



Half-year Sustainability Statement

November 2017

Open disclosure supports improving performance

At SSE we understand the functional relationship between the disclosure and the performance of sustainability impacts. Each year we set out to improve both the quality and quantity of our sustainability reporting precisely because we know that external scrutiny – and therefore accountability – of our targets supports increased momentum in improving that performance.

This year, after a pilot exercise in November last year, we have decided to publish a Half-year Sustainability Statement for 2017/18 alongside our Half-year Results Statement. We do this because we believe non financial indicators, as a way to judge overall business performance, are rightly being held in greater esteem than ever before.

This Half-year Sustainability Statement outlines progress made in the first half of the financial year and identifies the priorities for the second. This means, if we are on the wrong track, or performance isn't good enough, there is time to make amends before the end of the year.

There are a few areas of development I'd like to highlight. The first is the publication of SSE's employee engagement survey. As part of a concerted effort to enhance the disclosure of workforce metrics in support of our core business strategy, we have published significant details of the survey results. The objective of the survey is to give management insight into our strengths and weaknesses as an organisation – and most importantly on the things we must do to improve the weaknesses. From the survey, it is encouraging that SSE's commitment to safe working is so widely recognised; but it is also clear that we must work hard to manage change effectively within SSE.

Progress is also reported in the development of both onshore and offshore wind generation and the quantification of economic impacts of the Beatrice Offshore Windfarm Limited project. These wind farms are crucial to supporting SSE's response to the imperative to tackle climate change. The issuance of SSE's first green bond in the summer – the largest in the UK to date – supports SSE's ongoing commitment to contribute substantively to a low carbon economy.

Furthermore, we report the publication of research that tells us the return on investment from our inclusion and diversity initiatives – and the new actions we are taking as a result of the insight the research gave us. Finally, we also highlight SSE's achievement of the Fair Tax Mark for the fourth year in a row at the same time as making a long-term commitment to the principles of fair tax and advocating such a position amongst our business peers.

As with all of SSE's reports and communications, we warmly welcome feedback from our stakeholders. Please contact sustainability@sse.com with any issues, queries or comments you may have.



Alistair Phillips-Davies
Chief Executive



Iwan Morgan, Director of Wholesale Strategy

Why is SSE calling for a continuation of the Carbon Price Floor?

The UK's Carbon Price Floor (CPF) has provided a striking example of what can happen when a meaningful carbon price is levied on fossil fuel generation. We believe that a continued commitment to the CPF is critical to delivering the UK's decarbonisation ambitions in the most cost effective way possible. Momentum is building globally to put a meaningful price on carbon, with other countries such as France and the Netherlands now looking to follow the UK's example on the CPF. So where once there might have been caution about the UK going further than others, it's now clear that other nations are following the UK in the wake of the Paris Agreement.



Amber McEwen, Head of Business Energy Strategy and Marketing

Do the sustainability credentials of companies influence the buying decisions of customers?

It seems to me that consumers have high expectations of the conduct of the companies they buy from – and they are certainly ready to vote with their feet away from unethical organisations. However, there might be signs that business customers are using sustainability criteria to influence positively their purchasing decisions. Our sales team are consistently asked about how SSE Business Energy can support the sustainability agenda of our customers. These B2B customers appear as concerned about social sustainability as they are environmental sustainability. So now we now provide our SSE Green customers with support to boost their wider sustainability credentials too. While it might be a case of 'enlightened self interest' on our customers' part, the more businesses taking this approach the better it is for everyone.



Stewart Reid, Head of DSO and Innovation

Have electricity network companies been too slow to respond to the growth of electric vehicles (EVs)?

The electrification of road transport will transform our experience of traffic: reducing noise, improving air quality and dramatically reducing carbon emissions. The decarbonisation of the GB transport fleet to meet targets set by Government and a transition to EVs represents a timely and cost effective way to achieve that. While there are over 100,000 electric cars on UK roads right now, we expect this number to increase significantly in the medium term, this will naturally present challenges to our existing infrastructure and ways of working. I am focussed on ensuring that the industry is prepared for this challenge and my team in SSEN is working hard with our industry peers and stakeholder groups to establish the technology and systems that will mean that electric cars can be charged in a way that minimises the cost and meets the expectations of our customers.



Charlotte Mitchell, Head of SHE Standards

How will we know if SSE's actions to address mental health are having an impact?

When creating SSE's '50by20' strategy, we knew giving mental health parity of esteem with physical safety was going to be a challenge. SSE already provides support on mental health but wanted to entrench an open and supportive working environment. To date we have trained over 2,500 managers in mental health awareness and support, and have just become an official signatory to the 'Time to Change' initiative, which helps to drive this change. Of course, we can monitor impact through workforce KPIs, such as 'number of days lost due to sickness', focus groups and employee surveys, but they don't tell the whole story. The greatest impact will be a lasting effect on the internal working culture. I hope we can report meaningful qualitative results in the months and years ahead.



Stewart Hughes, Head of Group Security and Investigations

Do more reported whistleblowing incidents mean more wrongdoing in SSE?

I like to think our rise in reported "Speak-up" incidents shows that SSE is now doing more right rather than doing more wrong. It's true our whistleblowing figures more than doubled last year but, in a company of over 21,000 employees, 88 reported incidents in a year is reasonable. My approach is to apply the 10/80/10 rule established by ethical practitioners: where 10% of employees are likely to do the right thing regardless of context; 10% might be rule breakers; and, 80% 'go with the flow'. We need to give our people the tools to help them do the right thing. Hopefully the increase shows the new 'Speak Up' external phone line and our ethics-based employee training are genuinely helping to build trust with our employees to support the 80% and everyone feels more confident to report wrongdoing if they see it.



Rosie MacRae, Head of Inclusion and Diversity

Do you expect SSE's UK gender pay gap to increase again this year?


The truth is we don't know – but it's certainly possible. Of course an increase in the pay gap last year was uncomfortable, but we must hold our nerve and report openly to understand what's going on behind the numbers. While we're seeing more women join us in entry-level roles, this is yet to materialise into more women progressing to the most senior positions – it's this difference that compounds the gender pay gap. Not only do we need to get more women in STEM into SSE, but to support them to stay on and ensure those higher skilled roles are inclusive and attractive for all. The increase in our pay gap last year, and maybe over the next couple of years, is therefore not unexpected; it's part of building the grounds for real long-term change in the organisation.

Vision

Responsible Service provider

Doing more to provide essential services affordably.

Targets



Provide sector-leading service to household and business energy supply customers.



Achieve the British Standard for inclusive service provision (BS18477) in SSE's Retail business and maintain the accreditation in Scottish and Southern Electricity Networks (SSEN).



Progress to 30 September 2017



The quality of SSE's customer service in household energy supply is regularly tested and reviewed by a number of independent third parties. SSE's performance on those league tables is consistently in the upper tier. The most recent assessment of SSE's performance in GB customer service resulted in an improvement in SSE's position in the Citizens Advice league table. SSE moved from fourth place to first place between the first and second quarters of 2017.

This summer, SSEN made a more concerted effort to update and increase the number of customers registered on the Priority Services Register. Further, and in support of SSEN achieving the BS18477 for a third time, a number of collaborative partnerships have been established with water companies and the NHS. A new Inclusive Service Panel has also been created to ensure SSEN has access to first class advice while it develops its services further.



Priorities to 31 March 2018



In October, the UK Government published draft legislation for a price cap on Standard Variable Tariffs until at least 2020. While retaining reservations about whether a cap is in the interests of customers, SSE's general approach is to respond constructively to government proposals.

The ongoing focus for SSEN is to establish a step change in the scale of its support for its customers with vulnerabilities. The 'mainstreaming' of the recently devised vulnerability mapping tool is the first priority, alongside the implementation of advice and guidance given by its new Inclusive Service Panels. SSE's Retail business remains committed to achieving BS18477 by March 2018.

Vision

Responsible Operator

To support the energy markets in Great Britain and Ireland move towards low carbon generation by 2050.

Targets

Ensure the carbon intensity of SSE's generated electricity is halved by 2020, from its 2006 baseline.



Enable low carbon generation to connect to SSE's electricity network.



Progress to 30 September 2017



SSE's carbon intensity target was first met in 2016/17 and commits to contributing substantively to the ongoing transition to a low carbon electricity system. SSE published its first carbon scenarios report, *Post Paris*, assessing its resilience against three climate change scenarios; advocated for a meaningful carbon price beyond 2021; and committed to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Enabled by the renewable energy generation connections delivered on SSEN's transmission network, a new record maximum output of wind generation on the network was achieved in September with a total of 2,088MW. Significant progress was made on projects, including Caithness-Moray electricity transmission link, that will enable further renewable energy generation on the system.



Priorities to 31 March 2018



SSE will ensure its carbon emissions remain within its 2020 carbon intensity target and will continue to contribute to the low carbon economy by: continuing its advocacy on robust carbon pricing in the 2020s and beyond; constructing and developing its pipeline of renewable projects; and responding to recommendations of the TCFD on carbon transparency.

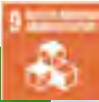
To enable distributed energy resources to contribute to whole system solutions, SSEN will set out its strategy for the transition to a Distribution System Operator. Further, SSEN will participate in trials in the north of Scotland that have the potential to reduce the connections application process for some distributed energy generation customers by around six months.

Vision

Responsible Developer

To develop and upgrade the energy infrastructure in the UK and Ireland in a sustainable way.

Targets



Invest around £6bn between 2016 and 2020, of which around two thirds is in electricity networks and renewables sources of electricity.



Increase SSE's renewable energy capacity, including pumped storage, to over 4GW by 2020.



Progress to 30 September 2017



To support its capital investment programme, SSE launched the largest ever green bond by a UK company. The eight-year €600m green bond will be used to refinance recently constructed or under construction SSE onshore wind farms across the UK and Ireland. There was significant demand for the bond, which allowed SSE to achieve its lowest ever coupon for a senior bond.

Significant progress has been made by SSE in first half of 2017/18, with 405MW of wind farm capacity moving from construction to operation, and a further 591MW still in construction. SSE also carried out additional research on the wider impacts of its projects. It was estimated that Beatrice Offshore Windfarm Limited (BOWL)* will contribute £1.13bn to the UK economy and support around 18,100 years of employment in the UK.



Priorities to 31 March 2018



SSE welcomed the UK Government's announcement that it intends to include remote islands wind in the next Contract for Difference auction in 2019. SSEN's transmission business remains fully committed to take forward its advanced proposals for new transmission links to the Scottish Islands and is currently developing a needs case for a subsea transmission link for Orkney.

SSE will report on the benefits and wider contribution that renewable energy makes to the environment, economy and society, particularly at a local level. SSE believes that, along with high quality consultation and stakeholder engagement, communicating wider benefits will be fundamental for gaining local community support for future renewable projects.

* Beatrice Offshore Windfarm Limited (BOWL) is a joint venture, owned by SSE (40%), Copenhagen Infrastructure Partners (CIP) (35%) and Red Rock Power Limited (25%).

Vision

Responsible Buyer

To be a responsible buyer of goods and services and to work with suppliers to manage risk in SSE's supply chain and achieve long-term sustainable benefits.

Targets

Work with contractors to be 'best-in-class' on safety and keep them as safe as SSE employees. Contractor Total Recordable Injury Rate (TRIR) in 2017/18: fewer than 0.44 recordable injuries per 100,000 hours worked.



Ensure a comprehensive response to modern slavery in SSE's supply chain.



Progress to 30 September 2017



SSE has identified three key areas to further develop its strategy and achieve its 50by20 contractor safety goals. One of these main areas is Supplier Relationship Management, where SSE works with large contractors to develop best practice strategies on contractor safety. SSE's contractor TRIR at 30 September 2017 was 0.39 recordable injuries per 100,000 hours worked (2017/18 target: 0.44).

SSE published its [Modern Slavery Statement 2017](#), which details the steps SSE is taking to prevent modern slavery and human trafficking in its business and supply chain. Since publication SSE has focused on continued modern slavery training for procurement professionals, with around 55% of Procurement and Commercial (P&C) employees trained to date.



Priorities to 31 March 2018



In the first instance, SSE is focusing on contractor safety in its large capital projects and operational businesses. An assessment of business compliance against SSE's Contractor Safety and Performance Standard, which informs management of contractors, has been trialled during October. Following this, a sample check across the entire SSE Group will take place.

To understand the effectiveness of efforts to ensure modern slavery within its business activities does not occur, in the second half of 2017/18 SSE will focus on the development of key performance indicators, which will include employee training levels and audit activities. Progress will be reported in SSE's Modern Slavery Statement 2018.

Vision

Responsible Society Member

To contribute positively to society through sharing the value SSE creates at all levels, from local communities to national economies.

Targets

Achieve the Fair Tax Mark accreditation.



'Best-in-class' delivery of SSE's community investment funds in the UK and Ireland.



Progress to 30 September 2017



SSE published its second *Talking Tax* report for financial year 2016/17, designed to provide a transparent and accessible account of SSE's tax affairs. SSE also achieved the Fair Tax Mark for the fourth consecutive year, improving its score from last year to achieve 42/45 – well above the 29/45 threshold for achieving the Fair Tax Mark.

To improve transparency, accountability and understanding, SSE published its fourth annual *Community Investment Review (CIR)*. This included SSE's first *social return on investment (SROI)* analysis for the Beatrice Partnership Fund, finding that for every £1 invested, £3.21 of value is expected to be created for the communities. SSE also published its first annual reviews for its community funds in the Republic of Ireland and in Northern Ireland.



Priorities to 31 March 2018



SSE's priority is to continue to provide leadership in the business community for responsible tax practices. SSE will actively seek opportunities to advocate for responsible tax practice and the importance of tax transparency and country by country reporting, to other organisations, NGOs, government and other stakeholders.

Over £7.5m and around €900k of community funding is expected to be available to communities during 2017/18. This includes new funds opening for Tievenameenta, Galway Wind Park, Stronelairg, Clyde Extension, BOWL and the South Lanarkshire Sustainable Development Fund. SSE is focused on ensuring the funds have a transformative impact for local communities.

Vision

Responsible Employer

To attract, develop and retain a sustainable pipeline of highly engaged employees, and in doing so help to address the lack of diversity and skills shortage in the energy industry.

Targets

Treat employees with fairness, respect and dignity, and create a highly engaged workforce as a result.



Support productivity by developing an inclusive and diverse workforce which meets future talent and skill requirements.



Progress to 30 September 2017



SSE carried out its bi-annual Great Place to Work (GPTW) survey, achieving an 82% participation rate and an overall 73% employee engagement score, 4% lower than two years before. Key results from each section of the survey have been published on SSE's website along with details of action planning for targeting low-scoring areas within the survey.

Believing that disclosure of data can help drive change, SSE was the first FTSE company to publish its UK gender pay gap in line with new government regulations. SSE also published its Valuing Difference report which quantifies the business benefits from investing in inclusion and diversity (I&D) initiatives. SSE has been working to create a new Inclusion Strategy for 2017-2020, with the aim of creating a truly inclusive workplace.



Priorities to 31 March 2018



The GPTW results showed SSE must focus on implementing responsible change principles within its organisation. Group-wide action will be taken based on the low-scoring questions within GPTW survey results: managing change effectively, the use of tools and technology, and using employee feedback to inform action.

SSE will implement its new Inclusion Strategy at the same time as working to understand the value of its workforce more generally. Following its human capital valuation in 2014, SSE will update these results to understand how its human capital stock has changed over the past three years.

Vision


Do No Harm

SSE's business activities are underpinned by an ethical business culture, and an ethos of 'doing no harm' with safety being its first priority.

Targets



50by20 SHE (safety, health and environment) goal: reduce the Total Recordable Injury Rate (TRIR) by 50% from 31 March 2017 to 31 March 2021.



Establish and maintain a healthy culture of 'Speaking Up' against wrongdoing.



Progress to 30 September 2017



SSE's new '50by20' campaign was launched with leadership support and extensive awareness-raising through internal communication channels. 50by20 will focus on four of SSE's enduring safety goals – Contractor Safety, Health and Wellbeing, Operational Safety and the Safety Family. The TRIR for SSE employees and contractors combined at 30 September 2017 was 0.19 recordable injuries per 100,000 hours worked, compared to 0.25 for the same time last year.

SSE has continued its internal campaign to encourage employees to 'Speak Up' through its externally-hosted whistleblowing phone line. Ethics training for employees has also been redesigned, with a new Ethics and Compliance Review Group reviewing all content. Progress is being made: SSE's Great Place to Work survey found that 86% of employees said they would speak up if they had a concern about wrongdoing or unethical behaviour within SSE.



Priorities to 31 March 2018



SSE will progress its 50by20 strategy, focusing on initiatives such as strengthening SSE's approach to mental health and demonstrating visible senior leadership commitment to the 50by20 goals. In October, SSE became an official signatory of the 'Time to Change' initiative, which aims to change the way people think and act about mental health at work.

Over the next six months, SSE will roll-out its ethics training programmes for employees and support further communications on business ethics across the company through its Ethics and Compliance Review Group. SSE will implement a new aftercare service for whistle blowers so they feel confident to report wrongdoing without repercussion.