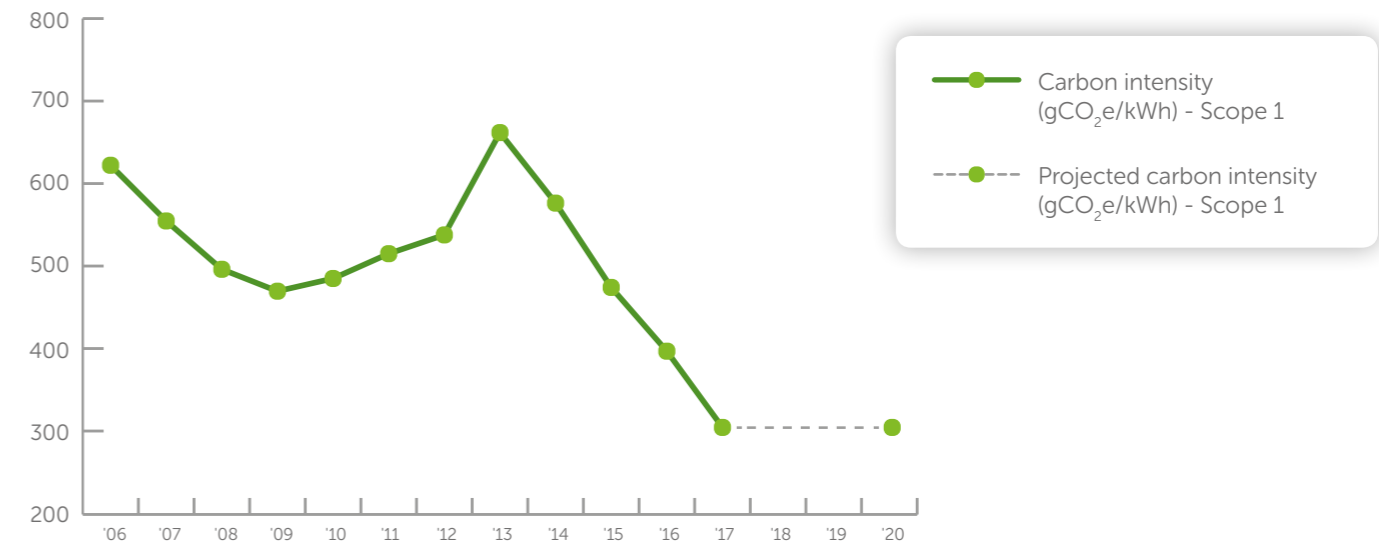
¹Direct greenhouse gas emissions occurring from sources owned or controlled by the company.

²Indirect greenhouse gas emissions from the generation of purchased electricity consumed by the company.

³Indirect greenhouse gas emissions resulting from a company's activities but which occur from sources not owned or controlled by the company. Scope 3 emissions have been extended to include emissions from SHE Transmission losses and gas sold. As a result, scope 3 emissions have been restated for the previous year.



Carbon emissions performance against SSE's 2020 carbon target



A sustainable climate change strategy

SSE's most material environmental impact is the carbon it emits when generating electricity. SSE, therefore, recognises it has a significant role to play in supporting the UK and Ireland move towards low carbon generation by 2050.

SSE's strategy is to transition to a low carbon energy system by reducing the carbon intensity of the electricity it generates. It is doing that by undertaking a strategic shift away from carbon intensive fossil fuel generation towards electricity generation from renewable sources. At its core is a long-standing commitment to reduce the carbon intensity of its electricity generation by 50% by 2020, using 2006 performance as its baseline.

This carbon intensity target is supported by further targets to reduce carbon emissions across the SSE Group, including the reduction of carbon emissions relating to losses on the SSE's electricity distribution networks by 3% between 2015 and 2023, and energy

efficiency programmes to reduce carbon emissions associated with SSE's property portfolio by 15% by 2017, based on 2012 levels.

To bring about this change SSE has:

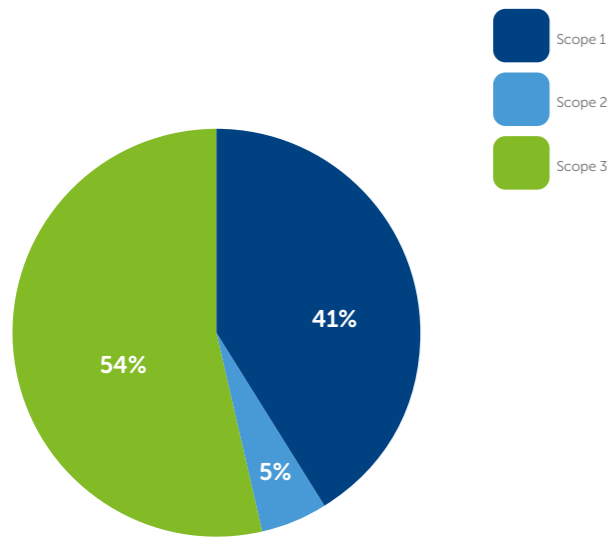
- Invested significantly in renewable energy (over £3.2bn since April 2010) and has the largest renewable energy capacity in the UK and Ireland at over 3,300MW, including pumped storage.
- Switched from thermal (primarily coal) to renewables generation with coal output contributing 3.4% of output and renewables contributing 30% of output in 2016/17 (22% and around 35% respectively in 2015/16).
- Enabled more renewable generation to connect to the grid through its network investments: over £3bn since April 2013. In total, including that connected at a distribution level, SSEN connected over 500MW of renewable electricity to its transmission network in the north of Scotland in 2016/17.

SSE's performance in managing climate change impacts has led CDP to award SSE an A- rating in 2016 and include it in the global Climate Disclosure Leadership Index.

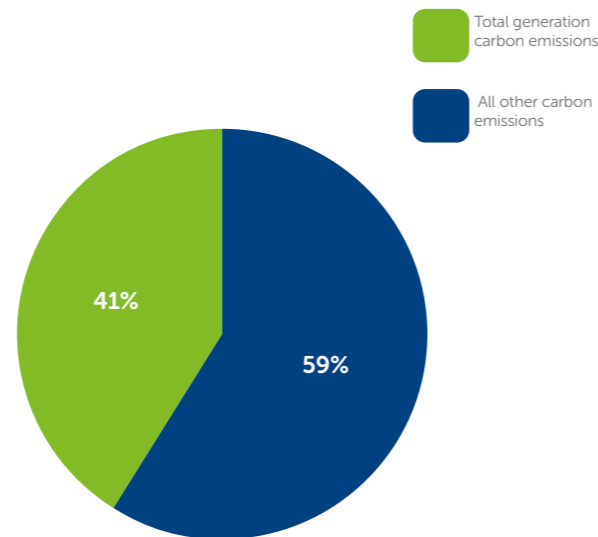
Risks and opportunities to SSE's business from climate change

Climate change, and the imperative to decarbonise energy systems, creates both risks and opportunities for SSE. In response to a heightened awareness from investors and other stakeholders, SSE has reconsidered the way in which climate change is best reflected in its assessment of Group Principal Risks. Climate change is a material influencing factor on a number of SSE's Principal Risks, including Politics, Regulation and Compliance; Development and Change; and Energy Affordability. The framework for managing these risks is outlined on pages 24 to 27 of SSE's Annual Report 2017 and in further detail within the supplementary Group Risk Report. Furthermore, SSE's CDP submission 2017 outlines in more detail the risks and opportunities associated with climate change for the SSE Group.

SSE's scope 1, 2 and 3 carbon emissions (ktCO₂e)



Contribution of generation emissions to SSE's total carbon footprint



Taking action on climate change

The 2015 Paris Agreement on climate change is proving to be a pivotal moment in stimulating additional investor interest into company strategies for managing climate change risks and opportunities. Requests by over 800 companies through CDP (formerly the Carbon Disclosure Project), as well as international coalitions at AGMs in 2016 and 2017, highlight the increasing significance of climate change to institutional investors. SSE's actions on climate change are outlined below.

Advocating for carbon pricing

SSE has been making the case for a strong and stable carbon price for some time and it was SSE's primary advocacy objective throughout 2016/17. SSE has done this through engagement with government officials, the Committee on Climate Change and collaborated with partners to publish an open letter in the Financial Times in September 2016. SSE therefore welcomed the decision by the UK Government to maintain the Carbon Price Floor up to 2021 at the current carbon price support level, as well as the tightening of the EU ETS to

close the global emissions gap to seek to keep global temperature changes to well below 2°C of pre-industrial levels. SSE continues to make the case for a strong and stable carbon price well into the next decade.

Continuing to reduce carbon emissions

SSE's total carbon emissions fell by 14% (scope 1, 2 and 3) between 2015/16 and 2016/17. The main contributor was the significant reduction in total scope 1 carbon emissions, which fell by 27%. Scope 2 emissions fell by 9%; and scope 3 emissions stayed constant.

The reduction in scope 1 emissions from 11,021ktCO₂e to 8,004ktCO₂e was a result of a significant reduction in the output from SSE's coal-fired power stations, from 6,141GWh in 2015/16 to 901GWh in 2016/17. As a result, generation emissions, which contribute 99% of scope 1 emissions, reduced from 10,966ktCO₂e in 2015/16 to 7,953ktCO₂e in 2016/17, a fall of 27%. The carbon intensity of SSE's scope 1 emissions fell from 397gCO₂e/kWh in 2015/16 to 304gCO₂e/kWh in 2016/17.

In 2016/17 SSE expanded its scope 3 emissions reporting to include

emissions from electricity transmission losses and gas sold to customers. Previously reported scope 3 emissions have been restated to reflect these changes. Overall, scope 3 emissions remained level between 2015/16 and 2016/17. Travel emissions fell by 26% as a result of activities to reduce travel such as video conferencing, no fly months and efficiency programmes. The gas sold to customers contributes 88% of scope 3 emissions. To reduce emissions from the gas sold to customers, SSE provides energy efficiency advice and assistance through schemes such as Energy Company Obligation (ECO).

PwC assured the scope 1, scope 2 and scope 3 carbon emissions for SSE. Its assurance statement and the criteria used for reporting these indicators can be found at www.sse.com/beingresponsible, where you can also find SSE's CDP submission which provides more information on SSE's carbon performance.

Continued investment in renewable technology

SSE has invested over £3.2bn since April 2010 in renewable generation and is a leading renewable energy generator

across the UK and Ireland, with over 3,300MW (including pumped storage) of renewable generation capacity. In 2016/17 SSE expanded its renewable energy portfolio with 34MW of new onshore wind farm capacity, and a further 992MW in construction.

Separately, SSE and its R&D consortium partners have secured £5.5m of funding in low carbon projects in 2016/17. The focus of these R&D projects have been

on customer innovations, including lower carbon heating solutions, energy efficient projects and community level demand management.

Climate adaptation

While SSE plays its part to mitigate climate change, it must also adapt its business to the impacts of rising global temperatures in the places it operates. SSE has identified that the material risk of climate adaptation are on SSE's

transmission and distribution businesses where extreme weather events pose risk to the resilience of the network. As a result, SSE has invested in maintenance and emergency response solutions. This includes new technology that identifies faults on lines; tree cutting along networks; resilience funds for local communities to support climate adaptation initiatives; and emergency response procedures to ensure the lights are kept on.



Case study:

Assessing the impact of different climate change scenarios

In December 2015, Mark Carney, as Chair of the Financial Stability Board (FSB), convened the Task Force on Climate-related Financial Disclosures to address concerns by G20 Finance Ministers and Central Bank Governors that without sufficient information, financial market participants were unable to analyse and price in climate risks. The industry-led Task Force developed a set of recommendations on climate disclosure which emphasised financial disclosure as well as the use of scenario analysis.

In addition, SSE has been collaborating with stakeholders (in particular the Institutional Investors Group on Climate Change (IIGCC)) to ensure that climate change risks and opportunities are properly recognised and managed.

To respond to these requests for more open and transparent disclosure on climate-related risks and opportunities, SSE modelled the resilience of its business against three core future energy scenarios. The scenarios that were analysed involved: a scenario where Great Britain contributes its share of carbon reduction to seek to limit global temperature rises to 2°C; a scenario where it contributes to a 1.5°C rise; and a business as usual scenario where emissions are in line with a 3-4°C warming scenario. The analysis showed the likely events that would take place if each scenario would play out and how SSE would respond.

This analysis found that SSE's balanced mix of distribution, transmission and generation assets were likely to be vital to Great Britain's electricity system over the long-term and were secure in every scenario assessed.

The importance of this analysis is that it supports SSE's work to continue to collaborate with investors and wider stakeholders on developing engagement and discussion around climate-related disclosure risks and opportunities.

Responsible resource use

Managing water use

With water scarcity becoming an increasingly important issue to stakeholders, SSE has enhanced the transparency of its water management and has responded to the CDP Water survey for two years, in 2016 and 2017.

SSE's water data was assured by PwC – the assurance statement and the criteria used for reporting the data can be found at www.sse.com/beingresponsible. SSE's responses to CDP on the water survey can also be found at www.sse.com/beingresponsible.

In total for 2016/17, SSE abstracted 22.7 billion m³ of water and consumed 0.005 billion m³. The vast majority of water abstracted by SSE was used in its hydro generation operations and was therefore returned to the environment almost immediately. For 2016/17 this totalled 22.7 billion m³ of water abstracted and returned, a decrease from 2015/16 due to lower rainfall. This lowered generation output from SSE's hydro operations from 4,326GWh to 3,334GWh (including pumped storage).

In 2016/17, SSE's thermal generation activities abstracted 0.47 billion m³ of water and consumed nearly 0.004 billion m³ (0.008 billion m³ 2015/16). 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-fired power stations.

Energy consumption in SSE's non-operational buildings

	2016/17	2015/16	% change
Energy use (kWh)	128,061,162	108,781,263	+18%
Carbon emissions (tonnes CO ₂ e)	51,147	48,457	+5.5%

Responsible energy use

SSE has a behaviour change programme to engage employees on energy efficiency activities and has invested £10.6m over the past five years since 2011/12 on energy efficiency technologies in its buildings and depots. However, changes to the property portfolio overall resulted in an increase in energy consumption.

SSE's target to reduce energy consumption by 15% in its property portfolio by 2017 from the 2012 baseline, was achieved. Energy use reduced by 23% and associated carbon

emissions have fallen by 20,669 tonnes CO₂e (29%) since 2011/12.

Environmental management

The breadth of SSE's operations means that it is subject to a number of environmental regulations. As a result it seeks to work constructively with a range of environmental regulators, including DEFRA, the Environment Agency, Scottish Environment Protection Agency and Environment Protection Agency. The primary focus remains meeting permit conditions associated with SSE's operations and minimising the negative impact

of operations and projects in environmentally sensitive areas.

To help focus on the management of environmental risk, SSE has adopted an internal classification of environment related incidents, which reflect their scale and impact and are aligned with those used by SSE's principal regulators. It has established performance measures for both SSE and contractor operations.

There were no environmental prosecutions issued against SSE during 2016/17.



Dilemma: Committing to a carbon intensity target beyond 2020

In 2016/17 the most important accomplishment was the halving of SSE's carbon intensity and the achievement of SSE's 2020 carbon intensity target. This target, which was set in 2009 shortly after the UK Climate Change Act 2008 became statute, represented an enormous commitment and challenge for SSE.

The aim of the target was to change the shape of SSE's electricity generation output. Evidence of this change is clear, with renewable generation output contributing 30%, coal 3.4% and gas over 66% of the generation output mix in 2016/17 (compared to 11%, 23% and 67% respectively in 2009/10).

The sustained investment in new renewable electricity generation between 2009 and 2016 (which is continuing) as well as the dramatic reduction in coal-fired generation output ensured that SSE reduced its carbon intensity. It fell from over 600gCO₂e/kWh in 2006/07 to 304gCO₂e/kWh in 2016/17.

SSE believes that even though it has met its 2020 carbon intensity target in 2016/17, there is an ongoing imperative for it to continue to reduce its emissions. In 2009 there was clarity on the medium-term policy which meant confidence was high to set targets and invest in a low carbon portfolio. Today, such a clear medium-term policy does not yet exist and therefore the confidence to commit to further targets is more limited.

Nevertheless, SSE strongly believes that the UK and Ireland will both benefit from the continued expansion of the renewable energy sector and has an existing pipeline of potential projects that could support the delivery of real carbon reductions throughout the 2020s and beyond.

Attracting, developing and retaining people

SSE is acutely aware that its long-term success depends upon the people it attracts, retains and develops. Through a very deliberate strategy SSE seeks to secure its future by anticipating the looming skills gap expected to impact on the energy industry in the early 2020s at the same time as building a diverse workforce more representative of the communities it serves.

Performance Summary	Unit	2016/17	2015/16
Total number of employees ¹	Number	21,157	21,118
Total number of hours worked ²	Number	39,534,659	39,128,900
Employee retention rate ³	%	86	89
Lost days per year due to sickness	Number	204,122	182,058
Average age	Years	40	40
Average/median length of service	Years	9.27/7.17	9.43/7.22
Total number of training interventions ⁴	Number	103,688	63,052
Investment in pipelines ⁵	£m	9.4	12.7
Ratio of CEO earnings to average employee earnings ⁶	n:1	72:1	42:1
Employee gender (female)	%	31.4	30.9
Female employees earning over £40,000	%	12.8	11.9
Gender pay gap (UK) ⁷	%	19.3	18.7

¹Headcount as at 31 March in each financial year – figure includes all SSE UK and ROI employees, excludes contingent/agency staff.

²Based on standard contractual hours over a 52 week period (excludes Overtime and Standby).

³Excludes end of fixed term contracts and internal transfers.

⁴Including targeted courses, workshops, seminars and e-learning packages. 2016/17 figure represents classroom based interventions only, recorded on SSE's new Learning Management System.

⁵Total cost of apprentice, engineering graduate and Technical Skills Trainee programmes.

⁶See page 91 of SSE's Annual Report 2017 for more detail and explanation.

⁷Median gender pay gap, calculated according to UK Government pay gap disclosure regulation.



People create value

SSE's sustainable employment ethos (see pages 20 to 23 of SSE's Annual Report 2017) underpins a recognition that long-term shareholder value is created by the talents and endeavours of the people who work for SSE. In order for value creation to be sustainable in the long-run, SSE understands the importance of sharing that value widely. SSE's tax policy specifically aims to ensure it contributes a fair amount of tax to the countries it operates in and its approach to capital expenditure aims to share the economic benefits of its investments in local areas. Rewarding employees fairly for their efforts is an important part of sharing SSE's success with the people who made that success possible in the first place.

Fairness at work

SSE remains a Living Wage employer in both the UK and Ireland – ensuring that SSE's minimum pay standard is based on what an individual needs to earn to live a life free from poverty. In the UK, this is a rate that is higher than the Government's National Minimum Wage for the over-25's, which is currently £7.50 an hour (April 2017).

Further, the recognition of four trade unions to negotiate pay settlements on behalf of their members supports the creation of a fair work environment. 66% of SSE's employees are covered by the negotiating arrangements of the Joint Negotiating and Consultative Committee.

SSE actively encourages and supports its employees to become shareholders of the company. It offers both an employee Share Incentive Plan (SIP) and a Sharesave scheme with attractive incentives and good participation rates, 75% and 43% respectively.

The final commitment to fairness is a set of policies and standards to prohibit discrimination, in any form, within SSE.

SSE's commitment on equalities

SSE values the differences that a diverse workforce brings to the organisation and SSE will not discriminate because of the protected characteristics set out in the Equalities Act.

SSE aims to ensure that no job applicant suffers discrimination because of any of the protected characteristics and will actively recruit from all sectors of the

community. In particular, SSE will ensure:

- Managers are given appropriate training on diversity awareness, and recruitment and selection diversity best practice;
- The composition of job applicants and the benefits and career progression of employees are monitored closely;
- Workforce composition is monitored to ensure equality of opportunity at all levels of the organisation. Where appropriate, steps will be taken to identify and remove unjustified barriers and to meet the special needs of disadvantaged or underrepresented groups;
- The physical features of SSE premises are regularly assessed to consider whether they might place anyone with a disability at a substantial disadvantage. Where necessary, steps will be taken to improve access.

Finally SSE's grievance policy makes it clear that allegations of discrimination or harassment will be treated in confidence and investigated in accordance with the relevant procedure.



Case study

Enhanced employee benefits for parental leave

In late 2015, SSE carried out a series of workplace balance surveys around its rewards and benefits policies. One theme identified was maternity and paternity leave, with SSE's parental leave policies viewed unfavourably. Over 2016/17, SSE's human resources team worked to improve and implement enhanced employee benefits, with approval gained from SSE's Executive Committee in January 2017 and the new industry-leading policies launched in April 2017. Maternity and adoptive pay increased from the previous policy of six weeks at full-pay and 12 weeks at half-pay, to 21 weeks at full-pay. Paternity leave entitlements were also increased, from one week at full-pay to two weeks at full-pay. New mothers and adoptive parents are offered to return to work on 80% of contractual hours with full pay for up to six months.

Finally, an arrangement for 'emergency day passes' has been put in place, where employees may take up to two days off at a moment's notice, reflecting the nature of family commitments. These new policies mean that SSE now offers some of the best parental leave benefits for its employees. This approach aligns with the wider Inclusion and Diversity Strategy.

Responsible employer

Human rights

SSE's Human Rights policy is based on the UN Global Compact, and it 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. In 2016/17 SSE published its second Modern Slavery statement that details the actions that have been undertaken in the past year to manage modern slavery in the business and supply chain and sets out the areas of focus for the year ahead. The statement can be read at www.sse.com/beingresponsible.

Creating a great place to work

Understanding there are many factors that contribute to a happy and fulfilling working environment, SSE seeks to continually improve the environment in which its employees work:

- **All-employee survey:** An updated all-employee survey will be launched in June 2017 with the objective of gathering deeper insights into SSE's culture and the issues that are important to employees. This data is instructive to SSE but also gives insights into SSE as an organisation, and in the spirit of transparency the high level results of that survey will be published on www.sse.com/beingresponsible in late summer 2017.
- **Flexible and family friendly benefits:** A significantly improved package of employee benefits was agreed in 2016/17, reflecting the challenges and realities of modern life.
- **Employee well-being:** A comprehensive package of interventions to improve the well-being of SSE employees continued throughout 2016/17, including the roll-out of mental health awareness training packages for employees, supported by mental health training for managers and the completion of the first year of free lifestyle health checks for SSE employees with 5,600 health checks undertaken in total, including the use of well-point self-service machines at two of SSE's larger sites.

Dilemma

Refocusing our inclusion and diversity strategy

Working with diversity specialists Equal Approach Ltd, SSE calculated the financial value from its investment in gender diversity initiatives over the three years to 31 March 2017, as well as the expected value of continued investment up to 2020. Using Equal Approach's specialised 'Return on Inclusion' tool, the results showed a £4.52 return for every £1 invested in financial year 2016/17, with this increasing to £7.56 by 2020.

Whilst these findings present a strong business case for continuing to increase diversity and inclusion across the company, the analysis also uncovered opportunities for further significant improvement in SSE's approach to diversity and inclusion. Based on the output of the project, SSE is currently working with Equal Approach to refocus its approach to diversity into an overall 'Inclusion Strategy' for the period 2017-2020. The new framework will give increased focus to a smaller number of core initiatives which have strong evidence of measurable impact and value. The outcome of this strategy will be to double the expected return on SSE's investment in this area, reaching £15 rather than £7.56 expected for every £1 invested. A single issue report outlining the learning from this work, and SSE's response will be published in summer 2017 on www.sse.com/beingresponsible.



Assessing SSE's UK gender pay gap

In 2016 SSE became one of the first FTSE100 companies to publish its gender pay gap, using the draft regulations available at the time. That exercise was both interesting and instructive. This year, while the methodology has changed, SSE now has two years of data to understand and act upon.

Following draft requirements, the UK Government has confirmed its regulations for Gender Pay Gap Reporting (GPGR) for UK companies. It requires UK businesses with more than 250 employees to publish their GPGR statistics as at 5 April 2017 within one year of this date, and then on an annual basis. The method for calculating this information has been outlined in detail by the UK Government¹ and the results from every organisation will be published on a UK Government website².

An annual review of the performance ratings by gender is also carried out to make sure there are no anomalies between male and female employee performance ratings.

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 paints a picture of the level of roles that women carry out in an organisation. The roles that women fill can result from many different factors, such as historic trends of one gender dominating certain industries and type of jobs.

The gender pay gap is not about equal pay for men and women doing the same job. SSE has a robust process to ensure pay levels are reviewed using a fair and consistent process.

Reporting SSE's gender pay gap

The UK Government GPGR regulations have four key requirements:

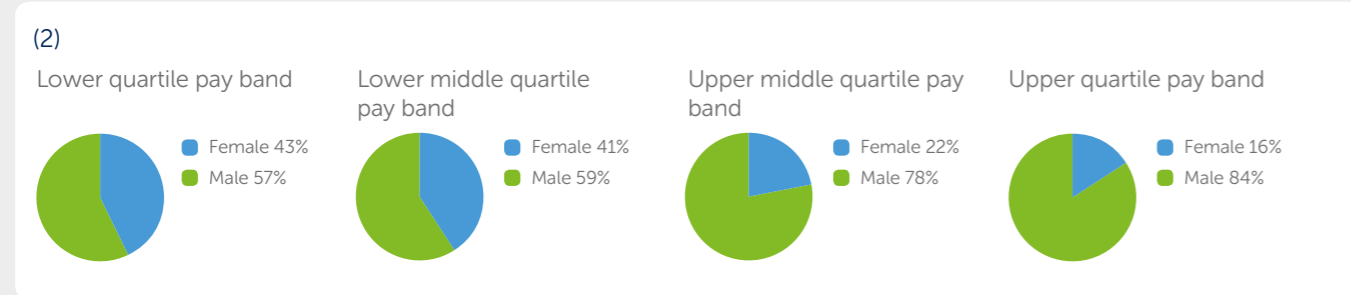
- Reporting the differences in mean and median pay between men and women calculated on the basis of equivalent hourly pay rates;
- Reporting the distribution of men and women between pay band quartiles, calculated using the range of hourly pay rates;
- Reporting the differences in mean and median bonus pay between men and women; and
- Reporting the proportion of men and women receiving bonus pay in a year.

All organisations with 250 or more employees are required to publish these statistics. Due to the structure of SSE, this means SSE must publish data for ten separate business entities, as well as the overall figures for SSE Plc. The results detailed here are the overall results for SSE Plc, with the full breakdown for each applicable business entity published on page 48. SSE employed the services of Pinsent Masons law firm to review SSE's interpretation of the Government regulations and the applied methodology.

(1)	2016/17	2015/16*	2015/16**
Mean hourly pay difference between male and female employees	22.0%	22.4%	23.4%
Median hourly pay difference between male and female employees	19.3%	18.7%	19.4%

(3)	2016/17
Mean difference between male and female bonus payments	32.5%
Median difference between male and female bonus payments	9.1%

(4)	2016/17
Male employees receiving bonus pay	32.1%
Female employees receiving bonus pay	12.4%



¹<https://www.gov.uk/guidance/gender-pay-gap-reporting-overview>
²<https://gender-pay-gap.service.gov.uk/Viewing/>
 *New regulations
 **Draft requirements

Analysing SSE's gender pay gap

SSE's median gender pay gap of 19.3% in 2016/17 is slightly higher than its gap in 2015/16 of 18.7%³. This widening of the gap is not unexpected and is a consequence of SSE's strategy to become more inclusive and diverse – and close the gap in the long-run. Further details of this are described below.

fields. Just 21% of the Core STEM workforce in the UK are women⁴, and the UK has the lowest percentage of female engineering professionals in Europe – under 10%⁵ compared to an average of around 20%.

Genuine transformation for SSE, and across the UK's labour market, will require meaningful societal changes as well as improvements at organisational-level. SSE is committed to being a leader for driving change in both of these areas.

While SSE's overall proportion of female employees is around 30%, just 3% of the top 10 operational roles in the company⁶ are filled by women. Within SSE's different business areas, those with an operational focus have a significantly higher gender pay gap than the pay gap for the overall company. For example, within SSE Generation Ltd the median gender pay gap is 27% and within Scottish Hydro Electric Transmission Plc it's 36.1%. The full breakdown of these results can be found on page 48.

Understanding the societal and organisational challenges

SSE operates within the energy industry; a sector that relies on the expertise and experience of highly-skilled workers from STEM (science, technology, engineering and maths) related

Last year SSE reported its gender diversity strategy which focused on three elements: encouraging women in, supporting women to stay on, and helping women to progress up.

Taking action on SSE's gender pay gap

Taking action: encouraging women IN to the company

With such low numbers of women in operational roles, SSE has placed inclusivity firmly at the heart of its recruitment this year with inclusive recruitment training for all hiring managers and a focus on diversity within its Graduate and Apprentice recruitment drives. Examples of female employees who have found success at SSE have been used within adverts, case studies, videos, leaflets and at careers events across the UK, while social media has been used more creatively, for example, through a live 'Women in STEM' Twitter Q&A.

A new office centre in Reading has been used as an opportunity to pilot flexible working at scale. Around 1,500 employees were relocated to these new premises and given the opportunity to "work differently", with compressed hours, occasional home working, and different start and finish times to allow for better work life balance. Skype for Business is also being rolled out for all employees and a Technology Loan Scheme was introduced to help employees with the purchase of computers, laptops, tablets and printers.

workforce, with around 400 learning hours used by employees per month on average.

SSE has a target of increasing the number of women earning over £40,000 a year to at least 25% by 2025. In 2016/17, the number of female employees earning over this level increased to 12.8% from 11.9% in 2015/16.

Taking action: influencing wider society

Lastly, to help target the root problem around gender norms, in 2016/17 SSE continued its £100,000 partnership with educational charity Teach First. The partnership has been designed specifically to encourage more young girls at secondary school level into STEM subjects; aiming to increase the well-being, resilience and core skills of female pupils from low-income communities. On top of this, SSE has partnered with a number of major organisations in the UK that share its goal of encouraging greater female participation in STEM.

Furthermore, SSE has created 'Encouraging Difference Steering Groups' for each directorate, sponsored by Managing Directors. These groups help promote operational-level support for greater inclusion across the business; empowering employees to drive relevant change locally.

Taking action: helping women progress UP

It is SSE's responsibility to create an environment where all employees reach their full potential. In early 2016, SSE created a Senior Women's Development Network (SWDN) which focuses on increasing the connectedness of women across the business and supports them to develop their leadership capability. SSE's commitment to encouraging self-led development is further enabled by the 'everywoman' learning and development platform which is available to SSE's whole

SSE has invested in key sponsorships of women in sport events to help break down perceived barriers. The seven-figure title sponsorship deal for the SSE Women's FA Cup is the flagship of these activities but other sponsorships include the Women's Scottish Cup, a Women's Golf Invitational and 'next generation' Sports Aid athletes.

There has been notable growth in the number of female graduates attracted this year, from 17% last year to 40%. Across all of SSE's directorates, 39% of hires made in 2016/17 were female – an increase of almost 20% from 2013/14. This rise in women attracted into the company, particularly at entry-level positions, can partly explain the increase in SSE's gender pay gap over the last year.

Taking action: supporting women to stay ON

Creating jobs and a working environment where women want to stay on is just as important. In 2016/17 SSE focused on two key areas to encourage a more inclusive workplace for everyone: the introduction of sector-leading parental benefits (see case study on page 28) and new initiatives to encourage flexible working.

³Please see the SSE Plc Sustainability Report 2016 for a full explanation of SSE's gender pay gap in 2015/16.
⁴WISE UK statistics, 2016.
⁵ONS figures, 2016.
⁶Engineer, Electrician, Meter Operative, Technician, Meter Reader, Linesman, Apprentice, Craftsman, Operative, Joiner.

Using SSE's buying power for good

SSE seeks to treat the companies it does business with in an ethical and fair way and by working in partnership with suppliers and business partners it aims to bring about long-term sustainable benefits.

Performance Summary	Unit	2016/17	2015/16
Total Recordable Injury Rate (TRIR) – contractors	Per 100,000 hours worked	0.51	0.56
Accident Frequency Rate (AFR) – contractors	Per 100,000 hours worked	0.30	0.22
Supply chain employees impacted by the Living Wage ¹	Number	720	400
Value of Open4Business contracts	£m	36.9	22.8
Total procurement expenditure	£bn	c. 3.0	c. 2.7

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

Encouraging responsible business practice

By understanding the environmental and social practices of its supply chain, SSE aims to reduce its non-financial risks; build better relationships with suppliers; and create value across its business. This approach is an increasing feature of SSE's sustainability and the delivery of its business strategy.

To support this, SSE has developed a range of tools to encourage responsible business practices, including its Responsible Procurement Charter and new clauses to cover sustainability topics in its standard contract forms. Following this approach, SSE has implemented an extension to its Living Wage provision and addressed new legislation such as the Modern Slavery Act across its supply chain.

Improving safety in the supply chain

SSE has eight enduring goals on safety and one specifically focuses on improving contractor safety performance. In 2016/17, this focus led to some improvement, in particular on the number of incidents involving contractors. However, while there was one fewer

contractor injured in 2016/17 compared to the previous year, the incidents were more serious. In October 2016, SSE received the sad news that an employee of a contractor working on its Blackhilllock Substation project was fatally injured during an incident on site.

The safety and well-being of everyone working on behalf of SSE is its top priority. To support this focus, SSE has launched its 50by20 campaign. This is an ambitious approach to making a significant change in safety and focuses on Contractor Safety, Operational Safety, Health and Well-being, and Safety Family. Through these transformation areas SSE hopes to achieve a 50% reduction in the injury rate by 2020 and no life changing injuries for everyone working for or on behalf of SSE.

Progress on managing risk in SSE's supply chain

The SSE Group Procurement function continues to transform its organisational design by embedding category management at the heart of the way SSE procures. Category management aims to bring about long-term sustainable business benefits for SSE and the wider economy through minimising supply chain risk, driving innovation and

delivering cost and value benefits.

Understanding the economic impact of SSE's supply chain

By quantifying non-financial impacts, SSE believes that greater focus on environmental, social and economic factors is placed on SSE's investments and operations. In 2016/17, SSE undertook sustainability assessments of the following projects: Caithness-Moray transmission link; the Galway Wind Park; and the Beatrice offshore wind farm.

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. In April 2016, SSE published its first Modern Slavery Statement that set out the actions it planned to take to manage the issue.

Since then it has published its second Modern Slavery Statement and taken the following steps to address modern slavery and human trafficking in its business and supply chain including:

- Forming a Human Rights Advisory Group, consisting of procurement

- and sustainability professionals.
- Undertaking a risk assessment of its Tier One supplier spend and Joint Venture supplier spend (where SSE leads the procurement) in 2015/16 and 2016/17 (excluding energy trading activities).
- Delivering a programme of modern slavery training in the Procurement function to raise awareness, provide insight into higher risk

industries and products/services and roll-out tools and techniques to enable Procurement to review modern slavery risk.

The risk assessment exercise led SSE to understand that approximately £20m (<1%) of its 2016/17 supply chain expenditure was in a combination of high risk industries and product/service groups. Given the limited geographic focus of SSE's operations (in the UK and Ireland), the proportion of risk was

assessed to be small. Nevertheless, there are potential risks and SSE is keen to ensure neither modern slavery or human trafficking exists anywhere in its supply chain.

Further actions have been identified and outlined in the Modern Slavery Statement for 2017/18 to ensure that SSE's due diligence processes are improved and effective.



Case study:

Working with contractors at Galway Wind Park to increase local benefit

SSE is working with its joint venture partner, Coillte, to construct what will become Ireland's largest wind farm – the 174MW Galway Wind Park in Co. Galway. SSE and Coillte are committed to powering Ireland's greener future as well as maximising local economic benefits. The team has demonstrated this commitment by encouraging strong participation from local suppliers and contractors through activities like 'Meet the Buyer' events. More than 100 local businesses have provided products and services to facilitate the delivery of Galway Wind Park, totalling over €20m. This has included local suppliers of stone, concrete, steel, haulage plant and machinery, grid substation equipment, catering and security services. At the height of construction in August 2016, it was found that over 60% of all workers on site involved in the civil works lived within 30km of site, and over 30% of workers involved in the grid works lived within 10km of site. Further details can be found within the 'Economic impacts' section of the Galway Wind Park Sustainability Impact Report.



Dilemma:

Extended provision of the Living Wage across the supply chain

SSE is one of the largest Living Wage employers in the UK and has been so for nearly four years. In 2014 SSE began to implement a 'Living Wage Clause' into its service and works contracts which has so far impacted around 720 workers who have worked regularly on SSE's sites. However, in 2016/17 it was highlighted that some of our regular contracted workers were not receiving the Living Wage due to the fact they were not based at one of SSE's sites. The Living Wage Foundation (the body that accredits the Living Wage) only asks that people working on SSE sites receive the Living Wage. However, SSE decided that this technicality did not represent the spirit of its commitment to the people who work for SSE, directly or indirectly. So in 2016/17, SSE took the decision to extend the Living Wage commitment in its supply chain.

This means that from 1 April 2017, every new contract will include a requirement to ensure that everyone UK-based providing regular services to SSE's customers will receive the Living Wage. This will take time to implement however SSE believes that it is the right thing to do.

Balancing impacts and making better decisions

SSE makes capital investments in order to provide long-term value for its shareholders and meet the needs of its customers. SSE aims to deliver these investment projects sustainably and balance their economic, social and environmental impacts.

Performance Summary	Unit	2016/17	2015/16
Onshore wind in development	MW	Over 500	Over 500
Onshore wind in construction	MW	757	548
Offshore wind in development	GW	Over 2	Over 2
Offshore wind in construction	MW	235	n/a

Investment pipeline

In 2016/17, SSE's capital investment totalled £1.7bn. This expenditure involved the largest capital project ever undertaken by SSE the Caithness-Moray transmission link, as well as further expansion of SSE's renewables portfolio. Across the four years to March 2020, SSE expects to invest around £6bn.

Measuring sustainability impacts

Since 2014, SSE has been measuring and valuing the impacts from several of its major infrastructure projects in new ways. In 2016/17 SSE completed:

- A study of the economic contribution of the £1.1bn Caithness-Moray transmission link. This study found that the project would contribute over £265.5m to the Scottish economy and would support the equivalent of 10,971 full-time years of employment in the UK, of which 4,975 would be in Scotland.
- An impact study of the Galway Wind Park which showed that the project had supported 1,657 years of full-time employment in

Ireland and has already contributed €88.7m to the Irish Gross Domestic Product.

- A quantification of the social, environmental and economic impacts of installing a retrofit district heating system at the Wyndford Estate in Maryhill, Glasgow. Highlights include: a 62% reduction in carbon emissions and £10m added into the UK economy of which £6.5m was added to the Scottish economy.

These studies help to inform SSE's decision-making around future developments by providing additional information about the impacts of infrastructure developments. Over time, SSE will use this data to maximise the positive impacts from its developments.

Developing and building projects in a sustainable way

SSE takes a strategic approach to development by taking measures to reduce a project's impact in the early planning stages – for example by: reusing or extending existing assets, or factoring in future growth requirements; meeting planning obligations by undertaking detailed

Environmental Impact Assessments (EIA) for large projects; and completing an environmental assessment for projects where an EIA is not a statutory requirement. This approach has led to SSE being awarded the following:

- Scottish Green Energy Award for the Beaulay-Denny transmission line;
- Gold award at Considerate Constructors Awards for the Tievenameenta wind farm;
- Gold and Silver Considerate Constructors Scheme Awards for Loch Buidhe and Fyrish substations respectively; and
- Excellence in Sustainability award at the 2016 Irish Construction Industry Awards for Galway Wind Park.

Developing sustainability capability in SSE's projects

In 2016/17 SSE introduced CARE (Commitment, Awareness, Rigour and Engagement) with the aim of embedding its sustainability value, in particular environmental management, into a project's life cycle. This

programme, piloted by SSEN, involved a benchmark survey that identified areas for improvements. This resulted in the development of new environmental standards and procedures, new best practice principles and new training for specific jobs. CARE will be rolled out across SSE in 2017/18.

Biodiversity

SSE has continued to work with stakeholders to improve its work on biodiversity. For example, as part of the Dounraey-Mybster project SSEN plans to plant a flower rich landscape to support the great yellow bumblebee at the new substation at Thurso and at an existing substation at Mybster. After talking with local representatives from the Bumblebee Conservation Trust it was clear that the sites provided great opportunities to include bee friendly habitats with early flowering species, such as willow, that provide pollen at a crucial stage of a bee's lifecycle. This approach will be applied to other projects in 2018, including the Spittal substation project.

During construction works, SSE has procedures for protected species and habitats during construction work. The procedures provide SSE employees and contractors with information about relevant legislation, survey requirements and mitigation measures. In 2016/17 SSEN introduced a new species protection plan for freshwater pearl mussel, one of the most endangered molluscs in the world. These plans have been developed in conjunction with Scottish Natural Heritage and are now used on all of SSE's transmission projects.

For further information on SSE's approach to biodiversity, you can read SSE's Biodiversity Reports at www.sse.com/beingresponsible.

Towards a low carbon energy network

To support a low carbon energy system, the electricity network needs to transition towards a more flexible system to ensure supply meets demand in the optimal way. To support the

transition towards a flexible system, SSE took part in a number of research projects in 2016/17, including:

- The New Thames Valley Vision project explored a number of innovative demand side management technologies, including network monitoring, battery storage and thermal storage, to help to understand and manage the growth of new technologies connecting to the electricity network, such as electric vehicles, heat pumps and solar panels. The findings of the project show how the need for network reinforcement can be avoided by the use of smart technologies, such as Active Network Management.
- The Shetland-based Northern Isles New Energy Solutions (NINES) project allowed SSEN to use large and small scale energy storage solutions and new monitoring and control systems, to deliver an Active Network Management.



Case Study: Working with stakeholders to improve visual impact of transmission assets

Stakeholders have played a major part in the development of SSEN's assessment of the impact of its electricity transmission assets in National Parks and National Scenic Areas in the north of Scotland (Project VISTA, Visual Impact of Scottish Transmission Assets). The visual impact of SSEN's infrastructure is one of the most important issues for stakeholders.

Since the project began in April 2016, over 100 different stakeholders have been consulted across the north of Scotland through the use of Stakeholder Groups and local forums. These groups made up of local stakeholders (for example, Friends of Loch Lomond and the Trossachs) and national stakeholders (for example, Royal Society for Protection of Birds), have worked with SSEN to identify plans that, if implemented, would bring about significant improvements to the landscape and society. As a result of this project, proposals to change the network in a variety of locations have been developed and the aim is to take the final detailed plans to Ofgem for review.

Investing to solve environmental challenges

Connecting renewables

To facilitate the transition to a low carbon economy, SSE has invested around £1.9bn since 2013 in SSEN's capital transmission network, with progress being made on the Caithness-Moray transmission link. Key onshore enabling works were completed in 2016/17 on this project, including the first part of the new Blackhillock Substation and the completion of the Dounreay Substation. The manufacture of the subsea cable is now complete and work to clear the seabed of rocks and boulders was successfully completed in March 2017.

In total, SSEN connected over 500MW of renewable electricity to its transmission network in 2016/17, the highest combined capacity to connect to the north of Scotland transmission network in a single year since electricity privatisation in the early 1990s.

SSEN's delivery of these projects and other strategic investments has played an essential part in facilitating the rapid growth of renewable energy within its licence area, bringing the total connected generation capacity supported by its transmission network, including that connected at distribution level, to over 5GW, with the vast majority coming from low carbon sources.

Avoiding landfill

In February 2017, the Ferrybridge Multifuel 1 facility, jointly owned by SSE and Wheelabrator Technologies, celebrated a major milestone - successfully processing one million tonnes of fuel derived from post-recycled waste, which would otherwise have been sent to landfill, since commencing operations. Construction of the Ferrybridge Multifuel 2 facility began in August 2016 and when it is completed will have a capacity of 70MW and be able to generate enough power to supply around 170,000 homes each year.

Dilemma:

Impact of electric vehicles on the distribution network

According to the Committee for Climate Change, the heat and transport sectors must undergo significant transformation in the next two decades in order to support the transition to a low carbon economy.

Through its Networks business, SSE has been involved in the review of electric vehicles and their impact on the network through the 'My Electric Avenue' study. The results of this pilot showed that a third of circuits in the UK will require upgrading when there is a 40% to 70% uptake of electric vehicles on a specific low voltage network. The impact of charging has the potential to put pressure on the national grid and the distribution network.

To mitigate this risk, an industry-wide solution is required that involves infrastructure upgrades, Demand Side Response or other smart technologies to protect the distribution network. SSE is taking a leadership position through the Smart EV project. This project aims to work with other Distribution Network Operators, National Grid, DBEIS and Ofgem to develop an industry solution for managing future electric vehicle charging.



Case study:

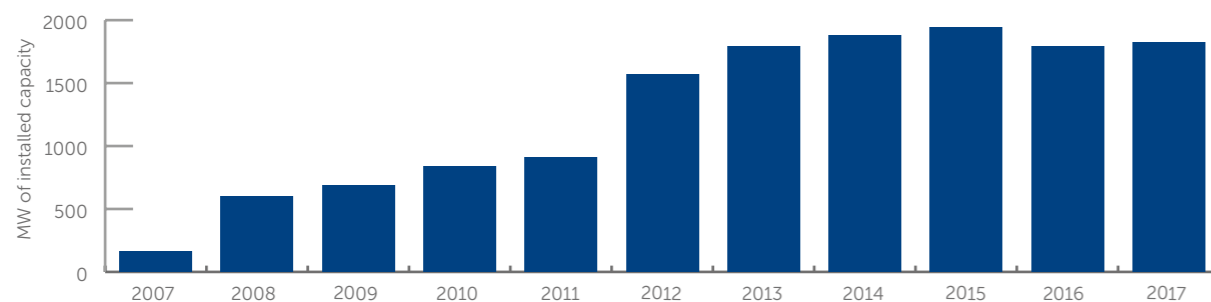
Decade of delivery of wind energy

Since 2008 SSE has invested over £4.53bn in new renewable energy generation and has over 3,300MW of renewable energy generation capacity, including pumped storage.

In 2016/17 SSE's portfolio expanded by a further 34.5MW with the addition of new onshore wind farm capacity, Tievenameenta in Northern Ireland, and a further 992MW of onshore and offshore wind farms were in construction at the end of that financial year. Onshore wind projects under construction include Dunmaglas (94MW), Clyde Extension (173MW), Bhlaraidh (108MW) and Slieve Divena 2 (19MW), Stronelairg (225MW), Galway Wind Park (120MW SSE Share) and Leanamore (18MW). SSE's offshore projects are focused on Beatrice offshore wind farm (235MW SSE share) with onshore and offshore construction now under way. These capital investment projects are expected to take SSE's total renewable energy capacity to 4.3GW by 2020.

Future development options for further onshore wind projects in Great Britain are being explored considering the UK's current policy and regulatory framework. SSE also has an interest in two further offshore wind farm developments, Seagreen and Forewind.

SSE's wind generation capacity 2007-2017



Sustaining a safe and healthy business culture

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. SSE's first value and priority is safety, all accidents are preventable, so it does everything safely and responsibly or not at all.

Performance Summary	Unit	2016/17	2015/16
Total Recordable Injury Rate (TRIR) – employees and contractors	Per 100,000 hours worked	0.22	0.23
Total Accident Frequency Rate (AFR) – employees and contractors	Per 100,000 hours worked	0.1	0.1
Environmental prosecutions and civil penalties	Number	0	0
Recorded whistle-blowing incidents	Number	88	41
Formal grievances raised	Number (rate per 100 employees)	153 (0.72 per 100 employees)	73 (0.35 per 100 employees)
Formal disciplinary procedures instigated	Number (rate per 100 employees)	254 (1.20 per 100 employees)	271 (1.29 per 100 employees)

Safety

SSE's overall performance across the last few years on safety has been relatively steady. SSE's total recordable injury rate for employees and contractors was 0.22 per 100,000 hours worked in 2016/17 (0.23 per 100,000 hours worked in 2015/16). In total 102 people were still injured working for SSE (as an employee or a contractor) in 2016/17¹.

In 2016/17, SSE had a particular focus on employee driving. This led to an improvement in driving performance, with 19 Class 1 Accountable (potential for major harm to people) Road Traffic Collisions, compared to 29 in 2015/16.

In October 2016 SSE received the sad news that a contractor working on its Blackhillcock substation project was fatally injured during an incident on the site. Contractor safety is one of SSE's enduring safety goals and this dreadful event reminds everyone associated with

the company that it needs to continue to work hard with contractors to ensure that everyone goes home safe every day.

Delivering improved safety performance

In 2016/17 SSE worked on how to improve its safety performance. In 2017, it launched its 50by20 safety initiative with the backing of the Board, ExCo and SHE Committee. The aim is to introduce ambitious new targets which change thinking and behaviour on safety. These will include a reduction in the combined employee and contractor TRIR by 50% by 2020, ensure that SSE focuses on not having any life changing injuries, and encourage everyone at SSE to be committed to looking after their own health and wellbeing. To do this, SSE will focus on four of its enduring safety, health and environment-related goals: transforming contractor safety, operational safety, 'Safety Family' (see

below) and Occupational Health and Wellbeing. The remaining goals – Process Safety, Crisis Management, Environment and Driving – will be maintained and they will continue to build on the progress already made in these areas.

Responsibility for safety

Responsibility for safe working starts with the Chief Executive and 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.

SSE's Safety and Health Policy incorporates its major accident policy. This sets out its approach, which is built on a positive safety culture – SSE's 'Safety Family'. It also sets out SSE's Safety Management System which focuses on Policy, People, Processes, Plant and Performance. Above all, SSE has a commitment, and everyone that works for SSE has a licence that 'If it's not safe, we don't do it'.

Reinforcing an ethical business culture

A culture of Speaking up SSE's whistle-blowing policy and the externally hosted 'Speak Up' phone line and email service have been put in place to ensure that employees can be confident that there will be no recriminations to the whistle-blower if wrongdoing is reported. SSE worked throughout 2016/17 to actively promote its Speak Up policy. As a result, the number of whistle-blowing reports more than doubled between 2015/16

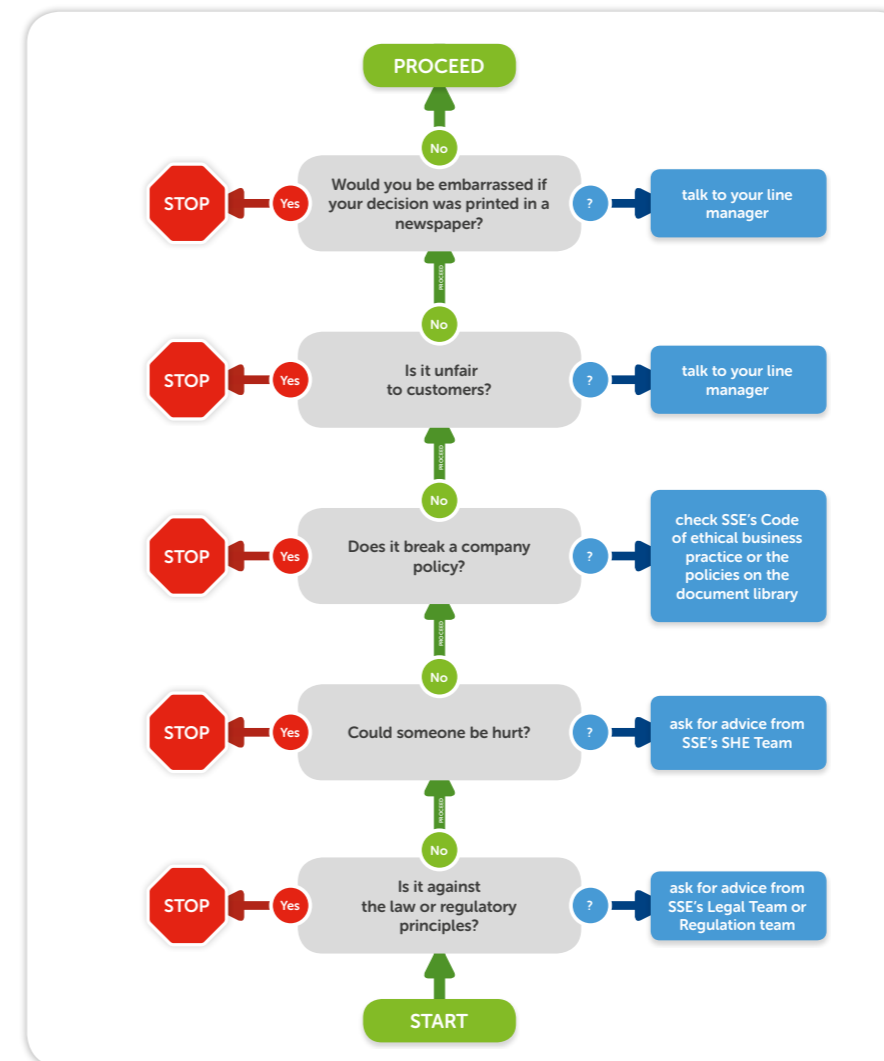
and 2016/17, from 41 to 88. This increase is welcome as it confirms that the efforts to promote Speak Up are having an impact. Analysis is being undertaken to carefully track trends and an aftercare process is being introduced to get feedback on the experience from those reporting issues through this approach.

Code of ethical business conduct In September, SSE published its new code of business conduct: *Doing the right thing - A guide to ethical business conduct for SSE employees*. SSE became a subscriber to the Institute of Business Ethics early in 2016,

with the new Code reflecting the Institute's advice and guidance. The guide provides the basis from which SSE employees are guided in terms of ethical business behaviour. The main principles of the guide are speaking up, doing no harm, trading fairly, respecting each other and being open and accountable. Over the next year SSE will work to implement the new code, including: reviewing the internal training programmes supporting ethical issues and an internal communications campaign to promote SSE's anonymous whistle-blowing line, supported by the publication of key statistics.

SSE's ethical decision tree

It is understood that awareness and knowledge of rules, regulations and laws, while important, are not sufficient to prevent wrong-doing. Subjective value-driven judgement is an important determinant of whether somebody 'does the right thing'. So, as part of its new Guide for ethical business conduct SSE developed an ethical decision tree to support its employees with difficult decisions they may face.



Dilemma: Moving from 'you will' to 'we shall'

In the summer of 2016 the Financial Reporting Council (FRC) published a report on the role of a business' culture in generating value for that business. At the same time, a number of corporate crises have been highlighted and have had significant reputational and value diminishing impacts.

The question arises: why would ordinary law-abiding employees deceive about such hugely significant matters such as financial accounting or carbon emissions? The FRC report makes it clear that it is the culture that surrounds those employees that is the most important determinant of their actions. SSE agrees with the FRC and in 2016/17 undertook a comprehensive review of how it manages monitors and reinforces a healthy business culture.

A new *Guide to ethical business conduct for SSE employees* was produced, awareness campaigns ran and a training plan constructed. SSE was keen to understand if this activity was working and undertook the first phase of the Institute of Business Ethics' Investors in Integrity process. That process was instructive. It was found that SSE's code of business ethics was comprehensive, but that not enough is done to implement the code and there is no measurement of its impact. It has now been agreed to undertake far more comprehensive training on ethics related issues and to closely track attitudes and values through its all-employee survey in 2017.

Maintaining an ethical approach to political advocacy

Politics, Regulation and Compliance is 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 it 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 political, legislative and regulatory processes, provided that legal requirements are complied with, supported by a general commitment to transparency. 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 government are conducted to the highest ethical standards and there is a degree of transparency about how SSE's interacts with Government. It therefore adopts a constructive approach to legislation such as the UK's Freedom of Information Act 2000.

In 2016/17, SSE continued to take steps to maintain enhanced transparency of its political engagement policy:

SSE's commitment to responsible political engagement is published externally and can be read at www.sse.com/beingresponsible. This policy is in place for all employees and is consistently applied across the SSE Group and governs both 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. SSE has 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 exist. See SSE's returns in the Ireland Register of Lobbying (www.lobbying.ie/) and SSE's European Declaration (www.ec.europa.eu/transparencyregister/public/homePage.do). 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.

* "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.



Measuring SSE's 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.



Economic KPIs

	GRI standard	Unit	2017/16	2016/15	2015/14
Financial performance					
Adjusted profit before tax (PBT)		€m	1,545.9	1,513.5	1,564.7
Adjusted earnings per share		Pence per share	125.7	119.5	124.1
Dividend per share		Pence per share	91.3	89.4	88.4
Economic contribution					
Total economic contribution - UK GDP	GRI 201-1	€bn	9.26	8.87	8.78
Total economic contribution - Ireland GDP	GRI 201-1	€m	779	795	954
Total economic contribution - Scotland GDP	GRI 201-1	€m	1,899	1,555	1,465
Total jobs supported - UK ¹	GRI 203-2	Number	103,720	113,640	106,320
Total jobs supported - Ireland ¹	GRI 203-2	Number	4,720	4,910	5,380
Total jobs supported - Scotland ¹	GRI 203-2	Number	17,000	17,290	17,730
Total Networks Regulated Asset Value - Transmission, Distribution and SSE's share in SGN, which reduced from 50% to 33% from 26 October 2016.	GRI 201-1	€bn	7.68	7.96	7.35
Taxation					
Adjusted current tax charge	GRI 201-1	€m	157.7	193.4	224.8
Payment of UK corporation tax	GRI 201-1	€m	96.8	130.8	155.2
Payment of Irish corporation tax	GRI 201-1	€m	-0.9 ²	0.04	7.3
Total taxes paid in UK	GRI 201-1	€m	385.0	453.9	506.2
Total taxes paid in Ireland	GRI 201-1	€m	16.5	15.2	20.1
Investment and Capex summary (adjusted)					
Total investment and capital expenditure	GRI 201-1	€m	1,726.2	1,618.7	1,475.3
Renewable generation	GRI 203-1	€m	366.4	291.8	239.0
Thermal generation	GRI 203-1	€m	108.6	90.8	160.6
Total Networks	GRI 203-1	€m	789.7	831.7	794.8
Networks operations					
Electricity distributed		TWh	39.3	39.5	39.6
Customer minutes lost - SHEPD		Average per customer	60	55	69
Customer minutes lost - SEPD		Average per customer	43	41	57
Customer interruptions - SHEPD		Per 100 customers	68	66	70
Customer interruptions - SEPD		Per 100 customers	48	47	60
Number of Networks customers on Priority Services Register (PSR) at 31 March in each financial year		Number	477,438	451,490	329,229

¹Measured as headcount, from analysis undertaken by PwC.

²In FY17, the ROI group received a net corporation tax refund of €0.9m. A refund of €1m was received in relation to FY14 as preliminary corporation tax was overpaid for that period. A preliminary tax payment of €0.1m was made in relation to FY17 due to the availability of capital allowances.

	GRI standard	Unit	2017/16	2016/15	2015/14
Diversity of generation portfolio					
Total renewable generation output (inc. pumped storage)		GWh	7,955	9,695	8,656
Renewable generation output as % of total generation output		%	30.3	34.9	31.4
Total thermal generation output		GWh	18,341	18,081	18,931
Total generation output all plant		GWh	26,296	27,776	27,587
Total renewable generation capacity (inc. pumped storage)		MW	3,309	3,275	3,394
Renewable generation capacity as % of total generation capacity		%	31.1	31.0	28.9
Total thermal generation capacity		MW	7,334	7,282	8,339
Total electricity generation capacity		MW	10,643	10,557	11,733
Onshore wind in development		MW	Over 500	Over 500	Over 1,000
Onshore wind in construction		MW	757	548	609
Offshore wind in development		GW	Over 2	Over 2	Over 3
Offshore wind in construction		MW	235	n/a	n/a
Retail customers					
Total domestic and business energy customer accounts (GB,Ire)		Million	8.00	8.21	8.58
Retail customer complaints to third parties (GB) ³		Number	1,322	1,416	1,528
Satisfaction amongst domestic customers with service provided by SSE Airtricity (ROI) (gas/ electricity) ⁴		%	n/a	85/89	91/82
GB average dual fuel energy bill ⁵		£	1,056	1,088	1,115
Household/small business aged debt (GB,Ire)		€m	80.2	103.2	106.2
uSwitch Overall customer satisfaction Rating ⁶		%	76	74	72
Customers that have received assistance from SSE through Warm Homes Discount scheme (WHD)		Number	359,505 ⁷	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		Number	314,026	264,506 ⁸	223,457
Accumulative total of smart meters installed		Number	Over 500,000	Over 180,000	n/a

³Ombudsman: Energy Services and Citizens Advice.

⁴From the Commission for Energy Regulation (CER) consumer survey reports. Results for 2016/17 will be available later in 2017.

⁵SSE's average GB fuel energy bill based on current Ofgem typical domestic consumption values. Figures at 31 March in each financial year.

⁶The uSwitch independent survey asks energy customers to rate energy suppliers in a number of areas, including customer service, online service and value for money.

⁷The Warm Homes Discount scheme usually runs between 1 June and 31 March annually. The 2016/17 scheme was delayed while awaiting new regulations, and was open between 23 July 2016 to 31 May 2017.

⁸This figure has been restating since the Sustainability Report 2016 was published. The ECO 1 scheme ran from January 2013 to the end of March 2015. The ECO 2 scheme commenced in April 2015 and has recently been extended to a 3.5 year scheme, concluding in September 2018. At the end of a scheme, Energy Efficiency savings are verified and determined by the administrator of the scheme. Until such time as savings are determined, the number of measures or properties treated in a scheme can change while verification checks are completed by the administrator.

Environmental KPIs

	GRI standard	Unit	2017/16	2016/15	2015/14
Environmental management					
Number of major incidents	GRI 307-1	Number	0	0	0
Number of serious incidents	GRI 307-1	Number	8	11	4
Number of minor incidents	GRI 307-1	Number	57	20	31
Environmental prosecutions ⁹	GRI 307-1	Number	0	0	1
Carbon emissions (climate change)					
Scope 1 emissions (emissions from operations owned or controlled by the organisation) ¹⁰	GRI 305-1	000s tonnes CO ₂ e	8,004	11,021	13,079
Scope 2 emissions (emissions from the generation of purchased electricity, heating and cooling consumed by the organisation) ¹¹	GRI 305-2	000s tonnes CO ₂ e	1,034	1,138	1,244
Scope 3 emissions (emissions that occur outside of the organisation in support of its activities) ¹²	GRI 305-3	000s tonnes CO ₂ e	10,357	10,375	12,368
Total carbon emissions		000s tonnes CO ₂ e	19,395	22,534	26,676
Carbon intensity of electricity generation	GRI 305-4	kgCO ₂ e/MWh	304	397	474
Energy consumption					
Carbon Reduction Commitment (CRC) performance (absolute)		tonnes CO ₂ e	19,923	20,276	22,788
CRC target achieved compared to base	GRI 302-4	% reduction	21.0	19.0	10.3
Total electricity consumption in non-operation buildings	GRI 302-1	kWh	120,960,005	102,485,611	107,695,334
Total gas consumption in non-operation buildings	GRI 302-1	kWh	7,101,157	6,295,651	10,303,824
Total energy consumption in non-operation buildings	GRI 302-1	kWh	128,061,162	108,781,263	117,999,158

	GRI standard	Unit	2017/16	2016/15	2015/14
Travel and transport					
Fuel used in operational plant and vehicles	GRI 302-1	Litres	14,349,772	14,231,632	13,788,400
Flights		km	13,193,514	20,576,438	18,660,228
Trains		km	6,125,637	7,039,160	5,822,964
Company cars	GRI 302-1	km	33,630,814	41,452,578	38,711,546
Water consumption					
Total water abstracted	GRI 303-1	Million m ³	22,658	28,856	27,109
Total water consumed	GRI 303-1	Million m ³	5.0	8.2	19.4
Total water returned	GRI 306-1	Million m ³	22,654	28,848	27,090
Total water abstracted and returned - hydro	GRI 303-1	Million m ³	22,184	28,563	27,027
Total water consumed - buildings		Million m ³	0.092	0.078	0.076
Total water abstracted - thermal	GRI 303-1	Million m ³	473.9	292.5	82.4
Total water consumed - thermal	GRI 303-1	Million m ³	4.4	8.0	19.3
Total water returned - thermal	GRI 306-1	Million m ³	469.5	284.6	62.8
Emissions to air					
SO ₂	GRI 305-7	Tonnes	1,564	10,685	16,871
NO _x	GRI 305-7	Tonnes	5,555	6,704	9,977
SF ₆	GRI 305-7	kg	9.3	23	21

⁹Includes prosecutions and civil penalties.

¹⁰Scope 1 comprises electricity generation, operational vehicles and fixed generation, sulphur hexafluoride emissions and gas consumption in buildings.

¹¹Scope 2 comprises electricity distribution losses and electricity consumption in non-operational buildings and substations – transmission and distribution.

¹²Scope 3 emissions have been extended to include emissions from SHE Transmission losses and gas sold. As a result, scope 3 emissions have been restated for the previous year.

Social KPIs

	GRI standard	Unit	2017/16	2016/15	2015/14
Health and Safety					
Accident Frequency Rate - employees	GRI 403-2	Per 100,000 hours	0.05	0.07	0.04
Total Recordable Injury Rate - employees	GRI 403-2	Per 100,000 hours	0.13	0.15	0.12
Fatal incidents - employees	GRI 403-2	Number	0	0	1
Accident Frequency Rate - contractors	GRI 403-2	per 100,000 hours	0.30	0.22	0.25
Total Recordable Injury Rate – contractors	GRI 403-2	per 100,000 hours	0.51	0.56	0.48
Fatal incidents - contractors	GRI 403-2	Number	1	0	0
Accident Frequency Rate - employees and contractors	GRI 403-2	Per 100,000 hours	0.1	0.1	0.1
Total Recordable Injury Rate - employees and contractors	GRI 403-2	Per 100,000 hours	0.22	0.23	0.23
Road Traffic Collision Class 1 (Potential for major harm to people) both accountable and not accountable – employees	GRI 403-2	Rate per 100 vehicles	0.24	0.38	0.28
Lost days per year due to sickness	GRI 403-2	Number	204,122	182,058	165,407
General employment statistics					
Total SSE employees ¹³	GRI 102-7	Number	21,157	21,118	19,965
Ratio of CEO earnings to average employee earnings ¹⁴	GRI 102-38	Number:1	72:1	42:1	n/a
Total number of hours worked ¹⁵		Hours	39,534,659	39,128,900	36,717,450
Contingent Labour Force Size		Number	4,074	n/a	n/a
Sustainable employment					
Employee retention rate ¹⁶	GRI 401-1	%	86	89	87
Regrettable or voluntary turnover ¹⁷		Number (% of total turnover)	1,751 (57.9%)	n/a	n/a
Average/median length of service		Years	9.27/7.17	9.43/7.22	9.34/6.57
Employees with flexible working arrangements ¹⁸		%	11.5	11.4	10.3
Employee productivity - Direct contribution to GDP per capita (UK)		£	172,000	129,670	139,870
Employee productivity compared to national averages – UK ¹⁹		Number:1	3.1:1	2.4:1	2.6:1
Employee productivity compared to national averages – Scotland ¹⁹		Number:1	3.4:1	2.7:1	3.0:1
Employee productivity compared to national averages - Ireland ¹⁹		Number:1	2.4:1	2.4:1	2.3:1
Employees covered by Living Wage (UK only)	GRI 202-1	%	100	100	100
Employees covered by Minimum Wage	GRI 202-1	%	100	100	100
Employee engagement					
Employee engagement survey participation ²⁰	GRI 404-2	%	n/a	89	92
Employee engagement survey result ²⁰	GRI 404-2	% engagement index	n/a	77	73
Employees participating in the share incentive plan	GRI 404-2	%	75	64	52
Employees participating in the sharesave plan	GRI 404-2	%	43	41	41

	GRI standard	Unit	2017/16	2016/15	2015/14
Employee skill development (training and education)					
Investment in externally-provided training and development	GRI 404-2	£m	1.9	2.1	1.1
Total investment in training and development	GRI 404-2	£m	18.9	£17.2	n/a
Investment in pipelines ²¹	GRI 404-2	£m	9.4	12.7	11
Total number of training interventions ²²	GRI 404-2	Number	103,688 ²³	63,052	48,656
Equal opportunities and non-discrimination					
Percentage of female employees	GRI 405-1	%	31.4	30.9	29.6
Average age of employees ²⁴	GRI 405-1	Years	40	40	40
Male/female employees earning over £40,000	GRI 405-1	%	24.7/12.8	25.3/11.9	23.6/10.9
Diversity of Board	GRI 405-1	% female	33	33	25
Human rights					
Human rights grievances filed through formal mechanisms	GRI 102-18	Number	0	0	0
Modern Slavery Statement			http://sse.com/media/470685/ModernSlaveryStatement2017.pdf		
Corporate governance					
Corporate Governance Report			http://sse.com/aboutus/corporategovernance/		
Business ethics					
Code of business ethics - including anti-corruption, anti-bribery and anti-competitiveness	GRI 102-17		http://sse.com/aboutus/corporategovernance/codeofbusinesspractice/		
Recorded whistle-blowing incidents	GRI 102-17	Number	88	41	n/a
Formal grievances raised	GRI 102-17	Number (Rate per 100 employees)	153 (0.72 per 100 employees)	73 (0.35 per 100 employees)	80
Formal disciplinary procedures instigated		Number (Rate per 100 employees)	254 (1.20 per 100 employees)	271 (1.29 per 100 employees)	319
Suppliers					
Total procurement expenditure	GRI 102-9	£bn	c. 3.0	c. 2.7	c. 2
Supply chain employees impacted by the living wage ²⁵	GRI 204-1	Number	720	400	80
Value of Open4Business contracts	GRI 204-1	£m	36.9	22.8	56.8
Community					
Employee days donated to charity		Days	3,407	3,422	5,000
Participation rate in community volunteering		%	16	17	26
Value of employee days donated to charity ²⁶		£	361,155	355,361	440,626
Community investments funds	GRI 413-1	£m	5.78	3.96	3.7
Investment in communities ²⁷		£m	6.93	4.83	4.16

¹³ Headcount as at 31 March in each financial year – figure includes all SSE UK and ROI employees, excludes contingent/agency staff.

¹⁴ See page 91 in SSE's Annual Report 2017 for further details.

¹⁵ Based on standard contractual hours over a 52 week period (excludes Overtime and Standby).

¹⁶ Excludes end of fixed term contracts and internal transfers.

¹⁷ Based on Turnover reason of "Regretted" as at 31 March 2017.

¹⁸ Figures for 2014/15 and 2015/16 have been restated to now include employees in both UK and Ireland.

¹⁹ 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.

²⁰ Externally facilitated company-wide employee engagement survey, 2016/17 results not available until July 2017.

²¹ Total cost of apprentice, engineering graduate and Technical Skills Trainee programmes.

²² Including targeting courses, workshops, seminars and e-learning packages.

²³ 2016/17 figure represents classroom based interventions only, recorded on SSE's new Learning Management System.

²⁴ Based on average of all ages as at 31 March in each financial year.

²⁵ Estimated by KPMG. Full report can be found at www.sse.com/beingresponsible.

²⁶ 2015/16 and 2016/17 values calculated using the median base salary for those financial years (£27,000 and £27,561 respectively). 2014/15 value taken from SSE's Responsibility Review 2015.

²⁷ Total across UK and Ireland, including: charitable donations through matched funding, Community Investment Funds, Resilient Communities Fund and financial value of employee volunteering. Breakdown found on page 18.

Gender Pay KPIs (UK)

As at 5 April 2017

SSE Business Entity with 250 or more employees	Number of relevant employees in entity	Proportion of male and female employees in business entity (M%/F%)	Mean hourly pay difference between male and female employees (%)	Median hourly pay difference between male and female employees (%)	Proportion of men/women in lower quartile pay band (M%/F%)	Proportion of men/women in lower middle quartile pay band (M%/F%)	Proportion of men/women in upper middle quartile pay band (M%/F%)	Proportion of men/women in upper quartile pay band (M%/F%)	Mean difference in bonus payment between male and female employees (%)	Median difference in bonus payment between male and female employees (%)	Proportion of men/women receiving bonus pay (M%/F%)
SSE Plc	20,309	68.6/31.4	22.0	19.3	56.8/43.2	59.3/40.7	78.4/21.6	84.0/16.0	32.5	9.1	32.1/12.4
SSE Energy Supply Ltd	5,905	40.9/59.1	8.9	-3.8	41.3/58.7	45.5/54.5	35.2/64.8	46.9/53.1	65.4	19.9	8.0/4.2
SSE Metering Ltd	2,543	82.6/17.4	-5.8	0.0	87.5/12.5	82.8/17.2	79.9/20.1	80.8/19.2	-0.9	26.4	37.0/12.2
SSE Contracting Ltd	2,529	89.3/10.7	21.3	20.9	77.7/22.3	88.7/11.3	95.6/4.4	95.2/4.8	-5.5	-25.5	35.1/10.0
Southern Electric Power Distribution Plc	2,427	82.6/17.4	14.6	18.7	72.9/27.1	78.5/21.5	90.1/9.9	90.4/9.6	-5.1	14.4	10.2/6.8
SSE Services Plc	2,281	61.0/39.0	26.5	29.5	38.6/61.4	57.6/42.4	69.8/30.2	81.4/18.6	60.3	21.3	32.7/27.9
Scottish Hydro Electric Power Distribution Plc	1,361	82.4/17.6	20.7	20.1	76.0/24.0	81.9/18.1	89.9/10.1	91.4/8.6	46.8	20.0	19.6/13.3
SSE Generation Ltd	690	87.4/12.6	25.5	27.0	79.7/20.3	80.1/19.9	94.2/5.8	95.9/4.1	60.3	27.9	84.3/82.8
SSE Home Services Ltd	512	78.1/21.9	24.9	24.6	42.6/57.4	82.8/17.2	96.7/3.3	94.2/5.8	7.8	-25.5	73.5/18
Scottish Hydro Electric Transmission Plc	460	80.2/19.8	33.4	36.1	55.8/44.2	81.2/18.8	92.9/7.1	95.6/4.4	48.7	25.5	50.4/35.2
TESGL Ltd	289	80.3/19.7	37.8	45.5	42.3/57.7	90.1/9.9	91.5/8.5	97.2/2.8	69.8	38.1	49.6/31.6

**For further information about SSE,
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