



For a better
world of energy

SSE PLC SUSTAINABILITY REPORT 2020



ABOUT THIS REPORT

SSE plc is a UK-listed energy company that operates throughout the UK and Ireland. The disclosure of SSE's most material sustainability impacts is integrated throughout its Annual Report 2020. The Sustainability Report aims to provide enhanced disclosure of SSE's key policies, management and performance of its economic, social and environmental impacts.



SSE's sustainability approach is aligned to the United Nations' Sustainable Development Goals (SDGs). Reporting against the SDGs most material to SSE's business can be found on the following pages of this report:

The scope of this report is generally focused on performance data for the financial year ending 31 March 2020. However, the period between SSE's year end and the publication of this report was dominated by the coronavirus emergency and therefore some activities during this period have also been included.

On occasion the report refers to activities of SSE's joint ventures and in these instances it is made clear that this is the case. For a full list of SSE's subsidiary undertakings, partnerships, joint ventures and associates, please refer to pages 252 to 259 of SSE's Annual Report 2020.

In 2020, SSE sought assurance on its greenhouse gas emissions, carbon intensity, water and Green Bond data from professional services firm PwC. PwC also undertook the economic analysis of SSE's contribution to the UK and Irish economies.

SSE welcomes feedback on this report, please contact sustainability@sse.com.



AT A GLANCE

SSE's science based carbon targets page 23
SSE adopted a new target to cut carbon intensity of electricity by 60% by 2030.

Full TCFD disclosure pages 24 to 31
A report of SSE's climate-related risks and opportunities mean SSE has, for the first time, met the recommendations of the Taskforce on Climate-related Financial Disclosures in full.

The power of innovation to meet net zero pages 53 to 57
An accelerated green recovery from the economic impact of coronavirus means that innovation in smart, low carbon energy is more important than ever.

Carbon intensity of electricity generated
288gCO₂e/kWh

Economic contribution
UK
£7.7bn

Ireland
€650m

Median gender pay gap – UK
18.4%

Taxes paid
UK
£421.6m

Ireland
€18.1m

Total renewable generation output
(inc. pumped storage, biomass and GB constrained off wind)
11.4TWh

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Note: information for SSE Energy Services, which was sold to OVO Energy Ltd on 15 January 2020, is generally excluded from this report but where it is included this has been highlighted.

Disclaimer: The Adjusted Performance Measures SSE uses for financial reporting purposes are consistently applied and are explained and justified in the Annual Report 2020, pages 164 to 169.



The SSE plc Sustainability Report 2020 is complemented by SSE's Annual Report 2020 which can be found online at sse.com.

CHIEF EXECUTIVE'S STATEMENT

THE POWER OF PURPOSE IN A CRISIS

SSE's core purpose is to provide energy needed today while building a better world of energy for tomorrow; it has never felt so vital.

A unique opportunity for change

Achieving the right balance between recording our sustainability performance during the 2019/20 financial year and recognising the human, social, economic and environmental impact of the coronavirus pandemic in 2020/21 was the key challenge for this report.

SSE's 2019/20 financial year was largely unaffected by the crisis, but we expect it will have a substantial, albeit temporary, adverse effect on our businesses in 2020/21. As we emerge from the worst of the pandemic and start to rebuild our battered economies, we are presented with a unique opportunity to do everything better than we did before.

The way we work, the way we do business, even the way in which we lead our lives, can all change for the better.

Showing purpose in a crisis

SSE's core purpose is to provide energy needed today while building a better world of energy for tomorrow; it has never felt so vital. The critical nature of providing energy at a time of crisis has been keenly felt throughout SSE. Our overriding priority through the pandemic was to support the safe and reliable supply of electricity – at local, regional and national level – on which the people and organisations whose work was critical to the coronavirus response depended.

That first clause of SSE's purpose – to provide energy needed today – provided the perfect rallying point. Our teams simply 'got on with it' and continue to do so. At all times our priority was to keep our employees and the wider public safe, but we also moved fast to provide

flexible community funds to deal with the immediate crisis and we worked closely with key suppliers behind the scenes.

But the immediacy of providing energy needed in a time of national crisis has not distracted us from the second part of our purpose. Building a better world of energy for tomorrow recognises the existential threat posed by climate change, and the important part SSE has in tackling it.

Aligning business and social objectives

SSE has long engaged with government on an ambitious decarbonisation agenda that seeks to go further and faster. Coming out of lockdown, that has added impetus. The time is ripe for a green-led economic recovery; one that is in all our interests and sustainable in every sense. That's why SSE has published 'A greenprint for a cleaner, more resilient economy', available on our website, which provides a set of 15 practical proposals for government in the UK as to how it can help frame policy that will invigorate a green economy and accelerate achievement of net-zero emissions by 2050.

As a company, we're already out of the starting blocks. In June 2020 we took final investment decisions on our share of a £3bn offshore wind farm, which will be Scotland's largest, and on a £580m onshore wind farm on Shetland, which will be the UK's biggest in terms of annual electricity output. Those investments will boost the UK's renewables capacity, employ thousands of people during construction and create hundreds of long-term operations jobs in areas that need them.

Furthermore, a new set of carbon targets aligned to the Paris Agreement and verified by the Science Based Target initiative place these investments within a robust framework from which SSE will meet its goal to take meaningful climate action.

Creating value through an ESG proposition

Investors are increasingly recognising the long-term value associated with good environmental, social and governance (ESG) credentials. I like to think that SSE was an early adopter of careful ESG management, and the increasing focus on ESG metrics is a trend we wholeheartedly welcome, for two reasons:

- Firstly, we agree that there is long-term value for both shareholders and society encapsulated in good sustainability performance.
- Secondly, we also understand there is a virtuous cycle: the more we identify, articulate and disclose ESG data and performance via the pages of this report and elsewhere, the more the opportunity for performance improvements becomes apparent.

It is for both reasons that we are embracing the myriad of ESG ratings opportunities, supporting our strategic goal of creating value for shareholders and society.

Fulfilling a social contract

These extraordinary times have seen state intervention on a previously unimaginable scale. Many companies and sectors have received public sector support to pay wages and stay afloat. SSE has not reached for

that support; we have borne the commercial implications of the virus in the short term and foresee further financial impacts to come. We have a resilient business model and believe we should do everything we can to stand on our own two feet as we do our bit by developing, operating and owning critical national infrastructure.

Just because we have not furloughed employees or taken government loans, does not mean that we do not rely on the critical services provided by the public sector through the crisis or in other, more normal times: we do. Health and care services, local and municipal services and education provision have been under enormous strain, operating in the toughest of circumstances. We draw on all of these public services to maintain our operations and, in return, we contribute to the public purse to support them as part of our social contract. At SSE we believe the purpose of good corporations is to produce profitable

solutions to the problems of people and planet. That's not to say profit has no purpose. It supports pensioners and savers, which is important for social and economic wellbeing – never more so than in these uncertain times – and it contributes to public services through the payment of corporation tax.

Our Fair Tax Mark accreditation is a badge we have worn with honour for six years and the point I want to make clearly is this:

When times are tough, businesses – to a greater or lesser extent – rely on the public sector; when things are good, the least we can do is pay our fair share towards that public sector.

Committing to decent work

SSE intends to create value for shareholders and society through focus on four goals for 2030, aligned to four of the UN's Sustainable Development Goals (SDGs). Three are clearly linked to SSE's business: SDG 7: Affordable

and clean energy; SDG 9: Industry, innovation and infrastructure; and SDG 13: Climate action.

The fourth is SDG 8: Decent work and economic growth. That's because people ultimately determine the success or otherwise of every business, and SSE is only as good as the talents, skills and values of those of us employed by the company.

I have never felt so proud to be part of SSE as I have so far in 2020. The teams working to keep electricity networks operating and generate the electricity needed, as well as many others who have adapted to working effectively from home, have done a remarkable job.

It is important to me that our investors and stakeholders know just how valuable the teams in SSE are and how proud we are of them.

Alistair Phillips-Davies
Chief Executive
9 July 2020



OUR BUSINESS MODEL

OUR BUSINESS MODEL

Sustainability is incorporated throughout SSE's business model, from its strategic pillars to what it does and who it does it for, as well as being its own discrete discipline.

OUR PURPOSE AND STRATEGY

SSE is a UK-listed energy company involved principally in the generation, transmission and distribution of electricity; and also in the supply of electricity, gas 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. Its strategy is to create value for shareholders and society in a sustainable way through successful development, efficient operation and responsible ownership of energy infrastructure and energy-related businesses. In line with its strategy, to create value for both society and shareholders, SSE has set four business goals for 2030; aligned to the United Nations' Sustainable Development Goals (see page 6).

OUR STRATEGIC PILLARS

Focusing on the electricity core



SSE believes that a sustainable company is one that focuses successfully on core businesses; and SSE is clear that its core businesses are economically-regulated electricity networks and the provision of electricity from renewable sources, complemented by provision of electricity from thermal sources. It is these electricity businesses, which have crucial roles to play in the transition to net zero emissions, that form the core of SSE.

Creating value for shareholders and society



SSE recognises that a sustainable company is one that creates value for both shareholders and society. SSE aims to create value for shareholders by earning profit from developing, operating and owning principally electricity infrastructure and businesses. It aims to create value for society by investing in infrastructure, delivering inclusive services, contributing to inclusive economic growth and sustainable jobs, paying its fair share of tax and sharing value with local communities.

Developing, operating, owning



SSE considers that a sustainable company is one in which the talent, skills and other attributes of people working on its behalf deliver defined positive outcomes for shareholders and society; and for SSE that means the successful development (including construction), efficient operation and responsible ownership of principally electricity infrastructure and businesses.

Delivering in a sustainable way



SSE recognises that a sustainable company is purpose-led; and a purpose-led company is one that offers profitable solutions to the world's problems. Climate change is understood to be one of the greatest global challenges of the 21st Century and SSE's vision, purpose and strategy are all in support of helping achieve net zero emissions by no later than 2050. This means SSE does not have a strategy for sustainability; but a strategy for creating value for shareholders and society in a sustainable way.

WHAT WE DO AND WHO WE DO IT FOR

There are many definitions of 'business model' but at its simplest it should define what a company does, who it does it for and how it expects to be remunerated.

SSE's business model is founded on its purpose, vision and strategy; underpinned by the four strategic pillars of: focusing on the electricity core; developing, owning and operating; creating value for shareholders and society; and delivering in a sustainable way.

SSE is clear that its core businesses are economically-regulated electricity networks (SSEN Transmission and SSEN Distribution) and the provision of electricity from renewable sources (SSE Renewables), complemented by provision of electricity from thermal sources (SSE Thermal). In 2019/20, SSEN Transmission, SSEN Distribution and SSE Renewables delivered 77% of SSE's adjusted operating profit. It is these electricity businesses, which have crucial roles to play in the transition to net-zero emissions, that form the core of SSE.

SSE's other businesses – SSE Thermal, SSE Business Energy (GB), SSE Airicity, SSE Enterprise, Gas Storage and Energy Portfolio Management, and its investments in gas production assets and in the gas distribution company, Scotia Gas Networks – delivered 23% of SSE's adjusted operating profit in 2019/20. They, too, have important roles in providing energy and related services for customers and stakeholders in the UK and Ireland.

OUR CORE BUSINESSES

SSEN Transmission

What it does
Owns, operates and maintains the electricity transmission network in the north of Scotland.

Who it does it for
Electricity generators, large electricity demand customers and ultimately all electricity customers across GB.

How it supports net zero
Connecting sources of renewable electricity generation to the national grid and transporting that clean electricity to areas of demand.

How it is remunerated
Through economically-regulated returns, recovered from electricity generators and customers; and earnings from efficient delivery of large, capital investments.

SSEN Distribution

What it does
Owns, operates and maintains the electricity distribution network in the north of Scotland and central southern England.

Who it does it for
For the homes, businesses, generators or service providers that are connected to, or are seeking a connection to, its distribution networks and, ultimately, all electricity customers across GB.

How it supports net zero
Through the timely connection of local renewables and the co-ordinated delivery of network investment and flexible solutions to alleviate network constraints and allow for further electrification.

How it is remunerated
Through economically regulated returns, recovered from customers and connecting parties. Additional earnings can be made through efficient delivery of investment and targeted performance-related incentives.

SSE Renewables

What it does
World-class development, construction and operation, and ownership, of assets that generate electricity from renewable sources.

Who it does it for
For electricity customers across the GB and Ireland markets, who increasingly require zero carbon sources of energy.

How it supports net zero
Develops and generates zero carbon electricity at large scale from onshore and offshore wind farms and provides clean flexible power from hydro schemes.

How it is remunerated
Through the wholesale energy market, ancillary services market, Capacity Market, power purchase agreements, and government support schemes for renewable energy.

SSE Thermal

What it does
Generates electricity from thermal sources in a reliable and flexible way, supporting the electricity systems in GB and Ireland.

Who it does it for
For electricity suppliers, traders and other generators) through the energy market; for National Grid and EirGrid; and ultimately all electricity customers across GB and Ireland.

How it supports net zero
Produces progressively lower-carbon electricity and electricity system support to enable net zero transition.

How it is remunerated
Through the wholesale energy market, Capacity Market and ancillary services market. Energy-from-waste facilities earn income from waste treatment.

OUR BUSINESS MODEL

SUSTAINABILITY APPROACH AND GOVERNANCE

SSE believes it should have a strategy for a sustainable business, rather than a strategy for sustainability. It recognises that a sustainable company is purpose-led; and a purpose-led company is one that offers profitable solutions to the world's problems.


Embedding sustainability

Sustainability is one of SSE's core values. Whilst sustainability is integrated throughout SSE's purpose, vision and strategy, it is regarded as a discrete discipline. This approach supports the development and execution of SSE's strategy. This includes effective identification, quantification and disclosure of SSE's principal economic, social and environmental impacts; and assessment of and response to stakeholders' principal economic, social and environmental priorities.

SSE's 2030 Goals

In March 2019, SSE set four fundamental business goals for 2030, directly aligned to the UN's Sustainable Development Goals (SDGs) most material to its business. 2030 Goals address the challenge of climate change at their core, ensuring SSE does this in a sustainable way that creates and shares value with shareholders and society. Over 2019/20, SSE worked to embed these 2030 Goals and ensure they provide a guide for decision making throughout its business.

Detail of progress made over 2019/20 towards meeting SSE's 2030 Goals can be found on pages 16, 36, 46 and 58 of this report. SSE has also aligned a significant proportion of executive remuneration to the achievement of its 2030 Goals. The way this was evaluated is shown on pages 84 and 85. In 2019/20, further progress in embedding the 2030 Goals throughout the organisation was made with an additional link between SSE's 2030 Goal performance over the year and the annual incentive payment for all eligible employees.



Cut our carbon intensity by 60%




Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2018 levels, to around 120gCO₂/kWh.




Treble renewable energy output



Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.



Help accommodate 10m electric vehicles



Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.



Champion Fair Tax and a real Living Wage



Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.

The Board and its sub-committees

The Board approves SSE's purpose, vision and associated strategy (see page 4); defines SSE's stakeholder groups and sets the strategy for engaging with them; and embraces the letter and the spirit of Section 172 of the Companies Act 2006 and its requirement for the Board to have regard to, amongst other things, likely consequences of any decision in the long term. In line with its responsibilities under Section 172 to promote the success of the Company for the benefit of all stakeholders, the Board approves annually SSE's priorities relating to its principal economic, social and environmental impacts.

The Board is advised on matters of safety, health and the environment (SHE) by the Safety, Health and Environment Advisory Committee (SHEAC), which is chaired by an independent non-Executive Director. The SHEAC has an overarching role in supporting SSE's commitment to be a sustainable company that creates value for shareholders and society and oversees implementation of key sustainability-related Group policies. Furthermore, the ability of the SHEAC to undertake 'deep dive' investigations of both safety and sustainability issues supports enhanced governance of both.

The Audit Committee of the Board has responsibilities relating to effective management of risk – see SSE Group Principal Risks below. The Remuneration Committee of the Board, also chaired by an independent non-Executive Director, prepares SSE's policy on executive remuneration for approval by shareholders; and assesses Executive Directors' performance in relation to progress towards SSE's four goals for 2030 that are aligned to the UN's SDGs. It was agreed in 2019 that 20% of Executive Directors' Annual Incentive Plan would be determined by the Committee's analysis of progress towards those goals. See page 145 of the Annual Report 2020 for more information.

The Group Executive Committee

SSE's Group Executive Committee (GEC)

is responsible for implementing strategy as approved by the Board, including Group policies and management of risks. The GEC agrees SSE's priorities relating to its principal economic, social and environmental impacts that are submitted to the Board annually for approval. The Chief Executive chairs the GEC and as an Executive Director has Board level responsibility for sustainability; and he agrees the annual objectives for the Chief Sustainability Officer.

The Chief Sustainability Officer

SSE has a Chief Sustainability Officer (CSO), who reports directly to the Chief Executive and who is responsible for advising the Board and its committees, the GEC and its committees and business units on sustainability-related issues and strategy.

The CSO is also responsible for convening and co-ordinating employees in other corporate functions or business units in support programmes or activities that reinforce SSE's focus on environmental, social and governance matters; and for contributing to colleagues' work in these areas.

The CSO is a member of the SHEAC and of two of the three sub-committees of the GEC: Safety, Health and Environment; and Risk. The CSO is also a Non-Executive Director of the Board of SSEPD, the subsidiary holding company for SSE's Transmission and Distribution businesses.

SSE Group policies

During 2019/20, the Board reviewed SSE Group policies. These are statements of intent and principles approved by the Board in relation to matters of significance to SSE's stakeholder groups and are designed to assist decision making and guide SSE towards doing business ethically and achieving sustainable business outcomes. It approved 18 Group policies, including separate policies on Sustainability, Human Rights, the Environment and Climate Change. While these policies are principally intended to guide ethical decision making by SSE employees, those

that are of material interest to external stakeholders can be viewed at sse.com/sustainability.

SSE Group Principal Risks

SSE has an established Risk Management Framework and wider system of internal control to inform its decision making in support of creating value in a sustainable way.

A Principal Risk is anything that has the potential to threaten the SSE's business model, future performance, solvency or liquidity. Details of SSE's Group Principal Risks are set out on pages 28 to 34 of SSE's Annual Report 2020, and those that are most relevant in terms of sustainability are outlined on page 12 of this report.

During 2019/20, the Board reviewed the Principal Risks faced by the SSE Group. Following this annual review the Board identified 11 Principal Risks to the Group, as well as an emerging risk entitled 'Joint Venture and Partner Management'. It formally recognised that Climate Change is one of SSE's Principal Risks – see more detail on pages 12 and 20.



"Sustainability is no longer just about the effective management of social or environmental risk. For SSE, sustainability provides the greatest opportunity to generate long-term value for both shareholders and society."

Helen Mahy CBE
Chair, SHEAC



IDENTIFYING MATERIAL ISSUES

SSE considers issues material if they have the potential to impact considerably its operations, either positively or negatively. It also takes account of issues important to its shareholders, energy customers and other stakeholders.

There are many facets to a comprehensive assessment of the most material issues that SSE has the potential to impact. The overwhelming challenge facing the energy industry as a whole is to maintain secure and affordable supplies of energy at the same time as cutting carbon to tackle climate change. These three, sometimes competing, factors have been described as the 'energy trilemma' and remain the most important balance for an energy company to strike. Further to this overarching challenge, there are many other related material externalities that impact, or are impacted by, SSE. Refining these issues into the ones most important to focus on requires significant analysis of: emerging trends pages 8 to 9; stakeholder perspectives pages 10 to 11; Group Principal Risks page 12; global frameworks and partnerships (page 13 to 14); and aligning to the UN's SDGs (page 15).

EMERGING TRENDS

The ability to identify and respond to emerging social, economic and environmental trends is a feature of an organisation's long-term sustainability.

Understanding and responding to new trends in, for example, social change, new knowledge or technology advancement is a core component of sustainable business development. In 2019/20, SSE identified three highly material trends that have the potential to alter aspects of SSE's operations and investment in the future.

POST-PANDEMIC ADVOCACY

FOCUS ON A GREEN RECOVERY FROM THE CORONAVIRUS RECESSION

"The current crisis, in moving us all away from business-as-usual, has already created shifts in how we operate, and we believe we must use the recovery to accelerate the transition to net zero."

Joint letter from 200 leading UK businesses to the UK Prime Minister, June 2020

In the space of a few months, the coronavirus pandemic has transformed the way society and the economy operates. While it is still too early to fully understand the true scale of that change in the long term, there is an urgent need to secure a sustainable economic recovery and replace jobs lost during the pandemic. At the same time, the urgency of the climate imperative suggests that the 2020s represents the most important decade of action if the world is to avoid global warming increases in excess of 1.5 degrees.

This powerful combination of factors leads SSE to conclude that it should work with stakeholders to seek to shape and influence the post-lockdown economic period in favour of public policy frameworks that are significantly more climate-focused – in other words, stimulating economic activity directed

at achieving net zero more quickly. As an initial contribution to the national debate on economic recovery in the UK, SSE published its 'Greenprint for a cleaner, more resilient economy' in May 2020 and will continue to contribute further in the future.

There were some positive social and environmental features arising from the lockdown period that may already have shaped society's expectations of the workplace, travel patterns and ways of working – all of which may become more sustainable. These coronavirus-related factors and trends are likely to dominate the energy sector in the UK and Ireland and their wider economies for months, potentially years to come and SSE's response will be crucial to its future success.

"Companies managed with a focus on sustainability should be better positioned versus their less sustainable peers to weather adverse conditions while still benefitting from positive market conditions."

Blackrock Inc, May 2020

CAPITAL FLOW TO ESG

SUSTAINABLE FINANCE MOVING INTO THE MAINSTREAM

Sustainable finance, defined as debt or equity investment seeking to focus on environmental or social outcomes, in addition to traditional financial outcomes, is an increasing trend within financial markets. This appears to be driven by several factors, not least the growing global understanding of the social and economic risks associated with climate change. The Taskforce on Climate-related Disclosure has made significant progress in encouraging voluntary uptake of its recommendations for enhanced company

disclosure and there are signs that regulation may follow in some financial markets. There is also an increasing body of evidence that suggests that companies focusing on good environmental, social and governance (ESG) performance are outperforming, financially, those that don't. With SSE's purpose, vision and strategy so firmly founded on the achievement of a net-zero world, this trend is welcome, and it seeks to engage constructively with the growing number of investors who focus on ESG matters.

SOCIETAL EXPECTATIONS

ENVIRONMENTAL RISK BECOMING MORE PROMINENT

Before the coronavirus pandemic struck, there was evidence that risks associated with the natural environment have been elevated across the business community. The World Economic Forum's global risk report, published in January 2020, for the first time identified environmental risks in each of the top five risk categories by likelihood. Increasing public sensitivity to the human impact on ecosystems, ocean health and biodiversity appears to be a trend that is also influencing environmental regulation and company reputations.

Within the context of the RIIO2 Ofgem price controls, first for SSE's Transmission business and second for its electricity Distribution business, there is an increasing importance of bringing about positive natural environment impacts through, for example, biodiversity net gain. This trend, where society places an increasing value on nature systems, is one that SSE will seek to make a positive contribution in the long-term interests of its role as a developer, operator and owner of energy infrastructure.

"For the first time in the history of the Global Risks Perception Survey, environmental concerns dominate the top long-term risks by likelihood."

World Economic Forum, January 2020



IDENTIFYING MATERIAL ISSUES

WORKING FOR AND WITH STAKEHOLDERS

The ability to identify and act upon material sustainability issues requires effective engagement with stakeholders which, in turn, supports the ability of SSE to create value for both shareholders and society as a whole.

Approach to stakeholder engagement

SSE's stakeholders are people, communities and organisations with an interest or concern in its purpose, strategy, operations and actions and who may be affected by them.

SSE's stakeholder relationships

SSE aims to have a two-way constructive relationship with its six key stakeholder groups. By considering their perspectives, insights and opinions, SSE seeks to ensure outcomes of operational, investment or business decisions are more robust and sustainable.

SSE's aims to maintain an open and transparent approach to stakeholder engagement, founded upon building respectful and constructive relationships with its key stakeholder groups. In doing this, SSE seeks to gain a deeper understanding of their perspectives to help its decision making be more reflective of stakeholder views and input, and ensure it delivers the best outcomes for customers, shareholders and wider society.

Meaningful engagement with these stakeholder groups that helps inform decision making and enhance Board understanding, supports the ethos of section 172 of the Companies Act 2006 which sets out that directors should have regard to stakeholder interests when discharging their duty to promote the success of the company.

Across SSE's businesses, there are many examples of stakeholder engagement influencing both day-to-day and strategic decisions.

Outcomes of stakeholder engagement

Information on the outcomes of engagement undertaken with SSE's key stakeholder groups throughout 2019/20 can be found on pages 13 to 15 of SSE's Annual Report 2020. Detail on outcomes is also provided in case studies throughout this report.



Energy customers

SSE directly and indirectly serves customers across GB and the island of Ireland, who all expect a quality service they can rely on.

How we engaged in 2019/20

SSE has well established customer engagement channels in each of its customer-focused businesses, ranging from dedicated panels to ensure perspectives of vulnerable customers are considered, to forums to engage with large business customers. Customer-facing businesses also maintain a wide range of indicators of performance and customer sentiment. A significant part of SSE's engagement with government and regulators relates to the maintenance and development of reliable and sustainable energy systems for the benefit of energy customers across GB and the island of Ireland.

Material issues raised

- Affordable energy
- Responsiveness to need and vulnerability
- High-quality customer service
- Using energy efficiently
- Impact of industry change

Government and regulators

SSE works constructively with government and regulators in the UK and Ireland, who play a central role in shaping the energy sector.

How we engaged in 2019/20

SSE has dedicated teams who work to communicate its business strategy and help to develop long-term sustainable policy positions with government and regulators. Over 2019/20 SSE undertook meetings with senior ministers, key politicians and regulatory officials and responded to all material government and regulator consultations. Areas of SSE's businesses also held workshop events when setting out new business or project plans, regularly attended by representatives from regulators and government.

Material issues raised

- Cost-effective delivery of infrastructure
- Fair treatment of energy customers
- Security of supply and critical infrastructure
- The RIIO-T2 and RIIO-ED2 networks price controls
- Economic impact of investments
- The UK's future relationship with the EU

Employees

SSE directly employs over 12,000 employees in the UK and Ireland, who have a direct stake in the sustainability of its business.

How we engaged in 2019/20

SSE has ongoing, two-way channels for engaging with its employees, including: structured career conversations; annual all-employee engagement surveys; internal social media platforms; employee forums; and structured engagement with trade unions. Over the year calls and townhall events held by the Chief Executive and members of the Group Executive Committee (GEC) were held for SSE's senior leadership team to provide updates on key financial milestones and strategic matters. As the coronavirus pandemic struck, the regularity and reach of employee engagement was stepped up, to ensure employees were coping with the new working arrangements both at home and in the field.

Material issues raised

- Opportunities for development and progression
- Flexible, agile and family-friendly working patterns
- Inclusion and diversity
- The opportunity to have a say and make a difference within SSE
- Being supported to make decisions centred around doing the right thing

Suppliers, contractors and partners

SSE has around 10,000 suppliers and contractors and several joint venture partners who are crucial to its successful operation.

How we engaged in 2019/20

SSE worked closely with suppliers to ensure its values on issues such as environmental protection, safety and modern slavery were upheld. During 2019/20 engagement included meetings with strategic suppliers, onsite training for contractors, and quality and health and safety audits. SSE adopted a new Group Policy designed to help ensure that all joint ventures should be structured, governed and operated in a way that is consistent with the company's goals and culture.

Material issues raised

- Fair expectation in the delivery of projects
- Management and mitigation of health and safety risks on sites
- Deliver economic opportunities to local supply chains
- Ensure social and environmental impacts are managed and mitigated
- Effective JV structures, governance and operations

Shareholders and debt providers

SSE's large and diverse shareholder and debt provider base is increasingly focused on environmental, social and governance (ESG) performance.

How we engaged in 2019/20

SSE undertook its regular engagement programme which included: the financial reporting cycle; investor roadshows; the AGM; and attendance at investor conferences. Meetings were held with investors with particular interest in SSE's ESG performance and SSE responded to letters from investor groups on issues as diverse as climate change and employee mental health through the coronavirus pandemic. SSE actively engaged with four of the main ESG ratings agencies and participated in a trial for the development of a new ESG ratings product.

Material issues raised

- Financial performance, credit rating and dividends
- Political and regulatory risk
- Investment and capex plans, including focus on networks and renewables
- Environmental, social and governance (ESG) performance

NGOs, communities and civil society

SSE works in partnership with many third-party organisations that bring specialist perspectives on social, environmental and energy- and business-related issues.

How we engaged in 2019/20

Throughout 2019/20, SSE held community consultation events to gather feedback on projects and business plans, and progressed partnerships with NGOs which deliver additional social and environmental benefits for communities. SSE's senior leaders supported key NGO partnerships through publicly raising awareness of their initiatives, including promoting them to other businesses and organisations. SSE also actively promoted the UN's Sustainable Development Goals, contributing to many events and participating in working groups.

Material issues raised

- Environmental protection and decarbonisation
- Customer vulnerability and fuel poverty
- A just and fair net-zero transition
- Employment standards including the real Living Wage and the gender pay gap
- How SSE shares value with local communities and wider society
- Responsible behaviour of large businesses

IDENTIFYING MATERIAL ISSUES

GROUP PRINCIPAL RISKS

The successful delivery of SSE’s strategic objectives depends on effective identification, understanding and mitigation of its Principal Risks.

Sustainability in the Group Principal Risk context

Whilst all the Group Principal Risks are relevant to the sustainable development of SSE, those with particular significance to social and environmental impacts are outlined below. More information can be found in SSE’s Group Principal Risk report and SSE’s Annual Report 2020, pages 28 to 36, which detail key developments during the year and key mitigations SSE has in place.

CLIMATE CHANGE

The risk that SSE’s strategy, investments or operations are deemed to have an unacceptable future impact on the natural environment and on national and international targets to tackle climate change.

SSE must act to end its contribution to climate change and at the same time ensure its operations are resilient and can adapt to changing weather patterns. The physical impacts of climate change, such as severe weather that can interrupt energy supply or generation, and the transitional risks relating to developments in political and regulatory requirements on the products and services SSE provides, have potential to impact its operations. See pages 16 to 31.

LARGE CAPITAL PROJECTS QUALITY

The risk that major assets that SSE builds do not meet the quality standards required to support economic lives of typically 15 to 30 years.

SSE’s investment in large infrastructure projects can have considerable social, economic and environmental consequences. To deliver high-quality projects, SSE must work closely with suppliers to ensure its values on issues such as environmental protection, safety and other social issues, are upheld throughout its supply chain. SSE’s work with suppliers and towards addressing human rights risks and modern slavery, is detailed on pages 72 to 73.

POLITICS, REGULATION AND COMPLIANCE

The risk from changes in obligations arising from operating in markets which are subject to a high degree of regulatory, legislative and political intervention and uncertainty.

Governments and regulators play a central role in shaping the energy sector. SSE aims to work closely with them to help deliver net zero, whilst ensuring the energy system works in the interest of energy customers. SSE’s activities are influenced by international and national agreements on climate change and sustainability issues are increasingly included in regulatory and legislative requirements. See page 11.

ENERGY AFFORDABILITY

The risk that energy customers’ ability to meet the costs of providing energy, or their ability to access energy services is limited, giving rise to negative political or regulatory intervention that has an impact on SSE’s core regulated networks and renewables businesses.

SSE seeks to support the transition to net zero through disciplined investment in developing and operating low-carbon energy infrastructure, and delivering this in a way that represents value for money for energy customers. It works to ensure that the energy it supplies to customers is not only affordable but is accessible too, and it strives to offer services that are inclusive to all. See pages 36 to 45.

PEOPLE AND CULTURE

The risk that SSE is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision making.

The talents, skills and values of SSE’s employees enable it to fulfil its purpose and achieve its strategic goals. SSE aims to be a company for which people want to work; providing an inclusive, fulfilling and high-performing workplace. SSE’s responsible approach to attracting, developing and retaining a future skilled workforce is detailed on pages 69 to 79.

SAFETY AND THE ENVIRONMENT

The risk of harm to people, property or the environment from SSE’s operations.

The basic requirement of businesses is to do no harm and SSE has an uncompromising commitment to keeping people safe and healthy, and respecting the environment in which it operates. Things such as challenging geographic locations and adverse weather conditions can impact SSE’s activities and it must ensure it has measures in place, including clear safety and environmental processes and training. SSE’s safety, health and environment performance and initiatives are detailed on pages 32 to 35 and page 71.

GLOBAL FRAMEWORKS AND PARTNERSHIPS

External frameworks and partnerships are key to understanding and prioritising material sustainability impacts.

Engaging with ESG platforms

SSE actively engages with key investor ESG (environmental, social, governance) ratings agencies and investor-led initiatives, including all three CDP programmes, Workforce Disclosure Initiative (WDI), MSCI, Vigeo Eiris, Sustainalytics, Bloomberg Gender-Equality Index and the FTSE4Good Index. These ESG ratings demonstrate SSE’s performance to its stakeholders, while allowing it to identify areas for improvement in its operations and disclosure. To increase transparency of its performance in these ESG ratings, the table below outlines SSE’s last two years’ performance.

	2019/20	2018/19	Stable/improved/decreased
 MSCI ESG RATINGS AAA	AAA	AAA	Stable
 vigeoeiris	62/100	51/100	Improved
 SUSTAINALYTICS	69/100	71/100	Decreased
 FTSE4Good	Included	Included	Stable
 WDI	Included	Included	Improved
 CDP Climate change	A-	A-	Stable
 CDP Water	B	B-	Improved
 CDP Forests	C	-	New entrant
 Bloomberg Gender-Equality Index	Included	Included	Stable
 Fair Tax	36.5/45	39/45	Decreased*

* While SSE performs well above the minimum threshold score for accreditation, its score fell between 2018/19 and 2019/20 due to its low current tax charge in addition to changes in the Fair Tax Mark criteria. See SSE’s Talking Tax 2019 booklet for more detail at sse.com/sustainability.

IDENTIFYING MATERIAL ISSUES

Benchmarking against best practice

SSE is a signatory to the United Nations Global Compact (UNGC), the largest corporate sustainability initiative promoting responsible business practices. As a signatory, SSE is guided by the Ten Principles of the UNGC, focused on the environment, human rights, labour and anti-corruption, into its approach to business. The performance disclosed within this report outlines SSE's progress against these Principles. The UNGC seeks to catalyse action in support of the UN's Sustainable Development Goals (SDGs) from its signatory companies.

SSE aligns key performance indicators to international non-financial reporting standards and frameworks. This includes individual targets of the UN's SDGs and the Global Reporting Initiative (GRI) framework (see environmental, economic and social data tables on pages 86 to 91).

Partnering for progress

Working with partners for the benefit of mutually agreed outcomes is an important feature of SSE's approach and ability to achieve its sustainable business goals. Achieving sustainable outcomes and creating value for both shareholders and society requires mature relationships between SSE and its stakeholders. It also benefits from many partnerships, where SSE works with organisations in the pursuit of shared goals. SSE recognises the expertise and the contribution made by the following partners, large and small, in both the short and the long term.

Living Wage Foundation: since 2013

Shared objective: reducing in-work poverty.

Fair Tax Mark: since 2014

Shared objective: creating a culture of pride and transparency in corporation tax.

UN Global Compact: since 2018

Shared objective: the alignment of business strategies and operation with universal principles on human rights, labour, environment and anti-corruption.

Equal Approach: since 2017

Shared objective: the measurement and embedding of inclusion and supporting inclusive talent.

Business in the Community Ireland: since 2015

Shared objective: bringing about a sustainable, low-carbon economy and a more inclusive society where everyone thrives.

Future of the Corporation: since 2018

Shared objective: as a corporate supporter, SSE endorses the objective to consider whether the corporation is adequately equipped and structured to deal with the challenges of our future and how it can make society better, and more prosperous for everyone.

Institute of Business Ethics: since 2016

Shared objective: the achievement of high standards of business behaviour based on ethical values.

Social Mobility Pledge / C-19 Business Pledge: since 2019

Shared objective: a coalition of organisations taking steps to boost opportunity and social mobility particularly now in the context of a growing opportunity gap in the wake of coronavirus.

Barnardo's: since 2008

Shared objective: to support the employability and work opportunities for young people not in education, employment or training.

ALIGNING TO THE UN'S SDGS

A key principle of sustainable business practice is to ensure that the most important external impacts are prioritised. The outcome of analysis of emerging trends; stakeholder perspectives; Group Principal Risks; and global frameworks and partnerships, enables SSE to prioritise the most material SDGs to its business.

Determining materiality

The UN's SDGs are the core framework that SSE uses to align business and social objectives. SSE has conducted a materiality assessment of its business operations against the individual targets that comprise the 17 SDGs. This has allowed it to identify the SDGs most material to its business and prioritise action against them. Although SSE contributes in varying degrees to the majority of the 17 SDGs, it has identified four as highly material to its business, with a further four assessed as material.

Highly material SDGs

SSE has identified four highly material SDGs to its business and has directly aligned its business strategy to them (see page 4). By concentrating its efforts on these SDGs, SSE believes it can make the most meaningful contribution to sustainable development. Within this report, SSE has provided detailed progress on performance against its 2030 Goals directly linked to these highly material SDGs. In addition, it provides key performance indicators against the targets within these SDGs to demonstrate its wider contribution.

These highly material SDGs, in order of materiality, are:



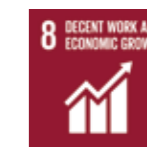
See pages 16 to 31



See pages 36 to 45



See pages 46 to 57



See pages 58 to 79

Material SDGs

Alongside the four highly material SDGs, SSE has identified four further material SDGs for its business. SSE recognises that it has a considerable impact on these SDGs as well and must report performance against them to its stakeholders.

These material SDGs are:



Structuring sustainability disclosures according to the UN's SDGs

The clarity of the SDGs which SSE most materially impacts provides a framework and structure from which the company understands and communicates the contribution it makes to the outside world. The four highly material SDGs – 13, 7, 9 and 8 – provide the framework for this report.

Furthermore, the next tier of sustainability impacts is represented by defined material goals. SDGs 12, 14 and 15 relate to environmental impacts and have been grouped together for disclosure from pages 32 to 35. SDG 10 is highlighted at the end of the report (pages 80 to 81) reflecting imperative that potential future inequalities arising from the transition to a new net-zero world must be avoided.

CASE STUDY

SIGNING THE C-19 BUSINESS PLEDGE

In March 2020, SSE joined forces with a host of businesses in signing the C-19 Business Pledge to support the UK through the coronavirus pandemic and efforts to recover from it. All of SSE's stakeholders have been affected by coronavirus, and the C-19 Business Pledge was established with the aim of uniting the business community behind three key aims:

- Supporting their own employees throughout and beyond the challenging time of coronavirus;
- Publishing clear and simple advice for customers; and
- Doing what they can to help communities through the pandemic.

In line with this, SSE's over-riding priority through the pandemic has been to support the safe and reliable supply of electricity, on which the people and organisations whose work is critical to the coronavirus response depend. At the same time, SSE is committed to supporting its employees and wider communities with the challenges they face.

Read about how SSE has supported: distribution customers on page 41; household and business customers on page 44; communities on page 65; suppliers on page 68; and employees on page 70.



TAKING MEANINGFUL CLIMATE ACTION

The transition to net zero presents an opportunity for a green and resilient recovery from coronavirus.

Global warming poses a serious risk to society and the economy. To be a sustainable business, SSE must act to end its contribution to climate change at the same time as ensuring its operations are resilient and can adapt to changing weather patterns. SSE's strategy has addressing the challenge of climate change at its heart and its focus on core businesses of economically-regulated electricity networks and renewable electricity generation, complemented by provision of electricity from thermal sources, allows it to realise the opportunities presented by the transition to net zero.

CHARTING PROGRESS AGAINST SSE'S 2030 GOALS



Cut our carbon intensity by 60%

SSE will reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2018 levels, to around 120gCO₂/kWh.



The carbon intensity of electricity generated by SSE increased marginally between 2018/19 and 2019/20, from 284gCO₂e/kWh to 288gCO₂e/kWh. The closure of its last remaining coal plant in March 2020 and significant development of its renewable pipeline means that SSE has made very good progress in achieving its long-term objective of permanent carbon reduction from the production of electricity generated.

As part of SSE's new stretching carbon targets, approved by the SSE plc Board in March 2020 and subsequently accredited by the Science Based Targets Initiative, SSE's 2030 Goal for climate action will now target a 60% reduction in the carbon intensity of generated electricity by 2030, compared to 2018 levels, from 2020/21 onwards.

SSE continued to advocate for climate action throughout 2019/20, including for a strong carbon price, an increase to the UK Government's ambitions for new offshore wind, support for low-carbon clusters, and routes to market for carbon capture and storage and hydrogen solutions.



TAKING MEANINGFUL CLIMATE ACTION

Performance Summary

SDG target	KPI	Unit	2019/20	2018/19	
13.1 Climate adaptation	Weather-related resilience expenditure by SSE Distribution:				
	Overhead line replacement and refurbishment ¹	£m	26.5	36.8	
	Tree cutting ¹	£m	26.6	20.4	
	Flood protection ¹	£m	4.3	0.8	
	Value awarded through SSEN's Resilient Communities Fund	£'000	323	377	
13.2 Integrate national policy	Science based target: scope 1 and 2 emissions		Million tonnes CO ₂ e	8.91	9.52
	Science based target: carbon intensity of electricity generation output		gCO ₂ e per kWh	288 ^(A)	284*
	Science based target: carbon emissions from gas sold (scope 3 carbon emissions)		Million tonnes CO ₂ e	2.69	2.48
	Science based target: Proportion of SSE's top 50% of suppliers by spend with Science Based Target ²		%	4	-
	SSE's CDP Climate Change Programme response score	Rating	A-	A-	

GHG emission data relating to science-based targets excludes SSE Energy Services. Detailed disclosure on the breakdown of SSE's scope 1, 2, and 3 emissions is available on page 86.

(A) This data has been subject to assurance. For the limited assurance opinion see [sse.com/sustainability](https://www.sse.com/sustainability).

* This data was subject to assurance in 2019. For the limited assurance opinion see [sse.com/sustainability](https://www.sse.com/sustainability).

¹ 2019/20 data may be subject to minor adjustment before final inclusion in the regulatory reporting pack published to Ofgem in August 2020. Some 2018/19 data has been slightly revised after finalisation of data for the August 2019 Ofgem regulatory reporting pack.

² SSE's supplier target is calculated from a 2019/20 baseline.

SDG target	Relevance and materiality	How SSE contributed in 2019/20
Climate adaptation 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters	SSE is committed to ensuring the reliability of electricity supplies to its customers. The physical impact of climate change, such as extreme weather, has the potential to interrupt this supply of energy. Extreme weather events pose a particular threat to the resilience of SSE's electricity networks. Other risks include flooding of assets, such as electrical sub stations and generation plant.	<ul style="list-style-type: none"> SSEN Distribution invested in electricity networks to strengthen weather-related resilience (page 21) SSE's core businesses began a review of the impact that climate change has on their assets (page 21) SSEN provides a Resilient Communities Fund to help local communities equip themselves to respond to emergency incidents
Integrate national policy 13.2 Integrate climate change measures and policies into business policies, strategies and planning	Climate change policy in the UK is underpinned by the Climate Change Act 2008 and in Ireland it is the Climate Act 2015. In 2019/20 the UK Parliament legislated for a target of net zero emissions by 2050 and the Irish Government published its Climate Action Plan. This policy framework provides the context for business decisions taken by SSE. Furthermore, SSE works closely and constructively with governments to support the formation of policy in support of the Paris Agreement on Climate Change.	<ul style="list-style-type: none"> Governance of climate-related issues strengthened through Board approval of stand-alone Group Climate Change Policy and new Climate Change Group Principal Risk (page 20) SSE advocated for a strong carbon price and climate action (page 20 to 21) Last remaining coal-fired generating plant closed (page 19) Total carbon emissions reduced by 6.5% (page 22) Awarded 'A-' for disclosure to 2019 CDP Climate Change programme Quantification of potential financial impacts of key climate-related risks and opportunities (pages 24 to 31)

EMBEDDING CLIMATE ACTION

SSE's strategy is focused on providing profitable solutions to the climate challenge. It does this by focusing on core businesses of regulated electricity networks and renewables, complemented by flexible and efficient thermal generation.

Working towards net zero

SSE's approach to help address climate change is centred on reducing the carbon impact of its own operations and supporting the UK and Ireland transition to net zero. Actions undertaken in 2019/20, include:

Developing, building and operating renewable generation

SSE continued its significant commitment to renewable energy, securing significant success in the UK auctions for contracts to build new offshore wind farms. As a result, it is building Seagreen and Dogger Bank offshore wind farms, with partners. SSE currently has an onshore and offshore wind pipeline of over 7GW across the UK and Ireland. This includes offshore wind farms Dogger Bank (3,600MW, SSE share = 50%) and Seagreen (1,075MW, SSE share = 49%), and the onshore Viking Wind Farm (443MW) for which SSE approved a final investment decision in June 2020.

Onshore and offshore wind pipeline

> 7GW

Providing flexible and efficient thermal generation to balance the grid in the transition to net zero

In 2019/20, SSE Thermal continued efforts towards its vision of providing flexible thermal energy in the transition to a net-zero world. This included: closing its last operational coal plant; continued construction of its 840MW Keadby 2 CCGT power station, which will be the most efficient gas-fired power station in Europe; and actively exploring opportunities, including Keadby 3, in emerging carbon capture, usage and storage (CCUS) and hydrogen solutions.

Capacity of Keadby 2 CCGT currently in construction

840MW

Enabling more renewable generation to connect to the transmission network

In June 2019, SSEN Transmission published 'A Network for Net Zero', its business plan for the RII0-T2 price control period between 2021 and 2026. A key deliverable of this business plan is a network that connects 10GW of renewable generation in the north of Scotland by 2026. In 2019/20, a total of 6.3GW of new renewable generation capacity was connected.

Total renewable generation capacity connected to SSEN's electricity transmission network

6.3GW

Paving the way for the electrification of transport and a smarter electricity distribution system

In 2019/20, SSEN Distribution made progress on key innovation projects that provide practical demonstrations of the local, low-carbon networks of the future, and also help towards SSE's 2030 Goal to support 10 million electric vehicles in Britain. In addition, SSE joined the global EV100 initiative in July 2019, committing to switch 3,500 of its vehicles to electric.

Number of SSE's fleet to be electric by 2030 as part of its EV100 commitment

3,500



TAKING MEANINGFUL CLIMATE ACTION

Governing climate-related issues

Addressing the challenge of climate change is core to SSE's strategy and is therefore at the centre of many Board considerations and decision making throughout the business.

SSE's Chief Executive has lead responsibility for climate-related issues, including at Board level. When setting Group strategy direction, and when setting strategic objectives, the Board considers material influencing factors relating to climate change.

In implementing the strategy set by the Board, the Group Executive Committee is responsible for driving climate-related

performance programmes across the organisation. It also has oversight of SSE's Climate Change Group Principal Risk.

The Chief Sustainability Officer (CSO) is responsible for advising the Board, Group Executive Committee and the business units and their executive committees on climate-related matters, and provides support in the implementation of relevant initiatives across the business.

In addition to this, the Finance Director oversees SSE's progress in meeting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, supported by the CSO and the TCFD Steering Group. The TCFD Steering Group

reviews the key climate-related risks and opportunities facing the business and their potential financial impact. Membership comprises the divisional heads of finance, sustainability professionals and the CSO. This group conducts an annual review of the outputs of the risk and opportunity assessment process which is reviewed and approved by SSE's Company Secretary, Finance Director and the Chief Sustainability Officer.

Improving governance of climate-related issues

In 2019/20, the Board reviewed SSE's Group Policies, with a key outcome being the approval of a standalone Group Climate Change Policy. Climate change was previously covered in SSE's Group Environment and Climate Change Policy. In considering the materiality of climate change to SSE's stakeholders, it was decided that creating a standalone policy provides the clearest possible guidance for decision making within the company.

Furthermore, following its assessment of the Group Principal Risks in March 2020, the Board introduced a new Group Principal Risk entitled 'Climate Change'. While implicitly understood within the existing risk framework, climate change is now identified explicitly as a Group Principal Risk given the UK's legislation on net zero emissions in 2019. Scenarios relating to both the physical and transitional risks posed by climate change now feature in SSE's viability assessment and climate-related material influencing factors will continue to be considered against all relevant Group Principal Risks. See the Group Principal Risk Report and page 12 of this report for more detail.

Advocating for climate action

Throughout 2019/20, SSE's primary advocacy activity was to make the case for increasing climate action in the UK and Ireland. This included SSE Renewables advocating for an increase in the UK's offshore wind ambitions from 30GW to 40GW of offshore wind by 2030. SSE Renewables welcomed the decision from the new UK Government to adopt this target and has since published a nine-point action plan for its delivery. SSE also continued its longstanding advocacy for a strong carbon price

to help ensure continued progress in decarbonising the power sector and driving investment towards low-carbon generation. In March 2020 ahead of the Budget, it called for the UK Government to introduce an annual carbon price accelerator to underpin the transition to net zero.

In May 2020, it published 'A greenprint for building a cleaner, more resilient economy' in which it outlined steps policymakers could take now to drive a green recovery from coronavirus (see case study). Among action called for was a commitment to a net-zero power sector in the UK by 2040. SSE has also outlined the policy measures needed to deliver Ireland's Climate Action Plan target to deliver 1GW of offshore wind by 2025. SSE will continue to call for public policy development in support of climate action during 2020/21.

More detail on advocacy SSE undertook in 2019/20 around climate action can be found on page 83 of SSE's Annual report 2020.

Climate resilience and adaptation

The physical impacts of climate change, such as increased severity of extreme weather events and longer-term changes in weather patterns, have the potential to impact adversely SSE's operations and interrupt the supply of energy to its customers.

Extreme weather events pose a particular threat to the resilience of SSEN's electricity networks while sustained changes in rainfall and wind pattern impact on the output levels of SSE Renewables' generation assets.

SSE has a number of mitigation measures in place, such as monitoring short- and long-term weather patterns, crisis management and business continuity plans, and investment programmes to improve network resilience. More detail of these mitigation measures can be found on page 28, alongside a quantification of the potential financial impact of these key climate-related risks on SSE's business.

A review is under way to consider the impact that climate change has on key

DILEMMA

RESPONDING TO THE RISK OF WILDFIRES

2019 saw an increase in the number and impact that wildfires had on SSEN Transmission's electricity network infrastructure in the north of Scotland. While wildfires are not uncommon in SSEN Transmission's network area, the increasing severity is a cause of concern for the business and it is working to understand whether this is being exacerbated by changes in climate and weather conditions.

In response to this trend, SSEN Transmission's Asset Management Steering Group created a Wildfires subgroup to assess risk and develop a mitigation strategy for the business. The subgroup has reviewed its safety management procedures which manage its response to wildfires and has appointed the expertise of specialist wildfire consultants to provide risk forecasts for wildfires in their network area. It has also engaged with other UK asset owners and electricity transmission businesses worldwide to understand risk, control and mitigation measures they have in place to deal with Wildfires.

An awareness campaign has also been launched to inform stakeholders, such as owners and users of the land SSEN Transmission's assets run across, about the dangers and causes of wildfires and the impact they have to electricity network infrastructure. In seeking to increase the resilience of their assets to climate-related risks such as wildfires, SSEN Transmission are contributing towards their RIIO-T2 Business Plan goal of 100% transmission network reliability for homes and businesses by 2026.

assets and infrastructure across the SSE Group. This considers the climate projections for the next 30 years and assesses the impact to the assets higher temperatures, changing rainfall patterns, rising sea levels, and more extreme weather events such as floods, droughts and heat waves. Each asset will be assessed against the Met Office's Climate Projections to understand if they are resilient to any changes in weather as a result of climate change. This process is part of the UK Government's assessment of critical infrastructure which takes place every five years. SSE last undertook this exercise in 2015 and will complete its own assessments by the end of March 2021.

Internal and external carbon pricing

As a generator of electricity, SSE is subject to national and international policies that impact the price of carbon, which means the price of carbon is an explicit consideration in investment decisions. SSE's generation activities in the UK and Ireland are subject to the EU Emissions Trading System (ETS), which caps the levels of GHG emissions from carbon intensive sectors by requiring participants to surrender enough allowances to cover

their annual emissions; unused allowances can be traded.

In addition, in GB SSE's activities are subject to the Carbon Price Support mechanism which sets a price per tonne of carbon emitted and, combined with the EU ETS allowance price, makes up the UK Carbon Price Floor. In line with the Withdrawal Agreement with the EU, the UK will remain in the EU ETS until 31 December 2020. From 2021, SSE's UK-based activities are expected to be subject to UK measures designed to maintain a carbon price signal for emitters currently covered by the EU ETS.

SSEN Transmission uses the Department for Business, Energy and Industrial Strategy (BEIS) central, non-traded carbon price to determine the carbon cost of each of the options considered in its Cost Benefit Analysis (CBA) framework. It uses this CBA to assess the comparative societal, environmental and economic trade-offs associated with proposed investment options. SSEN Transmission aims to apply its CBA framework to all capital investment decisions made during the RIIO-T2 period (2021 to 2026).

CASE STUDY

ADVOCATING FOR A GREEN RECOVERY



SSE believes that significant investment will be needed to rebuild the UK and Irish economies in the wake of the coronavirus crisis, and that investment in the transition to net zero should be an important element to this. SSE's 'A greenprint for building a cleaner, more resilient economy' was published in May 2020 and outlines a set of practical proposals for the UK Government, aimed at helping the economy recover from the coronavirus crisis whilst taking climate action to achieve net zero. The proposals cover five priority areas for the UK to focus on:

1. A net zero power system by 2040.
2. Strategic investment in networks.
3. A clean industrial revolution.
4. Leading the charge on electric vehicles.
5. Green buildings for green jobs.

Full detail of the recommendations in each of these focus areas can be found in the full report at [sse.com](https://www.sse.com).



TAKING MEANINGFUL CLIMATE ACTION

MEASURING PERFORMANCE

SSE is committed to open and meaningful climate disclosures, to allow stakeholders to fully assess its climate-related performance. It also believes enhanced disclosure supports a culture of continuous performance improvement.

SSE's carbon intensity

2019/20 was a record year for SSE's output of electricity from renewable sources, increasing to 10.8TWh from 9.8TWh the previous year (including biomass and pumped storage and excluding constrained output from GB wind). In addition, thermal generation emissions fell as a result of reduced electricity output, down to 17.7TWh from 21.1TWh the previous year. Despite these two factors, the carbon intensity of SSE's generated electricity increased marginally to 288gCO₂e/kWh in comparison to 284gCO₂e/kWh the previous year.

This performance was in line with expectations, and was due to SSE's approach to using coal stocks at Fiddler's Ferry ahead of its closure in March 2020,

Carbon emissions performance

In 2019/20, SSE's total carbon emissions

consisted of 66% scope 1 emissions, 5% scope 2 emissions and 29% scope 3 emissions. SSE's scope 1, 2 and 3 carbon emissions all fell between 2018/19 and 2019/20 (see graph on page 23), meaning that SSE's total carbon emissions fell by 6.5% over this period.

One of the main contributing factors to this fall in carbon emissions was a reduction in output from SSE's thermal generation plant, which had an impact across all three scopes:

- Reduced output from thermal plant meant that SSE's scope 1 emissions relating to electricity generation activities fell by 6% (from 8.76m tCO₂e to 8.21m tCO₂e).
- With thermal generation output reduced, less electricity was required for the operation of plant, meaning

Additional information on the way SSE measures carbon performance can be found in SSE's GHG and Water reporting criteria document on sse.com/sustainability.

that scope 2 emissions relating to electricity consumed in power stations reduced by 13%.

- Reduced output meant that SSE burned less fuel to generate electricity and as a result its scope 3 emissions relating to extracting, refining and transporting this raw fuel used, also reduced by 37%.

In addition to thermal generation activities, a change in the carbon factors SSE uses to calculate its emissions also impacted emissions totals. These factors fell as a direct result of the decarbonisation of the GB electricity grid which impacted emissions associated with electricity consumption in buildings and operations and the associated electricity network losses in both the transmission and distribution networks.



"While SSE is wholly focused on becoming a leading provider of energy in a net zero world, our own commitments must have credibility and the confidence of our stakeholders. Our actions must be underpinned by evidence, science and facts. That's why we sought the expertise of the Science Based Targets Initiative and why we've aligned our carbon targets to the Paris Agreement."

Martin Pibworth,
SSE's Energy Director

Setting science based targets

An important part of SSE's strategy to support the net zero transition is to measure and report performance against stretching carbon targets. These targets must be robust enough to meet the ambitions set out in the Paris Agreement and so prevent the worst impacts of climate change.

During 2019/20, SSE worked with the Science Based Target Initiative (SBTi) to set a series of new carbon targets that reflect the climate science and global and national momentum on climate change. These targets meet the strict SBTi criteria and were approved by SBTi in April 2020, meaning SSE's stakeholders can be assured that its targets reflect the latest climate science.

SSE's 2030 Goal for climate action will become more stretching from 2020/21 onwards. It is now targeting a reduction in the carbon intensity of electricity generated of 60% by 2030, compared to 2018 levels (the previous target was a 50% reduction from 2018 the baseline).

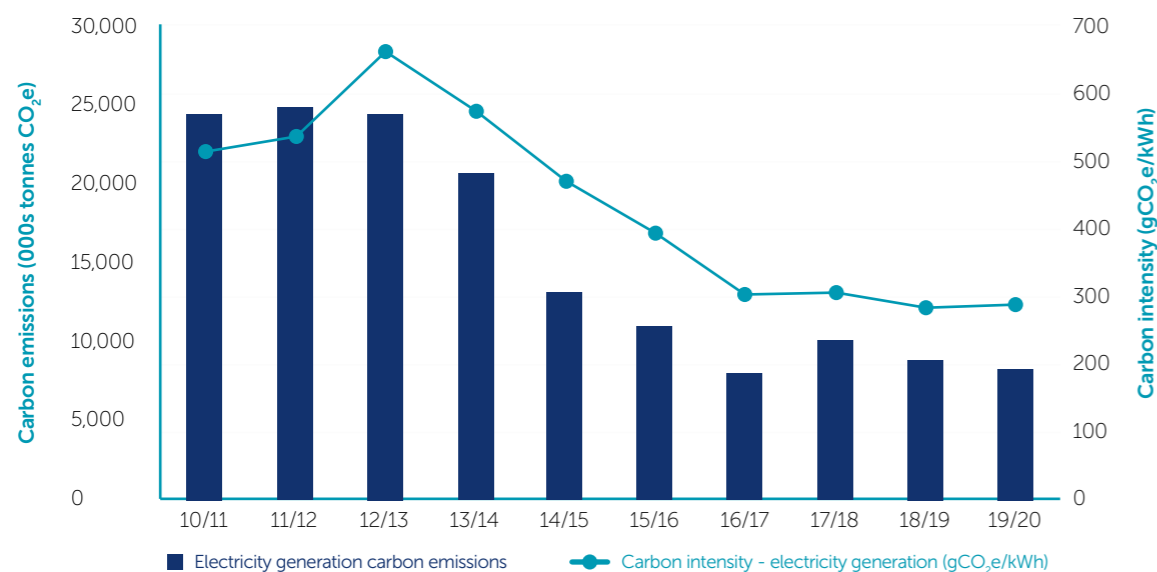
This target will be supported by three other targets which focus on reducing absolute emissions from material business activities:

- Reduce absolute scope 1 and 2 GHG emissions by 40% by 2030 from a 2018 base year;
- Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2018 base year; and
- Engage with 50% of suppliers by spend to set an SBT by 2024.

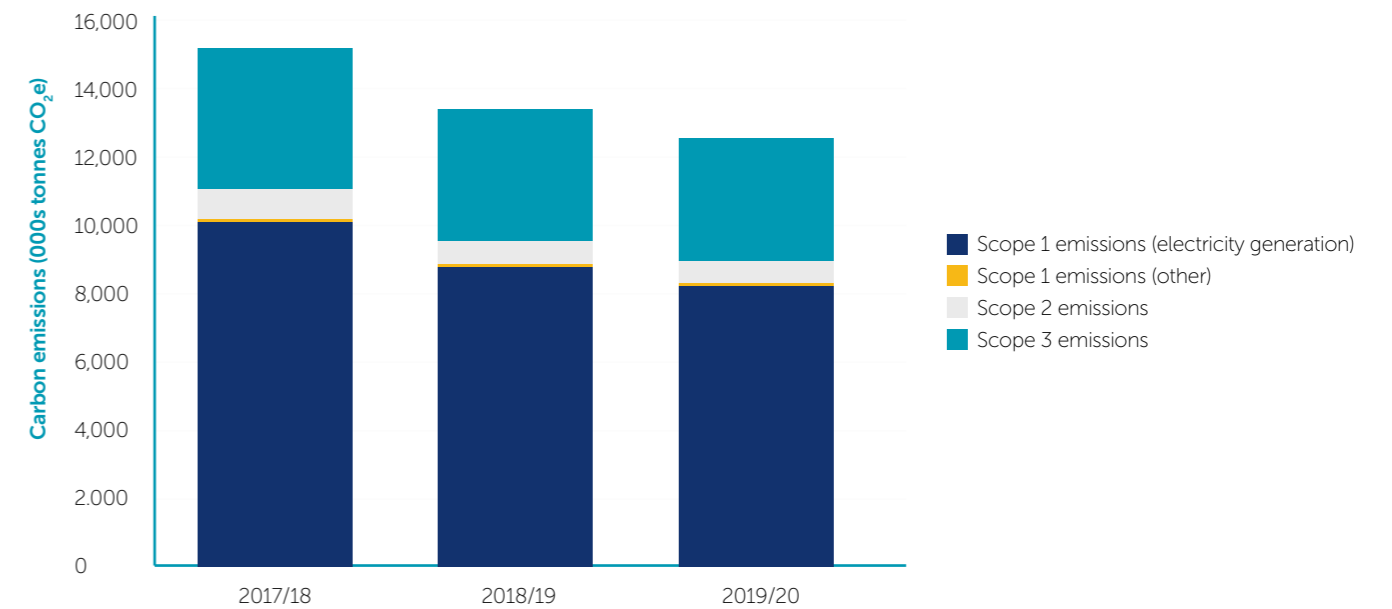
SSE will report annual progress against these targets within its Sustainability Report and, in line with the requirements of the Science Based Target Initiative, will review the targets themselves in 2025 according to the latest scientific evidence.



SSE's electricity generation carbon emissions and electricity generation carbon intensity between 2010 and 2020



SSE's carbon emissions by scopes between 2017/18 and 2019/20 (excluding SSE Energy Services)





CLIMATE-RELATED FINANCIAL DISCLOSURE

SSE must articulate its climate-related risks and opportunities to its stakeholders so they can make informed judgements on its resilience to climate change.

Full compliance with the TCFD recommendations

In November 2017, SSE committed to meeting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in full by March 2021. SSE believes the information outlined in this report, alongside disclosures contained within SSE's Annual Report represent its full compliance with the TCFD recommendations.

SSE recognises that there remains the opportunity for the development and increasing maturity of climate-related financial disclosure and welcomes feedback and engagement on the quality and quantity of its climate-related disclosure.



SSE's long-term commitment to climate-related disclosure

SSE has responded to CDP's requests for disclosure to the Climate Change Programme since 2004 and has reported data on the carbon intensity of its electricity generation for 2006

onwards in its Annual Report. It has provided detailed GHG emission disclosures in its Annual Report since 2013, in line with the requirements introduced through the Companies Act 2006. Since then SSE has significantly improved its climate-related disclosures, in particular over the past few years as the expectations and demands of its stakeholders in relation to climate-related disclosure have evolved.

SSE's TCFD journey

Led by its Finance Director, SSE has focused on identifying and quantifying its significant climate-related risks and opportunities; enhancing governance and management of climate-related issues; and developing its own scenario analysis to assess the impact of climate-related risks and opportunities on its businesses.

SSE's climate-related disclosures in its Annual Report pages 82 to 85 are structured by the four themes of the TCFD recommendations to provide clear, accessible and transparent information for its stakeholders. SSE responds annually to CDP's Climate Change Programme, which is aligned

to the TCFD recommendations and was awarded an 'A-' for its response to the 2019 CDP Climate Change Programme.

Defining climate-related risks and opportunities

Climate-related risks and opportunities can arise from either:

- **Physical impacts:** such as increased severity of extreme weather events (acute) such as cyclones, droughts, floods, fires or a longer-term shift in weather patterns (chronic) such as change in precipitation and temperature patterns;
- **Transitional impacts:** associated with the transition to a low-carbon economy, for instance from changes to policy and legal actions, technology, market and reputational concerns.

SSE's climate-related risks arise from both physical and transitional impacts. SSE's key climate-related opportunities arise from the transition to a low-carbon economy, which requires the development of renewable and low carbon generation and electricity networks.

CASE STUDY

CONDUCTING CLIMATE SCENARIO ANALYSES

In November 2019, SSE published its most recent scenario analysis report 'Transition to Net Zero: The Role of Gas'. This report responded to investors keen to understand how SSE's gas businesses align with its net-zero ambitions. This report focused on SSE's gas-related business activities in the UK and Ireland that are most impacted by market and policy changes. The resilience of these businesses was assessed against three different warming scenarios (1.5°C, 2°C and 3-4°C) over the short-, medium- and long-term.

This 2019 Scenario report builds upon its 2017 'Post Paris' report – an assessment of how resilient its electricity businesses are to 1.5°C, 2°C and 3-4°C warming scenarios in the short-, medium- and long-term.

Both analyses demonstrated that SSE's businesses are resilient to, and have a key role to play in, different warming scenarios, with future options for development that align with a net zero pathway highlighted. However, SSE is conscious that scenarios should be regularly monitored and will seek to review them in 2021. The detailed reports can be found at sse.com/sustainability.



"I signed SSE up to fulfil each one of the TCFD recommendations. I did that for what I believe to be an obvious reason. SSE is a long-term company with energy assets over 40 years old and we are building new assets that will last another 40. Our shareholders and wider stakeholders demand to understand how we are managing the risks of climate change. As important is understanding the opportunities that arise from climate change. These represent the most exciting growth opportunities for SSE in the future."

Gregor Alexander, Finance Director

SSE's TCFD journey timeline





CLIMATE-RELATED FINANCIAL DISCLOSURE

Assessing climate-related risks and opportunities

The governance of climate issues in SSE is outlined in detail on page 20. The management of climate-related risks and opportunities are integrated into SSE's Group Risk Management framework and this is complemented by a specialist TCFD climate-related risk assessment process.

The TCFD Steering Group conducts a specific climate-related risk assessment process. This involves identifying the significant climate-related risks and opportunities by reviewing: key climate-related trends in the external environment; key stakeholder issues and concerns; internal climate-related business unit risk assessment outputs; as well as climate-related influencing factors in the Group Risk Management framework. The assessment process identifies material risks or opportunities over the short (up to three years), medium (four to 10 years) and long term (up to 30 years).

The identified material risks and opportunities are then assessed in terms of potential financial impact. To calculate the potential financial impact the following method is used:

- **Climate-related risks** involve modelling the financial cost of the risk (i.e. reduced earnings or increased costs) alongside the cost of mitigation over the identified timeframe that the risk is perceived to impact the business.
- **Climate-related opportunities**, the financial benefits (i.e. operating profit or earnings) are identified and balanced against the costs of implementation again over the timeframe that the opportunity is perceived to be realised by the business.

Where relevant, risks and opportunities are assessed against different outcomes as determined by relevant scenarios.

The potential financial impacts are high-level estimates and are likely to change and evolve as methods mature. These risks and opportunities are designed to support consistent, comparable and clear climate-related financial information to SSE's investors and stakeholders.

To support this process, a risk rating matrix provides the framework to rank each risk and opportunity by likelihood of impact and significance of potential financial impact. This helps to identify the importance of each material risk or opportunity to the business.

Risk ratings for SSE's risks and opportunities

Rating	Low	Medium	High
Likelihood	Low – 1 in 10 year event	Medium – 1 in 5 year event	High – 1 in 3 year event
Financial impact	Low (<£50m earnings annually)	Medium (>£50m <£100m earnings annually)	High (>£100m earnings annually)



Risk and opportunity assessment outputs

The output, which is summarised in the table below, of this climate-related risk and opportunity assessment process is:

1. the identification of material climate-related physical and transition risks and opportunities;
2. a description of the potential impact to the business;
3. the calculation of the potential financial impact of each to the business; and
4. a rating of the impact to the business.

For each risk and opportunity there is a description of whether there has been a substantial change or update since the previous risk assessment was completed. This is to help investors and key stakeholders understand any variance to the risks or opportunities between reporting years.

Summary of SSE's highest scoring risks and opportunities

Type of Risk/ Opportunity	Potential financial impact to SSE	Significance/ Likelihood	Change from 2018/19 disclosures
Physical risks	Chronic: Changes in precipitation patterns and extreme variability in weather patterns	Renewables: Reduced revenues from lower sales/ output	Medium No change
	Acute: Increased severity of extreme weather events such as cyclones and floods	Networks: Increased operating costs (eg damage to assets)	Low No change
Transition risks	Policy and Legal: Mandates on and regulation of existing products and services	Thermal: Write offs, asset impairment and early retirement of existing assets due to policy changes	Medium No change
	Technology: Costs to transition to lower emissions technology	Networks: Increased costs and/ or reduced demand for products and services resulting from fines and judgements	Low No change
Transition opportunities	Products and services: Development of low emission goods and services in renewables (on-and off-shore wind)	Increased revenue through demand for lower emissions products and services	High Greater significance as a result of policy progress in the past year
	Products and services: Investment in flexible and renewable hydro electricity generation	Increased revenue through demand for lower emissions products and services	Low No change
	Products and services: Development of transmission infrastructure to support the development of low emission goods and services (renewables)	Increased revenue through demand for lower emissions products and services	High Greater significance as a result of policy progress in the past year
	Products and services: Development of network infrastructure to support low emission transportation products	Increased revenue through demand for lower emissions products and services	Low Greater significance as a result of policy progress in the past year

CASE STUDY

A POTENTIAL FUTURE MATERIAL OPPORTUNITY

One example of a potential significant opportunity that does not yet feature in SSE's highest scoring risks and opportunities is around the development of low carbon technology by SSE's thermal business for the 2030s and beyond. SSE's thermal generation business provides flexible electricity when wind and rainfall are low.

For the future there is the need for this business to develop and roll-out the next generation of low-carbon thermal assets. These assets will be necessary to deliver a net zero energy system. The UK Government is encouraging the development of low-carbon industrial clusters with Carbon Capture, Use and Storage (CCUS) infrastructure

and/or production of hydrogen. SSE Thermal is a member of the Humber Cluster, which is participating in the UK Government's Industrial Strategy Challenge Fund competition; the Cavendish cluster in the Isle of Grain and the NECCUS grouping in Scotland. These clusters provide a forum to work with partners to develop opportunities for decarbonisation of SSE Thermal sites.

This opportunity SSE believes will provide a potentially significant financial impact and next year SSE will review this opportunity with the potential of it featuring as a key opportunity in its risk and opportunity climate-related disclosures.



CLIMATE-RELATED FINANCIAL DISCLOSURE

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The following tables represent the second time SSE has published a quantification of the potential financial impact of its material climate-related risks and opportunities in its Sustainability Report. This disclosure provides an update to the original disclosure provided in the 2019 Sustainability Report.

PHYSICAL RISKS

Physical risk factors that impact SSE Renewables:

The Chronic Physical Risk:

Longer-term changes in climate patterns cause sustained higher temperatures that may result in lower rainfall and reduced wind levels.

These changes may impact SSE Renewables' output and associated earnings.

This weather risk is a perennial feature of risk for SSE as the largest generator of renewable electricity in UK and Ireland.

SSE's mitigating actions:

While the opportunity to mitigate against year-to-year weather variability is limited, there is an element of geographical and technological diversity amongst SSE Renewables' portfolio providing a natural hedge to changing weather patterns within and between years. Furthermore, SSE has crisis management and business continuity plans in place to deal with severe weather events that can damage energy assets.

Potential financial impact of the physical risk of climate change to SSE's business:

Potential financial Impact

Around £100m potential adverse impact on one year of earnings.

Based on SSE's long-term monitoring of weather changes and current forecasts, a plausible scenario has been established of significantly below-average rainfall and of low wind. The combination of these weather impacts will result in reduced renewable generation output and associated earnings.

Weather patterns affect renewable output and in any one year the potential adverse financial impact on renewable earnings is estimated to be around £100m.

Physical risk factors that impact SSE's Networks businesses:

The Acute Physical Risk:

Increased severity of extreme weather events, such as storms, floods and heat waves brings prolonged extreme temperatures, wind or rainfall.

This may damage network assets resulting in loss of incentive revenue and increased maintenance for SSE's Distribution Networks business (SSEN).

Potential financial impact of the physical risk of climate change to SSE's business:

Potential financial Impact

Between £120m - £220m potential adverse impact on earnings cumulatively over 10 years.

To estimate a potential financial impact of this risk, it is assumed that the next distribution price control (2023 to 2028) will be of similar value and size as the current R10-ED1 distribution price control (2015 to 2023). To calculate the financial impact two scenarios have been assessed:

- The first assumes that for three years fault costs will increase by 10% with a corresponding 10% decrease in annual incentive revenue; and for a further three years fault costs will increase by 20% with a 20% annual incentive revenue reduction.
- The second scenario assumes that an additional 10% fault cost will be incurred each year for the next 10 years and this would have a corresponding 10% impact on incentive revenue each year in the same period.

These calculations are consistent with the number of faults and current R10-ED1 incentive and penalty methodology.

The estimated cost of faults and loss of incentive income over the next 10 years may result in a potential reduction of earnings of between £120m and £220m cumulatively.

SSE's mitigating actions:

To mitigate these impacts SSE monitors short- and long-term weather trends and forecasts; has crisis management and business continuity plans; and has a continuous programme of investment in strengthening and improving the resilience of the electricity network.

TRANSITION RISKS

Transition risk factors that impact SSE's Thermal business:

Policy and Legal risk:

Stretching climate change policy results in the closure of unabated gas assets from 2030 onwards.

The low-carbon transition requires a significant increase in renewable generation. Flexible generation is required to provide electricity when renewable output is low.

In the short term (by the end of the 2020s) gas generation is likely to provide that flexibility. However, to meet climate change commitments the UK and Irish governments may strengthen climate change policies and require thermal generation to be removed or abated in the medium to long term (beyond 2030).

Potential financial impact of the physical risk of climate change to SSE's business:

Potential financial Impact

Up to £305m potential adverse impact on earnings cumulatively over five years after 2030

SSE's existing 5.3GW fleet of installed gas- and oil-fired generation will be nearing the end of its expected life towards the end of the 2020s and early 2030s. However, 2.1GW of Combined Cycle Gas Turbine capacity will still be in operation in 2030 and beyond. It is a plausible scenario that this capacity will not be able to generate beyond 2030 without low-carbon technology. It is therefore assumed that the financial impact of this policy change is a loss of five years of earnings for the remaining life of these assets.

The early closure of the remaining gas assets taking account of the cost to mitigate is estimated to have an adverse impact on earnings of up to £305m cumulatively over five years after 2030.

SSE's mitigating actions:

- SSE continues to invest in a diversified generation portfolio of renewable and thermal assets and engages with UK and Irish Governments, European Union and others on low-carbon policy.
- Building on past experience of working towards commercial demonstration of Carbon Capture Usage and Storage (CCUS) technology in the UK SSE Thermal is pursuing the opportunity to partner within key industrial decarbonisation clusters in the UK.
- The costs associated with decommissioning is factored into the end-of-life plans for ageing plant.
- SSE Thermal is building decarbonisation pathways into new development projects to ensure that they are future-proofed and deliver on SSE's own decarbonisation target.

Transition risk factors that impact SSE's Networks businesses:

Technology risk:

Electrification takes place at such speed it overwhelms the distribution network.

National Grid's 'Two Degree' Future Energy Scenario 2018 anticipates 10m electric vehicles (EVs) in GB by 2030 and SSEN Distribution is preparing for such a scenario.

However, a disorderly or faster-than expected increase in the uptake of EVs has the potential to affect the reliability of the distribution network, resulting in significant costs to reinforce the network to take account of electrification.

Potential financial impact of the physical risk of climate change to SSE's business:

Potential financial Impact

Between £50m to £100m impact on earnings cumulatively over five years.

An unexpected rapid and exponential uptake of EVs in GB will have the potential to disrupt the electricity network and impact the reliability of the network assets.

Additionally, there would likely be significant additional expenditure incurred due to the distressed nature of delivering capital investment as a result of a GB wide rapid uptake of EVs including the impact on the supply chain.

The financial impact of rapid electrification cumulatively over the next five years on earnings could be between £50m to £100m.

SSE's mitigating actions:

- SSEN is aiming to take a leadership role on electrification and has set itself a 2030 target to 'build network flexibility that helps accommodate 10 million electric vehicles in the UK'.
- SSEN is working with industry, policy-makers and the regulator to support a phased transition from a Distributed Network Operator (DNO) to a Distributed System Operator (DSO). SSEN's approach is detailed in its DSO strategy Supporting a Smarter Electricity System.
- SSEN continues to progress innovation and in March 2019 secured £13.8m of funding from the UK Government's Industrial Strategy Challenge fund for Project Local Energy Oxfordshire (LEO) to explore the growth in small scale renewables, electric vehicles, battery storage, vehicle-to-grid (V2G) technology and demand side response.
- In August 2019 in Scotland, SSEN joined the Scottish Government, Transport Scotland and SP Energy Networks on a £7.5m strategic EV infrastructure partnership.
- SSE is also a member of the Climate Group's global EV100 initiative and pledged to switch its 3,500 strong vehicle fleet to electric by 2030 and install charging points for its 12,000 employees to use.



CLIMATE-RELATED FINANCIAL DISCLOSURE

OPPORTUNITIES

Opportunity described for SSE Renewables:	Potential financial impact of the climate-related opportunity to SSE's business:
<p>Products and Services: Development and expansion of SSE's off- and on-shore wind pipeline to support a low-carbon electricity system.</p>	<p>Potential financial Impact Highly significant opportunity for additional growth.</p>
<p>In a low-carbon world, new off- and on-shore wind has an important role to play. The UK Government has committed to 40GW of installed offshore wind capacity by 2030 and the Committee on Climate Change sees at least 75GW by 2050. The continued access to Contracts for Difference (CfD) or other price stabilisation mechanism would continue to support an investment case for SSE in off- and on-shore wind projects.</p>	<p>SSE has an off- and on-shore wind pipeline at varying stages of development of around 7GW. The portfolio has the potential to generate significant additional earnings for SSE.</p> <p>In September 2019, SSE Renewables secured Contracts for Difference (CfDs) for 2.2GW of new offshore wind capacity through the third Allocation Round. Further CfD Allocation Rounds present significant new opportunities for SSE to develop more offshore and onshore wind potential in UK waters.</p> <p>The potential financial impact of this climate-related opportunity represents one of the most significant available to SSE both in the short- and long-term.</p>
<p>SSE's actions to realise the opportunity:</p> <ul style="list-style-type: none"> SSE has a pipeline of over 7GW of potential new wind opportunities. SSE will develop these projects in partnership and will recycle some capital to support further development. In addition to the immediate opportunities at Seagreen, Dogger Bank and Viking, SSE has further offshore wind project interests in Berwick Bank and Marr Bank in Scotland, Greater Gabbard Extension in England and Arklow Bank Wind Park in Ireland. SSE engages with UK, Scottish and Irish Governments, European Commission, Members of European Parliament and others on low-carbon policies. 	

Opportunity described for SSE Renewables (hydro):	Potential financial impact of the climate-related opportunity to SSE's business:
<p>Products and Services: Decarbonisation of the electricity system provides the opportunity to increase output and earnings from flexible and renewable hydro assets.</p>	<p>Potential financial Impact Up to £450m potential additional revenue cumulatively over 10 years.</p>
<p>As the energy system decarbonises, increasing volumes of wind energy is coming onto the GB system. Flexible generation and storage are required to provide electricity when wind output is low. SSE's hydro generation assets (inc. pumped storage) are in a good position to take advantage of an increase in value of flexible output.</p>	<p>SSE has 1,459MW of existing hydro capacity (inc. pumped storage) and has planning consent for an additional 600MW of pumped storage. SSE continues to invest in its hydro generation assets to increase flexibility to the UK grid. It is assumed that by providing more flexible hydro output from existing assets SSE could generate an additional £10m per annum through generating additional volumes and/or capturing high prices during system stress periods. In addition, balancing market and ancillary services revenues could generate income of up to around £25m per year. These values will vary depending on market conditions.</p> <p>Furthermore, the successful development of the consented Coire Glas Pumped Hydro plant could potentially earn additional revenue from 2029. This is based on the current revenue projections for the existing pump storage capacity that SSE owns.</p> <p>Revenues of up to £450m could be earned by continuing to provide flexible hydro output and investing in new pumped storage output over the next 10 years.</p>
<p>SSE's actions to realise the opportunity:</p> <ul style="list-style-type: none"> SSE is investing in a diversified generation portfolio of renewable and flexible generation assets (including hydro generation assets). SSE has 400MW of run-of-river hydro, 750MW of flexible hydro alongside 300MW of pumped storage. Over the last 3 financial years hydro assets have demonstrated their capability in delivering substantial value through flexible operation enabled by enhancements to SSE's commercial management of these assets. 	

Opportunity described for SSEN Transmission:	Potential financial impact of the climate-related opportunity to SSE's business:
<p>Products and Services: Investment in transmission infrastructure in the north of Scotland to support the delivery of an accelerated low-carbon electricity system.</p>	<p>Potential financial Impact Additional annual earnings of over £100m in comparison to the previous price control.</p>
<p>The UK Government's Climate Change Act 2008, its Clean Growth Strategy (published 2017), and its industrial strategy, describe the mechanisms for the UK to transition to a low-carbon economy. These policies have led to an increase in renewable generation contributing to the GB electricity network. With the Committee on Climate Change report on net zero and a green recovery economic response to the coronavirus, an accelerated path towards further decarbonisation is highly plausible. SSEN's transmission network plays a key role connecting the sources of renewable generation to the areas of high demand.</p>	<p>SSEN Transmission has a current pipeline of transmission projects with a total planned investment of over £400m up to 2021 as part of RII0-T1.</p> <p>For the next price control from 2021 to 2026 SSEN published its draft Business Plan for A Network for Net Zero that forms the basis of the RII0-T2 business plan. This plan identifies potential investment in the transmission network of £2.4bn over the RII0-2 period to increase renewables capacity from 6.3GW today to over 10GW by 2028. In addition, there is potential for investment in three island links of around £1.5bn.</p> <p>Additional annual earnings of over £100m in comparison to the previous price control*.</p> <p>* this is reflective of SSE's Network for Net Zero business plan for investment up to 2026 with a steady state investment for the remaining period to 2030.</p>
<p>SSE's actions to realise the opportunity:</p> <ul style="list-style-type: none"> SSEN operates the transmission network in the north of Scotland, where 96% of the electricity transmitted is from renewable sources. This network enables the renewable energy generated in the north of Scotland to be transmitted down south to areas of higher demand. In 2019/20 SSEN connected new renewable electricity generation, contributing to an overall increase in the total renewable capacity connected to SSEN Transmission's network from 3.3GW in April 2013 to 6.3GW in April 2020. 	

Opportunity described for SSEN Distribution:	Potential financial impact of the climate-related opportunity to SSE's business:
<p>Products and Services: Decarbonisation of transport presents opportunities for SSE's Networks business.</p>	<p>Potential financial Impact Between £200m to £400m cumulative revenue from investment to support electrification of transport to 2030.</p>
<p>National Grid's 'Two Degree' Future Energy Scenario 2018 anticipated electric vehicles (EVs) to grow in GB to around 10 million by 2030.</p>	<p>The uptake of EVs on SSE's networks is likely to provide a significant investment opportunity to support the low carbon transport transition. Studies forecast that EVs will contribute between £400m and £1bn of capital investment by 2030 for SSE in its network areas. To calculate the revenue impact of rapid electrification of vehicles, SSE has profiled the investment predictions of a fast and average uptake over the period up to 2030.</p> <p>Between £200m and £400m potential increase in cumulative revenue from investment in distribution networks to support electrification of transport up to 2030.</p>
<p>SSE's actions to realise the opportunity:</p> <ul style="list-style-type: none"> SSEN is taking a leadership role on electrification and has a 2030 target to 'build network flexibility that helps accommodate 10 million electric vehicles in the UK', and during 2019/20, SSEN invested a total of £364.9m in electricity distribution networks. SSEN continues to progress innovation and in March 2019 secured £13.8m of funding from the UK Government's Industrial Strategy Challenge fund for Project Local Energy Oxfordshire (LEO) to explore the growth in small scale renewables, electric vehicles, battery storage, vehicle-to-grid (V2G) technology and demand side response. In August 2019 in Scotland, SSEN joined the Scottish Government, Transport Scotland and SP Energy Networks on a £7.5m strategic EV infrastructure partnership. SSE is also a member of the Climate Group's global EV100 initiative and pledged to switch its 3,500 strong vehicle fleet to electric by 2030 and install charging points for its 12,000 employees to use. 	

PROTECTING THE NATURAL ENVIRONMENT

Delivering SSE's strategy means interacting with the natural environment in many ways. SSE has identified that SDG 12: Responsible consumption and production, SDG 14: Life below water, and SDG 15 Life on land as material to its business.



MANAGING ENVIRONMENTAL IMPACTS

SSE seeks to actively manage its environmental footprint, maximising positive and minimising negative impacts. To do this, it has robust policies and procedures to guide its day-to-day operations and interactions with the environment.

A new Environment Strategy

In 2019/20 SSE launched an invigorated Group Environment Strategy, aligned to SDG 12 (Responsible consumption and production), SDG 14 (Life below water) and SDG 15 (Life on land). While providing solutions to climate change is the primary environmental impact by SSE, there are plenty of ways in which an energy company interacts with the environment. A reinvigorated plan across the SSE Group seeks to

further focus on promoting responsible consumption and production at the same time as protecting and enhancing the natural environment.

- **Responsible consumption and production:** Promoting resource efficiency, environmental quality and managing waste in a sustainable way.
- **Natural environment:** Supporting the conservation, restoration and sustainable use of the world's land and water resources; and promoting the integration of amenity, ecosystem and biodiversity improvement into business activities.

business recognises and effectively manages the most significant environmental issues and impacts it faces.

Monitoring environmental performance

In 2019/20, the number of environmental incidents as a result of SSE's activities totalled 53 compared to 32 incidents the previous year. Of these, there were no major environmental incidents in 2019/20, compared to one in 2018/19, and the majority were minor incidents. A full breakdown of environmental incidents classed by severity can be found on page 86.

Environmental management systems

To ensure effective environmental management, SSE implements an environmental management system (EMS) across key areas of its business that interact with the environment. It is certified to ISO14001:2015 at a parent group-level for selected operations, which includes its thermal and renewable energy generation activities. In 2019/20, SSEN Transmission also became certified to ISO14001:2015. ISO14001 is designed to ensure that appropriate policies, processes, and outputs are in place to ensure a

The increase in environmental incidents was largely in relation to minor transformer oil leakages on SSE's electricity distribution network, thought to be a result of a drive for better reporting in this area. SSEN Distribution has detailed targets to manage fluid filled cable (FFC) oil leakage as part of its environment plan which supports the Group Environment Strategy. This includes a 15% reduction in FFC oil leakage and replacement of 76km of FFCs by 2023, and a strategic ambition to remove all FFCs by 2040.



"It is well understood that the climate emergency is interwoven with the equally important emergency in the natural environment. This sentiment guided the creation of SSE's new Environment Strategy."

Rachel McEwen, SSE's Chief Sustainability Officer

SSE's environmental permit breaches increased to 10 in 2019/20 from four the previous year. While the number of breaches increased the severity decreased, with the majority relating to minor environmental incidents. Most breaches were self-reported to the relevant environmental agencies and all incidents were dealt with quickly when identified.

SSEN Transmission and SSEN Distribution have to submit environmental disclosures to the energy regulator, Ofgem, on an annual basis to monitor performance and drive improvements. In November 2019, SSEN Transmission was awarded Leadership (78%) for the second year in a row for its Environmental Discretionary Reward submission.

Protecting and enhancing biodiversity

SSE operates in some of the UK's most remote areas which are home to a wide variety of valuable ecosystems and habitats. It must work to protect and enhance these precious environments and species. In support of this, SSE is targeting overall 'no net biodiversity loss' on new infrastructure projects gaining consent in 2020 onwards for Transmission and 2023 for Renewables and achieving 'Net Biodiversity Gain' on projects gaining consent in 2025 onwards for Transmission and Renewables.

SSEN Transmission is at the forefront of evolving Biodiversity Net Gain (BNG) methodology, and in December 2019 it published its approach to implementing BNG. The approach has received recognition as industry leading and won the 'Best Practice Award' at The Scottish Green Energy Awards. Information on the BNG approach can be found at ssen-transmission.co.uk.

Action undertaken by SSE's core business units to protect, enhance and restore biodiversity over the 2019 calendar year is outlined in its Biodiversity Report 2019, available at sse.com/sustainability.



CASE STUDY

WORKING IN COASTAL AND MARINE ENVIRONMENTS

As SSE Renewables diversifies its portfolio and expands into offshore wind, this brings with it an additional range of environmental challenges and monitoring requirements.

SSE's offshore pipeline includes Seagreen (1,075MW, SSE share = 49%) and Dogger Bank (3,600MW, SSE share = 50%). These are significant developments that will see SSE Renewables operate in new coastal and marine environments. In 2019, ecological work and environmental assessments resulted in work seeking to enhance the species found on these sites.

This included relocation of crested newts and the removal of hedge rows to prevent impacts on birds and common lizards at Dogger Bank, and a commitment to enhance Sea Pea, a nationally scarce plant, found close to Seagreen site. With enhanced scientific monitoring in areas prior to wind farm construction, there are occasions where exciting discoveries are made. In the summer of 2019, marine monitoring at Seagreen identified a swordfish for only the second time ever in Scottish waters.

More detail of the activities undertaken by SSE Renewables in relation to these projects can be found in SSE Renewables' Environment Report 2020 at sserenewables.com.

PROTECTING THE NATURAL ENVIRONMENT

USING RESOURCES EFFICIENTLY

SSE relies on many natural resources during the construction and operation of assets. It seeks to use these resources in a way that minimises adverse environmental impacts.

Managing water use

SSE depends on water in many ways across its operations, from use in electricity generation to being used as an amenity in its buildings. While none of SSE's core operations have an impact on water-stressed areas, SSE seeks to use water in a sustainable way.

During 2019/20, SSE abstracted 27.8 billion m³ of water and consumed just 6.9 million m³, compared to 25.1 billion m³ of water abstracted and 5.6 million m³ consumed the previous year. This means in 2019/20, over 99% of water abstracted was returned to the environment. This high volume of return is due to the fact that 97% (27.0 billion m³) of all water abstracted was used in SSE's hydro electric generation operations and was therefore returned to the environment almost immediately.

The increase in water abstracted

compared to 2018/19 was largely due to a 12% increase of water passing through SSE's hydro electric generation plant as a result of increased generation of electricity. Water consumption also increased compared to 2018/19, and this was due to a change in the generation mix and the different types of cooling water used by SSE's thermal generation activities.

While SSE's gas- and oil-fired generation output decreased between 2018/19 and 2019/20, from 20.1TWh to 15.4TWh, coal-fired generation output with recirculatory cooling water systems, which have higher evaporative losses and therefore consume more water, increased from around 0.6GWh to 1.9GWh. This performance was in line with expectations as SSE's approach was to use the remaining coal stocks at Fiddler's Ferry ahead of its closure in March 2020.

SSE has a water efficiency and saving programme in its non-operational offices, data centres and depots, and also runs a behavioural change campaign in its non-operational buildings to encourage water savings at work and at home. SSE monitors the water use in these non-operational buildings, and in 2017 a target was launched as part of the programme, to reduce water consumption every year by 2.5%. Total SSE non-operational buildings water use in 2019/20 was 46,494 m³. Water consumption reduced by 4,762 m³ compared to 2018/19, representing a 9.3% reduction in annual water use. Performance was therefore 6.8% ahead of target.

More detail on SSE's water management and performance can be found in SSE's annual CDP Water Programme submission, for which SSE was awarded a 'B-' in 2019, which is available at sse.com/sustainability.

Reducing energy consumption

SSE seeks to cut carbon from its offices and depots through a combination of investment in physical measures and building user engagement through its 'Better Off' behaviour change campaign. SSE runs its 'Better Off' behavioural change programme to engage employees on energy efficiency activities. To complement these activities energy efficiency and building renewable generation project investments have totalled £12.65m since 2011/12.

During 2019/20, investments included £200,000 in solar photovoltaic installations at SSE's Perth campus and various depot sites throughout its estate. Investments in solar PV generation are expected to result in new emission reductions of almost 200 tCO₂. At the end of year two of the programme to deliver an internal 2030 target of a 20% reduction in carbon emissions, a total investment of £750,000

has been made across a diverse range of projects, including solar PV generation, LED lighting, free cooling systems, chillers and air conditioning systems. As part of SSE's new agile working arrangements, SSE has also invested significantly in its property portfolio, consolidating multiple non-operational sites into modern buildings which use energy more efficiently.

Joining the Climate Group for energy productivity

In 2019, SSE joined the Climate Group's initiative to encourage more businesses to improve their energy productivity through their pledge, the EP100, alongside the EV100 pledge to move to an electric vehicle fleet by 2030. In terms of EP100, SSE has pledged to double its energy productivity in its offices and depots by 2030. To ensure the success of this pledge, SSE has set targets for carbon reductions from the these sites of 20% by 2030 from a 2018 baseline. The EP100 pledge is on target so far with SSE's offices and depots' annual energy consumption in 2019/20 being almost 27MWh, representing a 45% reduction compared to the previous year. Finally, while the Climate Group's RE100 is targeted at non-renewable energy providers, SSE has joined in spirit and, as of 31 March 2020, 100% of the electricity it requires for operational purposes comes from renewable sources, backed by renewable guarantees of origin (REGO) certificates.

Managing air emissions

SSE continues to invest in operating practices and technologies that reduce or remove air pollutants from its generation processes. In 2019/20, SSE's thermal generation sites emitted 2,464 tonnes of sulphur dioxide and 6,080 tonnes of nitrogen oxides, compared to 1,345 and 6,124 tonnes respectively in 2018/19. The considerable increase in sulphur dioxide emissions was due to the increase of coal-

fired generation output between 2018/19 and 2019/20. As outlined in the water management section, this performance was in line with expectations ahead of the closure of SSE's last coal-fired generation plant in March 2020.

In 2019/20, SSE's SF₆ emissions rose to 607kg from 577kg the previous year. This was in part due to an increasing asset base, for example completion of new substations required as the SSEN's electricity transmission network expands. SF₆ is widely used by the electricity industry in substations, power transformers, wind turbines, circuit breakers and switchgear across the globe due to its excellent insulating properties. However, SF₆ is also a potent greenhouse gas with a global warming potential. SSEN is taking proactive measures to reduce leakage of SF₆ in its electricity networks where it is used to a greater extent than in other areas of the business, for example SSEN Transmission is taking part in an innovative trial for SF₆ alternative gases (see page 54).

During 2019/20 SSEN Distribution implemented a new strategy for SF₆ switchgear to minimise leakage and help it work towards its targets for the RII0-ED1 price control. This has involved a number of internal changes, including: establishing a working group to address SF₆ leakage; improvements utilising a more pro-active approach to the SF₆ switchgear repairs process and changes to internal systems to better target leaking SF₆ assets for replacement or intervention. An innovation project was commissioned looking at opportunities for utilising alternatives to SF₆ at medium voltages. SSEN Distribution also commissioned data analytics to do a deep dive in to the causes of SF₆ leakage on distribution equipment, the results of which will help it better target improvements in leakage reduction.

Externally, SSEN Distribution is taking an active role in addressing the issue of SF₆ across the industry and currently chairs Energy Networks Association SF₆ Task Force group. The working group was established to input to the EU consultation on the Fgas regulations but is now working to understand the current situation regarding SF₆ alternatives and to drive change in this area.

Implementing a waste strategy

SSE has waste management controls within each of its businesses and follows the waste hierarchy to reduce, reuse and recycle its waste. It has an internal Waste Management Standard that guides its businesses in their day-to-day activities. SSE provides recycling facilities at its key offices and operational sites and adheres to the relevant regulatory requirements for waste management at its different sites and locations.

In recent years, SSE has been implementing a waste improvement programme to improve the management and reporting of its waste performance. In accordance with its Group Environment Strategy, SSE seeks to substantially reduce waste by delivering a waste minimisation strategy, developing a baseline by the end of 2020 and setting targets in 2021 onwards. Performance against these waste targets will be reported in future sustainability reports.

To support the waste management strategy, SSE Renewables is investigating the options for diverting end of life fibreglass from landfill. In addition, SSEN Transmission is developing specific waste and resource use requirements across waste streams from operations and construction projects, and as a regulated business it has set itself targets of zero waste to landfill and 70% or greater recycling, reuse, recovery rate by 2026.





PROVIDING AFFORDABLE AND CLEAN ENERGY

SSE has a key role in helping ensure energy is affordable, reliable and sustainable for all in the transition to net zero.

The needs of energy customers are reflected in SSE's core purpose of providing energy needed today while building a better world of energy for tomorrow. SSE's strategy seeks to support the transition to a decarbonised energy system through disciplined investment in developing and operating low-carbon energy infrastructure, and delivering this in a way that represents value for money for energy customers. It works to ensure that the energy it supplies to customers is not only affordable but is accessible too, and it strives to offer services that are inclusive to all.

CHARTING PROGRESS AGAINST SSE'S 2030 GOALS



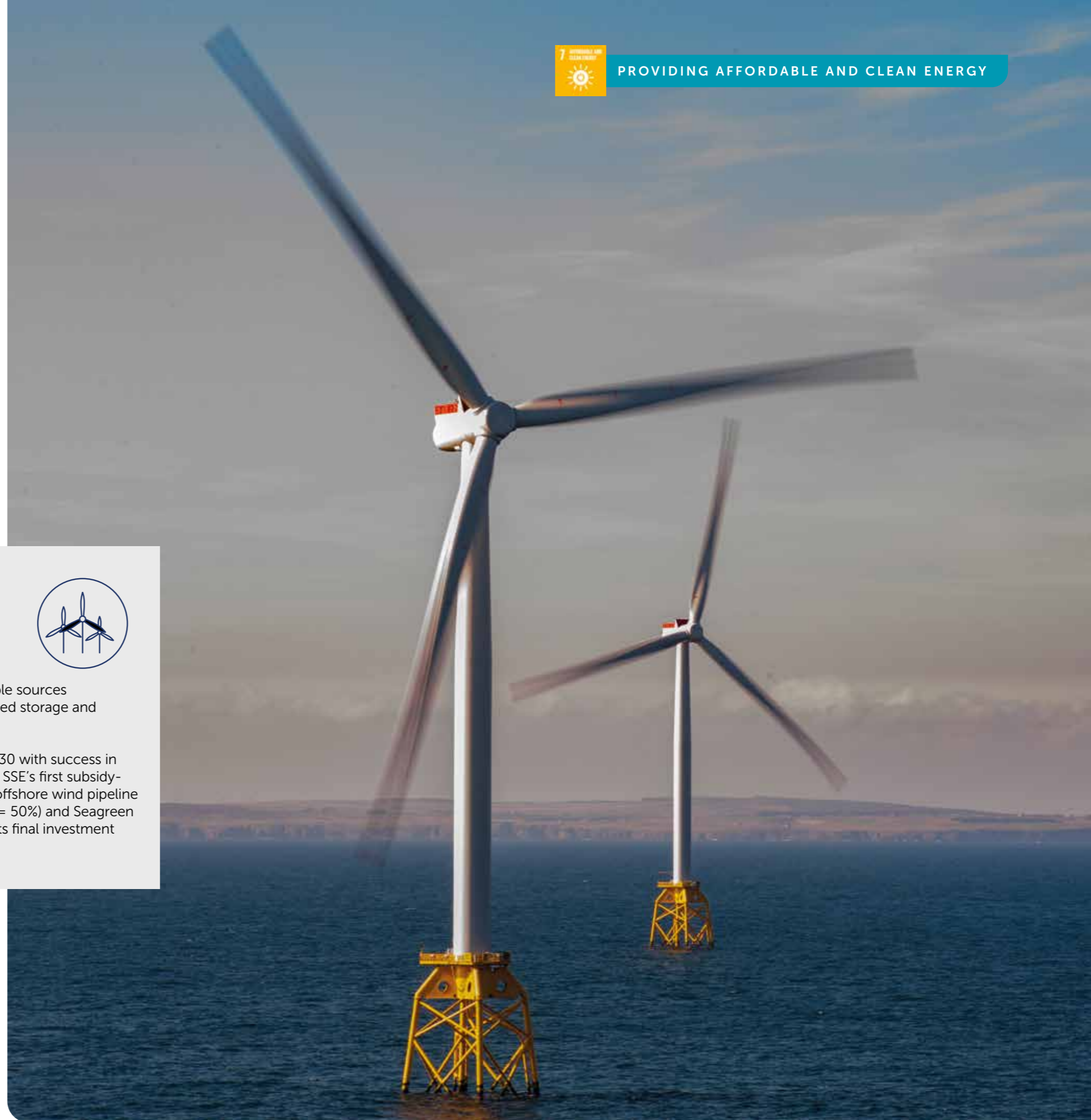
Treble renewable energy output

Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.



2019/20 represented SSE's highest-ever year of electricity generation from renewable sources with 11.4TWh of output compared to 10.4TWh in 2018/19 (including biomass, pumped storage and constrained off wind in GB).

Important progress was made to achieve 30TWh of renewable energy output by 2030 with success in the 2019 Contracts for Difference auctions and the investment decision to progress SSE's first subsidy-free onshore wind farm, Gordonbush Extension. SSE currently has an onshore and offshore wind pipeline of over 7GW. This includes offshore wind farms Dogger Bank (3,600MW, SSE Share = 50%) and Seagreen (1,075MW, SSE Share = 49%) and the Viking onshore wind farm (443MW). SSE took its final investment decision for both Seagreen and Viking in June 2020.





PROVIDING AFFORDABLE AND CLEAN ENERGY

Performance Summary

SDG target	KPI	Unit	2019/20	2018/19
7.1 Universal access	Networks customers on the Priority Services Register (PSR)	Number	746,821	707,198
	Customer minutes lost – SHEPD/SEPD	Average per customer	56/46	59/50
	Customer interruptions – SHEPD/SEPD	Per 100 customers	63/47	69/52
	Total renewable generation output ¹	GWh	10,753	9,777
7.2 Renewable energy	Total renewable generation output (inc. constrained off GB wind) ¹	GWh	11,442	10,464
	Renewable generation output – proportion of SSE’s total output	%	37.7	31.7
	Total renewable generation capacity ¹	MW	3,992	3,767
	SSE’s onshore and offshore wind development pipeline	GW	> 7	> 8
7.3 Energy efficiency	Business Energy smart meter operating volumes (gas and electricity) ²	Number	157,409	121,175
	Meter Point Administration Numbers (MPANs) supplied with SSE	Number	49,080	44,834
	Green 100% renewable electricity ³			
	Energy saved as a result of energy efficiency measures targeted to fuel poor households in Ireland	Million kWh	5.8	2.1

1 Figures include pumped storage and biomass.
 2 SMETS1, SMETS2 and AMR meters at 31 March in each year. SMETS1 meters installed before 5 December 2018 are counted as compliant
 3 Individual companies may have more than one MPAN so figures are not representative of customer numbers.

SDG target	Relevance and materiality	How SSE contributed in 2019/20
Universal access 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services	SSE provides an essential service, which it must ensure it delivers in a way that meets the needs of all of its customers, particularly the most vulnerable.	<ul style="list-style-type: none"> SSEN Distribution maintained the British Standard for Inclusive Service Provision (BS18477) for the fifth year running (page 41) SSEN Distribution increased the number of customers served by its Priority Services Register (page 40) SSE’s Customer Solutions businesses provide green electricity and gas to business and household customers (page 42 to 44) Customers were supported during the coronavirus pandemic (see page 41 and 44)
Renewable energy 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	Core to SSE’s business strategy, is growth in the development of additional renewable energy generation to support the low-carbon transition.	<ul style="list-style-type: none"> SSE Renewables had a record year of renewable electricity generation at 11.4TWh (page 39) Beatrice offshore wind farm became operational (588MW, SSE share = 40%) SSE had success in the 2019 Contracts for Difference auctions for Dogger Bank and Seagreen offshore wind farms (page 39) SSE decided to progress its first subsidy-free onshore wind farm, 38MW Gordonbush Extension SSE increased its renewable generation capacity from 3.7GW to 4GW Renewable energy accounted for almost 38% of SSE’s total generation output in 2019/20 (page 39)
Energy efficiency 7.3 By 2030, double the global rate of improvement in energy efficiency.	Both the UK and Ireland have national targets and ambitions around energy efficiency. SSE Customer Solutions delivers energy efficiency schemes on behalf of the governments in the UK and Ireland. Further, it provides energy solutions to improve energy efficiency within the non-domestic sector.	<ul style="list-style-type: none"> SSE delivers energy efficiency measures to domestic customers on the island of Ireland through the delivery of government-mandated schemes. SSE supports business and public sector customer with energy saving solutions (page 44 to 45)

DELIVERING CLEAN ENERGY FOR NET ZERO

The scale of investment needed to deliver the clean energy for net zero will require innovative and sustainable financing to ensure the transition represents value for money for all energy customers.

Driving down the costs of offshore wind generation

The result of 2019 UK Contracts for Difference auction marks an important milestone in the competitiveness of renewable energy compared to fossil fuel generation. The strike prices of £39.65 per MWh and £41.61 per MWh for Dogger Bank offshore wind farm Seagreen offshore wind farm represents a 30% reduction in energy costs from the previous auction round in 2017 and a 65% reduction from the 2015 auction. This makes offshore wind energy amongst the cheapest forms of electricity generation available.

Ensuring similar cost reductions are created in further aspects of the energy system remain important, particularly to bring about cost improvements in the complementary technologies needed to ensure system security and stability. That’s why SSE supports well-designed government policy instruments that will support both low-carbon thermal generation and energy storage options.

A record year for renewable output

SSE’s renewable generation portfolio had another record year in 2019/20, increasing output to 11.4TWh from 10.4TWh the previous year (including pumped storage, biomass and constrained off wind in GB) – an increase of over 10%. Renewable generation output accounted for almost 38% of SSE’s total generation in this period, up from around 32% the previous year.

This increase in SSE’s renewable generation output was mainly due to a significant increase in output of electricity as a result of more favourable weather conditions and a net increase in wind energy capacity in operation over the period largely from Beatrice offshore wind farm which became fully operational in June 2019 (588MW, SSE share = 40%).

CASE STUDY

A HISTORY IN CLEAN ENERGY

In 2017, SSE opened its £4m Pitlochry Dam Visitor Centre (PDVC) which promotes the heritage of hydro-electricity, as well as the present and future story of renewable energy. The centre has continued to exceed expected visitor numbers, welcoming over 140,000 in 2019/20 – its highest annual footfall to date and a 5.5% increase from 2018/19.

Preserving and promoting the remarkable social and engineering legacy of the hydro-electric pioneers of the 1940’s and 50’s has an important role in inspiring new generations in the wonders of renewable energy, particularly as public support for climate action remains key to enabling its achievement. When the coronavirus struck, the Pitlochry Dam Visitor Centre closed its doors to the public but has continued to promote the history of hydro-electricity online to a growing number of social media followers. A phased approach to a gradual reopening is planned with the first objective of keeping employees and visitors safe, whilst giving some access to the rich cultural content contained within the Centre.

Using green finance to support the net-zero transition

In September 2019, SSEN’s Transmission business issued its inaugural £350m Green Bond. The proceeds of this Green Bond were fully allocated at issuance to refinance part of SSE’s £1.3bn portfolio of eligible transmission projects, including the 1,200MW Caithness-Moray transmission project.

The 2019 Green Bond is in addition to SSE’s previous two Green Bonds of a combined €1.25bn which were issued in 2017 and 2018. The issuance of the third Green Bond reaffirms SSE as the largest issuer of Green Bonds in the UK corporate sector, with a total of £1.5bn raised. These Green Bonds help SSEN Transmission and the SSE Group as a whole take a leading role in supporting the transition to net zero through continued investment in renewable energy generation and the infrastructure needed to transport it to homes and businesses across the country.

A summary of the allocation of proceeds from all three Green Bonds can be found on page 83 and detailed annual updates on allocation of proceeds assured by PwC can be found at sse.com/investors, along with SSE’s Green Bond Framework and its criteria document.

Creating value through sustainable finance

In 2018/19, SSE entered a £1.3bn Sustainable Revolving Credit Facility (RCF), linking an improved environmental, social and governance (ESG) performance to the pricing mechanism. SSE’s target was to achieve a five-point improvement in its rating from the independent ESG ratings agency, Vigeo Eiris. In October 2019, SSE’s score improved by 11 points from the previous year, from 51 to 62, which means the cost of debt on the RCF was reduced for 2019/20, and will remain so over the remaining term of the RCF if SSE maintains its rating above the five-point improvement threshold compared to its 2018 performance.



PROVIDING AFFORDABLE AND CLEAN ENERGY

SSE'S CUSTOMER-FOCUSED BUSINESSES EXPLAINED

SSEN DISTRIBUTION

Responsible for maintaining the electricity distribution networks supplying over 3.8 million homes and businesses across central southern England and the north of Scotland.

SSE BUSINESS ENERGY

Supplies energy to business and public sector customers throughout GB, with over 0.52 million customer accounts.

SSE AIRTRICITY

Ireland's largest supplier of 100% green energy, supplying over 700,000 customers across the island of Ireland.

SSE ENTERPRISE

Provides integrated energy-related services to industrial and commercial customers, with a focus on distributed energy it has over 8,800 heat network customer accounts.

SERVING DISTRIBUTION CUSTOMERS

SSEN Distribution's core purpose is to deliver a safe, reliable and accessible service to the customers and the communities it serves, putting the needs of all consumers at the centre of its activities.

Driving forward Priority Services Register provision and promotion

The Priority Services Register (PSR) is a free service which provides adapted services and additional support during a power cut for customers in vulnerable situations. SSEN works to identify customers who are eligible for the PSR to ensure they get the extra help they might need.

SSE continued to promote the PSR in 2019/20, entering into new partnerships with organisations such as Citizens Advice, the Footprint Trust and the Centre for Sustainable Energy to increase awareness of our priority services. Over this period, it also conducted a gap analysis to identify likely eligible groups not yet registered.

As a result of SSEN's activities, the number of customers on the PSR at the end of 2019/20 increased by 5.6% compared to the previous year, to 746,821. 65.8% of PSR eligible households across both of its licence areas are now registered.



SUPPORTING STAKEHOLDERS DURING THE CORONAVIRUS CRISIS

KEEPING DISTRIBUTION CUSTOMERS CONNECTED

In response to coronavirus, SSEN Distribution has worked to ensure and maintain customers' power supply, with additional efforts focused on supporting those most vulnerable and isolated. This included the extension of SSE's Priority Services Register (page 40) to include those who were instructed to self-isolate for a 12-week period, and establishing a dedicated team to proactively call customers who may be at risk of social isolation during the lockdown period.

The frontline healthcare response was also prioritised, with connections accelerated for temporary hospitals

and research centres, and a dedicated phone line set up for hospitals, health centres and cares homes to ensure optimisation of incident response.

Operational activities focused on critical work that ensures a safe, reliable and resilient supply of electricity to customers and progressing timely connections to sites that are vital to the coronavirus response and for medium-term network resilience. All work was undertaken following strict social distancing guidelines and other measures to protect SSEN Distribution's customers, communities and workforce.

Ensuring services are inclusive and accessible

SSEN's approach to consumer vulnerability is firmly embedded into its strategic and day-to-day operations. In 2019/20, SSEN attained the British Standard for Inclusive Service Provision (BS 18477) for the fifth year in a row. This recognition, from business standards company BSI, is achieved through rigorous assessments to ensure SSEN's policies, procedures and services are accessible and fair to all customers.

SSEN continuously seeks to improve its services so they can best serve their customers' needs, and in 2019/20 it partnered with deafscotland and the Royal College of Speech and Language Therapists to understand how best it can support customers with hearing loss. See the case study on this page for information on the changes SSEN made to its service offerings as a result. In 2019/20 it also introduced an e-learning on vulnerability for its employees, to ensure they are equipped to deliver impactful services to customers. The module has initially been rolled out to contact centre employees and will soon be extended to all employees.

Partnering to address fuel poverty

Fuel poverty is a complex issue that requires deep cooperation between organisations and sectors. It is therefore vital that SSEN builds partnerships with appropriate organisations that can provide effective services to customers experiencing fuel poverty. An important strategy for tackling fuel poverty is to help

customers consume less energy and lower their bills. SSEN seeks to ensure that where appropriate, its customers can access useful, easy to follow advice from trusted partners that helps them achieve this.

Over 2019/20, SSEN continued its collaborative work to deliver energy efficiency advice and practical help for customers, which saw a number of new partnerships established. Partnership work included:

- working with Citizens Advice Scotland to recruit four specialist energy advisers to provide customers with in-depth advice;
- establishing a 'Home and Well' project

with Citizens Advice Hampshire offering holistic support to patients being discharged from hospital including PSR and energy advice;

- expanding its partnerships with YES Energy Solutions in England and HES in Scotland to support customer engagement on fuel poverty, new training for colleagues and improvements to customer contact and self-referral.

Through this partnership work 2,323 households were helped with fuel poverty in 2019/20, over double the number supported the previous year.

CASE STUDY

SUPPORTING CUSTOMERS WITH HEARING LOSS

In 2019/20 SSEN worked with the Royal College of Speech and Language Therapists and deafscotland to review the services that it offered. These organisations provided advice and recommendations to SSEN to help them improve customer experiences for people with hearing and speech loss. These recommendations covered communications, working with Deaf Hubs for all ages and better implementation of British Sign Language (BSL).

Specific improvements SSEN has made to date include:

- implementing new online live chat services through WhatsApp for customers who are unable to, or prefer not to, use the phone;
- better use of icons and other imagery including on PSR promotional materials;
- partnering with specialist organisation to launch a BSL video relay service;
- partnering with two Deaf Hubs in Scotland to offer fuel poverty advice, PSR information and electricity safety training for pupils; and
- promoting Power Track App extensively to reach people with hearing loss.



PROVIDING AFFORDABLE AND CLEAN ENERGY

LOW-CARBON SOLUTIONS FOR CUSTOMERS

SSE's competitive customer businesses include SSE Business Energy and SSE Enterprise in Great Britain and SSE Airtricity on the island of Ireland. They are ideally placed, with their 1.3m customer base, to deliver sustainable business models that incorporate decarbonisation, decentralisation, and digitalisation.



“The challenge is to make green energy accessible to all customers: households, businesses and public sector organisations. One size doesn't fit all so our job is to understand our customers' needs and match them with the right solutions.”

Nikki Flanders, MD Energy Customer Solutions UK and Ireland

Providing energy services to customers

While SSE now has low carbon electricity assets and infrastructure at the core of its business model, its customer facing business play an important role in, firstly, providing energy with first class standards of customer service and, secondly, in ensuring the SSE Group as a whole remains deeply connected to the end user of the product it generates and transports. SSE Business Energy, SSE Enterprise and SSE Airtricity provide the SSE Group with an important way to understand and respond to trends and changes within the wider energy market place.

Business Energy and Enterprise, focused on serving non-domestic energy customers in GB will come under one brand, SSE Energy Solutions, reflecting the more sophisticated nature of the energy relationship between provider and customer. In Ireland, SSE Airtricity provides

a one-stop shop for energy and energy related services to both domestic and non-domestic customers.

Supporting households and businesses in Ireland transition to net zero

SSE Airtricity in Ireland has its origins in local communities through the development of onshore wind power. Today, it is Ireland's largest owner and operator of renewable generation and its brand is synonymous with the green agenda. It continues to extend its range of energy services offering a diverse portfolio of green products and services including solar PV, boiler services, housing retrofit and EV charging.

With its heritage in green energy supply Airtricity has sought to take a leadership position on the sustainability agenda, through innovative partnerships such as the 'Solar for Schools' project, the

retrofitting of Laura Lynn children's hospice in partnership with Microsoft and its biodiversity/ sustainability partnership with Dublin Zoo's 1 million annual visitors.

SSE Airtricity's focus on communities, customers and decarbonisation is underpinned in its 'This is Generation Green' communication campaign which speaks to the big benefits small actions have in improving our natural

environment. This award winning campaign also speaks to the business's focus on delivering high standards of service to our customers and continues to be recognised by external stakeholders, having recently won the Bonkers.ie Award for Best Customer Service, for the fourth consecutive year.

SSE Airtricity is targeted through the Sustainable Energy Authority Ireland (SEAI)

to deliver energy efficiency measures for households, and it has a specific target to ensure that those measures reach those who need it the most: customers living in fuel poverty. In 2019/20 energy efficiency measures installed in homes across Ireland resulted in a further 5.8m kWh of energy savings which means that the cumulative effort by SSE Airtricity since 2014 has saved customers over 26.5 million kWh of energy.



CASE STUDY

FARMGEN

Agriculture contributes over €24bn to the Irish economy but is also one of its largest emitters of carbon. To help Irish farmers decarbonise and reduce costs SSE Airtricity has partnered with leading agri-food business Glanbia to launch FarmGen. It includes the installation of solar PV and a smart monitoring system on farm buildings

allowing local power production, utilise space efficiently, improve energy efficiency, while reducing costs. At a dairy farm in Co.Kilkenny FarmGen is being used to power milk cooling, vacuum pumps and water heating, which combined account for around 80% of milk parlour energy consumption.

CASE STUDY

SSE AIRTRICITY AND ST. VINCENT DE PAUL

SSE Airtricity Energy Services, in partnership with the Society of St Vincent de Paul (SVP) utilised government funding to deliver an energy retrofit programme in fuel poor homes in County Limerick.

Residents of the housing scheme benefitted from the €500,000 retrofit project increasing comfort and energy savings by reducing energy consumption by almost 50%. All of the works were carried out in time for residents to have warmer, safer homes in the winter.

Built in the 1960's from solid concrete walls and single glazing residents came from the nearby SVP emergency homeless hostel accommodation. The project consisted of improving home heating, installing solar panels and external insulation reducing draughts, condensation and mould growth.

On completion the homes received a energy rating improvements from G to A3, saving thousands of euro in annual energy costs and making the homes warmer, safer and healthier to live in.

PROVIDING AFFORDABLE AND CLEAN ENERGY

Supporting businesses in GB transition to net zero

SSE Business Energy supplies energy to business and public sector customers throughout GB, with over half-a-million customer accounts. In 2019/20, the energy market has continued to reform with net zero gaining more societal and political traction. SSE's Business Energy customer demands reflect the need for a greener society as well as the expectation that the energy industry will join the growing number of sectors operating and innovating within the digital space. This makes the business ideally positioned to take on the challenge to move beyond commodity and help

their customers with low carbon solutions.

Within the context of its purpose to enable customers of all sizes to adopt green energy, SSE Business Energy made progress in 2019/20 by increasing the number of customer premises on its green electricity tariff, with 49,080 meters supplied with 100% renewable electricity in March 2020, compared to 44,834 in March 2019. With smart meters being the key enabler for a flexible and digital smart electric future, it met its obligations to roll out smart meters to its customers and continues to work towards maximum roll out.

To support key customers and sectors on their route to decarbonisation, Business Energy seeks to form partnerships to find pathways for systematic carbon reductions. One example in 2019, in the transport sector, is the supply of 100% renewable energy to customer Arriva, enabling the bus operator to power almost 6,000 busses with clean, green energy.

A specific electric vehicle tariff allows businesses to maximise their savings while further cutting carbon emissions and helping to bridge the divide between government targets on EVs and the solutions to transfer to net zero transport options.

SSE Enterprise

The key role of Enterprise within the SSE Group is to seek out new opportunities in areas that complement the Group's core energy portfolio – with a focus on distributed energy. In addition, it has a 50% share in a telecoms business with a 50% partner, Infracapital, and Enterprise continues to undertake Mechanical and Engineering work in its Contracting and Rail business.

Bringing innovation to the marketplace

SSE Enterprise's distributed energy business continues to develop in core markets as well as seeking opportunities to meet the evolving needs of its customers; including services in heat networks and EV infrastructure. For example, it can now provide electricity infrastructure for embedded local networks after securing an Independent Distribution Network Operators (IDNO) licence from Ofgem.

The potential acceleration of the electrification of transport provides important opportunities for SSE Enterprise. The provision of EV infrastructure is an area of increasing expertise with SSE Enterprise responsible for the installation of over 1,000 charging points across London. Furthermore, a new collaboration has been formed in London with Infracore Property Solutions (IPS) to create a pilot project that transforms lock-up garage sites into smart EV charging



By adopting 'whole systems thinking', our distributed energy business is delivering the next generation of energy transport infrastructure, linking leading-edge technology and long-term investment to advance intelligent energy provision."

Neil Kirkby, Managing Director of SSE Enterprise

7 PROVIDING AFFORDABLE AND CLEAN ENERGY



Digital Community Hubs. This sort of creative project is the type of innovation that will be required to support the electrification of road transport at scale.

In order to enhance its smart city offering SSE Enterprise has also signed a landmark deal with Smarter Grid Solutions to develop an 'energy as a service' platform to unify its capabilities in distributed energy generation, EV infrastructure, private electricity networks and heat networks. An example of this innovation in action is SSE Enterprise's participation in the Peterborough Integrated Renewables Infrastructure project (PIRI). Led by Peterborough Council, this scheme will bring green energy and transport for residents as part of the largest smart city-wide energy system in the UK.

A growing role for heat networks in providing affordable low carbon heat

Heat Networks play a key role in the Committee on Climate Change and UK Government pathways to net zero carbon. Their estimates suggest that the current 2% of UK heat supplied by heat networks can increase to around 20% by 2050. That means a step change in deployment and a huge opportunity for investment and a green recovery. Making

sure that low and zero carbon heat is affordable is crucial.

From an affordability perspective, network solutions can make sense; through economies of scale, connecting buildings together results in higher efficiencies and cost savings to end consumers compared to standalone heating solutions. For increased growth, supportive and enabling government policy will be crucial. This will help create the large scale heat networks supporting electricity grid flexibility through load shifting, that provide an excellent basis for the low cost, low carbon heat for our towns and cities across the UK.

SSE has a portfolio of low carbon heat networks serving residential and commercial customers across the country including electrified heat networks fed by heat pumps. There is a core role for heat networks as "no regrets" infrastructure in urban environments making use of waste and recoverable heat (for example from data centres, electricity substations, energy from waste and sewage treatment or minewater plants) in combination with heat pumps, harnessing the electricity grid to deliver ever lower carbon heat to our customers.



SUPPORTING STAKEHOLDERS DURING THE CORONAVIRUS CRISIS

COMMUNICATION, SUPPORT AND FLEXIBILITY FOR BUSINESS AND HOUSEHOLD CUSTOMERS

Additional support for household customers across the island of Ireland was provided in the form of: emergency credit increasing tenfold for customers with prepayment gas meters in Ireland; a suspension to disconnections; support with bills, with customers encouraged to contact SSE if they are struggling to find an appropriate resolution together; and regular updates to customers.

A number of measures were also introduced to support

business, public sector and third sector customers, including: payment processes in Great Britain to help customers who are in financial difficulty because of the pandemic, with these customers not required to cancel direct debits, which could affect their customer credit scores; a suspension to disconnections; prioritisation of emergency metering work to keep customers and employees safe; and ensuring the company remains contactable and flexible.

INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

Technology and innovation remain crucial to enabling a secure and affordable transition to net zero.

At its core, SSE is a business with assets and infrastructure that are of vital importance to the economic wellbeing of the UK and Ireland. Investment in resilient electricity networks and generation infrastructure requires continuous innovation and development in a way that shares economic value in an inclusive way. SSE's capital investment plans between 2020 and 2025 are focused, overwhelmingly, on the low-carbon electricity infrastructure required in the UK and Ireland. This will not only deliver a zero-carbon electricity sector, but also provide the infrastructure that will support the electrification of other key sectors, namely transport and heat.

CHARTING PROGRESS AGAINST SSE'S 2030 GOALS



Help accommodate 10m electric vehicles



Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.

Ensuring SSEN is ready to accommodate its share of the 10m EVs expected on GB roads in 2030 requires the development of policy, technology, price charging signals, amongst many other preparations. Over 2019/20, progress included:

- A strategic partnership was formed by SSEN with the Scottish Government, Transport Scotland and SP Energy Networks to trial projects which widen access to EV charging networks.
- Good progress was made in the first year of Project LEO (Local Energy Oxfordshire), a £40m collaboration for which SSE is the lead partner, that is one of the most ambitious and holistic smart grid trials ever undertaken in UK distribution networks with its learnings key to the efficient management of EV charging in the future.
- To ensure that future charging regimes for EV customers accessing the electricity network are both efficient and fair to all customers, SSEN is an active participant in the industry 'Charging Futures Forum'. This group helps to steer charging reforms and is expected to lead to significant changes to the ways customers interact with the energy system.
- SSEN commenced a review of EV user data from the latest innovation projects in preparation for engaging EV users on their views on governance needed for any DNO-led demand side response.
- To give a firm demand signal to the automotive industry, SSE joined the global EV100 initiative, committing to switch 3,500 of its vehicles to electric by 2030.





INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

Performance Summary

SDG target	KPI	Unit	2019/20	2018/19
9.1 Sustainable infrastructure: economic well-being	Investment and capital expenditure (adjusted) in:			
	Electricity transmission	£m	329.0	344.0
	Electricity distribution	£m	364.9	340.7
	Renewable energy	£m	342.7	326.1
	Thermal energy	£m	177.2	188.4
	Cumulative total of renewable generation capacity connected to SSE's electricity transmission network	MW	6,298	6,236
9.4 Sustainable infrastructure: resource efficiency	SO ₂ - thermal generation ¹	Tonnes	2,464	1,345
	NO _x - thermal generation ¹	Tonnes	6,080	6,124
	SF ₆ - thermal generation, transmission and distribution activities	kg	607	577

¹ Figures include Irish thermal generation air emissions data for the periods between 1 January and 31 December and GB thermal generation air emissions data for the periods between 1 April and 31 March.

SDG target	Why it is important to SSE	How SSE contributed in 2019/20
Sustainable infrastructure: economic well-being 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.	Decarbonising the energy systems in the UK and Ireland requires significant investment in new electricity infrastructure in both new renewable generation and the electrical systems to transport renewable power to the centres of electricity demand. SSE also seeks to establishing that new infrastructure in a way that delivers social value, as this is the basis from which public consent for new development is secured.	<ul style="list-style-type: none"> SSE's investment and capital expenditure totalled £1.36bn, 76% of which was in renewables and electricity networks; In December 2019, SSEN Transmission submitted and published its business, a Network for Net Zero to Ofgem, with an investment case for £2.4bn of infrastructure proposed. Beatrice offshore wind farm became fully operational in June 2019 and construction began at SSE's first subsidy-free onshore windfarm, Gordonbush extension. SSE had success in the 2019 Contracts for Difference auctions for Dogger Bank and Seagreen offshore wind farms (see page 50). one of the most powerful wind turbines available.
Sustainable infrastructure: resource efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	While the adoption of clean and green technologies through industry is key to sustainable development, the electricity industry has specific challenges it must meet to become resource efficient – including its key role in enabling a smarter, more flexible energy system in the transition to a Distribution System Operator (DSO) model. The transitional role of lower-carbon gas generation is important, particularly in the context of a system with increasing intermittent renewable output. In its activities, SSE seeks to use as efficient technologies as possible to limit its impact on the environment it operates in.	<ul style="list-style-type: none"> Strong progress in the first year of Project LEO (Local Energy Oxfordshire), a £40m collaboration in which SSEN is the lead partner. Project LEO is one of the most ambitious projects to demonstrate how the growth in small scale renewables, EVs, battery storage and demand side response can be supported by a local, flexible and responsive electricity grid. In the first of its three years, Project LEO has made good progress, with 47 assets identified to take part in the trials. Construction of SSE Thermal's £350m, 840MW CCGT at Keadby 2 in Lincolnshire, continues and is expected to be complete by summer 2022. The project introduces Siemens' gas-fired generation technology to the UK, which will make Keadby 2 the most efficient CCGT plant in Europe.

SUSTAINABLE INVESTMENT IN INFRASTRUCTURE

SSE's strategic focus remains centred on regulated electricity networks and renewable electricity generation. It will continue to invest significantly in the electricity infrastructure needed in the transition to net zero.

Stimulating a green recovery

In 2019/20, SSE's investment and capital expenditure (excluding SSE Energy Services and Gas Production) totalled £1.36bn, 76% of which was invested in the core businesses electricity transmission, electricity distribution and renewable sources of electricity.

In June 2020 SSE announced a new five-year programme of investment in core strategic infrastructure that will support the ongoing transition to net-zero emissions; contribute to wider economic recovery; and help achieve SSE's ambitious 2030 Goals on renewable energy and the wider electrification of the economy.

This investment programme is currently expected to require total investment by SSE of £7.5bn in the period to March 2025, almost 90% of which will be in SSE's core businesses of electricity transmission, electricity distribution and renewable sources of electricity.

SSEN Transmission

In 2019/20, SSEN Transmission invested in the construction of new substations at Fort Augustus, Rothienorman and New Deer, to enable renewable energy projects to connect to the network. SSEN Transmission connected new renewable generation capacity to its network in the north of Scotland, bringing the total connected to 6.3GW. Opportunities are presented as High-Voltage Direct Current (HVDC) technology continues to develop, with high power capacities and longer distances covered at a lower cost. In turn, this is increasing the viability of renewables in more remote locations with high wind resource,

£329m

Investment and capital expenditure in electricity transmission in 2019/20

including far from shore in the North Sea, meaning more renewable energy will need to connect to the transmission network in the north of Scotland.

SSEN Transmission submitted its final Business Plan for the RII0-T2 price control, A Network for Net Zero, to Ofgem in December 2019. The business plan makes a powerful investment case that a minimum total expenditure of £2.4bn is required over the five-year price control period (2021-26) to enable decarbonisation, meet the requirements of electricity generators and customers. In addition to the £2.4bn, and subject to approval by Ofgem, SSEN Transmission also expects to invest in a new HVDC transmission link to connect the planned Viking onshore wind farm to the GB electricity grid with important benefits for communities



"The north of Scotland is home to some of the UK's greatest resources of renewable energy. Our business plan for 2021-2026 will deliver the investment required to grow our network so it is capable of transporting the renewable electricity capable of powering at least 10m homes in GB, a critical step in the transition to net zero."

Rob McDonald, Managing Director of SSEN Transmission

and business across the Shetland islands.

SSEN Distribution

In 2019/20, SSEN Distribution invested in infrastructure replacement and reinforcement projects, including the replacement of subsea cables connecting Scottish islands such as Jura to the electricity network.

Key developments in technology will provide opportunities for the electricity distribution business in the coming years. Reductions in battery costs are improving the outlook for electric vehicles (EVs) and providing flexible energy solutions. Digitalisation along with the growth of internet-connected and smart devices are also creating opportunities for more efficient operations and better customer service. In particular, this includes more active management of distribution networks as they manage more localised energy and accelerated EV uptake.

SSEN Distribution expects to deliver a significant programme of capital investment in the period up to the end of its current price control in 2023. Significant investment is required to decarbonise electricity, heat and transport to deliver net zero. SSEN Distribution is currently working with stakeholders to develop a business plan for the 2023-28 price control period, which will seek to accommodate new services such as electric vehicles and encourage more innovation as it becomes a system (as opposed to network) operator at a local level (see page 55). This will support SSE's 2030 Goal to build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles on GB roads.

£364.9m

Investment and capital expenditure in electricity distribution in 2019/20



INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

SSE Renewables

In 2019/20, SSE Renewables' generation capacity increased from 3.7GW to around 4GW (exc. biomass). Over the course of the year, significant progress was made including: securing Contracts for Difference (CfDs) to build 2.2GW (Seagreen (454MW, at the time, SSE share = 100%) and Dogger Bank (3,600MW, SSE share = 50%)) of new offshore wind capacity through the Allocation Round in September 2019; Beatrice offshore wind farm (588MW, SSE share = 40%), becoming fully operational in June 2019; and an announcement in January 2020 it will build the 38MW extension to the existing 70MW Gordonbush wind farm, subsidy free.

Wind power technology continues to develop fast and costs have fallen, driven by advances in technology, larger turbine capacities and efficient financing. Wind is now one of the cheapest forms of power generation in many countries – particularly in windy areas such as the UK and Ireland.

£342.7m

Investment and capital expenditure in renewable energy in 2019/20



“Renewable energy is the power source of a net zero world. With the cost of offshore wind now amongst the cheapest way to generate electricity, we must go full steam ahead to make offshore wind the primary source of energy for the UK and Ireland.”

Jim Smith, Managing Director of SSE Renewables

Offshore wind technology cost reductions have been particularly dramatic, dropping by more than 70% since the mid 2010s alone. SSE Renewables is one of a relatively small number of organisations globally with deep experience in offshore wind development and operations. This makes SSE Renewables' pipeline – one of the largest in the UK which, in turn, is the most significant offshore wind market globally – uniquely valuable.

SSE Renewables' focus in the period to 2025 will be in core strategic projects in offshore wind and onshore wind, as well as other wind energy projects and investment to upgrade and extend the working lives of hydro-electric stations. It has significant opportunities in onshore and offshore wind with a pipeline of over 7GW. This pipeline includes two offshore wind farms, Dogger Bank (3,600MW, SSE share = 50%) and Seagreen (1,075MW, SSE share = 49%), and the onshore Viking wind farm (443MW) which SSE approved a final investment decision for in June 2020. These and other projects will support SSE's 2030 Goal of developing and building enough renewable capacity to treble annual output of electricity from renewable sources to 30TWh.

SSE Thermal

In 2019/20, SSE's investment and capital expenditure in thermal energy totalled £177.2m. This included investment in the £350m, 840MW CCGT at Keadby 2, which will introduce Siemens' first-of-a-kind high-efficiency gas-fired generation technology to the UK and support increasing amounts of renewable energy on the electricity grid.

The key role for flexible low-carbon thermal generation in the transition to net zero is also becoming clear. Thermal power stations with Carbon Capture, Use and Storage (CCUS) or fired by hydrogen are expected to provide a cost-effective way of meeting growing peak and seasonal electricity demands. More widely, these technologies will be needed to decarbonise industry. SSE Thermal has valuable skills and sites to play a full part in low-carbon industry clusters such as the Humber.

£177.2m

Investment and capital expenditure in thermal energy in 2019/20

In addition to Keadby 2, expected to be delivered by summer 2022, SSE Thermal has opportunities to develop further thermal power stations, which will only be progressed where they have a clear low-carbon pathway and are consistent with SSE's wider decarbonisation targets.

SSE Thermal believes in the potential of pre- and post-combustion CCUS and hydrogen to decarbonise flexible thermal generation. SSE Thermal is actively considering the development of generation assets with low-carbon pathways at its sites, with a planning application for a low-carbon CCGT at Keadby 3 in the early stages. It is also a member of two 'clusters', the Humber and Cavendish, which provide a forum to work with partners to develop opportunities for decarbonisation of its sites.



EMBEDDING SUSTAINABILITY IN ELECTRICITY NETWORKS

With the regulator, Ofgem, targeting a smarter and more sustainable energy network in the upcoming RIIO-2 price controls, SSEN's electricity distribution and transmission businesses are working to ensure they embed sustainability into the core of their business plans.

SSEN Distribution: A stakeholder-led sustainability strategy

SSEN Distribution seeks to pave the way for the electrification of transport and a smarter electricity system. It is currently working with stakeholders to develop a business plan for the 2023-28 price control period, for which it is developing a Sustainability Strategy that will be linked to the UN's SDGs.

In September 2019, SSEN Distribution undertook a series of stakeholder engagement workshops, attended by a range of different stakeholder groups, to understand stakeholder priorities. The results from the sessions highlighted that sustainability and the environment were key areas of concern for SSEN's stakeholders. 'Decarbonisation and environmental sustainability' was recorded as the number one issue in an open book exercise that asked stakeholders to outline what they thought were key priorities for SSEN. In another exercise, attendees were asked to prioritise the UN SDGs that they considered most important to SSEN as a network operator. This provided SSEN Distribution with a prioritised list of eight SDGs which will inform its Sustainability Strategy and the targets that sit alongside it.

SSEN Transmission: A Network for Net Zero

SSEN's Transmission business has developed its business plan for the future of the north of Scotland electricity transmission system in 2021-2026. 'A Network for Net Zero' sets out a pathway for the north of Scotland to play its role in limiting global temperature increases to 1.5°C.

FIVE CLEAR GOALS FOR 2021-2026



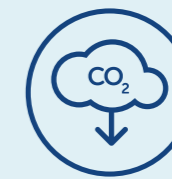
Transport the renewable electricity that powers 10 million homes



Aim for 100% transmission network reliability for homes and businesses



Every connection delivered on time



One third reduction in our greenhouse gas emissions



£100 million in efficiency savings from innovation

As well as facilitating future growth in renewable electricity, SSEN Transmission also intends to show leadership on wider sustainability criteria during this five-year period. In December 2019, the business published its Sustainability Action Plan which sets out stretching ambitions which will enable a truly sustainable transmission network into the next price control period and beyond. This includes:

- SSEN Transmission reducing its own greenhouse gas emissions by one third, consistent with that required to deliver a pathway to net zero.
- In addition to the SSE Group science based targets, SSEN Transmission is seeking to set its own package of direct and indirect carbon targets, verified by the Science Based Target Initiative.
- Achieve biodiversity 'No Net Loss' on new projects gaining consent in 2020 onwards and biodiversity 'Net Gain' on projects gaining consent in 2025 onwards.
- Committing to zero waste sent to landfill across all waste streams.
- Supporting communities and local supply chains by ensuring at least 25% of approved suppliers are based in the north of Scotland.

More information on these sustainability ambitions, and others, for SSEN Transmission can be found within the SSEN Transmission Sustainability Action Plan, available on ssea-transmission.co.uk/riio-t2-plan.



INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

LEADING THE CHARGE ON ELECTRIC VEHICLES

Transport is the sector most readily able to accelerate its decarbonisation and access the benefits of low-carbon electricity. SSE supports the electrification of transport through network investment and commitments to electrify its own vehicle fleet.

Electrifying SSE's vehicle fleet by 2030

In July 2019, SSE joined The Climate Group's EV100 initiative and committed to electrify its vehicle fleet. In joining the EV100, SSE has committed that by 2030 it will switch 3,500 of its vehicles to electric and install charging points at its sites.

In February 2020 SSE Renewables and SSEN took delivery of their first electric vans which will serve communities across the country. The vehicles will work in a wide variety of operational roles and conditions, from maintaining and supporting the electricity network across the south of England and north of Scotland, to the diverse and challenging environments of our Renewables teams on our hydro and onshore wind farm sites across the UK and Ireland.

SSE will closely monitor the vans to allow a better understanding of EV-specific factors including: range anxiety for people whose job involves driving all day, the ease of home charging, the availability of rapid charge points, and performance in challenging and remote conditions. By the end of 2019/20, SSE's vehicle fleet had 290 fully electric or hybrid vehicles

compared to 138 the year before. SSE has also installed over 100 charging points across 20 of its offices and depots with further plans in place for more installations across the SSE estate and home chargers for operational staff when they move to a fully electric van.

Furthermore, in early 2020, reforms to the employee car scheme were agreed to incentivise the 3,000 employees requiring a company vehicle to choose low- or zero-emission vehicles. An emissions cap of 110g/km has been implemented and early signs are of significant demand for all-electric vehicles.

Alongside SSE's own efforts to electrify its fleet, within its 'Greenprint' document, SSE calls for several policy developments relating to EVs. This includes the end of petrol and diesels cars and vans by 2030, and deploying the most extensive and efficient EV charging infrastructure in the world by 2025.

SSEN's Electric Vehicle (EV) Strategy

In March 2020, SSEN published its Electric Vehicle (EV) Strategy, which sets out the principles it will apply to support

the decarbonisation of transport in line with SSE's 2030 Goal of building the infrastructure to accommodate 10m EVs on Great British roads. The EV Strategy sets five key principles to facilitate EV uptake and ensure SSEN is 'EV ready':

1. Using data and analytics to anticipate issues, support decision making and make sure SSEN's networks are ready for EV uptake;
2. Making a suite of tools available to support widespread EV uptake;
3. Using Local Development Plans to inform and establish strategic investment programmes;
4. Using innovation, digitalisation, new skill sets and operational capabilities to meet the forecast growth; and
5. Supporting stakeholder and customer ambitions to decarbonise.

These principles are the result of engagement with stakeholders which informs SSEN's 'you said, we did' approach. SSEN is now seeking feedback from its stakeholders on the EV Strategy to ensure their priorities and requirements are instructive to the pathway to increased electrification of road transport.

FORGING INNOVATIVE PARTNERSHIPS

Achieving SSE's net zero ambitions will require imaginative and unremitting innovation. An important way to foster this is through collaborations with suppliers, academics and beyond. It also makes knowledge and data as open as possible to support innovation in the wider industry.

Partnership funding

Governments recognise the economic advantage of fostering collaboration, incentivising partnership-based innovation through a variety of grant funding mechanisms. SSE seeks to engage proactively in these incentive programmes, building effective consortia that compete for grant awards to trial and prove new technologies and market models. This enables SSE not only to be aligned with government policy by understanding government innovation direction, but also to maintain a leadership position in new ways of providing society's energy needs in a sustainable manner.

SSE's portfolio of Partnership Funding projects straddle multiple years and currently represent £57.4m worth of innovation funds across all projects and partners, providing a significant contribution to SSE's future development as well as society's progress towards a net zero future. Funding has been secured from BEIS, Innovate UK and the Sustainable Energy Authority Ireland across a variety of high-profile competitive funding calls.

Academic partnerships

Academic institutions have an important role providing the fundamental evidence that guides the decarbonisation of the energy industry. SSE has a structured strategic relationship with two leading UK Universities, Imperial College London and the University of Strathclyde. The objective is for knowledge transfer between academia and industry with teams in SSE gaining knowledge through collaborative and directly engaged research, conferences, webinars and roundtables. The reverse is also true: academic researchers, through the relationship have the ability to mine real world problems with access to our SSE, data and operational insights.

Imperial College London has a world-class reputation for energy systems modelling which informs decision makers in the UK Government, BEIS, Committee on Climate Change and others. Through Imperial Consultants and Imperial Business Partners, SSE has been leveraging this expertise to inform better strategic decision making and providing challenge to its strategy and approach. This includes commissioning academics from Imperial to work, on an independent basis, on electricity market design, the role of decarbonised CCGTs and large storage to support the achievement of net zero. They have also shared research and insight to help SSE challenge their future business plans, for example, on the strategy and approach for SSEN Distribution and its new price control under RII0-ED2.

SSE has an enduring commitment to the University of Strathclyde Technology

and Innovation Centre of more than seven years: providing funding, sharing information and data, supporting STEM (science, technology, engineering and maths) activities and SSE expertise. Research is focused on developing new capabilities and insights to help energy market participants to continue to ensure the strike price for renewable energy can compete with carbon intensive generation technologies and that networks are designed efficiently for the UK markets.

In 2019/20 joint projects have included an Offshore Wind Operations Optimisation Project, where technology was used to predict how an offshore windfarm – such as the soon to be built Seagreen off the coast of Angus – will run, offering the most cost-effective way of delivering it. This practical and employable research is already made operation costs savings and will be rolled out the techniques to other projects across the UK.

Open Innovation

SSE is working in partnership with Scottish Enterprise to develop an Open Innovation challenge process. The process utilises an online platform to engage supply chain companies – including SMEs and new entrants – to in new solutions to specific industry problems. SSE commenced a trial launch of Open Innovation in 2019 by posing six challenges related to offshore wind operations. These 'problems' were advertised as challenges with over 20 UK companies responding with potential innovative solutions. It is expected the innovations will convert to operational trials in mid-2020.

Our multi-disciplinary engineering and modeling teams have worked closely with SSE to deliver tangible cost reduction benefits, and we look forward to further cost reductions being realised in the offshore wind industry project pipeline."

Dr David McMillan, Senior Lecturer in Wind Energy, Strathclyde University

CASE STUDY

ELECTRIFYING LONDON'S PUBLIC BUS NETWORK

SSE Enterprise is helping thousands of London commuters travel by electric bus after installing hundreds of charging points across the capital. The business has delivered six projects for four bus operators, totalling almost £7m over the last three years.

By the end of March 2020, SSE Enterprise had delivered more than 330 electric bus charging points in London, as the capital's iconic red bus fleet transitions from diesel to other power sources over the coming years.

SSE Enterprise's work has included Go-Ahead London's

ground-breaking Waterloo Garage development which in 2016 became the first, and currently only, all-electric bus garage in the country, complete with 43 charging points.

As part of its collaboration with Go-Ahead London, SSE Enterprise has also developed a pioneering pilot project to create a 'Community EV Charge Hub,' inside a bus depot. This can be done by utilising the onsite private electrical network to provide rapid charging for private cars and taxis when the main buses are out on their routes.

INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

INNOVATION IN SSE'S BUSINESS UNITS

SSE's business units are focused on innovating, developing green technologies and creating increasingly smart electricity systems to support the transition to net-zero.

SSEN Transmission

The SSEN Transmission Innovation Strategy sets out plans and ambitions for getting the most from innovation before, during and after the RIIO-T2 price control period. Its innovation objective is to enable the transition towards a low-carbon economy, whilst maintaining 100% reliability in electricity supply and ensuring energy remains affordable for all. The Strategy centres on being a 'responsible innovator' and is underpinned by five values that have been identified as necessary for successful innovation projects: Support Customers; User Driven; Deliver Efficiently; Collaboration; and Sustainable Ambitions.

By working in partnership with a range of stakeholders, SSEN Transmission is identifying a wide range of innovation needs and will accelerate the adoption of innovative, new technologies. Collaboration also provides the opportunity to learn from a wide stakeholder group and benefit from their experience. SSEN Transmission has committed to looking at the delivery of all projects to ensure they are developed and delivered sustainably and is looking to stretch this ambition into its supply chain too.

As part of SSEN Transmission's commitment to reduce its greenhouse gases, it is working with suppliers to install SF₆ alternatives across its network, as well as working with the Energy Networks Association to support industry-wide adoption of these technologies. Due to its extremely good insulating properties, SF₆ gas is widely used in substations across the globe, with the transmission industry accounting for around 80% of the world's usage. However, SF₆ is a greenhouse gas that is 23,500 times more harmful to the earth's atmosphere than CO₂ which, if released, stays in the atmosphere for over 3,000 years. Its lifecycle management requires careful handling,

particularly when decommissioning aging substations. Whilst leaks are relatively rare, when they do occur the environmental impact is substantial.

SSEN Transmission is seeking to lead the industry in the use of new, more environmentally-friendly gas-insulated equipment. This includes the use of SF₆ gas free circuit breakers installed at their substation in Dunbeath – the first of its kind in the UK. This technology has been developed by Siemens, using a combination of vacuum and clean air technology to provide the same level of performance and reliability, without the need for SF₆ gas. Also, as part of projects at Fort Augustus, Inverness-shire and New Deer in Aberdeenshire, SSEN Transmission is working with a GE/Amey consortium to install GE's gas-insulated switchgear and busbars utilising g³ gas in place of SF₆. By demonstrating these innovative technologies, SSEN Transmission aim to not only reduce the environmental impact on its own network but hopes that this will also demonstrate to the wider transmission industry a viable alternative to SF₆.

SSEN Distribution

The transition from a traditional passive distribution network to an actively managed local network requires significant technical, market and social innovation, with SSEN Distribution active in several crucial innovation projects and initiatives. Local Energy Oxford (LEO) (see case study opposite) is the most important example of partnership-driven innovation. LEO was one of only four projects across the UK that secured grant support from BEIS's Industrial Strategy Challenge Fund, Prospering from the Energy Revolution, to demonstrate, at scale, an operating localised energy market.

Furthermore, SSEN Distribution successfully responded to the BEIS Smart Energy Systems funding call in

collaboration with Canadian based companies, Opus One Solutions and Hydro Ottawa, along with the University of Cambridge and Scottish SME Open Grid Systems to deliver a first-of-a-kind transactive energy management system in the UK. SSEN Distribution also joined a BEIS funded project designed to develop a methodology that unlocks peer-to-peer trading, FlexTrader.

The Regional Energy System Optimisation Planning (RESOP) project, based in Dundee, models the impact of local strategies on the energy system to ensure communities' ambitions can be accommodated and economic growth delivered in a sustainable manner. SSEN Distribution will work with local authorities and other stakeholders to identify the impact of their plans on the energy networks and the role of low-carbon technologies in managing this impact. The aim is to support delivery of local objectives and to identify the need for network investment.



"The time has come for electricity distribution networks to be the technical enabler of zero-carbon local energy systems, supporting more local generation and the electrification of both transport and heat."

Colin Nicol, Managing Director of SSEN Distribution



CASE STUDY

DEMONSTRATING THE POTENTIAL OF SMART GRID TECHNOLOGY

In its first year, Project LEO (Local Energy Oxfordshire) made significant progress in informing the transition to an energy system that cost-effectively supports the UK's net zero ambitions. Representing one of the most ambitious and holistic smart grid trials ever undertaken the project's trials are based around three key themes; technology, local markets and community.

Technology trials range from roof top solar and photovoltaic array, to hydro stations on the river Thames and behind-the-meter battery capability at the Oxford Bus Company. Storage technology is being explored through batteries and Vehicle to Grid technology, with demand side response being accessible, initially through the large building stock owned by the University of Oxford and Oxford Brookes, and the local councils.

Local markets are being supported through the development of accessible and easy-to-use IT systems. These provide clear information on opportunities for energy services, addressing constraint management and energy exchange between local energy users. The market is managed via information flows between the Distribution System Operators, flexibility exchanges, aggregators and suppliers, with economic and technical modelling of the electricity system to find the value of flexibility.

Community engagement and supporting the democratisation of the energy system is a priority for LEO. Alongside market development, the local energy system is being mapped and the data fed into the Local Area Energy Plan for Oxfordshire to support the transition to net zero. Project partners have developed 'Minimum Viable Systems' (MVS) that allow the controlled management and monitoring of low-carbon technologies' impact on the network.

Three MVS trials have been undertaken in 2019/20. Firstly,

testing the dispatch of energy from a community owned hydro scheme, secondly utilising Oxford Bus Company's batteries to feed energy back into the grid, and thirdly at Sackler Library, owned by the University of Oxford to demonstrate the impact of changing air conditioning settings on the energy system.

The MVS trials replicated scenarios that the UK's energy system will likely experience in the transition to a smarter electricity system. These tests will continue throughout the project, in a larger and more complex fashion. Project LEO is funded through £13.8m from the Industrial Strategy Challenge fund, managed by Innovate UK and is supported by £26m of private funding from the project partners. As such it is required to demonstrate to Innovate UK that it is making strong progress in delivering its objectives of developing a smart local energy market in Oxfordshire.

In May 2020, Innovate UK announced that LEO's project partners have successfully demonstrated strong progress, evidenced through a comprehensive submission for the first year. Project LEO will now develop larger energy trials, building on the key learnings from the initial phase of the project.

The holistic nature of LEO means it will seek to facilitate challenges as broad as; the move away from domestic gas heating, the increase in electric vehicle (EV) uptake, the possibilities for battery storage at the grid edge, and the development of an ethical framework to secure SSEN's commitment to leave no-one behind in the transition to net zero.

LEO is seeking to create a replicable process for decarbonisation, which can be implemented across the UK to support communities in playing an active role in the transition to net zero.

INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

SSEN Distribution seeks to support local communities having a greater say in the development of the energy system that serves them and believes this will be critical in the transition to net zero. RESOP will support this by providing the tools to understand the multiple different local factors that will influence the transition. This is 'democratisation' and is one of the four major trends that SSEN believes will shape the energy system over the next decade, alongside decarbonisation, decentralisation and digitalisation.

RESOP is one of several SSEN projects that are part of the £7.5m Strategic Partnership, established between SSEN, the Scottish Government, Transport Scotland and SP Energy Networks, that will deliver and improve coordination between electric vehicle charging infrastructure and electricity networks in Scotland.

In December 2019, SSE Distribution published a Digital Strategy detailing a vision to be a progressive network owner, using digital to enhance social and economic value, deliver a leading experience for our customers and to enable the energy system to support net zero carbon emissions. The strategy explores what digital excellence and best practice looks like and sets out a vision on the future energy ecosystem, where digital will be the thread connecting all network users.

SSE Renewables

The success of the renewables industry innovation to reduce the cost of offshore wind development was apparent in the 2019 Contracts for Difference Auction, with strike prices achieving around £40 per MWh which was partly achieved through advancements in technology. For example, SSE Renewables and its project partner Equinor announced it will use the ground-breaking 12MW Haliade-X turbine for the Dogger Bank offshore wind farm. This means one of the world's most powerful wind turbines will be used to generate electricity at the world's largest wind farm. This scale up of turbine technology is having a significant impact and progressing at pace. For example, at its Beatrice offshore wind farm, built between 2017 and 2019, SSE Renewables installed 7MW turbines.

Further innovation is crucial to develop and deploy the large-scale offshore wind farms needed across the UK over the next decade to achieve the UK's net-zero carbon targets and do this cost effectively for the UK consumer. SSE actively engages with numerous innovation partners supporting the growth of the UK's renewables industry including: Scottish Government; Innovate UK; BEIS; Offshore Renewable Energy ("ORE") Catapult, Horizon 2020 on offshore wind innovation and we sit on the Industry Advisory Board for the Supergrid Offshore Renewable Energy Hub. SSE

also supports 14 Engineering and Physical Sciences Research Council (EPSRC) energy focused research programmes and is a founding member of the ten-year-old Offshore Wind Accelerator which remains a core innovation driver for offshore wind developers. Through the Offshore Wind Sector Deal, SSE Renewables supports the £100m Offshore Wind Growth Partnership (OWGP) that was launched in 2019 to improve UK supply chain competitiveness.

The floating wind market is expected to play an increasing role in the development of offshore wind in the future with the need to access deeper water sites. In support of the development of this sector SSE is a member and supporter of two major industry initiatives: the Floating Wind Joint Industry Programme and the Floating Wind Centre of Excellence. Another important strand of activity is SSE's participation in the environmentally focussed Offshore Wind Joint Industry Programme which aims to reduce the consenting and environmental risk of existing and future offshore wind through research.

SSE Thermal

With high penetration of wind energy expected to form the core of electricity provision in a net zero world, there is an increasing requirement for flexible electricity generation to provide balancing services to electricity grids. SSE Thermal is committed to finding decarbonised solutions to thermal electricity generation so that the electricity sector can be the first sector of the economy to achieve net zero. That means that in addition to ongoing innovation to improve operations at existing plant, the research and innovation priority for SSE Thermal is to be a highly active participant in several collaborative efforts to decarbonise thermal generation in the future.

SSE Thermal is working with 10 other leading energy and industrial companies, aiming to transform the Humber region into a leading 'zero-carbon cluster' by 2040. The consortium is focused on using both carbon capture, use and storage (CCUS) and hydrogen technology to decarbonise energy and industry. SSE Thermal has a significant presence in the Humber area, with the Keadby 1 CCGT (Combined Cycle Gas Turbine) Power

Station in North Lincolnshire, as well as two gas storage sites at Atwick and Aldbrough in East Yorkshire. Furthermore, the construction of the new 840MW Keadby 2 Power Station, which is expected to become the cleanest and most-efficient gas-fired power station in Europe and introduces innovative Siemens first of a kind technology to the UK is expected to be complete in 2022.

UK Research and Innovation (UKRI) announced in early 2020 that the Humber consortium had been successful in securing funding to launch its plans through Phase One of the Industrial Strategy Challenge Fund. As the largest UK Cluster by emissions the Humber will play a significant role in net zero ambitions. The companies involved include some of the largest businesses in the region and the plan has the potential to contribute to the future prosperity of the UK's largest industrial hub, and to safeguard jobs across the region. The purpose of the project is to identify the optimal deployment project to kick-start the rollout of post combustion capture and storage and hydrogen infrastructure.

Furthermore, and in line with SSE Thermal's net zero strategy the company joined the NECCUS Alliance in early 2020, an alliance of industry and experts supported by the Scottish Government,



"The path to a net-zero electricity system requires more efficient, flexible thermal generation in the short-term combined with action now to create the options which mean carbon is removed from thermal generation in the medium-term."

Stephen Wheeler,
Managing Director of SSE Thermal

united by their determination to promote Scotland as an ideal location for CCUS deployment, which would facilitate Scotland's 2045 net-zero ambitions.

In terms of the potential role of hydrogen, SSE Thermal part funded the Hydrogen for a Net Zero GB report by Aurora Energy Research, which examines the role hydrogen could play in the transition to a net zero future. It delves into how both 'blue hydrogen', which relies on CCUS, and 'green hydrogen', which is produced using renewable electricity, could interact with the electricity system.

A further collaborative project near to SSE's Medway power plant called Project Cavendish is focused on developing a hydrogen production hub and associated CO2 capture infrastructure at the Isle of Grain LNG facility, representing opportunity for cross sector decarbonisation in the South East.

SSE Thermal is engaging closely with BEIS through several expert groups in the design of a scheme to support carbon capture and storage in the power-generation sector and the delivery and governance of CO2 transport and storage infrastructure.

SSE Enterprise

SSE Enterprise is working closely with its customers and partners to find innovative solutions to specific low carbon challenges through a wide range of practical projects.

Peterborough Integrated Renewables Infrastructure (PIRI) is an important collaborative project that commenced in March 2020 to design a smart, responsive low carbon energy system that supports Peterborough's future economic growth in a sustainable way. The project was successful in securing funds in a second Prospering from the Energy Revolution funding call, this time focused on local energy designs, as opposed to demonstration. Peterborough Integrated Renewables Infrastructure (PIRI) is one of fifteen UK projects awarded government funds to design a future local energy system. The project is being delivered in partnership between Peterborough City Council; Smarter Grid Solutions; Element

Energy; SWECO, Cranfield University and SSE Enterprise.

In 2019/20 SSE Enterprise also succeeded in developing a project for Innovative Infrastructure for Electric Vehicles. SSE Enterprise is due to install up to 300 novel charge points across Oxford for households with no access to private parking in partnership with Oxford City and County Councils, Zeta Group (a small technology developer) and University of Oxford.

SSE Enterprise is also leading the first of a kind Innovate UK funded Bus2Grid project which, working alongside Go-Ahead, Transport for London, BYD and other partners, will enable one of Europe's largest EV Bus depots with almost 100 bi-directional chargers.

Enterprise is developing innovative platform-based solutions for the market to help drive the transition to Net Zero. Working in partnership with Smarter Grid Solutions SSE has developed an 'Energy as a Service' platform that combines Smarter Grid and Virtual Power Plant capabilities. The platform supports client security of supply, generates revenues from energy asset and load flexibility, and enables local energy systems that reflect Whole Systems thinking by keeping generation and load in balance across power, transport and heat. The business is also enhancing its existing smart buildings platform with new features, such as the ability to integrate third party applications, remote sensors and devices to further improve insight, capabilities and energy efficiency.

Looking to the future, projects under evaluation include Heating as a Service aimed at improving heating system sizing, demand forecasting and hence system flexibility. Dynamic Street Light Dimming which will look to maximise data from existing road sensors and devices to enable street lights to be dimmed when roads are not in use.

These initiatives form part of a concerted effort to combine the digital and energy worlds in the drive to net zero, providing solutions for SSE's own asset base and those of business clients.



COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

SSE's investment in net zero drives climate action while contributing to the economy and creating skilled, sustainable jobs right across UK and Ireland.

SSE makes a material contribution to supporting SDG 8: Decent Work and Economic Growth. Its own 2030 Goal, aligned to SDG 8, to 'champion Fair Tax and a real Living Wage' is symbolic of the added value that can be created for local economies in the way in which SSE undertakes its business activities. There are many further ways in which SSE contributes to decent work and economic growth disclosed in detail within the following pages.

CHARTING PROGRESS AGAINST SSE'S 2030 GOALS



Champion Fair Tax and a real Living Wage



Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.

Fair Tax: SSE was reaccredited with the independent Fair Tax Mark for the sixth consecutive year in 2019/20. The Fair Tax Mark is an accreditation for organisations that pay the right amount of tax, in the right place, at the right time and provide open and transparent tax disclosure. Whilst its score from the Fair Tax Mark decreased from 39/45 in 2018/19 to 36.5/45 in 2019/20 due to the low current tax charge as well as changes in the Fair Tax Mark criteria, this remained well above the Fair Tax Mark minimum threshold score for accreditation. SSE continued to champion fair tax over 2019/20: it sponsored the Fair Tax conference, where SSE's Head of Tax spoke about the importance of corporations being proud to say what they pay; and it supported the Fair Tax Parliamentary Reception, at which SSE's Finance Director made the case for more companies becoming Fair Tax accredited. SSE also published its fourth Talking Tax booklet in December 2019 which provides detailed disclosure of what taxes SSE pays and where they are paid.

Real Living Wage: The company celebrated six years of Living Wage accreditation in the UK in September 2019 and continued to sit on the Living Wage Scotland Leadership Group over 2019/20. In addition to this, in June 2019 SSE announced its commitment to become one of the first Living Hours accredited employers in the UK, which sets the standards on responsible working hour practices. SSE's HR Director spoke at the official launch of Living Hours and SSE continued to sit on the Living Hours Steering Group over 2019/20. Due to disruption caused by the coronavirus crisis, SSE has not yet gained Living Hours accreditation; however, it remains committed to gaining this over 2020/21. In November 2019, SSE's Chief Sustainability Officer was also recognised for her professional and personal contribution to the Living Wage campaign, when she was presented with the Outstanding Contribution Award at the 2019 Living Wage Scotland Awards.





COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

Performance Summary

SDG target	KPI	Unit	2019/20	2018/19
8.1 Economic growth	Contribution to GDP (UK/Ireland) ¹	£bn/€m	7.7/650	8.9/689
	Jobs supported (UK/Ireland) ¹	Headcount	83,040/3,740	101,170/4,080
	Taxes paid (UK/Ireland)	£m/€m	422/18.1	404/14.6
8.2 Increased productivity	Employee productivity compared to national averages (UK/Ireland)	Number:1	2.6:1/1.7:1	2.4:1/2.5:1
	Investment in learning and development ²	£m	23.8	28.3
	Average training hours per FTE	Hours	23.4	22.0
8.3 Promote development	Total procurement expenditure	£bn	c.2.2	c.2.5
	Average time taken to pay suppliers	Days	28.5	36
	Investment in communities ³	£m	8.2	8.5
8.5 Full, productive and inclusive employment	Employees on permanent contracts	%	95.1	95.1
	Employee retention/turnover rate ⁴	% retention/ % turnover	88.0/12.0	86.8/13.2
	Lost days due to sickness	Number	181,365	217,049
	Employee engagement survey score ⁵	%	76	68
8.7 Eradicate modern slavery	SSE Group (UK) median gender pay gap ⁶	%	18.4	21.0
	Human rights grievances filed through formal mechanism	Number	0	0
8.8 Labour rights	Total recordable injury rate – employees and contractors combined	Per 100,000 hours	0.16	0.16
	Employees covered by collective bargaining agreements (UK only) ⁷	%	69.4%	70.8%
	Speak up (whistleblowing) contacts made ⁸	Number	188	112

1 From PwC analysis. Full report available on [sse.com/sustainability/reporting](https://www.sse.com/sustainability/reporting).
 2 See page 79 of SSE's Annual Report 2020 for further details.
 3 See page 64 for further details.
 4 Excludes end of fixed term contracts and internal transfers.
 5 2019/20 excludes SSE Energy Services employees and a new survey provider was also used in 2019/20. This means that 2018/19 and 2019/20 results are not directly comparable. See page 80 of the SSE Annual Report 2020 for more information.
 6 Data correct as at 5 April in each year. See pages 78 to 79 and 92 to 93 for more information.
 7 This includes only collective bargaining arrangements of which SSE is aware – employees may have personal arrangements in place too.
 8 Data is recorder over calendar year 2019 and 2018, rather than financial year 2019/20 and 2018/19.

SDG target

Relevance and materiality

How SSE contributed in 2019/20

<p>Economic growth 8.1 Sustain per capita economic growth in accordance with national circumstances.</p>	<p>Strong economies support high-quality employment opportunities and healthy public services, which in turn, support SSE's business activities. The scale of SSE's activity in the UK and Ireland means it has a direct impact on the vibrancy of those economies.</p>	<ul style="list-style-type: none"> SSE undertakes an annual assessment of the contribution it makes to the UK and Irish economies (page 62) as well as project-level assessments (page 63). SSE is committed to paying its share fair of taxes (page 62). SSE invests millions of pounds directly into communities close to its sites (page 64).
<p>Increased productivity 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and sustainable careers</p>	<p>The combination of investment in skills and knowledge, with investment in enabling technology alongside good job design improves labour productivity. It further ensures that employees are participating in higher-value activity, adding value for the long term.</p>	<ul style="list-style-type: none"> SSE has a responsible approach to employment which aims to build long-term careers (page 69). Significant investment is made each year in developing SSE's workforce at both an entrant level and throughout employees' careers (Annual Report 2020 page 79). SSE's inclusion strategy is driving a high return on investment for the company (page 75).
<p>Promote development 8.3 Promote development-oriented business policies that support productive activities, decent job creation, creativity and innovation, and encourage the growth of micro-, small- and medium-sized enterprises through our business activities.</p>	<p>Sharing economic value with people, communities and a local supply chain supports SSE's long-term sustainability. It ensures SSE has high-quality relationships with its stakeholders which, in turn, supports the achievement of its business objectives.</p>	<ul style="list-style-type: none"> SSE is developing its approach to sustainable procurement in line with best practice (page 66). SSE is playing an active role in the Offshore Wind Sector Deal and is focused on promoting the use of local supply chains (pages 66 to 67).
<p>Full employment and decent work 8.5 By 2030, achieve full and productive employment and decent work within our business for people of all genders, including for young people and persons with disabilities, and equal pay for work of equal value.</p>	<p>SSE seeks to place its responsible employer ethos, underpinned by fairness and respect, as a differentiating factor within its core business strengths. It believes it can gain further business advantages by becoming a more inclusive and diverse workplace.</p>	<ul style="list-style-type: none"> SSE's inclusion strategy focuses on bringing all kinds of difference 'IN, ON and UP' in the company (Annual Report 2020 page 79). SSE's median gender pay gap reduced in 2019/20 to 18.4% (pages 78 to 79). SSE's has a structured approach to measuring employee engagement (Annual Report 2020 page 80) SSE has a long-standing commitment to the Living Wage (page 58).
<p>Eradicate human rights abuses 8.7 Take immediate and effective measures to eradicate forced labour, modern slavery, human trafficking and child labour within SSE's business and throughout its supply chain.</p>	<p>SSE is concerned that crises like the coronavirus pandemic and the migrant crisis from the middle east increase the potential of exploitation and human rights abuse. It continues to seek to improve its response to human rights risk throughout its business and its supply chain.</p>	<ul style="list-style-type: none"> SSE's Modern Slavery Statement 2020 outlines progress made in 2019/20 and plans for future improvements to bear down on the risk of human rights abuses in its business and supply chain (pages 72 to 73).
<p>Promote labour rights 8.8 Protect labour rights and promote safe and secure working environments for all SSE workers and those within its supply, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<p>SSE's safety culture continues to form the core of its company culture and a safety licence empowers every employee to act where 'if it's not safe, we don't do it'.</p>	<ul style="list-style-type: none"> Safety is SSE's first priority and the company met its safety targets early (page 71). Channels for speaking up against wrongdoing are clearly communicated (page 74). SSE recognises the right of freedom of association and collective bargaining for all employees (Annual Report 2020 page 80).

COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

CONTRIBUTING TO GDP, JOBS AND THE PUBLIC PURSE

SSE has long understood that it must take a proactive role in monitoring and disclosing the impact it makes on regional and national economies; its business operations and investments are key to creating and sustaining high-quality jobs often, in the places that need them the most.

Adding value to the UK and Irish economies

SSE contributes to the UK and Ireland economies through the activities it carries out directly and through its substantial supply chain expenditure. Since 2011/12, SSE has commissioned PwC to calculate the scale of the economic value the company adds to society. These reports can all be found on sse.com/sustainability/reporting.

Over 2019/20, PwC found that SSE contributed £7.7bn to the UK economy, of which £1.4bn was in Scotland, and added €650m to the Irish economy. This brings SSE's total economic contribution over the past five years to £45.2bn in the UK, of which £8.6bn was in Scotland, and €3.8bn in Ireland (in FY20 prices).

Whilst SSE's economic contribution in Ireland was relatively consistent in 2019/20 with previous years (2018/19: €689m), the contribution made in the UK was significantly lower (2018/19: £8.9bn). This reduction was a result of a number of factors, including the demerger of SSE Energy Services in January 2020, a reduction in energy traded, and SSE's procurement expenditure being lower over 2019/20 as a result of the company completing several major infrastructure projects in 2018/19.

To understand the impact of the demerger of SSE Energy Services from the SSE Group, PwC also calculated SSE's total contribution over 2019/20 and over 2018/19 excluding the contribution from this part of the

business. It found SSE's economic contribution without SSE Energy Services totalled £5.7bn in 2019/20, a decrease from £6.3bn in 2018/19.

Supporting skilled jobs

As well as the contribution to GDP, SSE seeks to understand the jobs its activities support across Scotland, the UK and Ireland. Over 2019/20, PwC calculated that SSE's activities supported 83,040 jobs across the UK, of which 10,530 were in Scotland, and 3,740 jobs in Ireland.

Along with being one of the biggest FTSE companies headquartered outside of London (SSE's headquarters are in Perth), the nature of SSE's investments and operations means that the jobs it supports are often in some of the most rural areas of the UK and Ireland, across many different regions.

Tax is core to business' social contract

Each year, the Institute of Business Ethics polls the British public on their attitudes to business ethics and their greatest concerns about the conduct of business. In 2019, tax avoidance again came out as the number one issue which the public believes needs addressing by businesses, ahead of executive pay, environmental responsibility and exploitative labour.

SSE has long recognised that paying tax is core to the social contract between profitable companies and the society they earn their profits from. That's why SSE has been accredited with the Fair Tax Mark since 2014. This is an independent stamp of approval for

organisations that pay their fair share of tax, in the right place and at the right time. SSE fully embraces the standards of the Fair Tax Mark and provides detailed disclosure about its approach to paying tax, how much tax it pays and where. Details can be found in SSE's annual Talking Tax booklet, available on sse.com/sustainability/reporting.

Paying a fair share of tax

Over 2019/20, SSE's total tax contribution across the UK and Ireland was £1,099m, an increase from £1,013m the previous year. This includes taxes paid, such as Corporation Tax and business rates, and taxes collected, such as VAT, employment taxes and environmental taxes. Tax paid by SSE increased from £417m in 2018/19 to £437m in 2019/20 and taxes collected increased from £596m in 2018/19 to £662m in 2019/20.



"Rather than thinking of tax as a penalty on businesses being profitable and successful, I think of it as the payback to society for enabling businesses to be successful in the first place."

Martin McEwen,
SSE's Head of Tax

CASE STUDY

GENERATING BENEFITS IN THE GREAT GLEN

SSE Renewables, and its predecessor organisations, has been part of the Great Glen community in Scotland for over 60 years but has made a significant investment in the area over the last eight years. In 2012, it re-opened Glendoe hydro station and over the following six years built three onshore wind farms in the area: Dunmaglass, Bhlaraidh and Stronelairg.

Over 2019/20, SSE undertook analysis to understand the socio-economic contribution these four renewable assets have made at a local and national level, publishing the results within a new report, *Generating benefits in the Great Glen*. Analysis undertaken by BiGGAR Economics showed that together these four projects are expected to generate over £1.2bn of value for the Scottish economy during their lifetime. Of this, £360m of value will be felt directly in the Great Glen, which will see 130 jobs supported by the projects annually during their operation. A further 250 jobs across Scotland are expected to be supported by the operation of these projects.

In addition, between 2016 to 2019 the community funds associated with each of the sites supported 208 projects worth a total of £2.7m, with projects from apprenticeships to a new medical centre receiving funding. Over their lifetime, the SSE Renewables projects will bring a total of £57.2m of direct funding for community projects in the Great Glen and wider Highland area. To understand the impact of this investment in the area, SSE Renewables undertook 'social return on investment' analysis, finding that for every £1 invested £1.93 of wider value was created for the local community.



The full report can be found on sse.com/sustainability.



COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

INVESTING IN LOCAL COMMUNITIES

SSE's support to communities in the areas where it operates is long standing. Through a range of community investment and charitable giving programmes, SSE invests millions of pounds and euros across the UK and Ireland.

SSE's approach to community giving

Through the SSE Renewables Community Investment Programme and SSEN's Resilient Communities Fund, the company provides direct grants to some of the most rural communities across the UK and Ireland. In addition to this, SSE employees can give back to local communities through the Be the Difference employee volunteering and matched funding programme. A summary of SSE's community investment over 2019/20 is shown below.

	Unit	2019/20	2018/19
Community investment – UK*	£m	6.3	7.0
Community investment – Ireland	€m (£m)	1.4 (1.2)	0.9 (0.8)
Match funding granted	£'000	33	40
Employee volunteering	Days	1,856	2,188
Value of employee volunteering	£'000	248	252
Other	£'000	15	32
Total value of community investment	£m	8.2	8.5

*Includes SSE Renewables community investment programme (including funds managed by SSE Renewables on behalf of joint ventures) and the SSEN Resilient Communities Fund.

Over the past five years, SSE has provided more than £35m in community and charitable giving or benefits-in-kind. The majority was granted through the SSE Renewables Community Investment Programme which delivers financial support to a diverse range of community projects near to SSE's renewable developments in the UK and Ireland. Over the lifetime of its current assets, SSE Renewables will invest around £80m in the Scottish Highlands alone through its community benefit funds.

SSE is committed to providing transparent disclosure of its community funding. For more information see sserenewables.com/communities and ssen.co.uk/resiliencefund.

DILEMMA

A REVISED GB COMMUNITY BENEFIT POLICY

The landscape for developing onshore wind farms in the UK and Ireland has changed significantly over the past 20 years as it has transformed from an industry in its infancy, to a mature form of electricity generation. As the industry moves into the next phase of onshore wind farm development, it is right that the community-giving landscape changes and adapts alongside it.

SSE Renewables has always taken a responsible approach to developing its sites and the provision of community benefit funds has helped to support and develop relationships with communities near its assets, at the same time as creating real social value for local people. In 2019/20, SSE Renewables completed a review of its community benefit policy, in line with other developers

and the Scottish Government. It remains committed to providing a package of benefits with an equivalent value of at least £5,000/MW, and this will include community benefit funds of £3,000 / MW. This policy will apply to all new funds from sites being constructed from 2020 onwards with existing funds remaining unchanged.

SSE Renewables believes that community benefit funds continue to play an important part in the development of onshore wind farms but as the industry has matured, so has the relationship with communities and in line with this, it is establishing a framework which will offer communities to partner in some of the wind farm it develops allowing them to share in the value from the site.

SUPPORTING STAKEHOLDERS DURING THE CORONAVIRUS CRISIS

FAST AND FLEXIBLE: FUNDING A COMMUNITY-LED RESPONSE

SSE's experience of working with communities has shown that each community is unique and that they are best placed to respond to their own needs. In March 2020, the company therefore adapted its approach to community funding by immediately bringing forward up to 10% of its annual community investment funds and repurposed the Resilient Communities Fund to allocate the full £350,000 to communities' coronavirus response. This means over £1m was made immediately available to communities.

SSE published a short report detailing the value of community support that had been provided by the end of April 2020. By June, SSE had provided over £1m of support across its community funds and employee Be the Difference programme, supporting more than 250 communities to initiate emergency responses to coronavirus.

The main categories of community funding awarded so far:

- Manufacture of protective equipment and hygiene products for front-line workers and community members
- Essential services for vulnerable community members
- Support for those isolating to stay in touch and get medical and food supplies
- Delivery of online education and training resources
- Retention of key staff and technology to work remotely



"SSE's in-house model of community investment has proven itself to be the perfect model in a crisis. Our ability to deliver a fast and flexible response when the coronavirus pandemic struck meant we could support local action when, and where, people needed it the most."

Morven Smith, SSE's Head of Community Investment

>£1m
made immediately available to communities

>£550,000
awarded within six weeks from the SSE Renewables community funds

£350,000
available through the SSEN Resilient Communities Fund, due to be awarded in May

>250
communities supported in their coronavirus response



COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

A SUSTAINABLE
APPROACH TO PROCUREMENT

SSE spends around £2.5bn a year with over 10,000 suppliers. The scale of this activity has important social, economic and environmental consequences which SSE has responsibility for monitoring, understanding and maximising the positive impacts from.

Developing a new sustainable procurement strategy

During 2019/20, SSE's Procurement and Commercial (P&C) department prioritised the development of a new sustainable procurement strategy for the Group. The decision was also made to align to the ISO:20400 Sustainable Procurement Guidance Standard, an industry-wide standard which sets out a best practice framework for integrating sustainability in the procurement of goods and services.

In early 2020, SSE commissioned external experts, Action Sustainability, to carry out an analysis of the Group approach against ISO 20400. This analysis included a desk-based assessment of SSE's current policies, procedures and practices and interviews carried out with more than 20 procurement, HR and sustainability professionals.

Several recommendations were made as a result of the gap analysis, with three being core to the delivery of a mature sustainable procurement model:

1. Develop and maintain in collaboration with Sustainability and Project teams a detailed analysis of sustainability risk and opportunity across SSE's procurement categories and sub-categories;
2. Use this risk and opportunity assessment to inform questions asked of 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.

Over 2020/21, SSE will develop and deliver its new sustainable procurement strategy,

designed to deliver the recommendations of the Action Sustainability gap analysis and embed sustainability considerations through every stage of SSE's procurement process. Critically, this approach will align procurement activities to SSE's 2030 Goals and the UN's SDGs, enabling SSE's supply chain to understand how they contribute to generating enhanced value.

Engaging with strategic suppliers on sustainability issues

Last year, SSE issued a detailed modern slavery risk assessment to its strategic suppliers (see page 72). Over 2019/20, one-to-one feedback sessions were offered to all suppliers which completed this assessment. Eight feedback sessions held over the year between SSE and its strategic suppliers to discuss the results of their risk assessment and share learning and best practice on modern slavery risk mitigation.

The open, positive and collaborative nature of these meetings led to further sessions on wider sustainability topics between SSE and its strategic suppliers. This has included sharing practices and learnings on carbon reporting and reduction activities, with further sessions planned for the future and a commitment to continued dialogue between the companies on sustainability issues.

Managing potential Brexit impacts on SSE's supply chain

Throughout the Brexit negotiations, SSE has worked closely with its suppliers to ensure there is a continuity of supply of critical goods and services in the event of a variety of different Brexit scenarios. As the transition period comes to an end in December 2020, work continues to manage inventories to mitigate any potential supply challenges that may arise, together with making suitable provisions within critical infrastructure



"Sustainable procurement is not simply about reducing environmental and social risks through SSE's supply chain – welcome that may be. The bigger prize is to exploit the opportunity of bringing about enhanced environmental and social value by working closely with our supply chain partners."

Ronnie Fleming, SSE's Director of Procurement and Logistics

contacts. This is particularly important in advance of the winter months when weather conditions can impact electricity networks.

Creating opportunities for local supply chains

With investment and capital expenditure planned to total more than £7.5bn over the next five years (see page 49), SSE is working hard to ensure that the economic value from this investment at a local, regional and national level is maximised.

One example of how SSE Renewables is doing this is Seagreen offshore wind farm (SSE share = 49%). Seagreen represents the largest private investment project ever undertaken in Scotland. At 1,075MW, once operational in 2022/23 it will be the largest offshore wind farm in Scotland, capable of providing renewable power to over one million homes.

SSE Renewables is committed to the aims of the Offshore Wind Sector Deal to increase lifetime UK content to 60% by 2030 and is working closely with UK and Scottish governments, suppliers and the wider industry to make progress in reaching this target. There is recognition that meeting this ambition will be challenging and the Offshore Wind Industry Council is currently working with BEIS to develop a roadmap for achieving it.

Seagreen aims to utilise local, Scottish and UK based suppliers where possible and is seeking to achieve lifetime UK content of around 50% for this project. Upwards of 400 direct jobs in the UK during construction are expected to be created and thousands more indirect jobs supported through the supply chain. Several hundred jobs will also be supported annually throughout the 25-year lifetime of the project.

To promote a local supply chain, in November 2019, SSE Renewables held 'meet the buyer' events to make local companies aware of and prepared for opportunities to bid for work on Seagreen. More than 400 delegates attended these events, with over 500 one-to-one sessions held with SSE Renewables' Procurement teams

and Seagreen's principal contractors. SSE established the 'Open 4 Business' portal in 2012, as a way of providing local businesses with a simple and free way to express an interest in contractual opportunities in SSE projects. Over £174m of contracts (£50m in renewables) were awarded through the portal, the administration of which SSE has been transferred to Highlands and Islands Enterprise (HIE) and the Inverness Chamber of Commerce in 2019. The portal has now been expanded to cover the whole of Scotland and SSE will continue to use it to advertise local opportunities.

Seagreen has contractual obligations on all its suppliers, requiring them to consider local contractors where possible, and the project team is working closely with Seagreen's Tier 1 Contractors, including MHI Vestas, Petrofac and Subsea 7, to maximise local opportunities. Montrose Port has been chosen for the operations and maintenance base, which will create high-quality, long-term jobs in the local area over Seagreen's operational life.

However, areas like foundation fabrication remain a challenge for the UK supply chain with respect to costs, skilled labour and site facilities, and action is clearly needed to improve suppliers'

capabilities. SSE Renewables is therefore working with various industry groups and bodies to encourage and support the development of a local supply chain. It has committed £8m to the Offshore Wind Growth Partnership, a £100m industry programme designed to support the UK offshore wind supply chain.

In addition to the economic opportunities from the construction and operation of the wind farm, SSE Renewables has begun consulting with local Community Councils about the set-up, criteria and administration of the wind farm's £1.8m Community Fund. The project has also committed to working with local colleges and supporting apprenticeships to develop the future workforce and provide a pathway for school leavers into the offshore wind and wider energy sector. It will establish a separate £400,000 fund focused on supporting STEM (science, technology, engineering and maths) based skills development in Angus.

These actions, along with many others, demonstrate SSE's commitment to spending millions of pounds with suppliers close to its projects and across the countries it operates in over the 2020s.

DILEMMA

CALLING FOR POLICIES WHICH SUPPORT
HOMEGROWN SUPPLY CHAINS FOR RENEWABLES

In May 2020, SSE published a 'greenprint' for the policy changes that can help build a cleaner, more resilient net-zero economy in the wake of coronavirus. Low-carbon investment will provide a vital economic boost and create skilled, sustainable jobs while driving progress towards critical climate change targets.

Energy policy in the UK has made use of competitive auctions which prioritise low prices. This has been enormously effective in driving down prices for energy consumers. However there is a legitimate concern that a short-term focus on price has come at the cost of the long-term development of a competitive supply chain within the UK. SSE believes the development of the industry in the early 2020s should be based on more sophisticated public policy tools to support both low prices and the growth of an indigenous renewable energy supply chain. This will support high-skilled jobs across

the full breadth of the country and help to build future resilience, reducing the dependence on a global supply chain.

To do this, SSE has proposed that the UK Government sets up a dedicated taskforce to explore ways to channel strategic investment into key enabling infrastructure, such as ports and manufacturing facilities, needed to unlock local supply chain opportunities whilst exploring the use of incentives (eg tax breaks). At the same time, SSE believes Ofgem and BEIS should work with industry to develop carbon footprint methodologies so that supply chain carbon content can be reduced. This would enable specific requirements on the carbon content of supply chains to be set before an auction, with more local supply chains at an advantage due to lower associated carbon emissions. Critically, these measures would need to be mandated so that there is not a competitive disadvantage to the companies seeking to procure locally.

COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

Payment practices and performance

The length of time taken to pay suppliers has important social and economic consequences, with late payment times a key reason why some businesses suffer cash flow problems and ultimately leave them unable to deliver goods and services. SSE therefore continues to fully support the UK Government regulation which requires organisations to openly disclose their payment practices twice a year in order to drive better performance.

SSE has been open about the need to improve its payment practices, which is why in 2017/18 it set a target to reduce average payment time to 30 days by the end of 2020/21. SSE's payment performance for 2018/19 and 2019/20 is shown in the table below, broken down into the first and second half of each financial year in line with UK Government requirements.

	Unit	1 Apr 2018 – 30 Sep 2018	1 Oct 2018 – 31 Mar 2019	1 Apr 2019 – 30 Sep 2019	1 Oct 2019 – 31 Mar 2020
Average time taken to make payment	Days	38	34	31	26
Invoices paid within 30 days	%	70	58	67	82
Invoices paid in 31-60 days	%	21	35	28	15
Invoices paid in more than 60 days	%	9	7	5	4
Invoices not paid within agreed payment period	%	73	43	49	42

The Prompt Payment Code outlines two main expectations for best practice: working towards average payment time of 30 days or less, and at least 95% of invoices paid within 60 days. Between the first and second half of the financial year, SSE's average payment time reduced from 31 days to 26 days, and the proportion of suppliers paid within 60 days increased from 95% to 97%, with a significantly higher proportion of suppliers paid within 30 days.

Between February 2019 and May 2020, the number of invoices which arrived via e-invoicing increased from 3,000 to 9,829 and the average length of time taken to receipt invoices reduced from 30 days to 7.3 days. This was a direct result of SSE's commitment to improve payment practices.

This continued investment shows that SSE has already met and exceeded the target of an average payment time of 30 days by 31 March 2021. SSE will continue with its strategy to 'Standardise, Simplify and Embed' improved payment practices and will openly report on its performance each year.

SUPPORTING STAKEHOLDERS DURING THE CORONAVIRUS CRISIS

ONGOING ENGAGEMENT AND A COLLABORATIVE APPROACH WITH SUPPLIERS

Over the course of the coronavirus crisis so far, there is limited evidence of any long-lasting impact on the most critical elements of SSE's usual supply chain. However, this clearly remains an evolving and complex situation, with the direct and indirect impact of the virus likely to affect global supply chains for years to come.

The impact of the virus on key products and contracts for SSE's business units is continually under review. SSE is in close contact with suppliers, especially in relation to its core electricity networks and renewable energy businesses. This dialogue covers everything from their business continuity plans through to their stock-holding positions and countries of manufacturing to assess the potential impact of supply chain disruption.

SSE is aware that coronavirus may also lead to some

suppliers and contractors being exposed to cash flow concerns. Its Procurement and Accounts Payable teams are regularly reviewing payments to ensure they are being made on time and to intervene if required. Further options to ease cash flow challenges are also being explored if required on a supplier-by-supplier basis.

Coronavirus has undoubtedly been a significant challenge at site-level too and has demonstrated the importance of SSE's close working relationships with its Tier 1 contractors. This was particularly evident at SSE's Keadby 2 site in its work with Siemens Energy to ensure the correct steps were taken to keep employees and contractors safe. This included: renewed site inductions; enhanced hygiene measures; split shift working and staggered breaks to ensure social distancing; and regular auditing to ensure standards have been maintained.

EMBEDDING A RESPONSIBLE EMPLOYER ETHOS

SSE's well-established responsible employer ethos focuses on developing its workforce from within, limiting out-sourcing where possible, and creating an inclusive culture where employees are treated with fairness and respect.

Committed to open reporting

SSE seeks to make transparency and openness on workforce issues as a key element of its sustainability approach. SSE believes that workforce reporting holds companies to account on workforce issues, but also can be an important catalyst for driving important improvements in standards for workers.

As well as providing workforce information within its Sustainability Report, each year SSE publishes extensive information on workforce issues within its Annual Report. See pages 78 to 81 of SSE's Annual Report 2020 for detailed information beyond what is within this report:

- **SSE's workforce demographics**, where SSE has provided information on its company with and without SSE Energy Services so that stakeholders can understand the impact the demerger has had on SSE's workforce composition;
- **Strategic workforce challenges** for the company and its consideration of workforce issues in its Group Principal Risks;
- **Training and learning**, detailing SSE's investment in pipeline programmes and wider employee learning and development;
- **Inclusion and diversity**, including progress against SSE's four gender targets for senior leadership;
- **Employee reward**, including the link between executive pay and sustainability performance, and SSE's approach to employee benefits and performance management;
- **Employee voice**, where SSE has provided information on its approach to employee relations and measuring employee engagement.

In addition, the Safety, Health and Environment Advisory Committee Report on pages 132 to 135 of the Annual Report 2020 provides detailed information about safety, health and wellbeing at the company with progress made over 2019/20.

Leading on workforce disclosure

SSE has been a supporter and contributor to the Workforce Disclosure Initiative (WDI) since its pilot in 2016. The WDI is a questionnaire of companies' management of workers in their direct operations as well as their supply chains, which aims to establish a standardised reporting framework for workforce issues based on the information investors want to see. The WDI has grown quickly since its pilot and is now supported by around 140 major investor signatories with more than \$15 trillion in assets under management.

In 2019, SSE's WDI submission was in the top 10% in terms of disclosure levels, and SSE was one of a small number of companies to make its full disclosure public. Along with 14 other companies, SSE also participated in a pilot to score performance in the 2019 WDI submission. SSE scored well above average in the pilot in terms of the quality of answers provided to the WDI.



Additional information on workforce issues can be found within SSE's Annual Report 2020.



"At SSE we are lucky to be in a growing sector with a clarity of purpose which provides solutions to the world's problems. That means we are attracting and retaining talent that wants to make a difference. It is therefore more important than ever that we uphold our side of the bargain, underpinned by the ethos of a responsible employer."

John Stewart,
SSE's Director of Human Resources

COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

SUPPORTING STAKEHOLDERS DURING THE CORONAVIRUS CRISIS

A RESPONSIBLE EMPLOYER RESPONSE TO CORONAVIRUS

As a major employer of around 12,000 people, and a business providing an essential service, the coronavirus pandemic has presented challenges for SSE's workforce in a number of ways. SSE is aware that changed ways of working and distraction may impact safety performance over 2020/21 and is working to mitigate this risk.

At an early stage, SSE introduced coronavirus testing when needed for its critical workers on whom the security of the energy system depends. Hygiene and social distancing measures were also put in place to protect key personnel and prevent the spread of the virus in cases where employees' attendance at site was critical to continued operations.

SSE has worked with its trade union partners throughout this period (see case study) to extend flexible working practices. The company has retained full pay for all workers, over use of the UK Government's furlough scheme, during lockdown. Paid emergency leave was also granted to assist with school closures, and working arrangements have remained highly flexible for employees with additional caring responsibilities during the working day.

Having invested significantly in recent years in the technology needed for agile working, at the time of writing, everyone in SSE who can work from home (around two thirds of the workforce) is doing so.

Maintaining good mental health in times of uncertainty, social distancing and new ways of working though has been one of the key challenges facing SSE's employees. SSE has used its partnership with Nuffield Health to give employees access to a range of resources to help take care of themselves while at home, including an emotional care guide, advice from physiotherapists and free access to the 'My Wellbeing' app which provides home workout videos and tailored programmes.

SSE's priority for 2020/21 will be to continue to support employees adapt to new working

conditions and look after their mental health. In May 2020, 71% of SSE's 12,000 employees responded to an engagement survey that sought views on the Company's response to coronavirus, emotional wellbeing and post-lockdown working practices. The results of this survey are providing invaluable employee insight that is being used to inform how SSE plans future ways of working, and the most appropriate way to return employees to work in a considered and phased basis.

CASE STUDY

COLLABORATING IN A CRISIS

The value of mature employee relations with formal trade union recognition becomes of significant value at a time of crisis.

From the start of the coronavirus pandemic, weekly calls were held between SSE representatives and officials from Unite, Unison, GMB and Prospect trade unions. The initial objective was to jointly assign and reallocate work in those areas where employees were not able to work or where there were restrictions in what work could be undertaken.

The company set out to minimise the overall impact on productivity levels and maintain full salaries. SSE has not used the Government Job Retention Scheme (furloughing). In the circumstances where specific businesses have employees who are not fully utilised (these instances were limited at the time of writing), joint discussions were held on flexibility arrangements and they continue at a business level.

As lockdown restrictions ease and are eventually phased out, SSE and the trade unions will continue to collaborate on plans for a safe return to work for those employees.

"I want to thank the trade unions for their engagement and support throughout the crisis. Everyone's efforts have been greatly appreciated, from those key workers who have kept all our lights on and kept the public safe, to those working and juggling childcare and other commitments at home."

John Stewart, SSE's Director of Human Resources

HEALTH AND SAFETY

The safety, health and wellbeing of the people that work for SSE directly or on its behalf is the company's first priority. Above all, SSE recognises that the most important thing is making sure everyone gets home safe.

Focus on improving safety performance

SSE introduced an ambitious health and safety programme across the company in 2017 to transform its approach to safety, health and the environment by 2020. 2019/20 marked the end of the campaign, with SSE meeting its targets early.

Over 2019/20, SSE's rolling Total Recordable Injury Rate (TRIR) for employees and contractors combined remained the same as the previous year at 0.16 incidents per 100,000 hours worked. The total number of injuries however decreased from 82 in 2018/19 to 71 in 2019/20. The severity of the incidents also reduced, with one incident during 2019/20 that would be considered life changing compared to three incidents during 2018/19. Road Traffic Collisions (RTCs) (class one severe) rose slightly to 37 from 34 the previous year.

Despite this improvement, SSE remains mindful that incidents and accidents did still occur over the year. SSE has started to measure and report on 'Safe Days', these being the number of days in the year that everyone gets home safely and with no harm to the environment.

Reduction in number of people hurt
71 in 2019/20 vs 82 in 2018/19

Fewer potentially life changing injuries
1 compared to 3

Employee perspectives on safety

SSE's employees are empowered to exercise a safety licence of "if it's not safe, we don't do it". This means employees should feel able to stop what they're doing to make sure a job is being done safely and ensure everyone gets home safely. In SSE's employee engagement survey (see page 80 of the Annual Report 2020), three

questions were asked to gauge employee views about safety at SSE.

The results of the survey (see below) were very positive, however it is clear that there is still a proportion of SSE's workforce that believes SSE can do more when it comes to safety. SSE will continue to measure and monitor employee views on safety as it continues its focus on improving safety performance and embedding a positive approach to talking about safety, health and environment across SSE.

2019 employee engagement survey results:

I understand that if it's not safe – we don't do it.

96%
(+8% sector norm)

My manager sets the right example when it comes to safety, health and environment (SHE).

88%
(+1% sector norm)

I can report unsafe conditions without fear of negative consequences.

88%
(+4% sector norm)

Focus on physical and mental health

Health and wellbeing have been areas of increasing focus and investment for SSE since 2017. This has driven a wide number of actions, including: the training of 170 Mental Health First Aiders and 1,200 managers in mental health awareness and support; access for all employees to an

Employee Assistance Programme which provides counselling and support for all employees; and senior management commitment to the Time to Change initiative.

SSE's 'Back to Health' programme supported by Nuffield Health was also made available to all employees in Great Britain with two areas of focus: anxiety, stress and depression (ADS) and musculoskeletal (MSK) conditions. In 2019/20, over 800 employees were referred for ADS support with approximately 62% remaining in work during treatment. Around 500 employees were also referred for physiotherapy services with most cases affecting the lower back and knees.



"We have seen a continued reduction in the number of people being hurt, along with a clear focus on taking care of ourselves, each other and the environment so we can all get home safe. The work we have achieved has put us in a strong position to deal with the challenges of the coronavirus crisis and one thing is clear, colleagues across SSE genuinely care about each other and are doing everything they can to help their colleagues get home safe to their families and friends."

Mark Patterson, Group SHE Manager

COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

HUMAN RIGHTS AND MODERN SLAVERY

SSE has zero tolerance of modern slavery in all its forms and has a responsibility to understand the risks within its own business and supply chain, and ensure ongoing management of those risks.

SSE's approach to mitigating modern slavery risk

SSE supports and is fully committed to upholding the UN Guiding Principles on Business and Human Rights, the aims of the UN Sustainable Development Goals, the principles underpinning the UN Global Compact, of which it is a signatory, the International Bill of Human Rights and the fundamental rights set out by the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

SSE's Modern Slavery Statement 2020, available on the sse.com homepage, provides an overview of SSE's approach to mitigating the risk of modern slavery through its direct and supply chain operations during 2019/20. This includes detailed disclosure on: SSE's business model and supply chain; governance of its approach through its Human Rights Steering Group; relevant policies and standards; risk assessments and outcomes; responsible employment standards and practices; training and awareness raising; and due diligence to mitigate risk through SSE's supply chain.

Key developments over 2019/20

SSE aims to be increasingly transparent about its approach to modern slavery and is committed to developing its approach each year. Progress made over 2019/20 is summarised below.

Engagement with strategic suppliers

One-to-one sessions were held with eight of SSE's strategic suppliers to discuss the outcome of the detailed modern slavery risk assessment they completed at the end of 2018/19 and to establish a shared approach between the companies to mitigating this risk.

See page 7 of SSE's Modern Slavery Statement 2020.

Sustainable procurement review

SSE is developing a new sustainable procurement strategy (see page 66). Modern slavery is a key element of this new strategy and human rights considerations will be embedded to a greater extent throughout procurement processes as a result.

See page 10 of SSE's Modern Slavery Statement 2020.

Gathering information on major projects

SSE has implemented a new approach to gathering information from principal contractors on its new major offshore wind farm projects which is designed to measure progress and impact on a regular basis.

See page 11 of SSE's Modern Slavery Statement 2020.

Strengthening of contractual clauses

SSE has updated and strengthened its Living Wage Clause and Modern Slavery Clause which are the two contractual clauses which SSE uses to hold suppliers accountable for targeting modern slavery risk when working for SSE.

See page 10 of SSE's Modern Slavery Statement 2020.

Priorities for 2020/21

Over 2019/20, SSE's Human Rights Steering Group concluded that support from external experts was required in order to continue to progress SSE's approach to modern slavery risk mitigation in the most meaningful way.

SSE has therefore commissioned modern slavery experts Stronger Together to undertake an Organisational Performance Assessment (OPA) of its current approach. This is designed to provide a gap analysis of current practices against best practice and will look at all elements of SSE's approach. As well as a detailed desk-based assessment of policies and processes, the OPA will include interviews with people across SSE's business and with those working on SSE sites.

SSE will use the results of this gap analysis with Stronger Together to develop a meaningful strategy for further action to mitigate the risk of modern slavery within its direct and supply chain operations. It will report on the outcome of the OPA within its Modern Slavery Statement 2021.

CASE STUDY

INFLUENCING SUPPLIER BEHAVIOUR ON MODERN SLAVERY

As a direct result of being allocated a medium risk score in the detailed risk assessment carried out by SSE in 2018/19, one of SSE's strategic suppliers, RJ McLeod, took action to develop their approach to modern slavery. This included:

- Commissioning modern slavery awareness training courses by a recognised trainer with expertise in this field. Two full day sessions were held with senior staff members who have a direct influence over work on sites;
- Holding internal workshops on modern slavery for employees who had not attended the

- external training;
- Issuing a modern slavery questionnaire to around 50 suppliers and sub-contractors, with a commitment to develop this questionnaire further and issue it again next year; and
- Commitment to future actions: the inclusion of reference to modern slavery in site inductions; toolbox talks held on modern slavery each year; guidance issued to employees about what they should do if they suspect modern slavery; and modern slavery posters put up on sites in languages relevant to the workers on that site.

This outcome demonstrates the importance of strong relationships and meaningful engagement with suppliers. SSE will continue to work closely with RJ McLeod to understand how their modern slavery approach is progressing.

"We take Modern Slavery issues very seriously and working with SSE's team helped us modify existing procedures as well as provide a clearer focus on new initiatives."

Bruce Clark, Joint Managing Director, RJ McLeod



COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

BUSINESS ETHICS AND CULTURE

SSE believes that doing business ethically results in doing business better. This means creating a culture where decisions, attitudes and behaviours are determined by values as well as rules.

Doing the right thing

SSE's 'Doing the Right Thing' guide was created in 2016 with support from the Institute of Business Ethics, of which SSE is a supporter. This guide is provided to all employees and is designed to help them understand SSE's business culture, and consequently make decisions and guide behaviours which are in line with the Company's values as well as the rules they must follow.

Over 2019/20, SSE reviewed the guide in line with current best practice and in the context of substantial changes to its business and workforce. A revised guide will be published in 2020/21 and made available on sse.com/sustainability. This will be accompanied by an extensive internal communications campaign to raise awareness and reinforce an ethical business culture across the Company.

Promoting a 'speak up' culture

Over calendar year 2019, there were 188 reports made through SSE's internal and external speak up channels. This is a significant increase from 112 reports in 2018. However, SSE believes this was largely driven by targeted communications over the year to increase visibility of SSE's 'speak up' whistleblowing channels and support for people that do speak up. This included an all-employee maildrop with a letter from SSE's Chief Executive about why speaking up matters for SSE, with details of how to report wrongdoing. In SSE's 2019 employee engagement survey, 89% of employees said that if they had a concern regarding wrongdoing or unethical behaviour within SSE, they would speak up. This is 22% above the average across the Energy and Utilities sector.

LISTEN

Create an open culture where employees understand why it's important to speak up and know how to raise concerns.

Individuals can speak up about incidents or suspected incidents of wrongdoing at SSE through both internal and external 'speak up' whistleblowing channels, with reports able to be made anonymously through SSE's externally hosted speak up channel, Safecall. In 2019, 25% of reports related to dishonest behaviour, 41% related to HR related issues (such as working relationships), 23% related to health, wellbeing, safety and the environment, and 11% related to other issues such as corporate governance, data protection and reputation.

ACT

When employees speak up, it should always be fully investigated with appropriate action taken to prevent further wrongdoing.

When speak up incidents are reported, either internally or externally, they are always treated in good faith and referred to SSE's Group Security and Investigations team for full investigation. During these investigations, interviews are undertaken and evidence is collated. Final reports of the investigations are submitted either internally for consideration of disciplinary action, or externally to law enforcement. Of the 188 speak up contacts in calendar year 2019: 5% resulted in warnings issued; 2% resulted in dismissals; 1% resulted in grievances upheld; 7% went through a formal process but with no formal action taken; and 5% were not upheld as they were found to be unfounded following investigation.

PROTECT

Take measures so that those that speak up feel confident they are doing the right thing and know there will not be repercussions.

When SSE's employees do the right thing by speaking up, it is crucial that the Company also does the right thing and ensures that there are no repercussions for their actions. SSE's priority is to build trust with people who speak up and ensure they are treated fairly and with respect. SSE was one of the first major companies to implement an after-care programme for those people that make contact through its speak up channels. This is designed to gain feedback and improve future processes to further support employees to speak up.

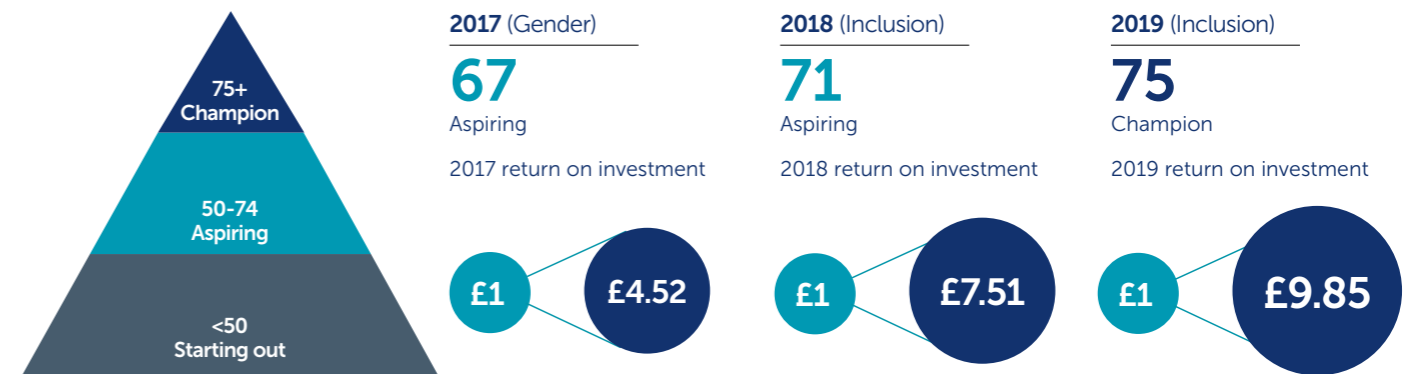
INCLUSION AND DIVERSITY

All kinds of difference – which includes, but is not limited to, gender identity, biological sex, sexual orientation, age, ethnicity or ways of thinking – supports a high performing business culture within the workplace.

Measuring progress against SSE's Inclusion Strategy

Since 2017, inclusion experts Equal Approach have annually quantified the value delivered to SSE from its investment in becoming a more inclusive workplace. This 'Return on Inclusion' (ROI) shows the financial return for every £1 spent on inclusion and diversity by SSE. It enables SSE to understand progress made against its well-established Inclusion Strategy as well as providing expert guidance on which activities bring the greatest return and requires the most focus.

Year-on-year, SSE has seen an increase in its ROI, with it more than doubling from £4.52 in 2017 to £9.85 in 2019. 2019 also marked the first time that SSE achieved 'Champion' status in the assessment. Whilst these results show the significant progress that has been made, SSE recognises further investment is required to reach its target of a £15 return for every £1 invested by 2021.



Partnering to change the energy sector

Taking action on inclusion and diversity in isolation cannot deliver the systematic changes required to create a more equal society and workplaces. That's why, as well as working with Equal Approach to design and implement its Inclusion Strategy, SSE has partnered with several additional organisations to work collaboratively towards a more inclusive energy sector and society. Over 2019/20 this included:

- The United Nations Global Compact (UNGC), where SSE is a member of the UK Network's Diversity and Inclusion Working Group;
- The EU Skills Inclusion Commitment, where SSE is part of a forum of inclusion and diversity experts from across the energy and utility sector which works collaboratively to provide guidance to wider industry on how to influence an inclusive culture;
- The Diversity Charter Ireland, where SSE is a member of a business-led partnership of employers supported by the European Commission; and
- Sponsorship of inclusion focused events, including Scotland's first Flexible Working Festival, FlexFest.

In addition, SSE works with several external organisations, including PowerfulWomen and Equal by 30, which are specifically focused on driving greater gender equality in the workplace. See page 79 for more detail.



"We address SSE's need for increased diversity in an enduring way. All employees are encouraged to educate themselves on others' lived experiences. This, together with applying an inclusive lens in all our people practices and processes, is what drives an inclusive culture; where everyone's unique contribution is respected, valued and sought after."

Rosie MacRae, SSE's Inclusion, Education & Employability Manager

COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

2019 employee engagement survey results:

SSE provides a working environment that is accepting of personal differences.

84%
(+19% sector norm)

I can be myself at work without worrying about how I will be accepted by colleagues.

84%
(+10% sector norm)

Managers support diversity and inclusion here, recognising and respecting the value of human differences.

81%
(+6% sector norm)

Understanding employee views on inclusion

SSE's employee engagement survey provides important indicators to measure its performance against the goal of an inclusive workplace culture. The 2019 survey (see page 80 of the Annual Report 2020) asked three questions about inclusion and in all cases, the results were higher than the Energy and Utilities Sector norm and SSE intends to track these attitudes closely in the years ahead.

Embedding inclusive behaviours

SSE aims to promote an inclusive approach in every area of the business, at every level. To embed inclusion across the organisation, SSE has established a STEM Forum, Inclusion and Diversity Working Groups for each Business Unit, and an Inclusion and Diversity Steering Group. This year SSE also launched a new Inclusion and Diversity intranet site which is available to all employees.

Focus on inclusive recruitment

SSE has continued to focus on attraction methods to increase diversity and recruit more inclusively at each stage of the

recruitment process. 'Inclusive prompts' are built into SSE's role profile template as standard, Inclusion and Diversity training is mandatory for hiring managers, and SSE has a fully accessible career site.

Over 2019/20, SSE also developed an 'Inclusion@SSE' webpage, began including a named point of contact on job adverts and correspondence, and introduced an Equal Opportunities and Inclusion Statement as standard. It also began using a broader range of recruitment platforms, focused on reaching people from diverse backgrounds. This includes Bright Networks with 250,000 members, 59% of which are female and 40% of which are BAME. 77% of SSE's advertised roles over 2019/20 offered flexible working, which is a key driver of all diversity.

The focus on inclusive recruitment resulted in several examples of progress, including the doubling of both the attraction and appointment of LGBT+ candidates in 2019, and a significant increase in the attraction of BAME candidates, from 11% in 2016 to 23% in 2019.

DILEMMA

LOW DISCLOSURE RATES FOR DIVERSITY INFORMATION

SSE believes that its efforts should be on embedding inclusive behaviours which in turn positively influence diversity statistics – rather than focus on numbers alone. However, SSE also understands that data also serves as an important indicator of, and often a catalyst for, change.

In late 2019, SSE launched an internal campaign to encourage employees to voluntarily disclose information on SSE's HR system with details around disability status, sexual orientation, ethnicity, and more. At the beginning of the campaign, only around 11% of employees chose to provide

this additional information. By increasing that percentage, the clearer picture of SSE's employee base could provide insights into how best to continue its drive to create a truly inclusive, diverse workplace.

By the end of 2019/20, the proportion of employees choosing to disclose diversity information had increased only marginally, to 17%. Encouraging employees to volunteer their diversity information is a common challenge for many businesses and one that SSE together with other members of the PowerfulWomen initiative are sharing learnings on.

Education and employability programmes

SSE is a proud signatory of the Social Mobility Pledge and uses its education and employability programmes to promote STEM subjects at the primary, secondary and graduate level of education; and also among young people who are 'NEET' (not in education, employment or training). Social mobility continues to be a key area of focus for SSE and it has a number of programmes specifically designed to recruit talent from communities and circumstances that otherwise might not have flowed into the energy sector. This includes:



Teach First: SSE is partnered with Teach First, a charity which addresses educational disadvantage. It uses this partnership to influence an increase in STEM subject teachers and more inclusion and diversity among teaching personnel.



Barnardo's Works: Through SSE's long-standing partnership with Barnardo's, the company runs its Barnardo's Works employability programme for 16-24 year old NEET individuals. Since 2008, more than 270 people have been recruited into the programme, including 15 in 2019/20



SSE Works: In 2017, SSE partnered with Business in the Community Ireland to introduce a best-in-class social inclusion initiative, SSE Works, which provides work placements to NEET individuals who have faced long-term barriers to accessing work. The programme continued to evolve in 2019/20, offering part-time positions for the first time.



Career Ready: SSE works with Career Ready to provide mentors and short work placements to 16- to 18-year-olds who are still in school. This aims to help increase awareness of working life as well as opportunities in the STEM sector. SSE supported 18 young people through Career Ready in 2019/20.

Over 2020/21, SSE will implement a new education outreach strategy which closely aligns to the sector's skill shortage challenges and the company's diversity ambitions, in particular encouraging greater social mobility.

CASE STUDY

MOVING FROM A SKILLS TO STRENGTH BASED APPROACH

Over 2018/19, SSE partnered with external expert CAPptivate to enable it to design an entirely "strength-based" recruitment approach for its 2020 engineering apprentice cohort. This builds on changes made in 2018/19 to apprenticeship recruitment, when qualifications were asked for as a preference rather than as mandatory for the first time.

These changes are part of a shift across the company to move from recruiting for skills (that can be taught) to innate strengths. These changes are designed to attract and retain a more diverse candidate pool from a broader spectrum of society.



COMMITTED TO DECENT WORK AND ECONOMIC GROWTH

REPORTING SSE'S GENDER PAY GAP

SSE is committed to providing open and detailed information about its gender pay gap. In 2016 it became the first FTSE company to publicly disclose this information. 2020 is SSE's fifth year of reporting its UK gender pay gap.

The gender split of SSE's workforce

With the demerger of SSE Energy Services from the SSE Group in January 2020, SSE's total workforce reduced from over 20,000 to around 12,000 employees. The proportion of female employees in SSE also decreased, from 31.4% at 31 March 2019 to 25.1% at 31 March 2020. The gender distribution across pay quartiles relative to the overall gender split however improved. Both of these changes were a result of SSE's remaining business being more focused on the development, construction and operation of energy assets and infrastructure, and less concentrated in retail roles which had a higher proportion of women and were on average lower paid.

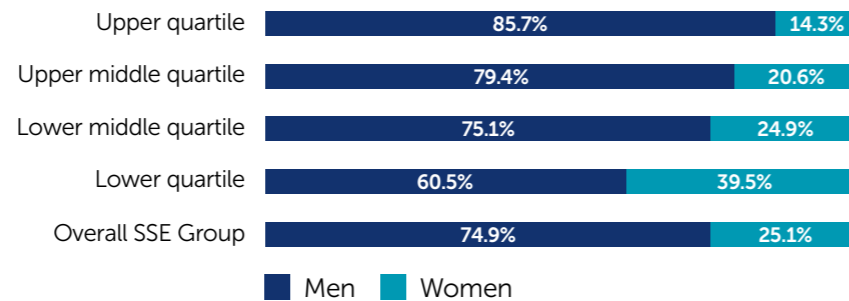
Women in SSE do however continue to be over represented within roles in the lower pay quartile (39.5%), and under represented at the upper (14.3%) and upper middle (20.6%) pay quartiles. Gender parity can only be achieved if women make up an even proportion of roles at all levels in the organisation. Ensuring women at lower levels stay on and progress up within SSE, and that more women join the company at senior levels, are key elements of SSE's action plan to close its gender pay gap (see the following page.)

SSE's 2020 gender pay and bonus gaps

As at 5 April 2020, the SSE Group (UK) had a mean gender pay gap of 17.1% and a median gender pay gap of 18.4%. This compares to a mean gap of 21.4% and a median gap of 21.0% at 5 April 2019.

As noted, SSE's workforce composition changed significantly over 2019/20. To identify the scale of the reduction in SSE's gender pay gap which is attributable to

SSE's UK workforce - gender distribution (5 April 2020)



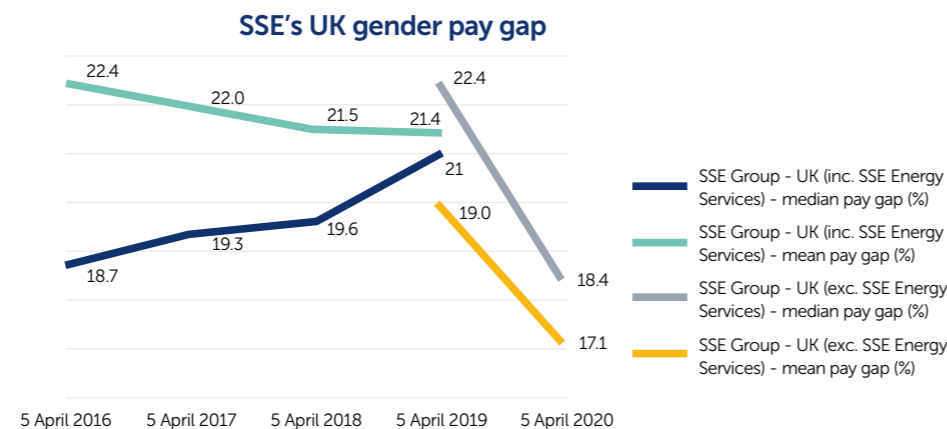
these workforce changes, rather than action taken to close the gap, SSE also calculated its gender pay gap for 5 April 2019 excluding employees within SSE Energy Services. This generated a mean gap of 19.9% and a median gap of 22.4%.

SSE therefore believes it is fair to conclude that part of the decrease in its gender pay gap in 2020 reflects the company's sustained efforts over the past five years to promote gender equality. While both the mean and median are the lowest since SSE began reporting in 2016, clearly there is more work and time required to close the gap completely.

Just over a third (35.2%) of men working

for SSE in the UK on 5 April 2020 were entitled to a bonus, compared to around a quarter (24.0%) of women. This compares to 30.6% of men and 15.7% of women on 5 April 2020, for the SSE Group including SSE Energy Services employees. SSE's mean bonus pay gap was 40.2% and the median bonus pay gap was 15.1% for UK employees in 2020.

The full breakdown of gender pay gap information for all eligible legal entities as well as for the overall SSE Group (UK) is on pages 92 to 93.



A strategy to encourage women IN, ON and UP at SSE

SSE's strategy to improve the diversity of people in its organisation, to close its gender pay gap and bring about business improvements as a result is focused on bringing more women 'IN' to the company, encouraging them to stay 'ON', and supporting them to progress 'UP' to the most senior levels. This approach complements SSE's efforts to establish a more inclusive workplace in its widest sense (see pages 75 to 77).

IN: Attracting and recruiting more women

With the demerger of SSE Energy Services in January 2020, the proportion of women in SSE fell. This new baseline means SSE now has even more work to do to achieve an equal level of women and men across its business. Excluding Energy Services employees in 2019 however shows a slight increase in the proportion of women in the company, from 24.2% to 25.1%.

The gender split of all external hires, from the application stage to the hiring stage, is tracked and reviewed quarterly. The proportion of women from the attraction stage to the appointment stage has increased each year since 2016. Over 2019/20, 28% of all external hires for SSE excluding Energy Services were women (female population: 25%).

IN: Focus on pipeline programmes

SSE is targeting more female applications in its pipeline programmes, technical apprentices and technical skills trainees. Developing female talent as the technical experts of the future is a key way to increase gender balance in traditionally male-dominated areas of SSE's business. In 2017/18, just 1.9% of people on a technical apprenticeship or technical skills trainee programme were women. This increased to 2.6% in 2018/19 and rose again to 6.8% in 2019/20. Although progress is being made, clearly there is still a lot more work to do and this is a key area of focus for SSE in 2020/21. In 2019/20,

18 of SSE's 53 engineering and IT graduates were women.

ON: Flexible working for everyone

Gender equality in the workplace is aided by gender equality at home too. There has been a welcome shift in the gender representation of SSE employees working part-time and flexibly between 2016/17 and 2019/20, with the split now reflecting SSE's overall workforce rather than being weighted towards women. This is understood to be a result of SSE's 'Working Differently' campaign over 2019, with 61% of employees in September 2019 saying they can work differently at SSE, an increase from 44% in 2018. Over 2019/20, 77% of advertised roles stated that flexible working arrangements were available. Following the coronavirus outbreak, 69% of SSE's workforce began working from home on a full-time basis.

ON: Enhanced parental benefits

SSE offers 21 weeks' maternity leave at full-pay and a gradual return to work policy which offers those returning to work 80% of their contractual hours whilst receive full pay and benefits for up to six months. This has led to a significant reduction in women not returning to SSE after maternity leave, from 16% 2017 to 4.5% in 2019/20.

UP: Increasing female internal recruitment

Promoting employees from within is a core element of SSE's responsible employer ethos as well as a key strand of its IN, ON, UP approach. There was an increase in internally recruited female employees from 32% in 2017/18 to 41% in 2018/19 (female population: ~31% in both years). This increased, relative to the female population, again in 2019/20 with 33% of internal recruits within SSE excluding Energy Services (female population: 25%) being female.

UP: Developing future leaders

Female representation amongst management training programmes and leadership coaching sessions has been higher than the overall

female proportion of SSE's workforce every year since 2015. Female representation on SSE's 2019 Inclusive Leadership Development Programme, an emerging talent development programme, was 43%. The proportion of women on SSE's Career Development Programme, a programme for senior talent development programme, was 34% in December 2019 compared to 35% in December 2018.

UP: Gender representation at the highest levels

SSE has continued to make progress on senior-level gender representation. SSE has four targets focused on driving greater gender balance at its most senior levels (the SSE plc Board; the Group Executive Committee and direct reports (excl. admin employees); the Group Executive Committee, its sub-committees and Business Unit Executive Committees; and roles at £70,000 (indexed to 31/12/17) or above). Progress against these targets are detailed in full on page 79 and 80 of SSE's Annual Report 2020.

Working together to change the sector and wider society

IN, ON and UP is reinforced by SSE's efforts to work collaboratively with other organisations to progress gender equality. In addition, several partnerships focused on wider inclusion (see page 75), SSE is actively involved with organisations which specifically aim to progress gender equality. This includes Equal by 30, a campaign which galvanises action on equal pay, leadership and opportunities for women in the clean energy sector, and PowerfulWomen, where SSE is part of a power sector forum which meets regularly to share best practice. SSE's CEO, Alistair Phillips-Davies, is one of eight energy company CEOs who form the PowerfulWomen Energy Leaders Coalition which meets on a monthly basis to discuss how to drive change within their organisations and the wider sector. SSE has also been included in the Bloomberg Gender-Equality Index since 2018.

WORKING TOWARDS A JUST TRANSITION

An increasing understanding and awareness about the social consequences of the transition to net zero means that SSE has identified SDG 10: Reducing Inequalities as material to its business. Ensuring net zero is delivered in a just way, thereby avoiding future inequalities, is an increasingly important focus for SSE looking forward into the 2020s.

SSE's role in supporting a just transition

SSE believes that it is in everyone's interests that the transition to net zero should be just, and believes a just transition is one in which the necessary investment in decarbonisation is secured and: current and future employees in energy are regarded with respect and given decent work; communities in which energy assets are located or planned are regarded as key stakeholders with comprehensive engagement on all key issues; and energy consumers are provided with affordable energy and accessible energy services.

Transition out of coal generation

SSE closed its last coal-fired power station, Fiddler's Ferry, near Warrington, at the end of March 2020. While it is well understood that there is no role beyond 2025 for generating electricity from coal unabated, Fiddler's Ferry power station represents a hugely important industrial contribution for over 50 years. Generations of working people have built their livelihoods at Fiddler's Ferry and its cooling towers dominate the local landscape.

Bringing operations to a close carefully and sensitively was SSE Thermal's priority and now the focus is to ensure that the legacy site is decommissioned and deconstructed in such a way that future economic development can occur and environmental improvements can be made.

SSE Thermal is working closely with both Warrington and Halton Borough Councils, having established a specialist task force working group. The group, which is chaired by Professor Steven Broomhead, Chief Executive at Warrington Borough Council, includes representatives from SSE Thermal along with officers from both local authorities. The group will collaborate and share information to ensure, through a locally co-ordinated approach,

that opportunities for the future of the site are considered and key stakeholders are engaged in the process.

With the closure of Fiddler's Ferry, 39 employees transitioned to work on the station's decommissioning programme, five were redeployed to other roles within SSE, one retired and 95 redundancies were completed following collective consultation with employees and unions. A number of training courses were delivered ahead of station closure, which included support for redeployment in alternative roles in new sectors.

Coronavirus, a green recovery and a just transition

The impact of coronavirus has potentially sped up the contraction of some high carbon sectors and a green recovery can offer some opportunity for new entrants in the low-carbon workforce. SSE's investments in new low carbon infrastructure assets across the UK and Ireland mean that it and its supply chain partners continue to provide high-quality construction, engineering and associated roles. SSE will continue to work with industry skills bodies and public agencies in an attempt to make these roles accessible to workers transitioning out of contracting high-carbon industries.

Looking forward through the 2020s

SSE continues to be actively involved in the Just Transition Commission in Scotland's work and is contributing directly to the considerations. With COP26 now planned for November 2021 and just transition issues becoming a more significant aspect of climate change debates, SSE seeks to develop its own, more detailed analysis of the way it can contribute to a just transition. It is particularly keen to work with public agencies and consumer advocates to help ensure that the benefits of climate action are shared widely, while the costs do not unfairly burden those least able to contribute.



CASE STUDY

SSE'S ROLE IN SUPPORTING A JUST TRANSITION

In February 2020, the Just Transition Commission in Scotland published its interim report and opened to wide consultation. The Commission has taken a deliberately broad definition of just transition, going beyond the definition in the Paris Agreement that focused on fairness for workers in high carbon industries transitioning into new jobs in low carbon industries. This remains a core focus of achieving a just transition, but the Commission deliberately broadened the scope of its work to consider the myriad of social justice implications for consumers too. SSE welcomes this definition, supports the work of the Commission and its Chief Sustainability Officer is a member of the Just Transition Commission in Scotland.



"The imperative of a just transition is that governments design policies in a way that ensures the benefits of climate change action are shared widely, while the costs do not unfairly burden those least able to pay, or whose livelihoods are directly or indirectly at risk as the economy shifts and changes."

Just Transition Commission Scotland

DATA AND PERFORMANCE

Transparent and open reporting of current and historic non-financial data.

The following section provides detailed disclosure of SSE's sustainability key performance indicators:

- SSE's Green Bond reporting **page 83**
- Executive remuneration – non-financial performance **pages 84 to 85**
- Environmental data **pages 86 to 87**
- Economic data **pages 88 to 89**
- Social data **pages 90 to 91**
- SSE's UK gender pay gap **pages 92 to 93**

For transparency, three years' worth of data for environmental, social and economic data is provided against each indicator where possible. SSE has also sought to report 2019/20 data within these sections both including and excluding SSE Energy Services, which was demerged from SSE plc in January 2020, to provide a new baseline for 2020/21 performance.



SSE'S GREEN BOND REPORTING

SSE issued its third Green Bond (GB3) of £350m in September 2019. This GB3 was fully allocated at issuance to refinance part of SSE's £1.3bn portfolio (includes 1,200MW Caithness Moray transmission project) of eligible transmission projects that transmit energy between Scottish renewable generation supply sites and the UK electricity customer. This GB3 is in addition to SSE's previous two Green Bonds which were issued in 2017 and 2018 to refinance part of SSE's portfolio of eligible projects of onshore and offshore wind farms in the UK and Ireland as well as the 1,200MW Caithness Moray transmission project.

The three green bonds that SSE has issued makes SSE one of the largest issuers of Green Bonds in the UK corporate sector with a total of £1.5bn raised.

SSE's Green Bond framework details the projects that SSE finances under each Green Bond and every year the Green Bonds are assured by PwC against SSE's GB Framework and its criteria document.

All green bonds that have been issued were used to refinance projects and the whole amount raised was employed at settlement:

- Green Bond 1 was issued in 2017 to refinance £548.4m of onshore wind projects with a capacity of 411MW. These projects generated around 1.4TWh of low carbon electricity and saved over 356mtCO₂e of carbon in the period between 01 April 2019 and 31 March 2020.
- Green Bond 2 was issued in 2018 to refinance £591.4m of onshore wind projects with a capacity of 132MW along with the Caithness-Moray HVDC (High Voltage Direct Current) transmission connection project. The Caithness-Moray transmission project has a capacity of 1,200MW and transmits renewable power from the north of Scotland across the UK. The onshore wind farm projects generated around 0.34TWh of low carbon electricity and saved around 87mtCO₂e of carbon in the period between 01 April 2019 and 31 March 2020.
- Green Bond 3 was issued in 2019 to refinance £350m of transmission projects. The primary reason for the transmission projects in the SHET network region is to support the expected increase in renewable generation connecting to the transmission network. Transmission networks can involve the construction of new transmission assets or the upgrade or reinforcement of existing transmission infrastructure to support new renewable connections. For the pipeline of SHET projects, the green impact relates to 2,732.2MW (including Caithness-Moray Link) of capacity for renewable generation connections with a further 3,519MVA of new or upgraded transmission infrastructure to accept additional power from new renewable projects.

More detail on SSE's Green Bonds, including its Green Bond Framework and full allocation of proceeds, can be found on [sse.com/investors](https://www.sse.com/investors).

DATA AND PERFORMANCE

EXECUTIVE REMUNERATION – NON-FINANCIAL PERFORMANCE

The Annual Incentive Plan (AIP) for SSE's Executive Directors is evaluated against several sustainability measures, including progress made each year against the company's 2030 Goals. The below table summarises the performance outcome for 2019/20 for the 'Stakeholders' and 'Contribution to the UN Sustainable Development Goals' measures. Further detail can be found within the Remuneration Committee Report on page 145 of SSE's Annual Report 2020.

High-level measure	Detailed measure	Factors to be assessed	Summary performance	Outcome
Contribution to the UN Sustainable Development Goals (20% of total AIP)	Climate action: Take urgent action to combat climate change and its impacts	Reduce the carbon intensity of electricity generated by 50% by 2030, compared to 2018 levels, to around 150gCO ₂ e/kWh.	Carbon intensity of electricity generated increased marginally by 1.5%; but decision taken to bring coal-fired generation to an end, effective from March 2020. Significant long-term opportunities developed in SSE Renewables and SSE Thermal, enabling adoption of more stretching target to reduce carbon intensity by 60% by 2030, in line with adoption of other science based targets.	65% Met expectation
	Affordable and clean energy: Affordable, reliable and sustainable energy for all	Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.	2019/20 represented SSE's highest ever year of electricity generation from renewable sources. Secured 2.2GW of new offshore wind through CfD contracts. Announced development of first subsidy-free onshore wind farm.	90% Far exceeded expectation
	Industry, innovation and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.	Working to pilot and trial electricity network flexibility that will enable local grids to accommodate the electrification of cars. Project LEO and a partnership between Government and network owners in Scotland represent two of the most significant projects in the UK that will help accelerate transport electrification. SSE joined the global EV100 initiative, committing to switch 3,500 of its vehicles to electric.	75% Exceeded expectation
	Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.	SSE achieved ongoing accreditation of both the Fair Tax Mark and the Living Wage, supporting both campaigns to attract more companies to become accredited. Furthermore, SSE continued its support of the new Living Hours initiative, which is a positive antidote to exploitative zero-hour contracts.	70% Exceeded expectation
Stakeholders (15% of total AIP)	Customers	Business Energy – A range of measures including customer complaints and satisfaction. Gateway for threshold performance at median performance of Citizens Advice league table.	Consistently ranked in the top 3 of business energy providers by Citizens Advice.	85% Far exceeded expectation
		Electricity Networks – A range of measures including customer interruptions and customer minutes lost. Gateway for threshold performance if average position is above median for all league tables.	Average ranking across the league tables is below median and therefore the performance gateway has not been met.	0 Below expectation
	Employees	Safety – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for direct employees. TRIR target of <0.1.	TRIR and AFR have been maintained at the same low level as 2018/19. Continued improvement in driving safety and environmental performance.	92% Far exceeded expectation
		Engagement – A range of measures including employee engagement survey score, employee uptake of share plans and retention rate. Board and leadership engagement with employees.	Good employee engagement index relative to external benchmark and continued good uptake on employee share plans. A programme of employee engagement activity has been delivered.	80% Exceeded expectation
		Inclusion and diversity – progress made closing SSE's median UK gender pay gap and progress made against SSE's Inclusion Strategy including progress on Return on Inclusion.	Improved Return on Inclusion with "champion" status reached. Increase in inclusive hiring practices, and strong improvement in women applying for and being appointed into senior roles. Decreased gender pay gap.	85% Far exceeded expectation
Suppliers	Safety – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for contractors. TRIR target of <0.37.	Maintained TRIR at previous year's level and improved AFR.	87% Far exceeded expectation	

DATA AND PERFORMANCE

ENVIRONMENTAL DATA

Metric	Unit	2019/20 - excluding SSE Energy Services	2019/20 - including SSE Energy Services*	2018/19	2017/18	SDG target	GRI Standard
Environmental Management							
Number of major incidents	Number	0	-	1	0	14.1, 15.1	307-1
Number of serious incidents	Number	12	-	9	11	14.1, 15.2	307-1
Number of minor incidents	Number	41	-	22	44	14.1, 15.3	307-1
Environmental prosecutions and civil penalties	Number	0	-	0	0	14.1, 15.4	307-1
Permit/Licence breach	Number	10	-	4	15	14.1, 15.5	
Carbon Emissions							
Scope 1 emissions ¹	Million tonnes CO ₂ e	8.26 ^(A)	8.27	8.81 [^]	10.16	13.2	305-1
Generation	Million tonnes CO ₂ e	8.21	8.21	8.76	10.10	13.2	305-1
Other scope 1	Million tonnes CO ₂ e	0.05	0.06	0.05	0.05	13.2	305-1
Scope 2 emissions ²	Million tonnes CO ₂ e	0.65 ^(A)	0.65	0.72 [^]	0.91	13.2	305-2
Distribution electricity network losses	Million tonnes CO ₂ e	0.55	0.55	0.61	0.77	13.2	305-2
Other scope 2	Million tonnes CO ₂ e	0.10	0.10	0.11	0.14	13.2	305-2
Scope 3 emissions ³	Million tonnes CO ₂ e	3.61 ^(A)	6.85	9.29 [^]	10.63	13.2	305-3
Raw fuels purchased	Million tonnes CO ₂ e	0.80	0.80	1.27	1.42	13.2	305-3
Gas sold	Million tonnes CO ₂ e	2.69	5.93	7.91	9.07	13.2	305-3
Transmission electricity network losses	Million tonnes CO ₂ e	0.10	0.10	0.09	0.11	13.2	305-3
Other Scope 3	Million tonnes CO ₂ e	0.02	0.02	0.02	0.02	13.2	305-3
Total carbon emissions ⁴	Million tonnes CO ₂ e	12.52 ^(A)	15.77	18.83	21.70	13.2	305-3
Carbon intensity of electricity generation	gCO ₂ e per kWh	288 ^(A)	-	284 [^]	305	13.2	305-4
Emissions to air							
SO ₂ - thermal generation ⁵	Tonnes	2,464	-	1,345	1,916	9.4, 12.4	305-7
NO _x - thermal generation ⁵	Tonnes	6,080	-	6,124	6,305	9.4, 12.4	305-7
SF ₆ - thermal generation, transmission and distribution activities	kg	607	-	577	519	9.4, 12.4	305-7
Energy consumption							
Purchased heat from non-renewable sources	GWh	3.59	3.85	7.47	7.86	12.2	302-1
Purchased electricity from renewable sources	GWh	97.60	104.56	111.49	128.74	12.2	302-1
Purchased electricity from non-renewable sources	GWh	233	233	241	225	12.2	302-1
Water consumption							
Total water abstracted ⁶	Million m ³	27,757 ^(A)	27,757	25,131 [^]	24,044	12.2	303-3
Total water consumed ⁶	Million m ³	6.9 ^(A)	6.9	5.6 [^]	7.6	12.2	303-5
Total water returned ⁶	Million m ³	27,751 ^(A)	27,751	25,126 [^]	24,037	12.2	303-4
Total water abstracted and returned - hydro	Million m ³	27,036	27,036	24,238	23,506	12.2	303-3
Total water consumed - buildings	Million m ³	0.046 ^(A)	0.052	0.095 [^]	0.089	12.2	303-5
Total water abstracted - thermal ⁶	Million m ³	721.6	721.6	892.7	537.9	12.2	303-3
Total water consumed - thermal ⁶	Million m ³	6.3	6.3	4.9	7	12.2	303-5
Total water returned - thermal ⁶	Million m ³	715.3	715.3	887.8	530.9	12.2	303-3
Business travel							
Fuel used in operational plant and vehicles	Litres	10,435,527 ^(A)	13,528,112	14,247,005 [^]	14,383,371	12.2	302-1
Flights - distance travelled	km	11,988,081 ^(A)	16,451,205	15,773,216 [^]	15,209,850	12.2	
Train - distance travelled	km	6,663,009 ^(A)	7,981,091	8,789,446 [^]	7,522,534	12.2	
Company cars - distance travelled	km	33,995,795 ^(A)	38,813,885	30,161,374 [^]	37,708,728	12.2	
Climate adaption and resilience							
Overhead line replacement and refurbishment ⁷	£m	26.5	-	36.8	35.6	13.1	
Tree cutting conducted by SSEN Distribution ⁷	£m	26.6	-	20.4	17.7	13.1	
Flood protection conducted by SSEN Distribution ⁷	£m	4.3	-	0.8	1.5	13.1	

* Energy Services data is included where relevant up to the date of the transaction with OVO Energy Ltd, in January 2020.

(A) This data has been subject to assurance. For the limited assurance opinion see [sse.com/sustainability](https://www.sse.com/sustainability).

[^] This data was subject to assurance in 2019. For the limited assurance opinion see [sse.com/sustainability](https://www.sse.com/sustainability).

¹ Scope 1 emissions are direct emission from sources owned or controlled by and organisation. For full detail on emission sources included in scope 1, see SSE's GHG and Water reporting criteria at [sse.com/sustainability](https://www.sse.com/sustainability).

² Scope 2 emissions are indirect emissions from the generation of purchased electricity, heating and cooling consumed by an organisation. For full detail on emission sources included in scope 2, see SSE's GHG and Water reporting criteria at [sse.com/sustainability](https://www.sse.com/sustainability).

³ Scope 3 emissions are other indirect emissions that outside of an organisation in support of its activities. For full detail on emission sources included in scope 3, see SSE's GHG and Water reporting criteria at [sse.com/sustainability](https://www.sse.com/sustainability).

⁴ GHG emissions from SGN's activities are excluded (SGN reports these separately). GHG emissions from other Joint Ventures are also excluded. For full detail on emission sources included in reporting, see SSE's GHG and Water reporting criteria at [sse.com/sustainability](https://www.sse.com/sustainability).

⁵ Figures for emissions to air include Irish thermal generation air emissions data for the periods between 1 January and 31 December and GB thermal generation air emissions data for the periods between 1 April and 31 March.

⁶ Figures for 2017/18 do not include operations in Ireland. For other years, data for Ireland covers the periods between 1 January and 31 December and GB covers the periods between 1 April and 31 March.

⁷ 2019/20 data may be subject to minor adjustment before final inclusion in the regulatory reporting pack published to Ofgem in August 2020. Some 2018/19 data has been slightly revised after finalisation of data for the August 2019 Ofgem regulatory reporting pack.

DATA AND PERFORMANCE

ECONOMIC DATA

Metric	Unit	2019/20 - excluding SSE Energy Services	2019/20 - including SSE Energy Services*	2018/19	2017/18	SDG target	GRI Standard
Financial performance							
Adjusted profit before tax	£m	1,488.40	-	725.7	1,179.30	8.1	102-7
Adjusted earnings per share	Pence per share	83.6	-	67.1	98.8	8.1	
Dividend per share	Pence per share	80	-	97.5	94.7	8.1	
Taxation							
Adjusted current tax charge	£m	115.1	-	-6.8 ¹	82.5	8.1	201-1
Adjusted underlying current tax rate	%	11.2	-	-0.9 ¹	7	8.1	
Payment of UK corporation tax	£m	-	78.4	33.6	124.2	8.1	201-1
Total taxes paid in UK	£m	-	421.6	403.7	484.1	8.1	201-1
Payment of Irish corporation tax	€m	-	0	-2.0 ²	6.5	8.1	201-1
Total taxes paid in Ireland	€m	-	15.8	14.6	22.6	8.1	201-1
Investment and supply chains							
Total investment and capital expenditure (adjusted)	£m	1,358	-	1,423	1,503	9.1	201-1
Renewable generation investment (adjusted)	£m	342.7	-	326.1	301.7	9.1	203-1
Thermal generation investment (adjusted)	£m	177	-	187.7	89	9.1	203-1
Networks investment (adjusted)	£m	693.9	-	684.7	760.3	9.1	203-1
Total procurement spend	£bn	c.2.2	c.2.5	c.3.2	c.2.9	8.3	102-9
Proportion of SSE's top 50% of suppliers by spend with Science Based Target ³	%	4	-	-	-	13.2	
Economic contribution							
Total economic contribution - UK GDP ⁴	£bn	5.72	7.74	8.91	8.55	8.1	201-1
Total economic contribution - Scotland GDP ⁴	£m	1,339	1,436	1,596	1,819	8.1	201-1
Total economic contribution - Ireland GDP ⁴	€m	650	650	689	806	8.1	201-1
Total jobs supported - UK ⁵	Number	56,810	83,040	101,170	99,000	8.1	203-2
Total jobs supported - Ireland ⁵	Number	3,740	3,740	4,080	4,520	8.1	203-2
Total jobs supported - Scotland ⁵	Number	7,390	10,530	14,480	17,360	8.1	203-2
Networks operations							
Networks customers on Priority Services Register (PSR)	Number	746,821	-	707,198	574,047	7.1	
Electricity distributed	TWh	38	-	38	39	9.1	
Customer minutes lost - SHEPD	Average per customer	56	-	59	55	7.1	203 -1
Customer minutes lost - SEPD	Average per customer	46	-	50	48	7.1	203 -1
Customer interruptions - SHEPD	Per 100 customers	63	-	69	57	7.1	203 -1
Customer interruptions - SEPD	Per 100 customers	47	-	52	55	7.1	203 -1
Regulated Asset Value - Transmission, Distribution and SSE's share in SGN	£m	9,106	-	8,729	8,304	9.1	
Cumulative total of renewable generation capacity connected to SSE's electricity transmission network	MW	6,298	-	6,236	5,209	9.1	
Customer solutions							
Business Energy Electricity Sold	GWh	16,914	-	19,336	20,177	7.3	
Business Energy Gas Sold	mtherms	272	-	277	294	7.3	
Meter Point Administration Numbers (MPANs) supplied with SSE Green 100% renewable energy ⁶	Number	49,080	-	44,801	36,610	7.3	
Business Energy smart meter operating volumes (gas and electricity) ⁷	Number	157,409	-	121,175	88,616	7.3	
Energy customers' accounts (Business Energy sites)	Millions	0.52	-	0.55		7.3	
All Ireland energy market accounts	Millions	0.72	-	0.72	0.74	7.3	
Energy saved as a result of energy efficiency measures targeted to fuel poor households in Ireland	Million kWh	5.8	-	2.1	-	7.3	
Diversity of electricity generation portfolio							
Total renewable generation output ⁸	GWh	10,753	-	9,779	9,428	7.2	
Total renewable generation output including GB constrained off wind ⁸	GWh	11,442	-	10,464	9,824	7.2	
Total thermal generation output	GWh	17,725	-	21,056	23,670	7.1	
Total generation output (all plant) ⁹	GWh	28,486	-	30,835	33,098	7.1	
Renewable generation – proportion of total output	%	37.7	-	31.7	28.4	7.2	
Total renewable generation capacity ⁸	MW	3,992	-	3,767	3,826	7.2	
Total thermal generation capacity	MW	5,364	-	6,765	7,334	7.1	
Total electricity generation capacity	MW	9,356	-	10,532	11,160	7.1	
Renewable generation – proportion of total capacity	%	42.7	-	35.8	34.2	7.2	
SSE renewable generation capacity potential pipeline	GW	> 7	-	> 8	> 2.5	7.2	

* Energy Services data is included where relevant up to the date of the transaction with OVO Energy Ltd, in January 2020.

1 The reduction in adjusted current tax charge between 2017/18 and 2018/19 was primarily due to SSE's reduced underlying profits for 2019 resulting in a lower corporation tax charge for the year, this then being more than eliminated by tax credits from earlier years. As SSE continued to invest heavily in capital projects, at a time when profits are reduced, the capital allowances obtained on that expenditure also had a more significant impact on SSE's adjusted current tax rate for the year.

2 In FY19, the ROI group received a net corporation tax refund of €2m. This mainly related to refunds of preliminary tax overpaid of €2.2m for FY18 and €0.2m for years prior to FY18. A preliminary tax payment of €0.4m was also made in relation to FY19.

3 SSE's supplier target, which is part of its science based carbon targets, is calculated from a 2019/20 baseline.

4 Total direct, indirect and induced Gross Value Added, from PwC analysis.

5 Measured as headcount, from analysis undertaken by PwC.

6 Individual companies may have more than one MPAN so figures are not representative of customer numbers.

7 SMETS1, SMETS2 and AMR meters at 31 March in each year. SMETS1 meters installed before 5 December 2018 are counted as compliant.

8 Totals include pumped storage and biomass output.

9 Includes output from small biomass and CEP capability.

DATA AND PERFORMANCE

SOCIAL DATA

Metric	Unit	2019/20 - excluding SSE Energy Services	2019/20 - including SSE Energy Services*	2018/19	2017/18	SDG target	GRI Standard
Safety							
Accident Frequency Rate - employees and contractors combined	Per 100,000 hours	-	0.09	0.08	0.1	8.8	403-9
Accident Frequency Rate - employees/contractors	Per 100,000 hours	-	0.05/0.19	0.05/0.16	0.07/0.21	8.8	403-9
Total Recordable Injury Rate - employees and contractors combined	Per 100,000 hours	-	0.16	0.16	0.20	8.8	403-9
Total Recordable Injury Rate - employees/contractors	Per 100,000 hours	-	0.10/0.32	0.10/0.32	0.12/0.44	8.8	403-9
Fatal incidents - employees/contractors	Number	0/0	0/0	0/0	0/0	8.8	403-10
Accountable Road Traffic Collision (RTC) Class 1 (Potential for major harm to people and the environment)	Number	20	-	26	41	8.8	403-9
Accountable RTC Class 1 and RTC Class 2 (Potential for serious harm to people and the environment)	Rate per million miles	1.45	-	1.41	1.77	8.8	403-9
Workforce composition							
Total SSE employees ¹	Number	12,133	19,182	20,370	20,785	8.5	102-7
Contingent Labour Force Size ²	Number	2,443	5,065	4,533	4,851	8.5	102-8
Average age of employees ³	Years	42.2	41.4	40.9	40.5	8.5	405-1
Mean/median length of service	Years	11.1/8.4	10.2/8.0	9.82/7.67	9.52/7.52	8.5	
Median employee earnings ⁴	£	40,908	-	45,230	43,144	8.5	
Employees that say they can "work differently" ⁵	%	61	-	44	37	8.5	
Gender balance							
Proportion of employees that are female	%	25.1	31.5	31.4	31.1	5.5	405-1
Diversity of Board of Directors	% female	30	-	30	30	5.5	405-1
Total SSE plc (UK) median gender pay gap	%	18.4	-	21	19.6	5.1, 8.5	405-2
Male/female employees earning over £40,000	%	42.9/28.9	33.2/21.0	29.8/18.0	25.7/14.3	5.5	
Group Executive Committee and Direct Reports to the Executive Committee (excluding administrative roles) ⁶	% female	20	-	18.5	-	5.5	405-1
Group Executive Committee, its sub-committees and Business Unit Executive Committees ⁷	% female	27.1	-	24.3	-	5.5	405-1
Roles at £70,000 (indexed to 31/12/17) or above	% female	17.1	-	16	-	5.5	
Workforce stability and wellbeing							
Total number of hours worked ⁸	Number	22,906,549	35,658,886	37,958,925	38,780,846	8.5	403-9
Employees on permanent/temporary/non-guaranteed or short hour contracts	%	95.4/4.1/0.5	95.1/4.5/0.3	95.1/4.7/0.2	95.3/4.4/0.2	8.5	102-8
Employee retention and turnover rate ⁹	% retention/% turnover	88.0/12.0	86.2/13.8	86.8/13.2	86.3/13.7	8.5	401-1
Regrettable or voluntary turnover ¹⁰	Number (% of total turnover)	796/54.5%	1,410/53.1%	1,700 (63.5%)	1,817 (63.7%)	8.5	403-
Lost days per year due to sickness	Number	110,604	181,365	217,049	215,738	8.5	2/401-1
Employees covered by the negotiating arrangements under the Joint Negotiating and Consultative Committee	%	56	69.4	65	65	8.8	102-38
Employees covered by collective bargaining (UK only)	%	56.0	69.4	70.8	-	8.8	
Ratio of CEO earnings to average employee earnings ¹¹	Number: 1	59:1	-	55:1	-	8.5	102-41
Employee productivity - direct contribution to GDP per capita (UK) ¹²	£	236,410	158,050	140,470	148,120	8.2	
Employee productivity compared to national averages - UK ¹²	Number: 1	3.8:1	2.6:1	2.4:1	2.6:1	8.2	
Employee productivity compared to national averages - Scotland ¹²	Number: 1	4.5:1	3.0:1	2.7:1	2.9:1	8.2	
Employee productivity compared to national averages - Ireland ¹²	Number: 1	1.7:1	1.7:1	2.5:1	2.3:1	8.2	
Employee skills and capabilities							
Learning and development expenditure ¹³	£m	75	10	111	124	8.2, 8.5	
Investment in pipeline programmes ¹⁴	£m	11.1	13.8	17.2	15.4	8.2	404-2
Average training hours per full-time equivalent employee	Number	24.9	23.4	22	22	8.2	404-2
Employee engagement							
Employee engagement survey participation ¹⁵	%	76	-	78	82	8.5	
Employee engagement survey result ¹⁵	% engagement index	76	-	68	73	8.5	
Employees participating in the share incentive plan (UK/Ire)	%	77/38	-	68/24	-	8.5	
Employees participating in the sharesave plan (UK/Ire)	%	24/16	-	34/18	-	8.5	
Business ethics							
Speak up contacts made	Number	88	188	112	105	8.8	
Formal grievances raised	Number (Rate per 100 employees)	66	-	164 (0.81)	143 (0.69)	8.8	102-17
Formal disciplinary procedures instigated	Number (Rate per 100 employees)	87	-	334 (1.64)	234 (1.13)	8.8	
Human rights grievances filed through formal mechanisms	Number	0	-	0	0	8.7	102-17
Community							
Employee days donated to charity	Number	1,817	1,856	2,188	2,494	8.3	
Employees involved in community volunteering	%	9.0	9.5	11.5	11.4	8.3	
Investment in communities ¹⁶	£m	8.2	-	8.5	6.5	8.3	

* Energy Services data is included where relevant up to the date of the transaction with OVO Energy Ltd, in January 2020.

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

2 A contingent worker describes external personnel where the business determines that it cannot fulfil the requirement internally. A contingent worker can be a Consultant, Contractor or Temporary Agency Worker.

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

4 See page 150 of the Annual Report 2020.

5 "Working differently" includes agile work arrangements such as compressed hours, job sharing and flexible start and end times. Results are from SSE's annual employee engagement survey.

6 The Group Executive Committee, and senior management within SSE, is defined as members of the Committee, as well as the Company Secretary, General Counsel and MD Corporate Affairs and Strategy, who attend all Committee meetings.

7 Figures for all committees includes the relevant Committee Secretary.

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

9 Excludes end of fixed term contracts and internal transfers.

10 Based on turnover reason of "Regretted" as at 31 March of each financial year.

11 See page 150 of the Annual Report 2020 for further details. SSE has restated the 2018/19 figure so that the methodology is in line with UK Government reporting requirements, which it began reporting against in 2018/19.

12 From PwC analysis.

13 Total internal and external learning and development expenditure excluding pipeline programme investment.

14 Total cost of apprentice, engineering graduate and Technical Skills Trainee programmes, including salary costs.

15 Results from SSE's annual employee engagement survey. Note SSE changed survey provider in 2019/20, see page 80 of the Annual Report 2020.

16 Total across UK and Ireland, including: charitable donations through matched funding, Community Investment Funds, Resilient Communities Fund and financial value of employee volunteering.

DATA AND PERFORMANCE

SSE'S UK GENDER PAY GAP

The below data shows SSE's gender pay gap for all eligible legal entities under the UK Government's gender pay gap reporting requirements. Data is correct as at 5 April 2020.

SSE Business Entity with 250 or more employees	SSE Contracting Ltd	Southern Electric Power Distribution plc	SSE Services plc	SSE Generation Ltd	Scottish Hydro Electric Power Distribution plc	SSE Energy Supply Ltd	Scottish and Southern Energy Power Distribution Ltd	SSE Telecommunications Ltd	Scottish Hydro Electric Transmission plc	SSE Renewables Holdings (UK) Ltd	TESGL Ltd	SSE Group (UK)
Number of relevant employees in entity	1,890	2,005	1,772	1,050	1,080	740	538	490	408	324	264	11,062
Proportion of male and female employees in business entity (M%/F%)	87.14/12.86	79.90/20.10	52.65/47.35	84.48/15.52	77.31/22.69	53.11/46.89	96.47/3.53	73.67/26.33	79.17/20.83	66.05/33.95	81.82/18.18	75.17/24.83
Mean hourly pay difference between male and female employees (%)	20.90	17.89	25.51	23.00	15.51	27.11	0.98	22.88	23.23	27.50	33.31	17.08
Median hourly pay difference between male and female employees (%)	19.86	17.96	24.73	28.35	16.37	4.23	17.57	28.94	29.78	28.44	41.40	18.43
Proportion of men/women in lower quartile pay band (M%/F%)	74.42/25.58	62.15/37.85	35.21/64.79	71.86/28.14	60.74/39.26	52.97/47.03	91.85/8.15	52.03/47.97	52.94/47.06	62.96/37.04	43.94/56.06	60.48/39.52
Proportion of men/women in lower middle quartile pay band (M%/F%)	86.86/13.14	81.84/18.16	47.86/52.14	80.53/19.47	79.63/20.37	47.03/52.97	99.25/0.75	72.95/27.05	82.35/17.65	55.56/44.44	93.94/6.06	75.08/24.92
Proportion of men/women in upper middle quartile pay band (M%/F%)	93.43/6.57	84.63/15.37	55.30/44.70	91.60/8.40	82.96/17.04	43.24/56.76	98.51/1.49	81.15/18.85	88.24/11.76	62.96/37.04	96.97/3.03	79.39/20.61
Proportion of men/ women in upper quartile pay band (M%/F%)	93.87/6.13	91.02/8.98	72.23/27.77	93.92/6.08	85.93/14.07	69.19/30.81	96.3/3.7	88.62/11.38	93.14/6.86	82.72/17.28	92.42/7.58	85.72/14.28
Mean difference in bonus payment between male and female employees (%)	14.23	44.40	53.83	30.22	56.01	86.95	72.14	64.77	64.32	55.98	49.32	40.18
Median difference in bonus payment between male and female employees (%)	7.44	12.69	32.93	21.1	23.63	34.12	11.19	30.63	34.36	28.17	30.69	15.05
Proportion of men/women receiving bonus pay (M%/F%)	35.19/10.25	10.73/5.19	33.69/25.86	88.84/69.94	17.1/12.6	36.62/22.57	6.4/15.79	37.67/26.92	38.39/40	65.42/50	58.33/32.65	35.23/24.02

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