

# Group Climate Change Policy

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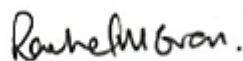
## Policy statement

SSE's vision is to be a leading energy company in a net zero world. It seeks to: reduce greenhouse gas emissions arising from its business activities in line with the ambitions set out in the Paris Agreement and an accelerated pathway to net zero consistent with global warming of no more than 1.5°C, at the same time as increasing the resilience of its business by anticipating and adapting to climate-related impacts.

## Policy purpose

This policy outlines SSE's approach to mitigate and adapt to the impacts of climate change and ensure that climate-related risks and opportunities are integrated into both strategic and operational decision making.

This policy is owned by the Chief Sustainability Officer and is one of a suite of group-level policies that promote a healthy business culture, guide decisions and actions as expected by the company's stakeholders, and make SSE a sustainable company that people want to invest in, buy from, work for and partner with for the long term.



**Rachel McEwen**

Chief Sustainability Officer



**Alistair Phillips-Davies**

Chief Executive Officer



## POLICY PRINCIPLES

The following principles highlight how we expect the policy statement to be achieved, and should be used to guide behaviours, decision making and action:

<p>Net Zero Strategy and Targets</p>	<p>To support the transition to net zero emissions in the countries in which it operates, SSE will develop, own and operate energy infrastructure that supports the electrification of further key sectors and therefore the decarbonisation of the wider economy.</p> <p>Furthermore, SSE seeks to achieve net zero greenhouse gas emissions and its Net Zero Transition Plan sets out SSE's targets, actions and plans to achieve net zero.</p> <p>SSE subscribes to the definitions of net zero set out by the International Panel on Climate Change and the UK's Climate Change Committee.</p> <ul style="list-style-type: none"> <li>• It aims to achieve net zero across scope 1 and 2 emissions by 2040 at the latest (subject to security of supply requirements) and for remaining scope 3 emissions by 2050 at the latest.</li> <li>• Recognising the importance of independent third-party verification, and in support of these longer-term ambitions, SSE has set interim science-based carbon targets, approved by the Science Based Targets initiative (SBTi), aligned to the Paris Agreement and the SBTi's power sector 1.5°C-aligned criteria.</li> </ul>
<p>Neutralising Emissions</p>	<ul style="list-style-type: none"> <li>• SSE considers the neutralisation of residual emissions as the last action on its journey to net zero. SSE will remove and store any residual GHG emissions. Residual emissions are those emissions that remain after all action has been taken to remove them from SSE's direct and indirect activities because they are too difficult or expensive to abate.</li> <li>• In anticipation of the need to neutralise residual emissions in the future, SSE will investigate, where appropriate, the use of both engineered and nature-based carbon removal solutions.</li> <li>• SSE will follow the best available science and independent frameworks when assessing measures for removing and permanently storing GHG emissions from the atmosphere. SSE will undertake monitoring, reporting and verification of any removal and storage solution to ensure accountability and transparency.</li> </ul>

<p>Value chain engagement and action</p>	<ul style="list-style-type: none"> <li>• SSE proactively works with its supply chain partners to deliver low-carbon solutions and increase the resilience of the energy system to the impacts of climate change.</li> <li>• SSE collaborates, invests in and develops new technologies with its suppliers to support the delivery of a net zero economy.</li> <li>• SSE seeks to support its energy customers, both domestic and business, to consume less energy with improved energy efficiency and, increasingly, to switch to low carbon sources of energy.</li> <li>• SSE will work with its Joint Venture partners to establish and maintain net zero pathways and transparent greenhouse gas emission inventories.</li> </ul>
<p>Mitigating emissions beyond the value chain</p>	<ul style="list-style-type: none"> <li>• On occasion, and where appropriate, SSE may invest in mitigation action or investments that fall outside of its value chain emissions. This could include activities that avoid or reduce GHG emissions, or that remove and store GHG emissions from the atmosphere.</li> <li>• Any mitigation actions or investments taken will be considered in the context of recognised science and independent frameworks.</li> <li>• These mitigation actions and investments will not contribute to emission reductions in SSE's GHG inventory.</li> </ul>
<p>Adaptation</p>	<ul style="list-style-type: none"> <li>• SSE assesses the risk of the physical impacts of climate change, including the increased likelihood of severe weather events, in its business continuity and crisis management plans, and implements climate adaptation plans.</li> </ul>
<p>Just Transition</p>	<ul style="list-style-type: none"> <li>• SSE seeks to support a just transition to net zero by maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges.</li> <li>• SSE's Just Transition Strategy provides a framework for social fairness through policy and practical action, partnerships and advocacy. The Strategy recognises the key stakeholders impacted by its transition to net as: employees; communities; consumers and its suppliers.</li> <li>• Specifically, SSE will ensure that its current and future workforce has the skills and capabilities to support the transition to net zero undertaking targeted action to support workers transition from high-to low-carbon jobs.</li> </ul>

	<ul style="list-style-type: none"> <li>• In pursuit of high-quality shareholder and stakeholder engagement, SSE will regularly disclose the progress it makes against its strategic just transition principles.</li> </ul>
Climate Advocacy	<ul style="list-style-type: none"> <li>• SSE advocates for fair, just and accelerated actions to achieve net zero through working with policy makers, trade associations and other key stakeholders.</li> <li>• SSE will only undertake advocacy activity that is in line with the goals of the Paris Agreement and its own net zero strategy, both aligned to limiting global temperature rises to 1.5°C.</li> <li>• SSE will complete a review of its Trade Associations activity against the goals of the Paris Agreement and report on its findings annually.</li> </ul>
Climate related risks and opportunities	<ul style="list-style-type: none"> <li>• SSE assesses the climate-related risks and opportunities that face its business including the potential financial implications of those risks. Climate Change is a Principal Risk for the SSE Group.</li> <li>• As part of assessing its climate-related risks and opportunities, SSE regularly conducts scenario analysis, using external independent climate-related scenarios.</li> </ul>
Disclosures	<ul style="list-style-type: none"> <li>• As a minimum, SSE will provide climate-related disclosures that meet the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in full and therefore achieve compliance with the TCFD Reporting Requirements.</li> <li>• SSE's approach to disclosure is to not only meet the letter and spirit of regulatory requirements but to give value to stakeholders by providing transparency on climate performance.</li> <li>• Enhanced engagement with investors on climate-related issues is considered by SSE to be best practice. SSE will regularly propose a resolution at the Annual General Meeting of the Company for shareholders to receive, consider and express non-binding advisory approval of SSE's Net Zero Transition Report, which reports on the terms and implementation of SSE's Net Zero Transition Plan.</li> </ul>



## ROLES AND RESPONSIBILITIES

This policy applies to all SSE employees and contingent workers. It is relevant to people contracted to provide services to the Company through third parties.

Where we operate internationally, we will utilise our Group Policies as a default, subject to legal or regulatory requirements of the relevant international domain, and relevant local policies and supporting procedures.

The **Group Executive Committee** is responsible for the Group strategy and driving climate-related performance programmes across the organisation.

The **Audit Committee** has oversight of SSE’s annual TCFD disclosures in the Annual Report.

**Business Unit MD’s** and **Directors** are responsible for ensuring their business units have identified and are managing climate-related risks and opportunities. The business unit leaders are accountable to the Group Executive Committee for climate-related performance.

**Managers** are responsible for making sure that their teams understand and comply with the policy and supporting procedures as well as complete any relevant training.

**All employees** must comply with the policy and supporting procedures and complete all relevant training.

The **Chief Sustainability Officer** is responsible for disclosing SSE’s approach and performance around the management of climate-related risks and opportunities to stakeholders. They provide climate-related support to SSE businesses and help ensure that the policy is adhered to through awareness, training and monitoring of policy implementation.



## GOVERNANCE

The **SSE plc Board** and **Group Executive Committee** are responsible for the oversight for this policy including the approval of any changes to the policy. This policy is reviewed annually as part of an evaluation process.

Incidents and breaches are reviewed and where appropriate opportunities for improvement are actioned.



## TRAINING

SSE engages and provides training material to relevant employees to ensure they have the skills, knowledge and resources to deliver our climate-related commitments.

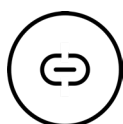


## SPEAKING UP

Employees can discuss anything that falls short of our expected high standards of ethical conduct and compliance, with their line or any other manager within the business. Alternatively, any concerns can be raised internally at [Speakup@sse.com](mailto:Speakup@sse.com) or externally through SafeCall using:

- Phone:
  - UK - 0800 915 1571
  - Ireland - 1800 812 740
  - All other countries +44 800 915 1571. If you are more comfortable speaking in your own language, an independent telephone interpreter will be made available.
- Email: [sse@safecall.co.uk](mailto:sse@safecall.co.uk)
- [www.safecall.co.uk/report](http://www.safecall.co.uk/report)

*Any wrongdoing brought to light through the Whistleblowing Policy will result in internal disciplinary procedures, possible dismissal and criminal prosecution of individuals involved.*



## SUPPORTING DOCUMENTS

Further information on SSE's approach to [Climate Change](#) can be found on [SSE.com](http://SSE.com)

Complementary Policies includes:

- PO-GRP-007 [Group Environment Policy](#)
- PO-GRP-012 [Group Political and Regulatory Engagement Policy](#)
- PO-GRP-013 [Group Procurement Policy](#)
- PO-GRP-014 [Group Risk Management Policy](#)
- PO-GRP-016 [Group Sustainability Policy](#)
- PO-GRP-010 [Group Joint Venture Policy](#)



## DEFINITIONS

**Paris Agreement:** an international agreement reached in 2015 aimed at reducing greenhouse gas emissions and limiting global temperature warming to well below 2°C, aiming for 1.5°C.

**Climate-related risks and opportunities:** risks and opportunities relating to 1) policy and technological aspects of the transition to a zero-carbon energy system and 2) the physical impacts of a changing climate on people and assets.

**Greenhouse Gases (GHG):** Gases which absorb and re-emit infrared radiation, thereby trapping it in Earth's atmosphere. Includes carbon dioxide (CO<sub>2</sub>), water vapor, methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur

hexafluoride (SF<sub>6</sub>), and nitrogen trifluoride (NF<sub>3</sub>). GHG Inventory: According to the GHG Protocol, a “quantified list of an organisation’s GHG emissions and sources.” Emissions inventories typically include emissions in scopes 1, 2, and 3.

**Net zero:** Setting corporate net-zero targets aligned with meeting societal climate goals means (1) achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO<sub>2</sub>.

**Neutralisation:** Measures that companies take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain unabated. Neutralisation efforts can only take place in the net zero target year and beyond.

**Residual emissions:** Emissions sources that remain unabated in a specific year of a mitigation scenario. Long-term SBTs are consistent with the level of residual emissions in the year of global or sector net-zero in 1.5°C-aligned mitigation pathways with low or no overshoot.

**Nature-based Solutions (NbS):** Ecosystem conservation, management and/or restoration interventions intentionally planned to deliver measurable positive climate adaptation and /or mitigation benefits that have human development and biodiversity co-benefits managing anticipated climate risks to nature that can undermine their long-term effectiveness (WWF definition).

**Removals:** Measures that companies take to remove carbon from the atmosphere and permanently store it within or beyond the value chain. For example, Direct Air Capture (DAC) and storage; bioenergy with carbon capture and storage (BECCS), land restoration (such as, of peatland, terrestrial forests or mangroves).

**Beyond Value Chain Mitigation (BVCM):** Mitigation action or investments that fall outside a company’s value chain. This includes activities outside of a company’s value chain that avoid or reduce greenhouse gases, or that remove and store greenhouse gases from the atmosphere. For example, conservation projects (ie peatland), energy efficiency (ie cookstove projects), renewable energy (ie solar, wind, biogas).

**Task Force on Climate-related Financial Disclosures (TCFD):** The TCFD was set up by the G20’s Financial Stability Board to develop voluntary, consistent climate-related financial risk disclosures for use by companies.