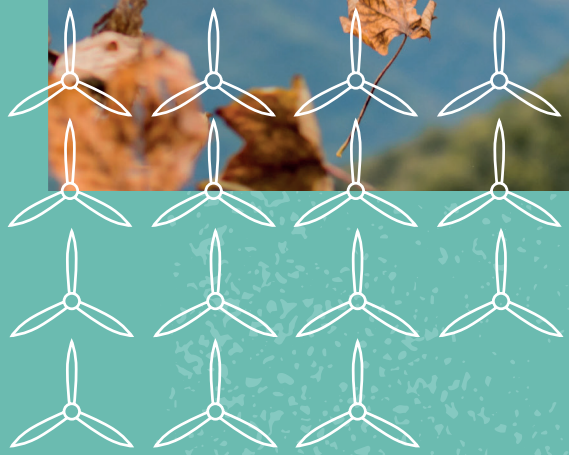
Just transition: measuring progress

From action to accountability



sse | For a better world of energy

About SSE

SSE plc is a UK-listed energy company that operates throughout the UK and Ireland. It is involved principally in the generation, transmission and distribution of electricity, and in the supply of energy and related services to customers.

SSE's purpose is to provide energy needed today while building a better world of energy for tomorrow, and its vision is to be a leading energy company in a net zero world. To achieve this, SSE's strategy is to create value for shareholders and society in a sustainable way through the successful development, efficient operation and responsible ownership of energy infrastructure and businesses.

SSE's purpose, vision and strategy are defined by its commitment to net zero. SSE closed its last coal-fired power station in 2020 and is currently building more offshore wind capability than any other company in the world. Its climate targets are verified by the Science Based Targets Initiative and aligned to the 1.5oC pathway for the power sector.

About this report

This report follows from the publication of SSE's Just Transition Strategy in November 2020. Following continuous engagement with a wide range of stakeholders, SSE sets out to demonstrate the impact its 20 principles for a just transition have had across its business activities, which specifically aim to promote a smooth, fair and just transition to net zero by disclosing progress against its Just Transition Strategy.

Some of the principles while seeming to be, not just transitions specific, form the bedrock of an orderly and successful transition, while we move from a traditional high-carbon industry to a low- carbon one, that is that aims to be dynamic, inclusive and diverse, learning lessons from the past to build for the future.

Taking each strategic principle in turn, quantitative and qualitative evidence is provided to demonstrate the actions SSE has taken to fulfill its objective of influencing the transition to net zero in a way that is fair to working people, consumers and communities. Given the importance of engagement and dialogue to the process of a just transition, several key examples of engagement are provided. In relation to a series of specific commitments by by SSE in 2021 on the worker transition, an update is provided on page 25.

SSE welcomes all feedback and requests for further engagement on the content of this report. Please email **sustainability@sse.com** with the email title 'Just Transition Strategy engagement'.

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Strategy, action and accountability

Foreword from Rachel McEwen, Chief Sustainability Officer, SSE

Too often climate change and net zero are thought of as challenges for technology to solve, that it is a technocratic problem with technocratic answers. The truth is climate change is all about people. It is people who are creating it, it is people who will solve it and it is people who will suffer from its impact.

This is why SSE is so keen to make sure that the implications of both climate change and the transition to net zero – on people – are integrated into our net zero planning.

So, in late 2020 we published a Just Transition Strategy. With net zero baked into the SSE's vision, purpose and strategy, the systematic consideration of the implications of that transition for people, seemed a natural development.

From a pure business perspective, there is a case for there being a fair and just transition to net zero. SSE seeks to invest £25bn between 2021 and 2031 in low carbon infrastructure. Our current capital investment plan is called the 'Net Zero Acceleration Programme'.

Our ability to deploy that investment, and in turn, earn a reward for doing so, depends upon consent of our stakeholders. To deserve that support, employees, communities and consumers must sense fairness is the way that the costs and benefits of those investments are allocated.

We've spent two-and-a-half years translating strategy into action. We have engaged with hundreds of stakeholders. A powerful consensus in favour of a fair and just transition is emerging amongst investors, environmentalists and trade unionists and SSE is proud to play its part.

This report seeks to shift SSE's focus on the 'just transition from one of strategy and action – to one of accountability.

We have attempted to disclose the actions, and the outcomes against each of the twenty just transition principles established in November 2020 with the clear purpose of bringing about enhanced scrutiny and engagement.

The question must be, what more should a company like SSE do, and how can we do what we do better?

It is also true, that we hope to normalise the principles of a just transition within climate disclosure. As companies and governments carefully consider the components of high-quality net zero transition plans, we believe they should ensure that the implications for working people, their communities and consumers, should be front of mind.

Powering a just transition

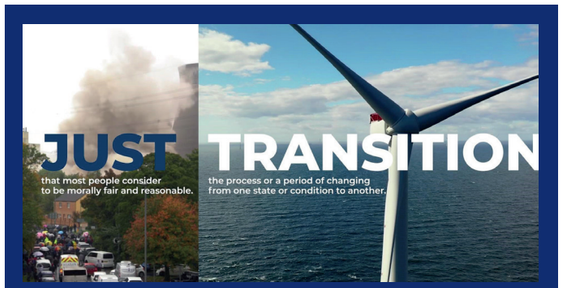
The change of the scale and nature needed to achieve net zero brings social consequences, impacting people – employees, consumers, communities, suppliers, and wider society – in many different ways.

This can include both positive and negative impacts, for example: the loss of high-carbon jobs; the creation of new low-carbon jobs; access and use of new technologies; economic opportunities from new investments; and impacts on household energy bills.

Companies like SSE have a responsibility to influence those impacts as it transitions out of high-carbon activities and transitions into a net zero world: minimising potential negative impacts while at the same time seizing the opportunities to increase value and share economic prosperity. A just transition to net zero helps ensure that the actions and investments required to decarbonise energy systems attract long-term public and social legitimacy.

A strategy for a just transition

In November 2020, SSE became the first company to publish a Just Transition Strategy. A framework of 20 principles is outlined in the Strategy, helping to guide SSE's decision-making and influence greater fairness for those impacted by the decline of high-carbon economic activity and increase the opportunities of climate action.



What is the just transition?

A just transition seeks to reach net zero in the fairest way possible for working people, consumers and communities, ensuring that the benefits of climate action are shared widely whilst preventing an unfair burden of the costs on those with the least.

SSE'S 20 PRINCIPLES FOR A JUST TRANSITION

TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
SSE'S PRINCIPLES FOR GOOD, GREEN JOBS	SSE'S PRINCIPLES FOR CONSUMER FAIRNESS	SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS	SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS	SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES
1. Guarantee fair and decent work	5. Co-create with stakeholders	9. Support competitive domestic supply chains	13. Re-purpose thermal generators for a net-zero world	17. Deliver robust stakeholder consultation
2. Attract and grow talent	6. Factor-in whole-system costs and benefits	10. Set social safeguards	14. Establish and maintain trust	18. Form partnerships across sectors
3. Value employee voice	7. Make transparent, evidence-based decisions	11. Share value with communities	15. Provide forward notice of change	19. Promote further industrial development
4. Boost inclusion and diversity	8. Advocate for fairness	12. Implement responsible developer standards	16. Prioritise retraining and redeployment	20 Respect and record cultural heritage

Moving from principles to action

Following on from SSE's Just Transition Strategy, SSE has turned its attention to turning it 20 principles into meaningful action. Over 2021/22, SSE undertook wide-ranging stakeholder engagement on its just transition approach, which included meeting and consulting with policy makers, trade union partners, suppliers, oil and gas companies, investors, academics, and industry and skills bodies, and importantly it also sought insights from its own employees. In September 2021, SSE published a report focused on the worker transition, based on this research and engagement it had undertaken. The report outlines 20 commitments for SSE, 10 recommendations for industry and 10 recommendations for governments which are all focused on practical actions to support workers transition.

More recently, SSE's electricity distribution networks company, SSEN Distribution, published a report in early April 2023 which explores how net zero can be delivered fairly for consumers. The report shares SSEN's 'learning by doing' approach, through its innovation programme, collaborations and research, and gives thoughtful consideration to the impact of future local smart grids and how the opportunities of that system can be shared widely to deliver a just transition for consumers. The report also lays out the stakeholder engagement carried out in order to support this.

See pages 16 and 23 for more details on these reports. The report can also be read here **https://www.ssen.co.uk/globalassets/news--views/documents/ssen-a-fair-energy-future.pdf**

Collaborating for a just transition

It is widely recognised that in order to carry out an orderly transition to net zero no one actor can do this alone be that government, business, communities or workers. A just transition to net zero can only be achieved through a collaborative approach. SSE's Just Transition Strategy and the progress it has made to date, are the result of the robust relationships it has with its stakeholders, including numerous industry, education and skills bodies. Ongoing engagement, consultation and collaboration with these partners, and others is critical in developing just transition plans and strategies.

International collaboration is also key in establishing global consensus on what a just transition looks like for different regions and sectors. COP 26 in 2021 saw 30 countries signing a Just Transition Declaration committing them to strategies that ensure that workers, businesses and communities are supported as countries transition to greener economies. This was followed up in 2022 at COP 27 with the establishment of a work programme on just transition. The "Sharm el-Sheikh Implementation Plan" asserts that just transition is founded on social dialogue. It is within this context that SSE recognises the benefit of input from all stakeholders and the risks associated with the exclusion of key actors. SSE will continue to engage with seek input from those who influence and are impacted by the transition to net zero.

Dilemma

Judging the quality of engagement, consultation and co-creation

Deliberative justice is as important a principle as distributional justice because it is the process by which fairness is both perceived and experienced. This is well understood in theory. But in practice, the quality of engagement, consultation and co-creation, is a subjective judgement.

It is perfectly possible to engage, but not consult, and to consult but not co-create.

As a large company, with resources and well trained and experienced employees, SSE must be aware of power imbalances that can arise. And, in turn, that there are power imbalances within and between stakeholder communities. There are times, given the nature of the issue at stake, that the level and extent of stakeholder engagement, consultation and co-creation will vary.

For example, when determining possible routes for transmission infrastructure, co-creation of the initial corridor options would be constrained by the technical and engineering expertise required. From those initial high-level plans, extensive community consultation will follow, more and earlier than statutory requirements for planning consent, and proposals may change and iterate as a result.

Community investment funds arising from new wind farm installations, however, must be carefully co-created with the local communities right from the beginning, establishing, for example, the boundaries of benefit and the structure for grant giving.

Both these examples represent real-world cases where SSE is on-the-ground and is seeking to do it right.

In principle, co-created transition plans through periods of change represent the ideal. This notion is recognised by independent third parties as a benchmark from which just transition plans should be judged. SSE's experience demonstrates that incorporating practical real-world perspectives will add value too.

For SSE to achieve its full transition from being a direct emitter of greenhouse gases to one that emits zero emissions, is a process with will take another 17 years. We seek to do that in the most constructive and deliberative way we can. We understand we might not always get it right. We do, however, make a firm commitment to learn our lessons along the way and will always be open to comment, advice and feedback as to how we can do it better.

Key findings

The below tables set SSE's 20 principles for a just transition, as defined within its November 2020 Just Transition Strategy, with a summary of progress made against each principle over the last two-and-a-half years. These tables will be updated on a biennial basis in order to assess progress.

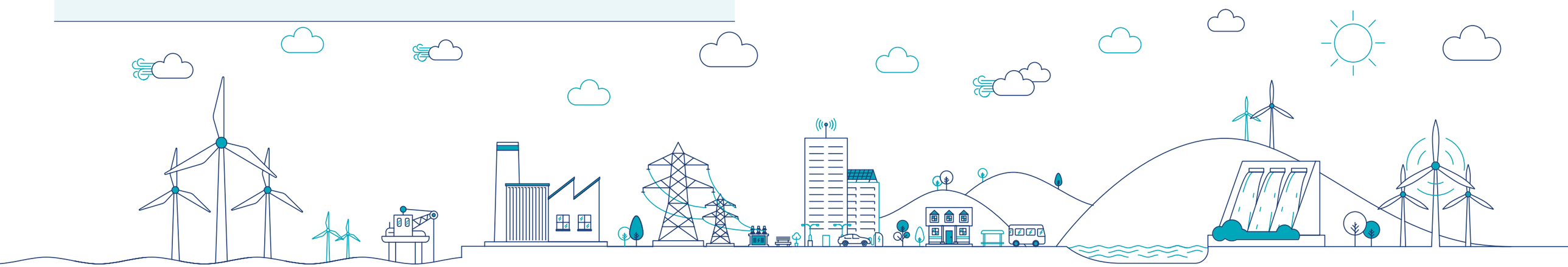
Scorecard: measuring progress of SSE's Just Transition Strategy 2021-2023

Good green jobs - see page 11

Principle	Progress 2021-2023
1. Guarantee fair and decent work SSE is guided by the fundamental principles defined by the International Labor Organization (ILO) and the Principles of the UN Global Compact. Enhanced social standards for employees, alongside mature employee relations and trade union recognition, set the foundation for fair and decent work at SSE.	• In 2021, SSE moved to a skills-based pay progression approach for those covered by the SSE Joint Agreement in the UK. • In response to the cost-of-living crisis, all eligible colleagues earning less than £100,000 per year received up to 5% as an advance salary increase on 1 October 2022. • SSE became a Living Hours accredited employer in March 2021 and work has begun to roll the new • accreditation out in its supply chain.
2. Attract and grow talent Long-term sustainable employment, providing the opportunity for ongoing development and training. SSE deliberately seeks to attract talent from declining 'brown' industries, and reach people with STEM skills and knowledge who are ready to make the transition to the green electricity sector.	• 4,300 permanent appointments made from 31 March 2022 to 1 April 2023. • 20 STEM Returners recruited 2021-2023. • 492 apprenticeships from 2021 to 2023. • 416 graduates from 2021 to 2023. • 1,773 SSE employees identified as former high-carbon employees in 2022, up from 1,081 in 2021.
3. Value employee voice SSE actively seeks to gather and act on employee feedback, including through regular and detailed employee surveys and employee focus groups which provide feedback directly to SSE's most senior levels.	• 79% participation rate in all-workforce survey in October 2022. • 84% positive score in Sustainable Engagement Index. • 54.3% of SSE's total direct workforce were covered by collective bargaining agreements in 2022/23.
4. Boost inclusion and diversity The energy transition provides an opportunity to actively deliver a diverse mix of people from every kind of background working in the energy sector and support an inclusive working environment where they can thrive. SSE commits to continued tracking and reporting on the diversity of its workforce to monitor progress and ensure action is targeted and effective.	In 2023 inclusive hiring practices in senior appointments has resulted in: • 99.5% of roles openly advertised , an increase in the last year from 97%. • 100% of hiring managers have been trained (up from 96% in 2022). • 96.7% of recruitment panels have been gender diverse (down from 99.5% in 2022). • 64.5% of shortlists at this senior level have been gender diverse (down from 80% in 2022).

Consumer fairness - see page 15

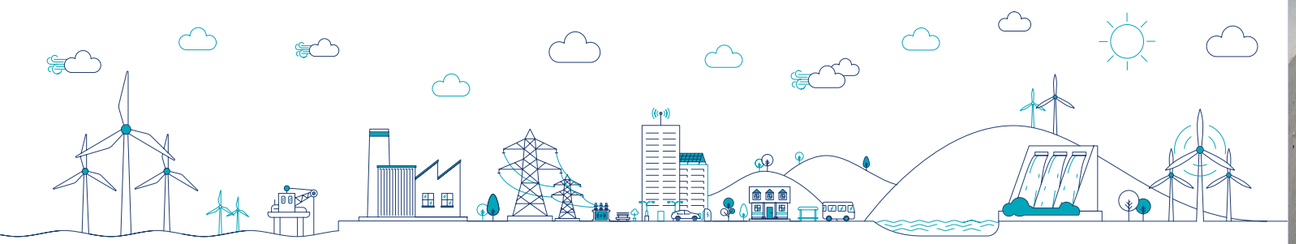
Principle	Progress 2021-2023
5.Co-create with stakeholders While SSE seeks to engage, consult and partner with stakeholders on all of its activities, there are specific actions that require co-creation with critical stakeholders. SSE commits to continued high quality co-creation of business plans for electricity distribution and transmission ensuring the right balanced judgments regarding the distribution of costs and benefits of investments are made.	• Both SSEN Transmission (2021-2026) and SSEN Distribution (2023-2028) business plans were co-created with stakeholders, with both businesses establishing enduring stakeholder structures to review and monitor the implementation of the business plans. • In SSE Renewables, the design for each new Community Investment Fund is co-created with local communities impacted by both the construction and operation of new renewable installations. • In Argyll, a key SSEN Transmission nature-based solution to develop the Argyll Rainforest was co-created with the Argyll Community Trust.
6. Factor in whole- system costs and benefits SSE will, openly and transparently, undertake whole-system assessments of investments, particularly for electricity transmission and distribution plans, that properly reflect both the costs and benefits to energy consumers. This will support identification of trade-offs and the ability to take decisions that support a more equitable allocation of costs amongst energy consumers.	• SSE joined Project Orion in April, 2020 an all-energy project with multiple stakeholders, seeking to develop both the Shetland economy and the Shetland energy system for both climate and economic benefit.
7. Make transparent evidence- based decisions SSE will work openly with public agencies, consumer advocates and other industry participants to inform high quality impact evaluations that consider the complex trade-offs that can exist between environmental, social and economic benefits, and the consequential impacts on consumers.	• All investment cases for major electricity transmission and distribution projects are published, as a matter of record and for stakeholder and public scrutiny. • SSE's flagship innovation project in Oxford, called Project LEO, is a large, multi-stakeholder, multi-partner demonstrator of smart electricity systems and the conclusions of the project have deliberately taken a whole-system approach (see case study on page 16.
8. Advocate for fairness SSE will share the insights gained from service experiences through industry bodies and its interactions with governments and regulators, and advocate for policy that delivers universal access to the benefits of smart grids.	• SSEN Distribution published its just transition report "A fair energy future" in March 2023. The report sets out 10 recommendations for government and industry. • Phase 2 of SSEN Distribution's Smart and Fair project with the Centre for Sustainable Energy was launched in May 2021.



Key findings continued

Building and operating new assets - see page 17

Principle	Progress 2021-2023
9. Supportive competitive domestic supply chains SSE is committed to working closely with governments, and suppliers across the industry to create the conditions for investment in supply chain goods and services, promoting economic opportunities to local and national suppliers through strategic supplier engagement and local 'meet the buyer' events.	• In 2021 SSE became the largest UK funder of a consortium committed to delivering the Nigg Offshore Wind (NOW) facility, which will be capable of manufacturing up to 135 next-generation offshore wind towers per year. • In 2022 SSE Renewables' successful ScotWind offshore wind bid committed to a £30m supply chain fund. • SSE supports the strategic investment in offshore supply chain in Scotland and is co-chair of The Scottish Offshore Wind Energy Council (SOWEC) seeking to impart its recommendations.
10. Set social safeguards SSE acknowledges that the transitional technologies needed to deliver net zero may have increased human rights risk due to the rare minerals required and the global workforce involved in manufacturing. SSE will therefore target this as a key area for enhanced due diligence in its approach to mitigating modern slavery risk from its supply chain.	• Over 2022/23 SSE included enhanced as standard contract clauses to protect workers throughout the supply chain from exploitation. • Embedded enhanced due diligence practices such as prequalification and tender questions in each procurement exercise. • Undertook risk assessments with third party specialists on major projects and high risk business operations. • Delivered training to 200 procurement professionals and 60 project managers deemed to be in roles that are most likely to be able to identify and mitigate human rights abuses. • Increased engagement and awareness by joining the Scotland Against Slavery working group, the Supply Chain Sustainability School working group, Powering Net Zero Pact human rights working group, and following being a member of Utilities Against Slavery since 2020, in 2023 SSE joined the Steering Committee.
11. Share value with communities SSE will share the economic value of renewables projects through community investment funds – at the same time as innovating models of community partnership, including the notion of shared ownership.	• SSE is one of the largest corporate grant givers in the UK and Ireland and, over 2021/22, it awarded £10.2m to support more than 1,000 community projects. • Further development is underway to establish a model for shared ownership of appropriate onshore wind farms.
12. Implement responsible developer standards SSE seeks to go beyond its legal obligations when developing, constructing and operating assets, developing processes to incorporate sustainability impacts into governance frameworks, while engaging stakeholders to understand and address their interests.	• Implemented new process within governance framework for all large capital projects to deliver enhanced sustainability impacts. • The new process of embedding sustainability in major infrastructure includes the identification of human rights risks and identifying social value at each stage. • From 1 April 2022, a Sustainability Assessment and Action Plan (SAAP) is required for all projects and those in development. Guidance, training, and additional resources for project teams support the roll-out of this new approach, in addition to partnering with external experts at the Supply Chain Sustainability School.

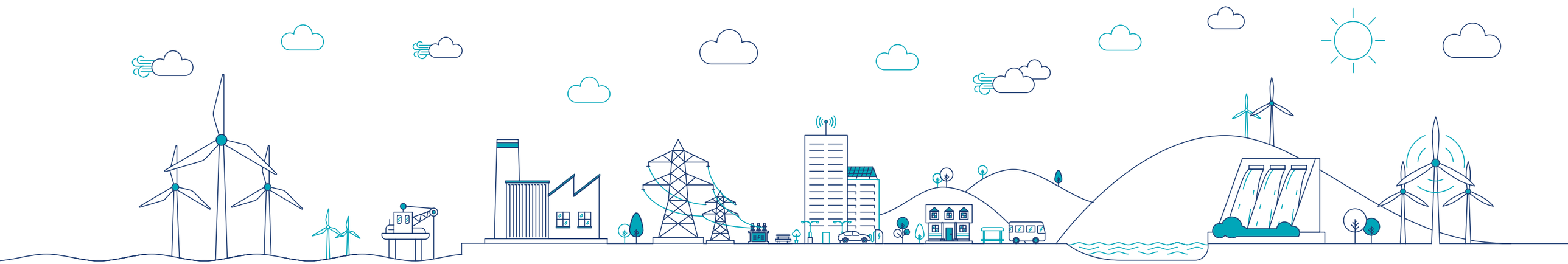


Protecting people in high carbon roles - see page 19

Principle	Progress 2021-2023
13. Re-purpose thermal assets for a net zero world SSE will continue to seek out and progress economic opportunities to provide flexible, decarbonised electricity by deploying shared CO_2 transport and storage infrastructure and hydrogen networks within industrial clusters innovating with suppliers and partners to achieve this.	• Keadby 3 is progressing through the UK Government's cluster sequencing process, with opportunities to plug into Track-1 or Track-2 clusters. Engineering and development continues with planning permission secured in 2023. • Peterhead Carbon Capture Power Station is being developed at the same site as the existing station, with the potential to plug into shared CO_2 infrastructure developed through the UK Government's Track-2 cluster sequencing process. • Progressing Aldbrough as a pathfinder project to repurpose the site to store low carbon hydrogen.
14. Establish and maintain trust In times of industrial change, SSE commits to process of transparency and openness that will support the development of employees, enabling them to adapt and develop their skills for future potential opportunities.	• Openness and transparency to SSE employees and stakeholders on SSE's Net Zero Transition Plan. • SSE's Non-Executive Director for Employee Engagement leads on engaging with officers of trade unions and internal trade unions representatives on key strategic issues affecting the workforce, holding meetings at least twice a year.
15. Provide forward notice of change In times of change, SSE will seek to give its employees advance notice of change wherever possible and will actively engage with its employees as well as trade union representatives, public authorities, training agencies and enterprise agencies as early as possible, whilst recognising the market rules on power plant availability.	• SSE's existing Tarbert Power Station in Ireland, is required to close by the end of 2023, in line with its environmental license. SSE Thermal received a 10-year contract in April 2023 for a new, low-carbon power station at the site which would run on sustainable biofuel. In preparation for closure, SSE Thermal has commenced a redundancy consultation process employees to consider redeployment options at other SSE sites, and involvement in decommissioning work and the future Tarbert low-carbon generator.
16. Prioritise retraining and redeployment SSE commits to, wherever possible, retraining and redeployment being the first options available to employees affected by business change. Where this is not possible SSE will work with its employees and trade union partners to ensure fair consultation and reasonable terms are provided which support onward transition.	• In 2022 SSE initiated re-training programmes to widen its reach to those that want to transition to low carbon roles. For SSE, this includes initiatives which have been developed over the year, including a pilot engineering conversion course in its networks business for those with an engineering background in different sectors.

Supporting communities - see page 21

Principle	Progress 2021-2023
17. Deliver robust stakeholder consultation SSE commits to undertake consultation and information sharing engagement with its local stakeholders during periods of change including SSE's supply chain enabling them to respond to market changes in an informed way.	• Keadby 3 and Peterhead community consultations; included in-person and online events, postal drops, materials publicly available, digital consultation rooms, meetings with local stakeholders. • Adbrough Community Liaison Group (CLG) meets monthly. • SSE Thermal is seeking develop a new low-carbon power station at its site in Tarbert in County Kerry helping to protect security of supply and provide flexible backup to renewable generation.
18. Form partnerships across sectors SSE will seek to establish partnerships that will enable SSE and other power generators to construct decarbonised stations and will also facilitate the decarbonisation of wider industry.	• Keadby 3, which is currently in the due diligence stage of the UK Government's Cluster Sequencing Process. This process will give the project the opportunity to receive government support, allowing it to deploy cutting edge carbon capture technology and to connect to the shared CO_2 and hydrogen pipelines being developed as part of the Zero Carbon Humber and East Coast Cluster proposals.
19. Promote further industrial development SSE will continue to identify sites hosting its industrial assets and evaluate their current and future economic value that support vibrant local economies and their communities and the ability to re-develop these sites as low carbon thermal generators. Tarbert low carbon new build generator received a 10 year contract in April 2023.	• In 2020, following the closure of SSE's Fiddler's Ferry Power Station, a specialist task force group was formed to understand how the site could continue to make a valuable contribution to the local area.
20. Respect and record cultural heritage SSE will seek to identify and collate archive material relating to the energy transition to net zero which is of high cultural value, to ensure it is retained for historical record.	• In February 2022, in collaboration with the Cultural Development Partnerships Management for Warrington, UK, SSE gifted a collection of 46 items of significant cultural value from Fiddlers Ferry power plant to Culture Warrington. • In October 2022, an exhibition of artwork was displayed in Warrington, created with funding support from SSE, to capture the industrial heritage of Fiddler's Ferry Power Station.



Good green jobs

Progress in detail

1. Guarantee fair and decent work

A. Living Wage and Living Hours accredited: SSE firmly supports the principles and values promoted by the Living Wage Foundation in the UK and seeks to support both the Foundation and the wider business community increase the number of working people earning at least a real Living Wage. SSE has been a real Living Wage accredited employer since 2013 in the UK and paid a Living Wage in Ireland since [2016]. Furthermore, SSE became a Living Hours accredited employer in March 2021 and work has begun to roll the new accreditation out in its supply chain.

In September 2022 in response to the cost-of-living crisis, the Living Wage Foundation announced the new real Living Wage in the UK two months earlier than usual. The new hourly rate in the UK of £10.90, represented a 10.1% increase from the rate in 2021. SSE welcomed the action taken by the Living Wage Foundation implemented the new rate to those it affected within SSE, within [two months] of the announcement.

Furthermore, in recognition of the cost-of-living pressures affecting its employees, on 1 October 2022 SSE brought forward part of its trade union negotiated cost-of-living increase for 2023, by awarding up to a 5% increase to all employees earning less than £100,000 annually.

B. Update to Sustainable Procurement Code: In April 2021 SSE's Sustainable Procurement Code replaced the previous responsible procurement charter. The code was updated in 2022 and requires suppliers to:

'Pay the enhanced voluntary real Living Wage rate as set by the UK's Living Wage Foundation and provide secure, guaranteed working hours in line with Living Hours requirements, to relevant employees contracted or subcontracted in the UK, subject to the conditions detailed within SSE's Living Wage and Living Hours Clause.'

C. Pay progression advanced: Through various employee voice forums, surveys, anecdotal feedback, exit surveys, and by benchmarking against external companies, SSE takes a broad and comprehensive assessment of its proposition to its employees.

In 2021 in the UK, and following extensive consultation with its recognised trade union partners, SSE moved to a skills-based pay progression approach for those covered by the SSE Joint Agreement. Pay Progression is a new skills-based pay model at SSE that has been jointly developed with Trade Union partners. It has been designed to allow all employees supported by the Joint Agreement the opportunity to be fairly recognised and rewarded for the skills they develop and use in their role.

Pay Progression allows the majority of employees under the Joint Agreement the ability to increase their salary by obtaining and utilising skills, allowing them to work their way up the pay scale for their role in regular steps. A high proportion of these employees have received a salary uplift since implementation of Pay Progression following a mapping exercise, to recognise the skills they acquired and where they need to be on the pay scale – and these uplifts were backdated to 1 April 2022.

2. Attract and grow talent

A. Growth for the future: SSE is investing up to £25bn in low carbon infrastructure in the period to 2031, expecting to create at least 1,000 new jobs a year to 2026, with opportunities for further growth. SSE needs talented people across its business operations and in the UK, Ireland and beyond.

SSE is on track to deliver 4,300 permanent roles of which a significant number are new roles, in 2023 across SSE. This will see SSE surpass the 1,000 roles referenced at the beginning of 2023.

This has allowed growth in Early Career channels and increased internal career opportunities for current staff as well as opportunities for those transitioning from high carbon to low carbon roles to join SSE given many of transitioning oil and gas workers have skills necessary for offshore wind and carbon capture and storage (CCS) as examples.

B. Increase in avenues to access: In 2020/21, SSE maintained 60 Graduates however SSE had significant growth in the programme for 2021/22 with 136 Graduates recruited on around 13 different programmes. This is continuing into 2023 with 220 Graduates due to be recruited by September. This is a key early career pipeline for 2023.

C. STEM Delivering on Engagement: SSE's STEM Community consists of 550 volunteers from across the business units, delivering a significant number of engagements, providing curriculum aligned workshops and employability skills to Strategic Partnership schools across 24 priority locations, showcasing the range of career opportunities within the energy sector across the UK and Ireland.

The impact of this engagement is tracked and will be evidenced by metrics collected through applications to SSE's early career pipelines including its apprenticeship programme. This data will be published in future just transition disclosures.

D. Supporting supply chain route to employment: In terms of impact on indirect employees the updated Sustainable Procurement Code for suppliers SSE requires:

- education and employability programmes which promote the development of employee skills as well as local employment, including graduate programmes and apprenticeships
- reporting of training and apprenticeships programmes, if requested by SSE.

3. Value employee voice

A. Employee representation: In 2021/22, 54.2% of SSE's total direct workforce were covered by collective bargaining agreements.

SSE's Sustainable Procurement code also requires suppliers to have policies in place which cover the right of collective bargaining and freedom association for their workers. And encourages them to have employee engagement surveys.

B. Employees engaged: In SSE's most recent Group wide survey, known internally as the Great Place to Work survey

taken in October 2022, 79% of the workforce shared their opinions on life at SSE. The Sustainable Engagement Index captured at that time was 84% positive, 2 points above the industry benchmark and up 2 points from the previous year, showing post pandemic stability for SSE. With questions covering a range of themes, including culture, strategy, wellbeing and ways of working, SSE's results for 2022/23 were positive across the board, showing steady improvement from the previous year and a strong performance against external benchmarks.

This survey acts as a key contributor to SSE's just transition employee listening, allowing SSE to understand more about the employee experience through this lens. Within SSE, just over 1 in 5 colleagues have made the transition from high to low carbon roles. Engagement scores are higher for those colleagues who have made the transition and highest for those who have done so within the last 2 years. The strategy scores in particular stand out as being significantly high for this group. These reflections are consistent throughout the typical employee lifecycle. These finding aid understanding of what is required in attracting and retaining talent for a workforce which is needed to achieve net zero.

4. Boost inclusion and diversity

A. Hiring for Difference: From 1 April 2021, five standard hiring behaviours (KPIs) were set out for everyone involved in senior hiring and called "Hiring for Difference".

Change to -"In 2023 inclusive hiring practices in senior appointments has resulted in:

- 99.5% of roles openly advertised , an increase in the last year from 97%.
- 100% of hiring managers have been trained (up from 96% in 2022).
- 96.7% of recruitment panels have been gender diverse (down from 99.5% in 2022).
- 64.5% of shortlists at this senior level have been gender diverse (down from 80% in 2022).

The Executive Committee is provided with quarterly scorecards showing adherence to the standards. This simple act of keeping a spotlight on the standards expected has resulted in large increases in adherence over the course of the year.

The hiring profile of women in senior roles is 29% in 2022/23. With the proportion of women in the leadership group at 25%.

Outside of senior hiring there have also been increases in women across:

- Apprentices - increased to 11% women in 2021/22 (from 7% year before)
- Graduates - increased to 39% women in 2021/22 (from 23% year before)
- Trainee engineers - increased to 21% women in 2021/22 (from 11% year before).

B. Enhanced family leave offerings: SSE's aim is to create a flexible and inclusive culture where all new and prospective parents, whatever their gender/ gender identity, sexual orientation, or family status feel supported and have the opportunity to reach their full potential. In 2022, a dedicated project group conducted an in-depth review of SSE's Employee Value Proposition covering family leave entitlements along with reward, benefits and wellbeing offerings.

One of the outputs of the project was a proposal to make a number of improvements to SSE's family leave offering. Three new leave entitlements were created: Partner's Leave, Pregnancy Loss Leave and Leave for Fertility Treatment. Enhancements were also made to two existing entitlements: The Gradual Return from Maternity and Adoption Leave and Time off for Antenatal and Adoption Appointments.

The new and amended family policies were developed through SSE's Policy Review Group which is made up of representatives from the HR team and the four recognised Trade Unions (Prospect, Unison, Unite and GMB).

In October 2022, the work of the Employee Value Proposition Group was shared with the full-time union officials at a meeting of the Joint Negotiating and Consultative Committee (JNCC).

C. Supporting inclusion and diversity across the supply chain: Focusing on indirect employees the Sustainable Procurement Code now requires suppliers to:

- provide evidence of policies and practices that result in improved inclusion and diversity of the workforce and provide information on the results of those practices.

It also encourages suppliers to:

- monitor, report and understand their diversity data
- engage and collaborate in meaningful partnerships, such as UN Global Compact, #Equalby30 or relevant equivalent, to deliver successful inclusion and diversity initiatives within their direct and supply chain operations.

D. Employee led: There are eight 'Belonging in SSE' communities representing Ethnicity and Culture, the Armed Forces, Disability Neurodiversity and Chronic Health, LGBTQIA+, Menopause, Gender Balance, Working Families and Health and Wellbeing. All eight belonging communities MD aligned sponsors who meet with the co-leads every two months.

Each community has an action plan that the communities believe drive culture change. These action plans are updated regularly and are available on SSE's internal inclusion and diversity hub site for all employees.

Co leads of the belonging communities meet with SSE's Chair and the Non-Executive Director responsible for employee engagement twice a year, and a selection meet with the Group Executive Committee once a year - allowing the senior team to understand fully any challenges identified are and address barriers. The Co leads have also feed into large people process changes offering different perspectives on large, planned changes within SSE.

Case study

Principle 2: Attract and grow talent

Apprenticeships for the net zero world

Attracting people at the beginning of their careers and investing in their skills and knowledge is key to ensuring SSE can fulfil the future skills requirements in its business and its supply chain.

SSE's Viking wind farm will be a 103-turbine, 443MW onshore wind farm that will harness the abundant wind resource on Shetland, capable of producing enough energy to power the equivalent of almost half a million homes, including every home in Shetland*. When complete in 2024, it will be the UK's largest onshore wind farm in terms of annual electricity output^, playing a crucial role in contributing towards the UK and Scotland's net zero targets.

With the Shetland Islands having an important role in the history of oil and gas exploration in Scotland, Viking Wind Farm plays a part in the transition of the island economy away from fossil fuels, giving young people an alternative low carbon career path to take. In 2022 four young people from Shetland took part in an apprenticeship scheme giving them an opportunity to build a career while staying in the communities they come from.

16-year-old Anna McDowall from Voe, 19-year-old Owen Priest from Gulberwick, 17-year-old Edward Stanley from Reawick and 17-year-old Aaron Regler from Sandwick are currently studying for one year at University of the Highlands and Islands (UHI) Inverness as part of their training to become four of the first wind turbine technicians working at the Viking Wind Farm, when it enters operation in 2025.

When the year ends, the apprentices will commence a three-year training course with Vestas to give them the skills to help maintain the turbines. Vestas is responsible for the supply and maintenance with a 30-year service and maintenance contract for the project.

UHI Inverness will continue to assess the young peoples' skills throughout their apprenticeships so that they can become fully qualified Vestas wind turbine technicians.

SSE opened 361 apprenticeship opportunities in 2020/21 and 280 in 2021/22. Across the whole programme skills opportunities include engineering; Electrical, Joiner, Fitter, Energy Power Network Engineer, Finance, Procurement and Data Science. Each of these skills and specialisms support the transition to net zero.

* 475,099 homes powered per annum based on annual GB average domestic household consumption base of 3.781MWh published by the Department of Business, Energy and Industrial Strategy (BEIS) as of November 2018 and projected total generation output by Viking Wind Farm of 1,796.35 GWh per annum. Equivalent every home in Shetland claim based on 10,235 recorded households in Shetland, published in Shetland in Statistics 2017 by Shetland Islands Council, 2018.
^ Most productive UK onshore wind farm claim based on projected total generation output by Viking Wind Farm of 1,796.35 GWh per annum and a comparison with the leading UK operational and in construction wind farms.

Consumer fairness

Progress in detail

5. Co-create with stakeholders

A. Identifying opportunities for a fair and equitable transition to decarbonised heat: While heat pumps are likely to provide an excellent low carbon alternative to gas central heating in many cases, there can be practical constraints that mean they are not the most appropriate low carbon solution for every home. An alternative to heat pumps is smartly controlled electric storage heating which could enable consumers to benefit from the use of electricity at off peak rates (typically overnight).

A report produced by SSEN Distribution and Grid Edge Policy examined the opportunities presented by the use of storage heating as a viable alternative to heat pumps, and the changing role DNOs may need to play to provide flexibility services to ensure value when adopting this type of technology. The report determined that storage heating with smarter controls could offer a suitable solution for many properties where heat pumps are unsuitable due to space, higher upfront costs and home efficiency (heat pumps are less efficient in poorly insulated homes).

The report also noted that properties with storage heaters are overwhelmingly lived in by more vulnerable households on lower incomes who can be pushed into fuel poverty by the higher running costs of existing legacy electric heating systems. The report therefore recommended a clear vision for these households and the housing stock should be a priority to ensure a fair transition to net zero. The learnings from this project are being used to build future projects to understand the specific impacts of flexible heating demand and build safeguards for vulnerable customers when alternative technologies are being considered. Since the report was published, SSEN Distribution have purposely included smartly controlled storage heating as part of heat decarbonisation scenarios investigated as part of the 4D Heat project and raised the issue with the Scottish Government though their Heat Electrification Partnership.

SSEN Transmission initiated engagement for the next business plan which will start in 2026. engagement has started in order to co-create the plan and ensure it delivers expectations on net zero, energy security and value for money through its economic, social and environmental legacy.

6. Factor- in whole-system costs and benefits

A. A whole-system solution for Shetland: SSE joined Project Orion (Opportunity Renewables Integration Offshore Networks) in April, 2020, an all-energy project with multiple stakeholders, seeking to develop both the Shetland economy and the Shetland energy system for both climate and economic benefit. The aim of ORION is threefold:

- Enable offshore oil and gas sector transition to net zero by electrification, utilizing initially onshore and then offshore wind, sustaining thousands of jobs and security of supply.
- Transform Shetland's current dependency on fossil fuels to affordable renewable energy to address fuel poverty and improve community wealth.
- Create on Shetland a green hydrogen export business at industrial scale by harnessing offshore wind power and creating new jobs.

B. Stakeholder engagement on Net Zero Transition Plan: SSE has an important role in supporting its customers and consumers access affordable and clean energy. From driving down the cost of generating electricity from renewables, providing low-carbon energy solutions and green services to customers, to the careful balancing of consumer interests in electricity networks business plans – SSE's businesses seek to ensure the transition to net zero represents value for consumers.

In November 2021, SSE announced an ambitious £12.5bn capital investment plan which will accelerate progress towards net zero over the five years to 2026, the majority of which will go to low-carbon infrastructure. Aimed at accelerating clean growth, alongside ambitious 2031 targets, aligned with net zero and 1.5°C. It is estimated that SSE's capital investment could total in excess of £25bn this decade in the UK and Ireland. This significant investment will contribute towards tackling climate change whilst securing indigenous energy supplies and creating high quality low-carbon jobs. It will also enable deliver of around 20% of the UK's revised 50GW offshore wind target and over 20% of UK electricity networks investment, whilst deploying flexibility solutions and exporting renewables capabilities overseas.

To support ongoing engagement with shareholders on climate-related issues, the Board proposed a resolution, within the business of the Annual General Meeting 2022, that allowed shareholders to vote on SSE's first Net Zero Transition Report. The Report is based on SSE's Net Zero Transition Plan which was published in March 2022. The aim of the Plan is to provide SSE's stakeholders with clarity around the actions SSE intends to take towards achieving its net zero ambitions in both 2040 and 2050.

7. Make transparent evidence- based decisions

A. Co-creating a net zero study on the Isle of Wight:
In September 2021 the Isle of Wight Council published Mission Zero, its 2021-2040 climate and environment strategy for the island which identified a need to ensure the local electricity network acts as an enabler rather than a barrier to net zero helping drive inward investment in renewables and advancing low carbon technology deployment for homes and business.

Working with Isle of Wight Council a working group was established to deliver a comprehensive net zero study, with input from energy consultancy Regen, the Isle of Wight Council and Wight Community Energy. The aim was to gain a hyper-targeted view of planned and aspirational growth of future electricity demand and potential for generation in the area and by working with the council, developer community and local stakeholders, gather a robust body of evidence to justify investment 'ahead of need'.

The first-of its-kind study provides a robust quantification of future load growth requirements from both a commercial and socio-economic standpoint. This will be used to evidence the regulatory needs case for £53m of future strategic network investment on the island, releasing 140 MW of export headroom. As an additional benefit, the collaboration has led to an increase in developer interest in renewable energy development on the isle.

8. Advocate for fairness

A. Unlocking a just transition for consumers: In early April 2023, a report was published by SSEN Distribution that aims to influence thinking on the transition for consumers connected to the electricity distribution network. This detailed report outlines the myriad of innovations being led by SSEN Distribution, which seek to deliver a fair distribution of the benefits of smart grids. The report makes several commitments for the business itself, alongside a series of recommendations for the wider industry and public authorities. An engagement process with key stakeholders took place in March 2023 to finalise the actions before publication.

B. A fair future energy system: SSEN Distribution's Smart and Fair project with the Centre for Sustainable Energy has proven to be instrumental in setting standards for future fairness. Phase One of the project made recommendations for policy makers and system operators on how to support the transition to a smart and fair energy system. A key finding from the research was that customers require particular capabilities to be able to access the benefits of smart grids, for example, the ability to engage with technology, and access to high-quality broadband, as well as the more conventional things like access to finance.

Phase Two was launched in May 2021 to develop the theories into practical action. Alongside a focus on widening participation, particularly for those who are hard to reach, a tool is being developed to overlay the capability lens research and make it applicable in a local area energy planning context. It takes both publicly available and specialist data, such as credit reference agency analysis, to help understand locations where certain vulnerabilities are more likely to be prevalent in the context of the energy transition. It aims to provide a solid evidence basis for decision makers to understand the implications of decarbonisation projects, such as heat zoning and charge point siting.

C. Fuel poverty support through retrofitting measures:
In 2022 SSE Airtricity set a target of retrofitting thirty thousand Irish homes over the next ten years reducing the emissions of thousands of homes across Ireland and improving standards of living.
A partnership between SSE Airtricity and Dún Laoghaire Rathdown County Council saw 53 homes with a building energy rating (BER) of G (the lowest) gaining a B2 – A2 BER standard as part of a specialised retrofit rollout. The homes were upgraded to a deep retrofit standard by SSE Airtricity with the support of Dún Laoghaire Rathdown County Council.

This project has ensured residents of Ballyogan and Stillorgan initially and other areas across Dún Laoghaire-Rathdown have the highest standards of energy efficiency in their homes as well as benefiting from improved living standards. This was a collaborative effort to implement energy efficiency projects.

These works were carried out as part of the Department of Housing, Local Government and Heritage's Energy Efficiency Retrofit Programme which aims to retrofit local authority housing stock to a B2/Cost Optimal BER.

Case study

Principle 6: Factor in whole-system costs and benefits

Supporting a fair distribution of costs and benefits locally

The transition to a net zero electricity system needs action nationally and locally. While enormous wind farms and the transportation of renewable electricity over long distances is one part of the solution, so too is localised action. Everything from new demand from electric cars and heat pumps top small scale local generation. It's important to make sure that the costs and benefits of this local action are shared fairly too.

SSEN is a founding partner of an important innovation called Project LEO (Local Energy Oxfordshire). It's a collaborative initiative which seeks to understand how the future energy system will operate in practice and – importantly – how consumers will respond to the opportunities it provides.

Since 2019 Project LEO has been undertaking pioneering trials to assess how increased take up of electric vehicles, small-scale renewables, batteries, and flexible smart technologies will impact the electricity network by simulating real demand-side scenarios, and building an evidence base to inform policy decisions. Rose Hill Smart and Fair Neighbourhood is one of the trials underway as part of Project LEO.

Rose Hill is a largely residential community with approximately 3,400 residents in the south-east of Oxford. Parts of the estate are in the most 20% deprived nationally, with high domestic electricity and gas consumption, and fuel poverty levels above the national average.

Oxford Brookes university carried out spatial analysis of Rose Hill in 2022 to provide data that could be used to help inform the creation of an initial community 'roadmap' to determine the best options for its residents to benefit from new smart energy services and achieve net zero. Local Area Energy Mapping (LEMAP), a tool being developed by the university, and the Capability Lens created as part of the Smart and Fair project, were used to inform the analysis. The results contributed towards the rich data profile which is needed to reveal the unique characteristics of a defined locality in terms of its baseline energy use, energy resources and potential for low carbon technology adoption.

This data is important because it has the potential to:

- Support the creation of bespoke smart energy offers to reflect the particular needs of the community
- Allow stakeholders (local authority, community energy project developers) to tailor their plans for smart and fair initiatives at Rose Hill
- Develop an energy needs profile to inform SSEN's design of the local electricity network in the flexible system of the future.

Building and operating new assets

Progress in detail

9. Supportive competitive domestic supply chains

A. Backing UK-based offshore wind manufacturing: In 2021, SSE became the largest UK funder of a consortium committed to delivering the Nigg Offshore Wind (NOW) facility, in the Cromarty Firth in Scotland, which will be capable of manufacturing up to 135 next-generation offshore wind towers per year.

B. Policy support for local content: While voluntary action from developers is important in securing increased local content within projects, SSE believes there is an important role for government to both incentivise and regulate for increased local content. It continues to work closely with policymakers to develop policies that support local content, such as the UK Government's CfD Supply Chain Plan. It is also collaborating with international partners to share lessons learned from the UK's experience of growing local supply chains for onshore and offshore renewables.

C. Direct investment in local supply chain: As part of SSE Renewables' successful ScotWind offshore wind bid, with its project partners it has committed to a £30m supply chain fund which will directly invest in ports and supply chain, including those companies transitioning from the oil and gas sector to get it ready for the floating wind opportunities not just in Scotland, but globally.

D. Strategic partner opportunities: SSEN Transmission has ensured continuous engagement with strategic supply chain partners to explore local content opportunity. Currently 24% of suppliers are located within the north of Scotland (close to the target of 25%) and 42% are within Scotland. SSEN Transmission has spent over £10m with suppliers in the north of Scotland this financial year so far, which is around 2.5% of its total spend.

10. Set social safeguard

A. Mitigating risk through a sustainable supply chain strategy: In 2021 SSE undertook a gap analysis, with experts Action Sustainability, against ISO 20400 standard for sustainable procurement. This led to the development of a three-part strategy to achieve a mature sustainable procurement model:

1. Develop and maintain a detailed analysis of sustainability risk and opportunity across SSE's procurement categories and sub-categories;
2. Use the risk and opportunity assessment to inform questions asked of prospective suppliers at all procurement stages including the setting of appropriate contract clauses and associated KPIs; and,
3. Integrate sustainability prominently and with clear deliverables into recruitment, job descriptions and performance review processes and develop training to support this objective.

SSE has been focused on embedding these as business as usual over 2021/22, 2022/23 with sustainability considerations, including human rights and modern slavery, factored into each stage of the supplier selection process. Pre-qualification and tender questions based on category, risk, and contract value have been integrated into the new sourcing tool, ensuring that sustainability is considered throughout SSE's supply chain.

11. Share value with communities

A. Investing in local communities: An integral part of a just transition is sharing value with local communities. SSE is one of the largest corporate grant givers in the UK and Ireland and, over 2021/22, it awarded £10.2m to support more than 1,000 community projects. This was made up of £9.7m granted through SSE Renewables' community investment funds and almost £0.5m awarded through SSEN's Resilient Communities Fund.

B. Modelling shared ownership offer: During 2022/23 SSE Renewables engaged a consultant to support in modelling and preparing an offer of shared/community ownership of Strathy South wind farm in the north of Scotland. The business presented an offer to the community based on a shared revenue model and will continue to engage with the communities involved. The communities are currently seeking support, funding and independent advice through Local Energy Scotland which administers the Scottish Government's Community and Renewable Energy Scheme (CARES) programme.

Should the communities take up the option, this will provide a potential income stream, over-and-above voluntary community benefit payments, which will allow communities to better plan, build capacity and invest in their local area. It will also provide SSER with the basis for a model which could be applied,where possible across its development portfolio.

C. Establishing a community benefit fund for strategic networks projects: SSEN Transmission has approval from the Board to establish a community benefit fund for strategic transmission investments. This is still subject to approval by Ofgem and a consultation by the Department of Energy and Net Zero as committed in the British Energy Security Strategy. The business has been feeding in and will support the launch of the consultation.

D. Supporting suppliers to support communities: SSE's Sustainable Procurement Code provides guidance for suppliers on delivery of social value whereby suppliers are:

- encouraged to form positive local relationships so that any issues can be resolved constructively and the direct benefit from significant capital investments can be shared with local communities.
- encouraged to contribute to the community through donations, investments and volunteering initiatives.
- required to deliver or support the delivery of robust stakeholder consultation for SSE sites and implement standards for the responsible delivery of projects addressing key stakeholder interests.
- encouraged to be a signatory to the Considerate Constructors Scheme (CCS).
- required to provide reporting of social value delivery, including but not limited to all community contributions such as, investments, charitable donations, volunteering and education, if requested by SSE.

12. Implement responsible developer standards

A. Update to Large Capital Project Frameworks: SSE recognised that to meet its 2030 goals, and deliver against the UN SDGs, its Large Capital Projects (LCP) should be designed and constructed to enable the journey to net zero, deliver socio-economic benefits and facilitate a just transition. The company consequently undertook a refresh of the sustainability requirements in its LCP governance framework to meet four key objectives:

1. Ensure SSE is delivering LCPs in a sustainable way.
2. Encourage and increase sustainability throughout the LCP value chain.
3. Increase awareness of and reduce sustainability risks that could cause issues for the project, wider society, or the environment; and
4. Increase innovation and maximise the opportunity to deliver a positive impact onwider society and the environment, going above and beyond regulation.

The newly updated LCP governance framework requires LCP project teams to embed sustainability throughout the project process, ensuring sustainability risks are mitigated and sustainability opportunities are maximised across 10 sustainability criteria aligned to the UN's SDGs. This covers key topics from whole life carbon, climate adaptation, circular economy and biodiversity to modern slavery and human rights, and maximising local content.

From 1 April 2022, a Sustainability Assessment and Action Plan (SAAP) is required for all and in development projects. Guidance, training, and additional resources for project teams support the roll-out of this new approach, in addition to partnering with external experts at the Supply Chain Sustainability School.

Protecting people in high carbon roles

Progress in detail

13. Re-purpose thermal generators for a net zero world

A. Progress on decarbonisaton clusters: In 2022 SSE Thermal and Equinor's Keadby 3 Carbon Capture Power Station in the Humber became the first power CCS project in the UK to receive planning permission. The Humber is the UK's most carbon intensive industrial cluster, and this proposed plant will not only help to decarbonise the region but will also ensure a just transition for workers and communities.

The proposed plant in North Lincolnshire has received a Development Consent Order following an extensive period of consultation, with the Secretary of State for Business, Energy and Industrial Strategy (BEIS) granting permission after a recommendation from the Planning Inspectorate.

It is the latest milestone achieved by the project and marks a major step forward for Keadby 3, which has opportunities to plug into Track-1 or Track-2 clusters through the UK Government's Cluster Sequencing Process. This process will give the project the opportunity to receive government support, allowing it to deploy cutting edge carbon capture technology and to connect to the shared CO_2 pipelines.

Keadby 3 would have a generating capacity of up to 910MW and capture up to one and a half million tonnes of CO_2 a year, which represents at least five per cent of the UK Government's 2030 target. The low-carbon flexible power station could be operational before 2030, assuming a Final Investment Decision aligned with the UK Government's Cluster Sequencing Process, which is aiming to deliver at least four CCS clusters by 2030.

Earlier this year, SSE Thermal and Equinor were awarded a Front End Engineering Design (FEED) contract for the proposed plant to a consortium comprising Aker Solutions, Siemens Energy and Altrad Babcock, with Aker Carbon Capture supporting on the carbon capture technology.

SSE Thermal and Equinor are also collaborating on Peterhead Carbon Capture Power Station in the north-east of Scotland. In addition, they are developing Keadby Hydrogen Power Station, which could be the world's first large-scale 100% hydrogen-fuelled power stations, and Aldbrough Hydrogen Storage, which could provide vital storage to balance intermittent supply and demand.

14. Establish and maintain trust

A. Engaging on key strategic issues for employees: SSE's Non-Executive Director for Employee Engagement leds on engaging with officers of trade unions and internal trade unions representatives on key strategic issues affecting the workforce, holding meetings at least twice a year. This relationship is underpinned by openness, inclusivity and transparency whilst respecting the respective roles of all parties, allowing diverse views to be heard by the Board, in a pro-active and timely way. The collaborative role of Group HR ensures that responsive business-led action can be channelled directly to senior leaders and informs the overall engagement approach.

15. Provide forward notice of change

A. Consulting with employees at Tarbert: SSE's existing Tarbert Power Station in Ireland, is required to close by the end of 2023, in line with its environmental license. SSE Thermal received a 10-year contract in April 2023 for a new, low-carbon power station at the site which would run on sustainable biofuel.
In preparation for closure, SSE Thermal has commenced a redundancy consultation process with 37 employees at the site. The closure is being managed in line with SSE's just transition principles and it will work to ensure, where possible, that employees are redeployed across other parts of the Group, including potential future projects at the Tarbert site itself. Some will have a continuing role beyond station closure in managing the decommissioning of the plant.

16. Prioritise retraining and deployment

A. Alternative measures to widen reach of employees: SSE is committed to supporting those affected by organisational change and exploring a range of alternative measures to avoid or reduce numbers of compulsory redundancies wherever possible, including opportunities for redeployment to other teams or business areas, or options for retraining in other roles or areas, to avoid or reduce the number of redundancies.

In 2022 SSE initiated re-training programmes to widen its reach to those that want to transition to low carbon roles. For SSE, this includes initiatives which have been developed over the year, including a pilot engineering conversion course in its networks business for those with an engineering background in different sectors and a returner programme for those coming back to the STEM industry after a career break, as well as significant investment in early careers programmes.

To develop its existing workforce for the net zero future, SSE seeks to simultaneously maintain current skills, whilst developing the new skills required. SSE's investment in learning, training and development increased to £7.5m in 2021/22 from £6.8m in 2020/21. Average training hours per full-time employee also returned to near pre-pandemic levels (2021/22: 20.7, 2020/21: 9, 2019/20: 23.4), with 84.2% of SSE's employees receiving some form of development over the year.

Supporting communities

Progress in detail

17. Deliver robust stakeholder consultation

A. Oversight from customer engagement group: SSEN Distribution as part of its business plan process, created an independent Customer Engagement Group (CEG) to help embed consumer and stakeholder views into the Plan and provide robust challenge to proposals. The CEG has become a valued and trusted advisory body for SSEN Distribution and will continue in the form of a newly established 'Powering Customers to Net Zero' Group. This independent panel will provide rigorous scrutiny of SSEN Distributions to ensure every consumer is considered and accounted for. This will include the businesses wider work on supporting a just transition.

B. Feedback and opinion from stakeholders: SSEN Transmission as stakeholder led business and has achieved 82% rating in AA1000 has maintained its RIIO-T2 business plan stakeholder group ,'The Network for Net Zero Stakeholder Group' who now are tasked with providing the business with expert challenge, feedback and opinion on the topics presented at meetings.

C. Long-term commitment to engagement: As part of its overall stakeholder engagement strategy in 2021 SSE Thermal sought feedback from the local community on their plans to develop and operate one of the UK's first power stations equipped with carbon capture technology at Peterhead in Aberdeenshire. This engagement included included in-person and online events, digital consultation rooms, meetings with local stakeholders and making materials publicly available.

The Aldbrough Gas Storage facility, in East Yorkshire is a joint venture between SSE Thermal (66%) and Equinor, has the capacity to store around 330 million cubic metres (mcm) of gas and represents a major strategic contributor to the national storage of gas within the UK. In July 2021, SSE Thermal and Equinor announced plans to develop one of the world's largest hydrogen storage facilities at the Aldbrough site. The facility could be storing low-carbon hydrogen as early as 2028.
As part of the original planning consent in 2006, SSE made a commitment to hold a regular Community Liaison Group (CLG) made up of local representatives, which members of the public are welcome to observe.

The CLG currently meets monthly to ensure that the operations and development teams of the Aldbrough Gas Storage facility and the community work together to minimise the impact of the facility on its neighbours. Fundamental to this role, the CLG needs to promote open and honest communication between all parties.

18. Form partnerships across sectors

A. Powering Net Zero Pact: The Powering Net Zero Pact ("the Pact") is a new initiative created by SSE in 2022 with 10 other founding partners as a legacy of COP26. The Pact brings together companies across all tiers of the power sector globally – including civils, shipping, renewables, electrical engineering, and others – to achieve a fair and just energy transition to net zero.

Over a six-month period, the 11 founding partner companies of the Pact – which, alongside SSE, includes: Balfour Beatty; DEME Group; GE Renewables; Hitachi Energy; NKT; RJ McLeod; Siemens Energy; Siemens Gamesa; Subsea 7; and Vestas – met on a regular basis to agree areas of focus, shared commitments, and topics for future collaboration.

The Pact focuses on five areas of ambition:
1. achieving net zero carbon emissions;
2. protecting and enhancing the natural environment;
3. transitioning to a circular economy;
4. guaranteeing fair work and sustainable jobs;
5. and adding value to local communities.

Each area of ambition has a shared commitment and area for collaboration, as detailed in thetable on the next page. Any organisation that wants to be involved in driving forward a just energy transition to net zero can become a Powering Net Zero Pact signatory and part of a network of leading global companies committed to working together to deliver real change.

To sign up to the Pact, companies must:
- Be involved in some part of the power sector;
- Meet all five of the shared commitments; and
- Be willing to participate in an action-focused working group for at least one of the five collaboration topics.

B. Global smart grid partnership development: In May 2022 as part of its COP26 legacy and inspired by Project LEO, the most ambitious and holistic smart grid trial in the UK, SSEN Distribution developed a new global smart grid partnership. Discussions with global and community partners resulted in the launch of the International Community for Local Smart Grids (ICLSG). The ICLSG consists of electricity distribution companies from the UK, Australia, Italy and Japan, with SSEN, Ausgrid and Enel as founding partners.

These companies have joined forces to revolutionise and support communities to engage with electricity grids of the future. Launched at COP26, the University of Oxford-led initiative in cooperation with the Enel Foundation, will bring together electricity networks and community energy groups, scientists, and practitioners from across the world to remove barriers to delivering net zero at a local level and share key learnings from innovation projects, facilitate discussions around challenges and support a collaborative transition to a decarbonised future. In addition to tackling climate change this partnership benefits consumers by building resilient communities.

19. Promote further industrial development

A. A continued legacy for decommissioned assets: In 2020, following the closure of SSE's Fiddler's Ferry Power Station, a specialist task force group was formed to work with partners to understand how the site could continue to make a valuable contribution to the local area. Membership of the group included both Warrington and Halton local authorities alongside SSE leaders and work focused on future potential for the site which would have the potential to create local opportunities and create a positive legacy following the contribution the station had made for over 50 years.

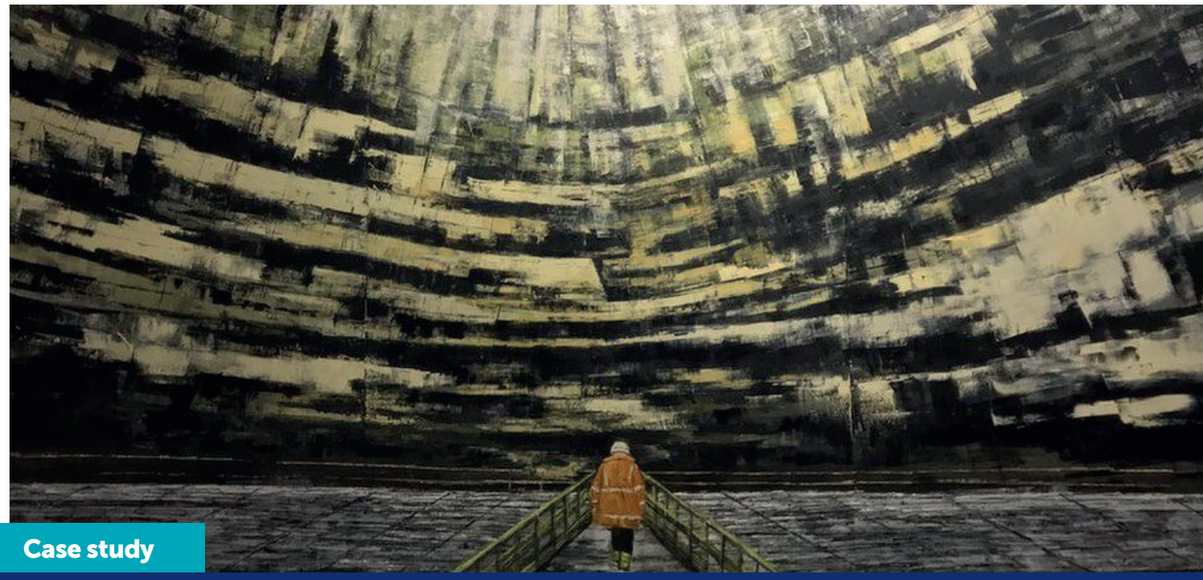
20. Respect and record cultural heritage

A. Preserving history through the transition: The North of Scotland Hydro-Electric Board was formed with the Hydro Electric Development Act in 1943, delivering electricity to the Highlands for the first time. Scores of hydro dams and power stations were built across the uniquely positioned but challenging terrain - dramatically improving lives across the region.

In the south, the former Southern Electricity Board was created in 1948 to distribute and supply electricity in southern England.

SSE plc has its origins in these two public sector electricity supply authorities, with both organisations privatised in the early 1990s with the deregulation of energy. They merged in 1998, creating one of the largest energy businesses in Great Britain with millions of domestic energy customers alongside operating the electricity networks across both regions. Through SSE's dedicated Heritage team, a large archive has been built documenting SSE's transition through the ages.

In 2023 the focus is on celebrating company Anniversaries including 80 years since the creation of North of Scotland Hydro Electric Board, 75 years of the Southern Electricity Board and 25 years of SSE plc.



Case study

Principle 20: Respect and record cultural heritage

What went before determines the future

Recognising the important social history of energy, SSE has an in-house heritage team which maintain SSE's historical archives dating back to the early 1940s. It also owns and operates the Pitlochry Dam Visitor Centre where exhibitions showcase the social and industrial history of hydro-electricity.

In 2020 as outlined in SSE's Just Transition Strategy the company committed to, where appropriate, and in collaboration with local stakeholders to identify and collate archive material relating to the energy transition to net zero which is of high cultural value, to ensure it is retained for historical record.

In 2021 SSE's Heritage team in conjunction with the SSE Thermal project team supported Artists Shaun Smyth and Lee Harrison who had been documenting the decommissioning of SSE's former Fiddler's Ferry power station in Warrington, England, which closed in 2020. The two artists were granted access to the site during the decommissioning process and through Harrison's photography and Smyth's large-scale paintings, their aim was to convey the scale of the site and its significance to the region.

In February 2022, in collaboration with the Cultural Development Partnerships Management for Warrington, SSE Heritage gifted a collection of 46 items of significant cultural value from Fiddlers Ferry power plant to Culture Warrington. This collection was displayed in tandem with the art exhibition "the Cloud Factory" exhibiting the art of Smyth and Harrison.

This initiative has recognised the significant impact Fiddlers Ferry power plant has had to the region respects the legacy of all those workers who walked through its doors.

Moving from principles to action: An update on the workforce transition

SSE's Just Transition: From Principles to Action report published in 2021 was aimed directly at workers currently in high-carbon industries. This update on the 20 commitments made by SSE to the workers transition is focused on ideas for practical actions which can be undertaken to ensure an orderly 'transitioning in' of workers to good, green jobs and the progress SSE has made against these actions.

Key actions to support the worker transition

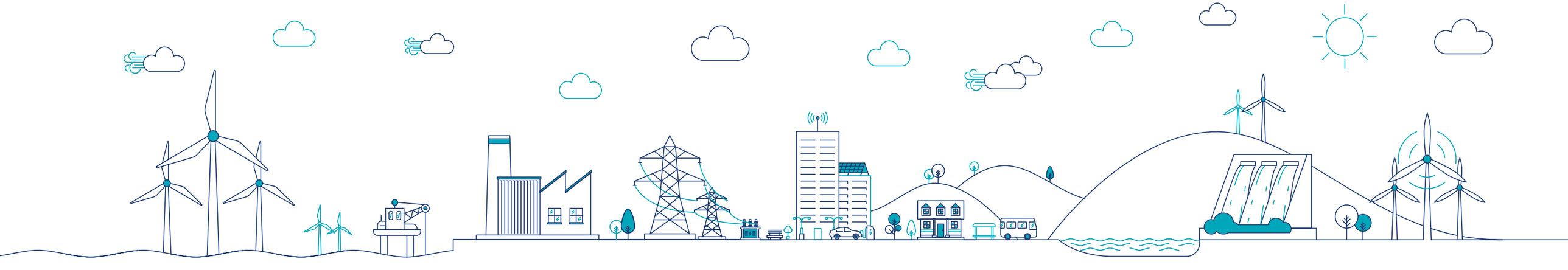
5 KEY ACTIONS	EMBED A JUST TRANSITION STRATEGY WITH ONGOING ACCOUNTABILITY	INCREASE THE EASE OF RELEVANT SKILLS TRANSFER	TARGET SKILLS DEVELOPMENT INTERVENTIONS	PROVIDE ATTRACTIVE EMPLOYMENT PACKAGES WHICH GUARANTEE GOOD, SECURE GREEN JOBS	CREATE DOMESTIC JOB OPPORTUNITIES AND INSPIRE FUTURE NET ZERO CAREERS
20 SSE COMMITMENTS	• **Embed 'just transition'** into the business and people strategies of core businesses. • **Report on progress against the Just Transition Strategy** within the Group's Annual Report and Sustainability Report. • **Board-level oversight and approval** of progress against SSE's Just Transition Strategy.	• **Run a STEM Returner programme** for people with STEM backgrounds currently out of STEM careers. • **Pilot an Engineering Conversion Programme** for new talent transitioning into SSE from other sectors. • **Review induction programmes** to embed the cultural and beyond-operational skills needed for a low-carbon career. • Actively **encourage networking** amongst former high carbon workers potentially through mentoring and establishing formal networks. • **Remove requirement for specific industry experience** in job adverts (unless necessary) and actively welcome people with transferable skills. • Review opportunities to **move to strength-based (rather than experiential/education) recruitment** criteria.	• **Consult employees** who have transitioned to low-carbon roles to understand what training has had most impact and where there are gaps so **development plans** can be offered to future transitioning employees. • Continue to promote a **culture of continuous development and learning** while also committing to **pay for the acquisition of formal skills-based qualifications** where these are essential for new roles. • Continue to **invest and develop flexible pipeline programmes** to build natural low-carbon career pathways for people joining the industry in entry-level roles.	• **Guarantee attractive standards for employees,** including: leading health and safety performance; the right to freedom of association and collective bargaining; payment of at least a real Living Wage, accompanied by Living Hours; respect and incorporation of employee voice; the right to work flexibly; ongoing investment in training and development; a focus on increasing inclusion and diversity; a robust approach to business ethics with clear channels for whistleblowing. • Offer **permanent contracts** as standard for permanent roles. • Collaborate and partner to **protect human rights** through direct and supply chain operations. • Use testimonials from employees that have transitioned to **showcase the overall benefits of a low-carbon career.**	• Work with supply chain partners to demonstrate demand and **build domestic supply chain capabilities** and infrastructure. • **Include local supply chain requirements in contracts.** • **Collaborate with academia, union partners, industry and skills bodies** to build skills programmes for the future. • Implement a **STEM Education Outreach Strategy** with strategic school and delivery partners.

20 SSE Commitments - Progress Update in 2023

Key: Achieved | Ongoing | To-Do

20 SSE Commitments - Progress Update in 2023		Increase the ease of relevant skills transfers		Target skills development interventions		Provide attractive employment packages which guarantee good, secure green jobs		Create domestic job opportunities and inspire future net zero careers	
Embed 'just transition' into the business and people strategies of core businesses.	Achieved	Run a STEM Returner programme for people with STEM backgrounds currently out of STEM careers.	Achieved	Consult employees who have transitioned to low-carbon roles to understand what training has had most impact and where there are gaps so development plans can be offered to future transitioning employees.	Ongoing	Guarantee attractive standards for employees: leading H&S performance; freedom of association and collective bargaining; payment of a real Living Wage, accompanied by Living Hours; respect and incorporation of employee voice; the right to work flexibly; ongoing investment in training and development; a focus on increasing inclusion and diversity; a robust approach to business ethics with clear channels for whistleblowing.	Ongoing	Work with supply chain partners to demonstrate demand and build domestic supply chain capabilities and infrastructure.	Ongoing
		Pilot an Engineering Conversion Programme for new talent transitioning into SSE from other sectors.	To-Do					Include local supply chain requirements in contracts.	Achieved
Report on progress against the Just Transition Strategy within the Group's Annual Report and Sustainability Report.	Ongoing	Review induction programmes to embed the cultural and beyond-operational skills needed for a low-carbon career.	Ongoing	Continue to promote a culture of continuous development and learning while also committing to pay for the acquisition of formal skills-based qualifications where these are essential for new roles.	Achieved				
		Actively encourage networking amongst former high carbon workers potentially through mentoring and establishing formal networks.	Ongoing			Offer permanent contracts as standard for permanent roles.	Ongoing	Collaborate with academia, union partners, industry and skills bodies to build skills programmes for the future.	Ongoing
Board-level oversight and approval of progress against SSE's Just Transition Strategy.	Achieved	Remove requirement for specific industry experience in job adverts (unless necessary) and actively welcome people with transferable skills.	Achieved	Continue to invest and develop flexible pipeline programmes to build natural low-carbon career pathways for people joining the industry in entry-level roles.	Ongoing	Collaborate and partner to protect human rights through direct and supply chain operations.	Ongoing	Implement a STEM Education Outreach Strategy with strategic school and delivery partners.	Ongoing
		Review opportunities to move to strength-based (rather than experiential / education) recruitment criteria.	Ongoing			Use testimonials from employees that have transitioned to showcase the overall benefits of a low-carbon career.	Achieved		

Within SSE, a business strategy focused on net zero is driving significant growth in headcount, particularly within its four core business units.



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