

FOR A BETTER WORLD OF ENERGY

This short report provides a summary of SSE's sustainability impacts over 2018/19. More information about SSE's sustainability performance can be found at sse.com/sustainability and in its Annual Report 2019 and Sustainability Report 2019, which will be published on 14 June 2019.

ALIGNING BUSINESS STRATEGY WITH THE UN'S SUSTAINABLE DEVELOPMENT GOALS

The United Nations has created a blueprint for a sustainable world and it's one SSE is placing front and centre of its business. Four new 2030 business goals detailed within this document and aligned to the UN's Sustainable Development Goals (SDGs), underpin SSE's strategic focus on long-term, low-carbon and sustainable assets; and they commit SSE to delivering its strategy in a way that creates value for shareholders and for society.



Reflecting the importance of meeting these goals to the company, in March 2019 SSE's Remuneration Committee agreed to align a proportion of executive remuneration from 2019/20 onwards to the achievement of those four new goals.



CLIMATE ACTION

MAKING THE CASE FOR NET ZERO

In 2018/19 the scientific case for the UK to adopt tougher climate change targets and take urgent action was clearly made. SSE joined climate NGOs and many leading climate-orientated companies in writing to the Prime Minister, placing full-page adverts in newspapers, and urging the governments in the UK to legislate for tougher and quicker action. SSE welcomed the Net Zero Report from the Climate Change Committee, published on 2 May 2019, and will continue to advocate widely for the UK government to adopt its recommendations. At a European level, SSE supported an important new study from Eurelectric, published in the autumn of 2018, that shows how the European power sector can become fully carbon neutral by 2045 through investment in renewable energy and electricity networks.

REDUCED CARBON INTENSITY AND CARBON EMISSIONS

Between 2017/18 and 2018/19 the carbon intensity of SSE's generated electricity fell by 7%, from 305gCO₂e/kWh to 284gCO₂e/kWh. This improvement was a result of increased output of electricity from renewable sources, following SSE's investment in additional capacity over a number of years and reduced output of electricity from SSE's remaining coal-fired power station.

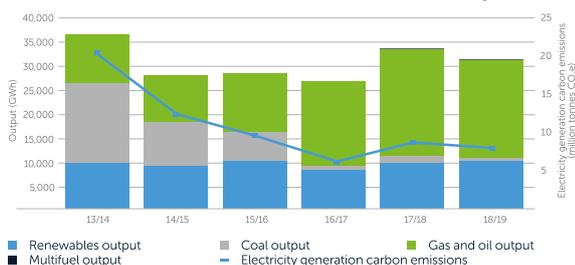


Cut our carbon intensity by 50%

Reduce the carbon intensity of electricity generated by 50% by 2030, compared to 2018 levels, to around 150gCO₂e/kWh.



Generation output (GWh) and electricity generation carbon emissions (million tonnes CO₂e)



SSE's scope 1 emissions fell by 14% between 2017/18 and 2018/19, from 10.2 million tCO₂e to 8.8 million tCO₂e, due to a decrease in thermal generation emissions, which make up 99.4% of SSE's total scope 1 emissions. SSE's total carbon emissions (scope 1, 2 and 3 combined) also decreased by 13% over the same period, to 18.8 million tCO₂e.

See SSE's Sustainability Report 2019 for an assessment of climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-related Financial Disclosures.



AFFORDABLE AND CLEAN ENERGY

INCREASED RENEWABLE OUTPUT

With the delivery of the 588MW Beatrice offshore windfarm (SSE share: 40%) in May 2019, SSE currently has the largest renewable energy capacity across the UK and Ireland at around 4GW (inc. pumped storage). SSE's output from renewable sources (inc. pumped storage) increased in 2018/19 to 9.8TWh from 9.4TWh the year before, meaning SSE achieved its highest ever output from onshore wind, offshore wind and hydro assets across the UK and Ireland. SSE's increase in output was driven mainly by an increase in average generation capacity during the year, with the completion of the 228MW Stronelaig onshore wind farm (SSE share: 50.1%) and Beatrice beginning to generate electricity.



HELPING CUSTOMERS REDUCE CARBON EMISSIONS

SSE is committed to supporting customers to reduce their carbon emissions. As well as delivering government energy efficiency schemes in the UK and Ireland, over 2018/19 SSE trialed a 100% renewable tariff with domestic customers in GB through its 'Green Bolt on' option. The trial has produced positive results, with customers reporting they valued the option to have a positive impact on the environment, and SSE will use the results to inform how it structures its tariffs going forward. In Ireland, SSE Airtricity is the largest provider of 100% green energy, delivering to both domestic and business energy customers.

INTRODUCING GREEN FINANCE INITIATIVES

As part of SSE's strategy for supporting a low-carbon economy, it is supporting the emergence of a green financial market. In September 2018, SSE issued its second Green Bond of €650m. This, in addition to the company's inaugural €600m Green Bond issued in September 2017, means SSE is the largest issuer of Green Bonds in the UK corporate sector. SSE also refinanced its £1.3bn Revolving Credit Facility (RCF) in March 2019 linked to sustainability criteria. The RCF now incorporates an innovative feature, which adjusts the interest rate and fees paid depending on SSE's performance against an independent ESG (environmental, social and governance) score. SSE is one of the first UK corporates to convert to an ESG-linked RCF.

SSE IS THE LARGEST ISSUER OF GREEN BONDS IN THE UK CORPORATE SECTOR AND ONE OF THE FIRST UK CORPORATES TO CONVERT TO AN ESG-LINKED REVOLVING CREDIT FACILITY



INDUSTRY, INNOVATION AND INFRASTRUCTURE

INVESTING IN THE LOW-CARBON TRANSITION

SSE continues to invest in the infrastructure needed to decarbonise electricity systems and support the low-carbon transition. In 2018/19, SSE's investment and capital expenditure was around £1.4bn, in line with its plans to invest £6bn across the five years to March 2023. The majority, around 70%, was invested in networks and renewables.

Since 2010, SSE has invested over £3.8bn in renewable energy. SSE continues to have significant opportunities in wind generation, with a pipeline of over 1GW of onshore and 7GW off offshore wind, including further options on Seagreen Phase 1 (around 1GW) and Dogger Bank (up to 3.6GW – SSE share: 50%) offshore windfarms. Alongside renewable generation, highly efficient gas-fired generation will play a crucial role in providing the flexibility needed to support the transition to a low-carbon electricity system. In 2018/19, SSE began construction of its new Combined Cycle Gas Turbine (CCGT) power station Keadby 2, in North Lincolnshire, which will be the most efficient thermal power station on the UK power system when completed in 2021.

OVER 8GW
pipeline of onshore and offshore wind farm developments

The north of Scotland also has an enviable renewable energy resource, with plentiful supplies of wind and rain. That means that SSE's transmission network is playing a key role in decarbonising the GB energy system by transporting new renewable energy from the north to the places of demand in the south. That network has grown significantly since 2008 and the energy it transmits is now almost entirely from renewable sources. In 2018/19, around 1 GW of new renewable generation capacity was connected, bringing the total to over 6GW, up from around 3.4GW in 2013.

INNOVATING IN ELECTRICITY DISTRIBUTION

The transition to a low-carbon future will require a significant increase in the number of electric vehicles, bringing challenges and opportunities for the electricity network. Significant innovation is underway to deliver a cleaner, smarter, more local electricity system, with the rapid transition to a more flexible electricity network. In 2018/19, SSEN joined together with key local and industry partners to launch Project LEO (Local Energy Oxfordshire), and is now leading the £40m project which is one of the most wide-ranging and holistic smart grid trials ever conducted in the UK. An industry-first, Project LEO will explore how the growth in local renewables, electric vehicles, battery storage, vehicle-to-grid technology and demand side response can be supported by a local, flexible, and responsive electricity grid to ensure value for consumers and opportunities for communities and market providers.



Help accommodate 10m electric vehicles

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



DECENT WORK AND ECONOMIC GROWTH

CONTRIBUTING TO GDP AND JOBS

SSE benefits from and supports inclusive economic growth across the UK and Ireland by developing, owning and operating energy and related infrastructure and services in a sustainable way. SSE has contributed a total of £75.2bn and €6.8bn (in 2018/19 prices) to UK and Irish GDP respectively over the last eight years.

SSE's economic contribution results are provided by PwC, which has undertaken this analysis for every financial year since 2011/12.



SSE'S 2018/19 ECONOMIC CONTRIBUTION

£8.9BN

Contributed to UK GDP

19,610

Direct jobs

81,560

Wider jobs supported

€689M

Contributed to Irish GDP

760

Direct jobs

3,320

Wider jobs supported

PROMOTING FAIR TAX AND A REAL LIVING WAGE

SSE understands that paying a fair share of tax and paying people a fair wage are both essential to its social contract to act in the public interest. That's why it has set a business goal to be the leading company in the UK and Ireland on these issues. They are at the core of how SSE does business and creates value.



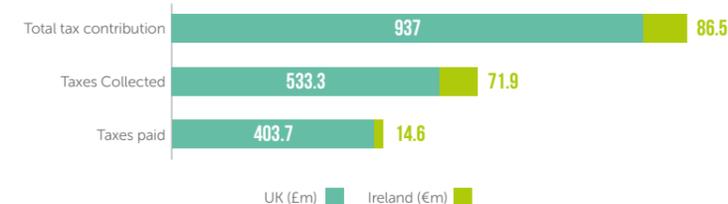
Champion Fair Tax and a real Living Wage

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



Paying a fair share of tax is the main way SSE gives back to society and so supports the public services from which it, and its employees, benefit. In 2018/19, SSE achieved the independent Fair Tax Mark accreditation for the fifth consecutive year, and also sits on the Fair Tax Mark Board.

SSE'S 2018/19 TAX CONTRIBUTION



Millions of people across the UK and Ireland face in-work poverty due to poor pay combined with insecure and unpredictable working hours.



In September 2018, SSE celebrated its fifth anniversary of being an accredited Living Wage employer. SSE has taken a leading role in Living Wage Scotland since it was established in 2014 and remains committed for the long-term to paying its direct workforce and supply chain workers a wage they can live on.

A RECORD YEAR FOR SAFETY

Safety is SSE's first priority, with all employees guided by its safety licence 'if it's not safe, we don't do it'. SSE ended 2018/19 with its best safety performance since it began recording this information, and in doing so made good progress towards reaching its target to halve its combined total recordable injury rate (TRIR) for employees and contractors between 2017 and 2020. In 2018/19, SSE's combined TRIR was 0.16 per 100,000 hours worked, a reduction of 20% from 2017/18, and there were 82 injuries compared to 104 for the same period last year. Most importantly, the company had significantly fewer potentially life-changing injuries, from 13 in 2017/18 to three in 2018/19.

20%

reduction in the total recordable injury rate for employees and contractors

-
-
-
-
-
-

TOTAL RECORDABLE INJURY RATE

2018/19: 0.16 per 100,000 hours worked

2017/18: 0.20 per 100,000 hours worked

DELIVERING A FINANCIAL RETURN ON INCLUSION

An inclusive and diverse workforce is seen as a key priority for the future growth and success of SSE's business. Over 2018/19 SSE worked with Equal Approach to rerun its 'return on inclusion' calculation which assesses the financial value created for the company for every £1 invested in inclusion initiatives. Equal Approach found that, as of 31 March 2018, SSE had achieved a return of £7.51 per £1 invested through its new approach which is focused on creating a more inclusive organisation. This is a significant improvement from the year before when SSE generated a £4.52 return for every £1 invested in gender initiatives, and an important step towards reaching SSE's £15 return target by 2021.



£65M

invested in 'pipeline' training programmes over the past five years

DEVELOPING SKILLS FOR THE FUTURE

Investing in a pipeline of skilled individuals in preparation for the 2020s and to deliver SSE's business strategy is essential. SSE's investment in its technical pipeline programmes increased again in 2018/19, from £15.4m to £17.2m, bringing SSE's total investment in pipeline programmes over the past five years to over £65m. Including pipeline programmes, SSE invested a total of £28.2m in training and skills over 2018/19 and delivered an average of 22 hours of training per full-time equivalent employee in 2018/19, consistent with the year before. Over the past five years SSE has delivered over 600,000 learning interventions.

