

A sustainable approach

Embedding sustainability

“It is impossible to be sustainable without taking action to tackle climate change. But it is possible to tackle climate change in a way that is unsustainable for people and nature. That is why, while SSE is wholly focused on finding the profitable solutions to the problem of climate change, it is seeking to do so in a way that adds value to communities and the wider environment too.”

Rachel McEwen
Chief Sustainability Officer

SSE's approach to sustainability	35
Accelerating climate action	
Climate-related financial disclosures and GHG emissions performance	36 to 51
Protecting the natural environment	
Responsible resource use and managing impacts on nature and biodiversity	52 to 55
Ensuring a just transition	
Workforce disclosures, including inclusion and diversity, and how SSE creates and shares value with customers, communities and supply chain	56 to 66



SSE's approach to sustainability reporting

SSE integrates the principles of long-term sustainability within its business strategy. Factoring in environmental and social considerations to business activities is central to creating and sharing value with stakeholders, and for ensuring the continued success of the Company. Stakeholders are vested in SSE's sustainability impacts, and SSE is committed to providing comprehensive and transparent non-financial disclosures.

SSE's most material environmental and social disclosures, including climate-related issues – specifically, reporting against Task Force on Climate-related Financial Disclosures (TCFD) recommendations – nature and ensuring a fair and just energy transition, are integrated into this Annual Report. SSE's Sustainability Report 2023 is the sister document to the Annual Report 2023, providing enhanced disclosure of SSE's policies, practices and performance against key economic, social and environmental impacts and goals.

Further disclosures can be found at sse.com/sustainability.



A sustainable business strategy

The UN's 17 Sustainable Development Goals (SDGs) are the global blueprint for a sustainable future and provide a powerful framework to align SSE's strategic business objectives with societal ones.

Since 2019, SSE has aligned its business strategy to the SDGs most material to its business. The schematic below depicts the flow of sustainability from SSE's objective set in its strategy statement to “create value for shareholders and society”, with UN SDGs providing the framework to guide the creation of that shared value. Within this framework SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core 2030 Goals, and a further three material SDGs, which are focused on the environment and guide the pillars of SSE's environment strategy. More information on SSE's sustainability framework can be found in the [Sustainability Report 2023](#).

Focusing on the most material issues

SSE's stakeholders expect meaningful information relating to its social and environmental impacts. That means disclosures must be focused on the issues most material to its business activities. This principle is further reinforced through

recent developments in standardised sustainability reporting frameworks which require disclosures against material sustainability-related issues.

Over 2022/23, SSE undertook a double materiality assessment, supported by a third-party, with the objective of confirming the environmental, social and governance (ESG) issues most material to its business activities. Following a process of stakeholder consultation and analysis, the assessment identified 21 sustainability issues material to SSE. The top five of these material issues are outlined below, alongside where further detail can be found.

1. Carbon emissions (see [pages 49 to 51](#)).
2. Sustainable energy generation (see [pages 100 to 102](#)).
3. Affordable and reliable energy (see [pages 64 and 65](#)).
4. Supply chain management (see [page 66](#)).
5. Skilled workforce (see [page 58](#)).

The results confirm that SSE's approach to sustainability remains focused on the most material issues from both an internal and external perspective. Carbon emissions align to the SDG 13, sustainable energy generation and affordable and reliable energy align to the SDG 7 and SDG 9. The issues arising from supply chain management and a skilled workforce predominantly align to SDG 8.

Full detail of both the process and the results of the double materiality assessment can be found in SSE's [Sustainability Report 2023](#).

Aligning with external frameworks

SSE is a signatory to the United Nations Global Compact (UNGC), incorporating the Ten Principles of the UNGC into its approach to business, and aligns disclosures and KPIs in its Sustainability Report to international non-financial reporting standards, including the Global Reporting Initiative (GRI) and the SASB Standards. SSE also actively engages with key investor ESG ratings agencies and investor-led initiatives. Detail of SSE's performance in these ratings can be found at sse.com/sustainability.

Developments in standardised sustainability disclosures have continued at pace over 2022/23, including the International Sustainability Standards Board (ISSB) consultation on its first two frameworks, expected to be finalised in summer 2023, and the EU Corporate Sustainability Reporting Directive (CSRD) coming into force in January 2023. While these frameworks will not impact SSE this year, SSE continues to monitor developments and remains mindful of these frameworks in its 2022/23 reporting, working towards preparedness for upcoming disclosure requirements.

Driven by SSE's strategy “...creating value for shareholders and society...”

Aligned to shared value global framework United Nations Sustainable Development Goals (SDGs)

Four highly material SDGs linked to SSE's 2030 Goals

SSE's 2030 Goals

 13 CLIMATE ACTION Cut carbon intensity by 80%	 7 AFFORDABLE AND CLEAN ENERGY Increase renewable energy output fivefold	 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Enable low-carbon generation and demand	 8 DECENT WORK AND ECONOMIC GROWTH Champion a fair and just energy transition
---	---	---	--

Three further material SDGs linked to SSE's Environmental Strategy

Resource use 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Natural environment 14 LIFE BELOW WATER	 15 LIFE ON LAND
---	--	----------------------------

A sustainable approach continued

Accelerating climate action

The climate emergency requires urgent action. That is why SSE's net zero ambitions place climate action front and centre of its strategy. SSE aims to support the transition to a decarbonised power system and align with a 1.5°C global warming pathway.

Climate-related financial disclosures

Climate change represents both a risk and an opportunity to the energy sector. That is why, since 2018, SSE structures its climate disclosures against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Climate disclosures provide a channel to elevate climate challenges informing decisions and driving change to deliver a net zero economy.

Mandated climate-related financial disclosure in the UK

The Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) requires organisations to report against the TCFD recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports.

SSE believes that whilst it is compliant with the listing rule there is still opportunity for increasing maturity across all TCFD disclosure requirements. SSE continues to

actively seek feedback from shareholders and stakeholders on best practice on TCFD disclosures.

SSE has considered climate change in the preparation of the financial statements as at 31 March 23 on [pages 192 to 347](#) and further information has been included in note 4.1(v) Impact of climate change and the transition to net zero – financial judgement and estimation uncertainty on [pages 213 to 214](#).

Task Force on Climate-related Financial Disclosures (TCFD) recommendations



Governance

Disclose the organisation's governance around climate-related risks and opportunities.

[More on pages 37 and 38](#)

Compliant

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

[More on pages 39 to 47](#)

Compliant

Risk Management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

[More on page 48](#)

Compliant

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

[More on pages 49 to 51](#)

Compliant

Governing climate-related risks and opportunities

Board oversight of climate issues

Responding to the challenge of climate change is central to SSE's strategy and, as a result, the SSE Board considers climate change as it establishes SSE's purpose, vision and strategy.

Throughout 2022/23 climate matters were assessed in dedicated strategy sessions and during Board meetings. Board sessions considered both transitional and physical climate-related opportunities and risks and took this into account in the decisions it made (see [page 131](#)).

The Board is supported by a series of Board-level and Executive-level governance committees in carrying out its role to oversee climate-related opportunities and risks. This is set out in the governance pathways below.

SSE has a set of 19 Group Policies applicable across its entire organisation, of which Climate Change and Sustainability are two. Policies are reviewed and endorsed by the Group Executive Committee and approved by the Board annually.

Compliance with Group policies is also considered as part of the annual review of the effectiveness of the System of Internal Control (see [page 159](#)).

The Board's Schedule of Reserved Matters; the Terms of Reference of the Board Committees and the Group Executive Committee; and the role profiles for key Board roles present the division of responsibilities across SSE relating to climate matters ([sse.com](#) and [pages 114 to 141](#)).

Board climate expertise and training

Collectively, and individually, members of the Board possess a depth of long-standing energy sector experience. The specific expertise required to lead SSE's net-zero aligned strategy within the external operating context, including considering the impact of climate change, is set out in the SSE's skills matrix on [page 115](#). Amongst other matters, knowledge deemed material to the Board's role includes clean energy technologies and climate science, alongside understanding of the policy framework required to support society transition to a net zero world. The skills

matrix details the individual non-Executive Directors who support these attributes. The Executive Directors are deemed to meet all of the criteria in the skills matrix and lead the delivery of SSE's strategy, science-based targets and a set of 2030 Goals, which is supported by extensive engagement on climate-related issues with SSE's stakeholders.

Structured governance pathways

See the Corporate Governance framework on [page 122](#).

Board of Directors Sets SSE's purpose, vision and strategy. Oversees SSE's material sustainability matters including climate change.		Board Level
Nomination Committee Responsible for Board appointments to support SSE's strategy.	Audit Committee Oversees SSE's climate-related financial disclosures in SSE's Annual Report.	
Safety, Sustainability, Health and Environment Advisory Committee Oversees SSE's climate adaptation and resilience plans.	Remuneration Committee Responsible For Remuneration Policy that includes climate factors.	Executive Level
Group Executive Committee Implements SSE's strategy which includes climate change policies and practice.	Group Risk Committee Reviews the processes, controls and content of climate-related financial disclosures.	
TCFD Steering Group Advises on the development of comprehensive, fair, balanced and understandable climate-related financial disclosures.		Business Level
TCFD Working Group Responsible for the production of SSE's climate-related opportunity and risk disclosures with appropriate stakeholder input.		

A sustainable approach continued Accelerating climate action continued

In 2022/23, SSE's Board alongside members of the executive team received updates on climate reporting (including the Taskforce on Climate-related Financial Disclosures (TCFD) and Corporate Sustainability Reporting Directive (CSRD)), as well as deep dives on technical topics including the future of hydrogen, the role of carbon capture and storage and distribution networks and net zero. These are detailed in the discussion of how the Board sets SSE's strategy on [page 125](#).

Role of senior management

Strategy is implemented by the Group Executive Committee through SSE's Business Units. This includes ensuring that business decisions are aligned with SSE's strategy and objectives, such as its 2030 Goals and science-based targets.

As Chair of the Group Executive Committee the Chief Executive is responsible for climate-related initiatives. The Chief Executive agrees the annual objectives for the Chief Sustainability Officer who is a direct report. The Chief Sustainability Officer advises the Board, Group Executive Committee, Group Risk Committee and Business Units on climate-related matters and progress against SSE's Net Zero Transition Plan.

The Group Risk Committee (GRC) monitors all Group risks on a regular basis and ensures that the Business Units are managing the risks for which they are responsible. The GRC has overall responsibility for ensuring the right mechanisms are in place for managing all risks, including climate-related risk and opportunities.

Reporting to the GRC is a TCFD Steering Group, comprising representatives from Group Finance, Group Risk, Investor Relations, Company Secretary, Corporate Affairs and Sustainability, focused on advising, steering and governing the development of fair, balanced and understandable climate-related financial disclosures. The TCFD Working Group supports the TCFD Steering Group to produce SSE's TCFD disclosures.

Aligning incentives to climate outcomes

SSE's approach to Executive Director remuneration reflects the role of sustainability and climate-related considerations within SSE's purpose and strategy, with sustainability-linked metrics and targets forming an element of performance-related pay. The framework of SSE's 2030 Goals has been used since 2019 to assess performance, which was linked to the performance based Annual Incentive Plan until 2021/22. The updated Directors' Remuneration Policy, approved by shareholders at the 2022 AGM, has seen performance against these Goals now linked to the longer-term Performance Share Plan, which will vest for the first time in 2025. More information can be found in the Remuneration Committee Report on [pages 173 and 183](#).

A strategy to support net zero

Providing profitable solutions to climate change

SSE's purpose is to build a better world of energy for tomorrow and, by doing this, SSE is helping directly to address the energy transition to net zero. It achieves this through its strategy of developing, building, operating and investing in the electricity infrastructure and businesses needed to decarbonise the power sector.

SSE's goal is to achieve net zero GHG emissions across its scope 1 and scope 2 emissions by 2040 (subject to security of supply requirements) and for remaining scope 3 emissions by 2050. These long-term net zero ambitions are supported by interim science-based targets aligned to a 1.5°C pathway.

A plan for a net zero transition

SSE's Net Zero Transition Plan, available at [sse.com/sustainability](#), sets out for stakeholders the key actions SSE will take to drive progress towards its net zero ambitions and its interim science-based targets aligned to a 1.5°C pathway. SSE's first Net Zero Transition Report, published June 2022, presented SSE's progress against its plan and was received by shareholders through its climate resolution at its Annual General Meeting with 98.92% of votes in favour.

The Plan was updated in November 2022 to take account of feedback from shareholders and other stakeholders. Changes involved the inclusion of SSE's joint acquisition of Triton Power (see more information on [pages 103 to 105](#)); the addition of cross-cutting issues to recognise the importance that climate adaptation and resilience and the just transition play in the transition to net zero; and, an enhanced definition of net zero to SSE and further explanations on the role of neutralisation technologies in achieving net zero.

To ensure its Plan remains relevant and comprehensive, SSE develops and iterates its content and its active involvement in the UK's Transition Plan Taskforce, ensuring it can both influence and learn from emerging best practice.

With climate-related disclosure provided within SSE's Annual Report and Sustainability Report, its annual Net Zero Transition Report provides a summary and navigation tool from which shareholders vote each year. SSE's Net Zero Transition Report can be found at [sse.com/sustainability](#). Progress in 2022/23 is disclosed across this Annual Report and SSE's [Sustainability Report 2023](#).



TCFD Strategy recommendations:

Strategy

- a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. ✓
- b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning. ✓
- c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. ✓

Climate governance activity in 2022/23

Some of the key governance-based decisions taken in the year are presented in the timeline below. Further detail of net zero-linked strategic decisions made during the year can be found on [pages 126 to 129](#).



Engagement in action Government and regulators



Engaging on policy interventions

Throughout the year SSE worked constructively with policymakers to navigate the energy crisis and engage on the range of potential political interventions under consideration.

As a responsible business, SSE believes that electricity generators have a role to play in bringing down energy prices, but in a way that protects investor confidence in the energy sector and energy security more broadly. As a Fair Tax Mark accredited company SSE also believes in paying its fair share of tax.

SSE supported the principle of the Electricity Generator Levy (EGL) in the UK

and the wholesale electricity revenue cap in the EU to ensure that an appropriate amount of additional tax on extraordinary earnings – where they materialise – are paid at a time when consumers are experiencing abnormally high prices.

Alongside other industry participants and stakeholders, SSE worked closely with the UK and Irish government officials through their consultative process with a view to ensuring that the design of the mechanisms achieved these aims whilst protecting against unintended consequences for security of supply or investor confidence.

Engagement was well received and helped inform practical implementation of the policy in a number of important aspects.

SSE will continue to work constructively with all parties to respond to the energy crisis, without impacting industry's ability and appetite to deliver the unprecedented levels of private capital needed to address the main cause of the energy crisis – our dependence on imported fossil fuels. Addressing the causes of the crisis, rather than the short-term symptoms, will ultimately require policy frameworks that support long-term investment.

A sustainable approach continued Accelerating climate action continued

Advocating for climate action

SSE actively and positively advocates for more ambitious climate change policy to achieve net zero and conducts its advocacy in line with the goals of the Paris Agreement and its own net zero strategy.

In 2022/23 SSE's climate advocacy was focused on the acceleration of renewables deployment to deliver net zero and avoid future cost-of-living crises. The importance of progress on decarbonising thermal generation, heat, and transport has also been an advocacy priority for the Group in 2022/23.

To maintain momentum towards achieving net zero ambitions in the UK SSE engaged the UK's Department for Environment and Rural Affairs on matters relating to climate adaptation and resilience planning, and responded to UK government consultations on the Electricity Networks Strategic Framework and the Review of Electricity Market Arrangements (REMA). In Ireland, SSE successfully advocated for an increase to the 2030 offshore wind target from 5GW to 7GW and responded to the Government's hydrogen strategy for Ireland.

SSE also supported the Transition Plan Taskforce preparers and users working group to develop guidance on Transition Plans and is now a member of the TPT's Delivery Group after involvement with the TPT sandbox (testing) exercise.

Detail of advocacy activities undertaken across 2022/23 can be found throughout the Strategic Report of this Annual Report (pages 2 to 109) and in SSE's Sustainability Report 2023 available on [sse.com/sustainability](https://www.sse.com/sustainability).

Aligning capital deployment to a 1.5°C pathway

SSE supports the integration of standardised and robust sustainability considerations into all of its investment decisions. This is achieved through internal investment criteria which tests capital investment decisions against SSE's commitment to its core 2030 Goals, including the targeted reductions in GHG emissions consistent with a 1.5°C Paris-aligned pathway as verified by the Science Based Targets initiative.

In November 2021, SSE announced its Net Zero Acceleration Programme which committed to enhanced investment in renewables, networks and flexibility, whilst beginning to export SSE's renewables capabilities overseas. With rising ambitions in key markets, combined with an increasing focus on energy security, SSE has upgraded this strategic programme for the period 2022 to 2027, referred to as 'NZAP Plus', to invest more capital into the low-carbon electricity infrastructure needed by society.

With around 90% of the NZAP Plus expected to be invested in either renewables or networks, the substantial majority of the investment plan is directly focussed on climate solutions to achieve SSE's 2030 Goals, the four material UN Sustainable Development Goals (SDGs) which underpin them and is aligned to the Technical Screening Criteria of the EU Taxonomy. The remaining 10% includes investment in low-carbon flexible service technologies, such as the two recently announced Biofuel projects in Ireland, as well as other capital investment such as maintenance spend and investment in Group IT infrastructure.

Financing climate strategies

SSE understands that investors seek robust mechanisms through which they can ensure their investments are sustainable and take account of climate-related risks. To support both its own developments and the growth of green finance, SSE also has pursued a strategy of issuing green bonds, when appropriate, to fund its investments.

In July 2022, SSE issued a €650m seven-year Green Bond, the proceeds of which were allocated to help fund SSE Renewables' flagship onshore and offshore wind projects which are currently under construction or recently completed. This marks SSE's fifth Green Bond in six years and reaffirms its status as one of the largest issuer of Green Bonds from the UK corporate sector. It remains the only UK corporate to offer multiple Green Bonds and this latest issuance brings SSE's total outstanding green bonds to over £2.5bn. More information can be found at [sse.com/greenbond](https://www.sse.com/greenbond).

Material climate impacts

The most material climate-related opportunities and risks are described in detail on pages 42 to 45 and have the potential to significantly impact SSE's business, strategy and financial planning.

The opportunities (pages 42 and 43) relate to the role that renewables, transmission and distribution electricity networks, and thermal generation play in supporting the transition to net zero. The material risks (pages 44 and 45) are associated with the physical impacts of extreme or changing weather conditions on renewable and network operations; alongside transition risks related to renewable wholesale prices and resilience of thermal power generators to changing policy.

Further information on each climate-related opportunity and risk is also presented in SSE's CDP Climate Change Programme submission, available at [sse.com/sustainability](https://www.sse.com/sustainability).

Conducting climate scenario analysis

In 2022/23, SSE conducted scenario analysis of its material climate-related opportunities and risks. SSE introduced 'impact pathways' to map each potential climate event and its effect on SSE's business activities. To calculate the potential financial impact a combination of data sources were used involving historical internal business data, external independent climate-related scenario data alongside current and approved forecast financial data.

Transition risk scenario frameworks: to quantify the potential financial impact of the climate transition opportunities or risks two external independent climate-related scenarios were drawn from to inform scenario analysis:

1. International Energy Association's (IEA) Net Zero Emissions by 2050 scenario shows a pathway to limit global temperature to 1.5°C and aligns with the International Panel on Climate Change (IPCC) sixth assessment report; and IEA

Stated Policies Scenario (STEPS) which reflects current policy settings based on 'sector by sector' and 'country by country' assessments of the specific policies that are in place, as well as those that have been announced by governments around the world and is consistent with a global temperature rise of 2.5°C.

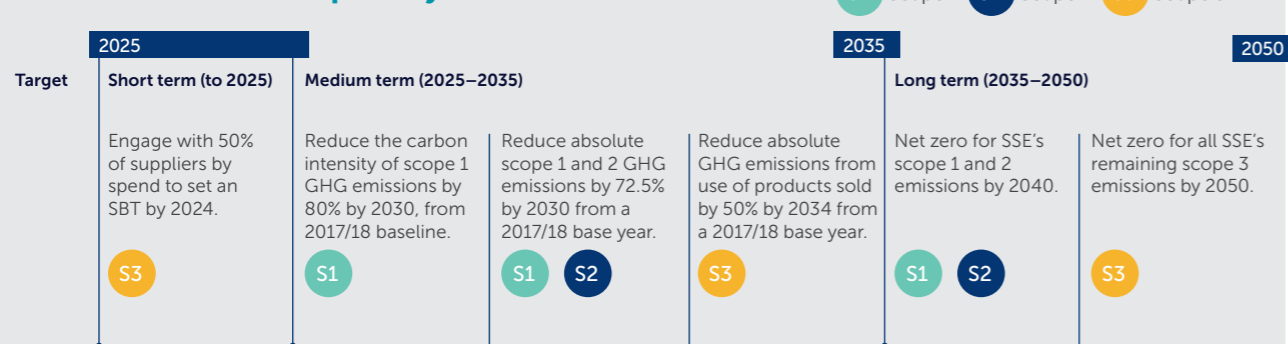
2. National Grid Future Energy Scenarios which involve four different, credible pathways for the future of energy between now and 2050. SSE uses the 'Leading the Way' and 'Consumer transformation' pathways, which are aligned to the UK Net Zero emissions by 2050 target that aims to keep global temperature rise to below 1.5°C, for its 1.5°C scenario. SSE uses the National Grid Future Energy Scenario 'Falling short' pathway for its 2.5°C scenario, this does not achieve the UK net zero emissions by 2050 target and is therefore assumed to represent a pathway that leads to a warmer global temperature outcome of 2.5°C.

Physical risk scenario frameworks: to quantify the potential financial impact of the physical risk of climate change, SSE used the UK Met Office's climate projections (UK CP18) tool. The UK CP18 data aligns to the International Panel on Climate Change's (IPCC) Sixth Assessment

Report Representative Concentration Pathways (RCPs). For the 1.5°C scenario, SSE used the Met Office Climate Projections 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws from the UK Met Office 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.

General climate change trends project an increased chance of warmer, wetter winters and hotter, drier summers along with an increase in the frequency and intensity of extremes. These trends are projected to occur from the middle of the century onwards. As a result, SSE has modelled the physical risks of climate change in 2050 and 2080 to reflect the longer term nature of changes in climate. In addition, for these physical risks SSE has used climate projection data associated with a 1.5°C and 4°C temperature change to assess the impact of a more extreme warming scenario.

Net Zero Transition Plan pathway




Note: for definitions of scopes 1, 2 and 3 SSE follows the GHG Protocol. For further information on SSE's GHG and Water reporting criteria see [sse.com/sustainability](https://www.sse.com/sustainability).



A sustainable approach continued Accelerating climate action continued

Understanding climate-related opportunities and risks

The purpose of TCFD disclosures is to demonstrate the resilience of a company to climate change. An important way to consider that resilience, is to define climate-related opportunities and risks and subject them to different climate outcomes. The next four pages are dedicated to helping stakeholders understand SSE's resilience under varying scenarios and timeframes. This analysis does not represent a prediction of the future, simply a tool to understand a plausible spectrum of outcomes.

Pages 42 and 43  assesses SSE's climate opportunities and pages 44 and 45  considers SSE's identified climate risks.

Potential financial impact of assessed climate opportunities

Opportunities	2030 (EBIT £bn)		2050 (EBIT £bn)	
	1.5°C	2.5°C	1.5°C	2.5°C
1. Accelerated wind investment ¹	0.48 – 0.66	0.35 – 0.47	1.09 – 1.50	0.63 – 0.86
2. Accelerated transmission growth ²	0.46 – 0.62	0.21 – 0.28	1.10 – 1.50	0.82 – 1.11
3. Valuable flexible hydro ¹	0.00 – 0.01	0.00 – 0.01	0.15 – 0.20	0.13 – 0.17
4. Valuable flexible thermal ¹	0.14 – 0.20		0.66 – 0.99	0.05 – 0.07
5. Driving distribution transformation ³	0.09 – 0.12	0.04 – 0.06	0.31 – 0.42	0.28 – 0.37

The potential financial impact of all scenarios is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each climate scenario. For each opportunity, the annualised EBIT is adjusted for the capacity or other growth assumptions from the noted scenarios. Further adjustments for price changes based on increased system capacity were made for opportunities 1 and 3.

- The 1.5°C scenario draws from the IEA Net Zero Emissions by 2050 pathway and from the IEA STEPS pathway for the 2.5°C scenario.
- The 1.5°C scenario draws from the National Grid Future Energy Scenario 'Leading the way' pathway and from the National Grid Future Energy Scenario 'Falling short' pathway for the 2.5°C scenario.
- The 1.5°C scenario draws from the National Grid Future Energy Scenario 'Consumer transformation' pathway and from the National Grid Future Energy Scenario 'Falling short' pathway for the 2.5°C scenario.

Resilience after scenario analysis

Climate change scenarios present different possible futures and are based on independent projections from external scenario providers including the International Energy Agency (IEA), National Grid Future Energy Scenarios and the Intergovernmental Panel on Climate Change (IPCC). Scenarios are not forecasts and should not be relied upon for decision making. The scenarios are designed for SSE to test its resilience against a range of different future states and inform strategic decision making.

The scenario analysis completed by SSE on its material climate opportunities indicates that SSE, its strategy and financial plans are resilient under a range of climate-related scenarios, including a 1.5°C and 2.5°C temperature pathway. Due to SSE's strategy to focus on the transition to a net zero world, opportunities under a 1.5°C scenario represent greater growth than those under a 2.5°C temperature pathway.

Climate opportunity impacts

With five relevant material climate opportunities identified, each is defined with its impact on strategy described below:

1. Accelerated wind investment

Context

UK and international binding net zero targets supported by renewable capacity growth plans and targets provide an opportunity to invest in the growth of SSE's installed onshore and offshore wind generation capacity.

Key assumptions included the wind capacity projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios, SSE's current and pipeline wind investment projections and internal wind capture price factors.

Impact to SSE

As part of the scenario analysis, SSE assessed its current and pipeline wind portfolio to understand the potential opportunity of accelerated wind investment to the business in 2030 and 2050. The 1.5°C scenario indicated a significantly greater opportunity in 2030, with a range of £0.48bn to £0.66bn and an opportunity of more than double that in 2050 with a range of £1.09bn to £1.50bn, when compared to a warmer 2.5°C scenario for the same time horizons.

Strategic alignment

Under the NZAP Plus, SSE anticipates that around 5GW of additional net capacity will be added across the five-year plan, with net installed capacity exceeding 9GW by March 2027. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

Link to strategy



Develop



Operate



Build



Invest

2. Accelerated transmission growth

Context

All net zero pathways for the UK require new sources of renewable wind generation, at scale, in the north of Scotland. This energy must be transported to the regions of demand, requiring significant expansion of the north of Scotland electricity transmission network.

Projected renewables generation capacity for Scotland from the National Grid Future Energy Scenarios 'Leading the way' and 'Falling short' and SSE's investment in the north of Scotland

electricity transmission network assumptions have been used in the scenario analysis.

Impact to SSE

As part of the scenario analysis, SSE assessed the current and future capital investment plans for its SSEN Transmission business. The National Grid 'Leading the way' Future Energy Scenario indicated a significantly greater opportunity in 2030 and 2050, with ranges of £0.46bn to £0.62bn and £1.10bn to £1.50bn respectively, when compared to the 'Falling short' scenario.

Strategic alignment

While SSEN Transmission has completed the first year of its five-year RIIO-T2 investment plan, making progress with key strategic investments under the Ofgem uncertainty mechanism, the scale of growth to 2030 has become clear. Ofgem's 'Pathway to 2030' identified £7bn of further investment required in the north of Scotland establishing confidence that both national climate targets can be met, and that SSEN Transmission's growth will more closely align with the 'Leading the way' climate scenario.

3. Valuable flexible hydro

Context

A renewables-led electricity system will require support from flexible generators that provide system services, such as short-term reserve, frequency and long-duration storage services. The opportunity exists to use low-carbon flexible hydro capacity and invest in pumped storage capacity to support the GB electricity system.

Key assumptions included the projected hydro generation capacity from the IEA Net Zero

Emissions and STEPS scenarios, SSE's renewable investment projections and internal price factors to take account of market volatility.

Impact to SSE

The scenario analysis assessed the optimisation of SSE's existing hydro assets and the development of Coire Glas a large scale, long-duration pumped storage project. The 1.5°C scenario indicated a greater opportunity for SSE's hydro assets in 2050 reflecting the impact of investing in Coire Glas,

with a range of £0.15bn to £0.20bn, when compared to the warmer 2.5°C scenario.

Strategic alignment

SSE seeks to invest in its existing 1.5GW of hydro capacity as well as develop pumped storage capacity at Coire Glas as part of its current five-year investment programme. This investment strategy is therefore aligned to the opportunities arising from a 1.5°C scenario.

4. Valuable flexible thermal

Context

A renewables-led electricity system requires support from flexible generators that provide system services, such as short-term reserve, frequency, security of supply and price stability. There is the opportunity to repurpose SSE's existing gas-powered electricity generators, as well as invest in new low-carbon thermal generation assets.

Natural gas with carbon capture and storage generation projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios and SSE's current and future investment plans in low-

carbon thermal generation assumptions have been used in the scenario analysis.

Impact to SSE

The scenario analysis assessed current and future capital investment plans for SSE's Thermal business. The 1.5°C scenario indicated a significantly greater opportunity in 2050, with a range of £0.66bn and £0.99bn, when compared to a warmer 2.5°C scenario. The opportunity highlights that investment in low-carbon thermal technologies in the short and medium term present greater growth in the long term.

Strategic alignment

SSE is actively developing options to decarbonise its fleet, most notably in carbon capture and storage and hydrogen technologies. Projects include carbon capture and storage projects as part of the UK cluster sequencing programme at Keadby in the Humber and Peterhead in the North of Scotland alongside hydrogen projects at Keadby and Saltend and the repurposing of SSE's Aldbrough Gas Storage site for the safe storage of hydrogen. These plans are therefore aligned to the opportunities arising from a 1.5°C scenario.

5. Driving distribution transformation

Context

To deliver net zero targets across all sectors and countries requires a shift to zero emission vehicles and electric heating. In the UK this requires the transformation of the distribution system to ensure the system is fit to manage the potential five to ten-fold increase in annual load expected between now and 2038.

Projected electricity consumer demand from the National Grid Future Energy Scenarios 'Consumer

transformation' and 'Falling short' and SSEN Distribution's investment plans to support the electrification of the energy system have been used in the scenario analysis.

Impact to SSE

As part of the scenario analysis, SSE assessed the current capital investment plans for its SSEN Distribution business. The National Grid 'Consumer transformation' Future Energy Scenario indicated a significantly greater

opportunity in 2030 and 2050, with ranges of £0.09bn to £0.12bn and £0.31bn to £0.42bn respectively, when compared to the 'Falling short' scenario.

Strategic alignment

SSEN Distribution's current RIIO-ED2 business plan for 2023 to 2028 sets out the flexibility and network investment required to accelerate net zero and therefore is aligned to the opportunities arising from a 1.5°C scenario.

A sustainable approach continued
Accelerating climate action continued

Potential financial impact of assessed physical risks of climate change

To SSE, climate-related risk expresses itself in two ways: through the physical risk associated with a climate changed world; and through the transition risks associated with policy or market change. The tables presented on pages 44 and 45 present SSE's material climate-related risks alongside the potential financial impact against a series of climate scenarios. The impacts described are designed to aid understanding of SSE's climate risks and are not intended to be forward looking guidance.

Physical climate risks from a changed climate

Risks	2050 (EBIT £bn)		2080 (EBIT £bn)	
	1.5°C	4°C	1.5°C	4°C
1. Variable renewable generation risk¹	(0.10) – (0.14)	(0.13) – (0.17)	(0.15) – (0.20)	(0.20) – (0.27)
2. Storm, wind and heat damage to networks assets risk²	(0.07) – (0.09)	(0.07) – (0.10)	(0.13) – (0.18)	(0.15) – (0.20)

The potential financial impact of all scenarios is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each climate scenario. Storm, wind and heat damage to networks assets risk is stated in GBP billion (£bn) based on one year annualised storm costs. External climate models have inherent limitations, with a lack of data on extreme climate events, and lower confidence levels on certain climate variables such as wind. SSE's assessments account for uncertainties by extracting average wind speed data to assess the impact.

- The 1.5°C scenario draws from the IEA Net Zero Emissions by 2050 pathway and the UK Met Office Climate Projections (UK CP18) 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws the IEA Net Zero Emissions by 2050 pathway and the UK Met Office CP18 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.
- The 1.5°C scenario draws from the National Grid Future Energy Scenario 'Consumer transformation' pathway and the UK Met Office Climate Projections (UK CP18) 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws the National Grid Future Energy Scenario 'Falling short' pathway and the UK Met Office CP18 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.

Resilience after scenario analysis

The scenario analysis completed by SSE on its material climate physical risks indicates that SSE is reasonably resilient to identified climate-related scenarios including 1.5°C and 4°C pathways. For SSE, the potential financial impact at a 1.5°C pathway presents a lower risk in the scenarios than a 4°C pathway. This reflects the potential impact of greater global warming and the associated weather impacts of sustained higher temperatures and extreme weather events (including storms, heat waves and flooding) associated with a warming world.

Due to SSE's strategy and the key controls that it employs to manage and mitigate the climate risks, SSE is positioned well to respond to the risks presented in both a 1.5°C pathway and 4°C pathway.

Physical climate risk impacts

1. Variable renewable generation

Context

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's renewable output and associated earnings in the short, medium and long term.

Key assumptions included the IEA Net Zero Emissions by 2050 wind generation projections and the Met Office UK Climate projections for average wind speed times.

Impact to SSE

This is a perennial risk that impacts SSE. For instance, in the first half of 2021/22 SSE experienced one of the driest and calmest summer periods (April to September) on record which reduced adjusted operating profit through the summer period and impacted financial plans for the year. For the future, with a five-fold increase in renewables capacity by 2031 and prospects beyond 2031, this risk will continue to impact SSE.

The 4°C scenario indicated a greater risk in 2050, with a range of £0.13bn and £0.17bn and a more significant risk in 2080 with a range of £0.20bn to

£0.27bn, when compared to a 1.5°C scenario for the same time horizons.

Strategic alignment

The technical and geographical nature of SSE's renewable capacity alongside meteorological monitoring, crisis management and business continuity plans are some of the ways that SSE manages and mitigates its business against this risk.

2. Storm, wind and heat damage to networks assets

Context

Increased severity of extreme weather events, such as storms, floods and heat waves bring prolonged extreme temperatures, wind or rainfall. This may damage or stress network assets and result in additional costs to repair and maintain the network and the loss of incentive revenue for distribution operators.

Projected electricity consumer demand from National Grid Future Energy Scenarios 'Consumer transformation' and 'Falling short', Met Office UK Climate projections for average wind speed times and internal assumptions on the projected

frequency of extreme storms and heat waves have been used in the scenario analysis.

Impact to SSE

This risk has the potential to impact SSE's networks assets in the medium and long term. For example, in the 2021/22 winter season, SSE experienced five storms named by the Met Office that became Red Alert events and impacted over 100,000 customers with many impacted for a multi-day period.

The 4°C scenario indicated a more significant risk in the longer term, with a range of £0.15bn to

£0.20bn when compared to a 1.5°C scenario for the same time horizons.

Strategic alignment

A programme of investment into the strengthening and improvement of SSE's networks alongside meteorological modelling, crisis management and business continuity plans are some of the ways that SSE manages and mitigates its business against this risk.

Link to strategy



Potential financial impact of assessed transition risks

Transition risks arising from policy and market change

Risks	2030 (EBIT £bn)		2050 (EBIT £bn)	
	1.5°C	2.5°C	1.5°C	2.5°C
3. Accelerated gas closure risk¹	(0.34) – (0.51)	(0.17) – (0.26)		
4. Wind capture market risk²	(0.11) – (0.15)	(0.03) – (0.04)	(0.38) – (0.52)	(0.10) – (0.14)

The potential financial impact for the accelerated gas closure risk is stated in GBP billion (£bn) based projected Net Present Value for each gas-fired power station and the wind capture market risk is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT). All scenarios are presented as a range to reflect sensitivities applied to each climate scenario. Further adjustments for price changes based on increased system capacity were made for risk 4.

- The 1.5°C scenario draws from the National Grid Future Energy Scenario 'Leading the way' pathway and from the National Grid Future Energy Scenario 'Falling short' pathway for the 2.5°C scenario.
- The 1.5°C scenario draws from the IEA Net Zero Emissions by 2050 pathway and from the IEA STEPS pathway for the 2.5°C scenario.

Resilience after scenario analysis

The scenario analysis completed by SSE on its material climate transition risks indicates that SSE is resilient to identified climate-related scenarios including 1.5°C and 2.5°C pathways. For SSE, the potential financial impact at a 1.5°C pathway presents a greater risk than the 2.5°C pathway in these climate scenarios. This reflects the potential impact of climate policy in the 1.5°C scenario which may bring forward the closure of unabated thermal generation to 2030 or earlier and potentially impact future earnings. Whilst the wind capture market risk has the potential in the 1.5°C scenario to have a greater impact on SSE's current renewable capacity and future new renewable capacity and potential future earnings. Due to SSE's strategy and the key controls that SSE employs to manage and mitigate the climate risks, SSE is positioned well to respond to the risks presented in both a 1.5°C pathway and 2.5°C pathway.

Climate transition risk impacts

3. Accelerated gas closure

Context

More aggressive climate change policy may bring forward the closure of unabated gas generation from 2030.

Key assumptions included the National Grid Future Energy Scenarios 'Leading the way' and 'Falling short' for installed unabated natural gas generation capacity decline projections in 2030 and 2035 and the net present value of existing gas-fired power stations with a life expectancy post 2030.

Impact to SSE

SSE's existing 5.3GW fleet of installed gas- and oil-fired generation will be nearing the end of its expected life by the end of the 2020s. However, 2.3GW of Combined Cycle Gas Turbine (CCGT) capacity will still be in operation in 2030. The climate scenario analysis assessed the impact of this capacity not being able to generate beyond 2030 without low-carbon abatement technology.

Under the 1.5°C scenario all remaining gas-fired capacity closes by 2030 whilst the 2.5°C scenario assumes some gas-fired power stations are still able to operate beyond 2030 but expects any

remaining power stations to close by 2035. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.34bn and £0.51bn when compared to a warmer 2.5°C scenario for the same time horizon.

Strategic alignment

To mitigate this risk, SSE is in the process of repurposing existing thermal assets and developing low-carbon thermal technologies and in addition has a strong pipeline of new renewables projects that provide a natural hedge against this risk.

4. Wind capture market

Context

All credible pathways to net zero in the UK and beyond assume the dramatic scaling up of wind (especially offshore) generated electricity. As wind generation capacity increases, it is expected that the average electricity price wind power ('wind capture price') achieves will be less than the average price for electricity ('baseload price'). There is a risk that this lower average price for wind output is more extreme than expected by the market or SSE.

Key assumptions included wind capacity projections from the IEA Net Zero Emissions by

2050 and STEPS scenarios, internal non-subsidised wind output and internal wind capture price factors.

Impact to SSE

The wind capture market risk has the potential to be greater in a 1.5°C scenario than in the 2.5°C scenario due to the expectation that the 1.5°C scenario expects new renewable capacity to be built at a greater pace to meet the net zero by 2050 goal.

The climate scenario assessed SSE's current and future renewables capacity against the future IEA

projections for both pathways. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.11bn and £0.15bn and a more significant risk in 2050 with a range of £0.38bn to £0.52bn, when compared to a warmer 2.5°C scenario for the same time horizons.

Strategic alignment

SSE's balanced portfolio of generation capacity, power hedging strategies and the fact that SSE factors wind capture price into its long term price forecasts are some of the ways that SSE manages and mitigates its business against this risk.

A sustainable approach continued

Accelerating climate action continued

Classifying sustainable investments

Progressing towards a UK Green Taxonomy

SSE is an advocate of the development of sustainable finance beyond green and sustainable debt markets. SSE supports the integration of standardised sustainability criteria into investment decisions. Its own internal investment criteria ensures alignment of capital investment plans to its core 2030 Goals which includes targeted reductions in GHG emissions consistent with a 1.5°C Paris Agreement pathway.

The announcement by the UK Government in March 2023 that it would consult on a UK Green Taxonomy in Autumn 2023 was therefore a welcome step, and SSE looks forward to engaging in the consultation process. SSE continues to make the case that a UK-appropriate taxonomy – consistent with the broad principles established by the EU Taxonomy but with a focus on being simpler, more transparent and auditable – would help support the quality of standards, labels and disclosures required to define green finance activity. SSE's [Sustainability Report 2023](#) discusses the opportunities to enhance the UK Green Taxonomy, available at sse.com/sustainability.

Assessing SSE's eligible activities

To provide stakeholders with an indication of the scale of SSE's green economic activities, SSE has taken a best efforts approach to consider its alignment to the EU Taxonomy. Key strategic activities (ie onshore wind, offshore wind, transmission, distribution) from SSE's Reporting Segments were assessed against the technical screening criteria. While an internal assessment against the Do No Significant Harm and minimum safeguards criteria was undertaken, a second party opinion has not yet been sought.

The financial metrics disclosed continue to be classified based on SSE's reportable segments. Table 1 on [page 47](#) provides the output from this principle-based assessment of SSE's taxonomy aligned activities.

Taxonomy eligible activities in 2022/23 are from SSE's onshore and offshore wind generation, hydro (run of river and pumped storage) as well as its networks transmission and distribution activities. In 2022/23, the proportion of SSE's taxonomy-eligible activities across the different measures were: adjusted operating profit, 55%; adjusted investment and capital expenditure, 81%; and, revenue, 26%.

The reason that SSE's taxonomy-eligible revenue appears low in relation to its total revenue is primarily due to Energy Portfolio Management (EPM) trading activity and the sale of power to end customers, both of which are high volumes, with pass-through costs and lower margins than in larger businesses such as renewables generation and networks. SSE believes that revenue is a poor measure in assessing its economic activity and that the most appropriate measures of its taxonomy-eligible economic activity are in relation to its capital investment and its operating profit.

The taxonomy non-eligible activities are associated with SSE's thermal generation and gas storage businesses. As these businesses continue their decarbonisation pathways, it is expected that emerging activities such as low-carbon flexible generation or hydrogen storage will qualify in the future.

Finally, activities that have not been identified in the taxonomy as they either do not significantly contribute to climate change mitigation or could yet be integrated into the Taxonomy at a later date comprise SSE's Business Energy, Airtricity, Distributed Energy, EPM and Corporate businesses. These activities either operate as customer focussed businesses, a route to market for generation, or do not contain material activities at this time.

Providing the UK Green Taxonomy does not deviate significantly from the EU model, SSE expects its assessment of its taxonomy eligible activities disclosed on [page 47](#) to be consistent with a future UK framework.

Taxonomy eligible activities at a glance

Assumptions

SSE's accounting policies for these calculations are based on the current EU Taxonomy Regulation 2020/852, and delegated acts.

Linkage principle

In calculating each taxonomy-eligible proportion, a 'linkage principle' has been applied, stipulating that any revenue, operating profit/loss or capital expenditure that can be justifiably linked to an identified taxonomy economic activity can be classified as taxonomy-eligible. Using this principle, revenue and operating profits from SSE's balancing activities, hedging, and trading can be linked to the EU taxonomy eligible activities when the activity is undertaken to directly support the eligible activities.

Proxies

Where financial results are not appropriately split into Taxonomy eligible activities (namely Energy Portfolio Management trading and power sale activities), revenue has been allocated based on purchased power volumes from renewable versus non-renewable assets, and operating profit/loss has been apportioned based on internal contractual trading agreements.

Materiality

The analysis has been prepared by applying a top-down review of SSE's activities and the alignment with existing segmental reporting within taxonomy eligible activities. There are some activities that fall below specified thresholds which are not taxonomy eligible. As SSE's reporting processes and controls will be refined ahead of implementation of the UK Green Taxonomy, it is expected that some reclassification of activities may occur due to changes in materiality thresholds or clarification on eligible activity criteria.

Table 1: Assessment of SSE's taxonomy aligned activities

SSE's reported segments (a)	Taxonomy eligible activity (a)	Revenue (b)		Adjusted operating profit (c)		Adjusted investment and capital expenditure (d)	
		£m	%	£m	%	£m	%
SSEN Transmission	Transmission of electricity	656.1	5.3	372.7	14.7	495.5	22.9
SSEN Distribution	Distribution of electricity	1,102.7	8.8	382.4	15.1	421.0	19.5
SSE Renewables	Electricity generation	334.8	2.7	580.0	22.9	837.5	38.7
EPM	As route to market for SSE Renewables	1,150.2	9.2	62.3	2.5	1.2	0.1
Total taxonomy eligible activities		3,243.8	26.0	1,397.4	55.2	1,755.2	81.2
SSE Thermal	Thermal Generation	740.4	5.9	1,031.9	40.8	153.2	7.1
Gas Storage	Supply of energy	12.2	0.1	212.5	8.4	6.3	0.3
EPM	As route to market for SSE Thermal	3,198.6	25.6	(3.0)	(0.1)	1.2	0.1
Taxonomy non-eligible activities		3,951.2	31.6	1,241.4	49.1	160.7	7.5
Business Energy		3,313.5	26.6	17.9	0.8	38.9	1.8
SSE Airtricity		1,776.9	14.2	5.6	0.2	10.5	0.5
EPM		–	–	21.1	0.8	2.3	0.1
Distributed Energy		139.1	1.1	(27.4)	(1.1)	124.7	5.7
Corporate unallocated		66.2	0.5	(126.8)	(5.0)	68.3	3.2
Total taxonomy partially/not-aligned activities		5,295.7	42.4	(109.6)	(4.3)	244.7	11.3
Total continuing operations		12,490.7	100.0	2,529.2	100.0	2,160.6	100.0

Notes:

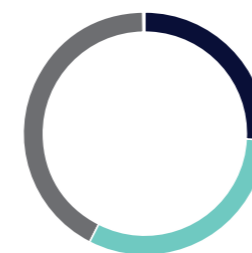
(a) Alignment is based on segmental reporting in SSE's financial year end statements.

(b) Revenue: derived from the disaggregation of revenue from contracts by customers, in line with the requirements of IFRS 15 'Revenue from Contracts with Customers' (see note 5.1.1).

(c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see note 5.1.2).

(d) Adjusted investment and capital expenditure: calculated as adjusted capital expenditure related to assets or processes associated with taxonomy-eligible economic activities that is accounted for based on IAS 16, IAS 38 and IFRS 16 and thereby included within adjusted capital expenditure (see note 5.1.3).

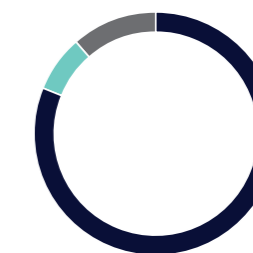
Revenue



Adjusted operating profit



Adjusted investment and capital expenditure



■ Eligible
■ Not eligible
■ Not aligned

A sustainable approach continued Accelerating climate action continued

Climate opportunity and risk management

Identifying and assessing climate opportunities and risks

SSE's Group Risk Management Framework (pages 156 and 157) is complemented by a specialist TCFD climate assessment that identifies and assesses climate opportunity and risk in the short, medium and long term.

The climate risk assessment involves senior business leader interviews supported by ongoing business unit risk assessments to capture and understand a long list of climate opportunities and risks. A materiality test is completed, and a final list of significant climate opportunities and risks defined.

SSE identifies the climate impact on its operations over the short (up to three years), medium (four to 10 years) and long term (up to 30 years) from the perspective of market, policy or regulatory transition opportunities and risks. Climate impacts to SSE's operations from the physical risks of climate change are assessed over the short (up to three years), medium (four to 10 years) and long term (up to 80 years). SSE's time horizons for assessing climate-related opportunities and risks are aligned with other business practice time horizons. The three climate-related time horizons mirror the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans.

Materiality is tested for each climate opportunity or risk based on its ability to have a substantive potential financial impact on SSE's strategy or significant impact on SSE's stakeholders.

In 2022/23, the assessment process reconfirmed that the material climate-related opportunities and risks (on pages 50 to 53) of SSE's Annual Report 2022 remained relevant to SSE with some minor amendments to a few such as, the 'storm damage network risk' was updated to more precisely account for the impact of wind and heat (page 44).

Managing climate opportunities and risks

SSE's System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate. The system involves the critical controls that are in place to manage risk including climate risk. Controls include business continuity plans, crisis management and incident response, large capital project governance and internal and external assurance.

The climate-related opportunities and risks (pages 42 to 45), combined with SSE's Sustainability Report 2022 and CDP Climate Change response provides further information on these actions and controls.

Integrated climate-related risk assessment

SSE's Group Risk Management Framework (pages 156 and 157) manages risks that can threaten the achievement of SSE's strategic objectives, including climate change.

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Risk Management recommendations:

Risk Management

- a) Describe the organisation's processes for identifying and assessing climate-related risks. ✓
- b) Describe the organisation's processes for managing climate-related risks. ✓
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. ✓

Climate change is a Group Principal Risk to SSE and has the ability to affect the achievement of agreed strategic objectives and the long term success of SSE (see page 72). Scenarios related to physical risks associated with climate change form part of SSE's viability assessment (page 71). Climate-related influencing factors and key developments are also considered against all relevant Group Principal Risks (pages 68 to 77).



Climate metrics and targets

GHG emissions preparation

SSE's GHG inventory is prepared in accordance with the UK Government's environmental reporting guidelines (BEIS, March 2019); the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)* developed by the World Resources Institute and the World Business Council for Sustainable Development (2004); and *ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals*.

For more information on SSE's GHG emissions data and how it is produced, see SSE's GHG and Water reporting criteria available at sse.com/sustainability.

GHG emissions inventory

Table 2, in combination with the energy use data outlined in Table 6 on page 54, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements. SSE takes an operational control consolidation approach to account for its GHG emissions. Under the operational control approach, SSE includes all joint arrangements that it has operational control in its scope 1 and 2 inventory. For activities SSE does not have operational control, the GHG emissions from the most material joint arrangements (where SSE holds an equity share equal to or greater than 50%) are included in SSE's scope 3 inventory.

SSE's inventory details its direct and indirect GHG emissions (scopes 1, 2 and 3) performance (measured in million tonnes of carbon dioxide equivalent – MtCO₂e), provided as total emissions as well as split out by UK and Irish activity. It also provides a carbon intensity measure based on direct GHG emissions released for each unit of electricity SSE produced.

Table 2: SSE's GHG inventory

	Unit	2022/23	2021/22
Total GHG emissions ¹	MtCO ₂ e	11.33 ^(A)	9.93 ^(B)
Scope 1 GHG emissions ¹ – total (UK/Ire)	MtCO ₂ e	6.08 ^(A) (5.35/0.73)	5.75 ^(B) (4.22/1.53)
Scope 2 GHG emissions – total (UK/Ire)	MtCO ₂ e	0.44 ^(A) (0.44/<0.01)	0.49 ^(B) (0.49/<0.01)
Scope 3 GHG emissions – total (UK/Ire) ^{1,4}	MtCO ₂ e	4.81 ^(A) (4.12/0.69)	3.69 ^(B) (2.86/0.83)
Scope 1 GHG emissions intensity of electricity generated	gCO ₂ e/kWh	254 ^(A)	259 ^(B)
Total renewable generation output ² – total (UK/Ire)	GWh	9,665 (8,308/1,357)	8,799 (7,602/1,197)
Total non-renewable generation output ³ – total (UK/Ire)	GWh	14,302 (12,770/1,532)	13,356 (10,394/2,962)
Total generation output – total (UK/Ire)	GWh	23,967 (21,078/2,889)	22,155 (17,996/4,159)

- Excludes immaterial GHG emissions from Keadby 2 gas-fired power station, which was in the final stages of testing from September 2022 and was handed over to SSE on 15 March 2023.
- Total includes pumped storage and biomass output and excludes constrained-off wind in Great Britain.
- Includes 50% output from Seabank power station reflecting the end of SSE's power purchase agreement on 30 September 2021 and SSE's 50% ownership share from October 2021 onwards. Also includes 50% output from Saltend power station and Indian Queens power station from the date of SSE's acquisition of Triton Power on 1 September 2022. Excludes output from Keadby 2 gas-fired power station which was handed over to SSE on 15 March 2023.
- Includes GHG emissions associated with gas generation through Joint Venture holdings according to equity share. They are: Seabank gas-fired power station and Triton Power (which includes Saltend gas-fired power station, Indian Queens gas-fired power station and the decommissioned Deeside Power station. This reflects the fact that under SSE's operational control method of reporting GHG emissions, Joint Venture equity share of GHG emissions is classed under the scope 3 'investment' category in accordance with the GHG Protocol.

TCFD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Metrics and Targets recommendations:

Metrics and Targets

- a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. ✓
- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. ✓
- c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. ✓

More on sse.com/sustainability

- (A) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.
- (B) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report in SSE's Sustainability Report 2022 and SSE's GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability.

A sustainable approach continued Accelerating climate action continued

Absolute GHG emissions in 2022/23

To understand the GHG emission trends between reporting periods the GHG emission inventory is broken down by scope and a description of material contributing factors presented. In 2022/23, SSE's total GHG emissions consisted of 54% scope 1 emissions, 4% scope 2 emissions and 42% scope 3 emissions. Overall, SSE's total GHG emissions increased by 14% between 2021/22 and 2022/23.

Between 2021/22 and 2022/23, GHG emissions arising from electricity generation, consisting 99% of SSE's scope 1 emissions, increased by 6%. This was predominantly a result of a rise in output from SSE's thermal generation plant by 7% compared to the previous year due to market conditions and the reinstatement of operations following planned and unplanned outages the previous year. The impact of weather, demand and availability of plant creates variation in the pathway of emissions reduction.

SSE's scope 2 GHG emissions were 0.44MtCO₂e in 2022/23, representing an 11% reduction from the previous year. This reduction in scope 2 emissions is largely a result of a fall in the greenhouse gas emissions associated with losses on the electricity network, which is a result as a fall in the grid electricity factor by 9% over the same period.

Total scope 3 emissions increased by 30% between 2021/22 and 2022/23. The two material contributing factors include:

- The inclusion of 0.6MtCO₂e GHG emissions from Saltend gas-fired power station from September 2022 onwards. This reflects SSE's 50% purchase of Triton which completed in September 2022. The emissions from Triton are defined as scope 3 emissions according to SSE's 50% ownership share.
- 12 months of GHG emissions data from Seabank (50% equity share) contributing 0.9MtCO₂e following the end of SSE's power purchase agreement in September 2021. It should be noted that, prior to September 2021, 100% of Seabank GHG emissions were accounted in SSE's scope 1 emissions according to the GHG Protocol.

The increase in scope 3 emissions is partly offset by a reduction of 5.5% in gas sold GHG emissions between 2021/22 and 2022/23.

With scope 3 emissions increasingly becoming a greater proportion of SSE's GHG emission inventory as a result of the approach it is taking to delivery its strategy, SSE is working with its Joint Venture partners to ensure each put in place their own Net Zero Transition Plans. SSE's scope 3 emissions represent 42% of its total GHG emissions inventory and the emissions associated with Joint Venture thermal generation contributes to 32% of the scope 3 GHG inventory.

Scope 1 GHG intensity in 2022/23

SSE's scope 1 GHG emissions intensity fell by 2% to 254gCO₂e/kWh from 259gCO₂e/kWh the previous year, which is a fall of 17% since the 2017/18 base year of 307gCO₂e/kWh.

SSE's intensity performance is calculated based on two elements – total generation output, comprising thermal and renewables generation sources and total scope 1 GHG emissions (99% of which is from thermal generation).

Output from SSE's renewable generation portfolio (inc. pumped storage and biomass) increased to 9.7TWh in 2022/23, from 8.8TWh the previous year, a rise of 10% between the same periods. This was driven by increased output having experienced an exceptionally still and dry weather conditions the previous year and output from the operational turbines at Seagreen offshore wind farm.

Output from SSE's thermal generation also increased, however this was by a lesser extent than for renewables output. This meant that the proportion of total generation output contributed to by renewable generation continued to represent 40% of the total portfolio in 2022/23.

Overall, SSE's scope 1 GHG intensity was slightly lower than the previous year due to a reduction in output from the most carbon intensive generating plant in SSE's portfolio, including from carbon intensive peaking plant in Ireland.

Performance against targets

To support improved performance, SSE measures and reports progress against interim science-based targets on a 1.5°C pathway. This performance is outlined in Table 3.

SSE remains on track to achieve its SBTi-approved target to reduce scope 1 GHG emissions intensity by 80% between 2017/18 and 2030. It is expected that SSE's NZAP Plus will develop and connect the renewables capacity which will contribute to a reduction in the scope 1 GHG intensity by 2030.

SSE's total scope 1 and 2 GHG emissions combined were 6.52MtCO₂e in 2022/23, this is a reduction of 41% from the 2017/18 base year of SSE's SBTi-approved absolute scope 1 and 2 GHG target. Overall, SSE's scope 1 and 2 GHG emissions have reduced significantly compared to the base year, reflecting lower output from thermal power stations and the closure of SSE's last coal-fired power plant in March 2020. SSE aims to reduce absolute scope 1 and 2 GHG emissions by 72.5% between 2017/18 and 2030.

GHG emissions from gas sold to customers, which contribute around 45% of SSE's scope 3 emissions in 2022/23, decreased by 5.5%. This was a result of lower market demand reflecting increased market prices. This means GHG emissions from gas sold have reduced by 15% from 2017/18. SSE's SBTi-approved target is to reduce GHG emissions from gas sold by 50% between 2017/18 and 2034.

Table 3: SSE's performance against its science-based carbon targets

Target	Unit	2017/18	2021/22	2022/23	Target	Progress against target
Reduce the GHG intensity of scope 1 GHG emissions by 80% by 2030, from a 2017/18 base year	gCO ₂ e/kWh	307	259	254	61	17% reduction in GHG intensity since 2017/18
Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year	MtCO ₂ e	11.06	6.24	6.52	3.04	41% reduction in absolute scope 1 and 2 GHG emissions since 2017/18
Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year	MtCO ₂ e	2.53	2.29	2.16	1.27	15% reduction in GHG emissions from gas sold since 2017/18
Engage with 50% of suppliers by spend to set an SBT by 2024	%	0	48	51	50	52% of SSE's suppliers (by value) that set or committed to set their own science-based targets through the SBTi

Working with supply chain partners to drive climate action

To support the reduction of emissions associated with the goods and services SSE purchases, SSE seeks to engage with 50% of suppliers (according to financial expenditure) to set their own science-based targets by 2024. SSE continued to engage with its supply chain on climate matters through its partnership with the Supply Chain Sustainability School with nearly 27% of suppliers by spend using the resources and training available. In addition, a carbon working group was set up through the Powering Net Zero Pact, that aims to collaborate on a fair and just transition to net zero carbon emissions, with the aim of improving scope 3 emissions reporting.

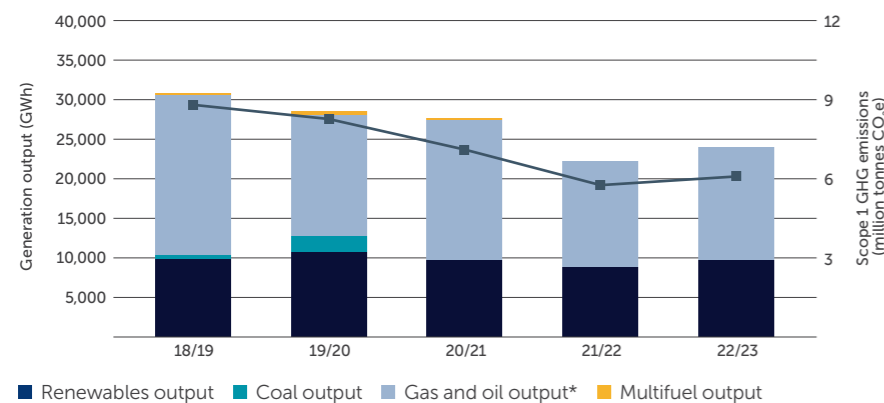
At 31 March 2022, 34% of SSE's suppliers by value had set their own science-based targets through the SBTi, with a further 17% committed to setting one. In 2022/23, SSE and CDP Supply Chain collaborated to deliver supplier webinars that aimed at increasing the climate change questionnaire response rate from its suppliers, the engagement led to 237 key suppliers responding to the questionnaire and a supplier response rate of 56%.

Carbon pricing

As a generator of electricity, SSE is subject to policies that impact the price of carbon, which means the price of carbon is an explicit consideration in many investment decisions.

SSE's generation activities in the GB are subject to the UK Emissions Trading Scheme (UK ETS), which is a cap-and-trade emissions scheme. In addition, SSE's generation assets in GB are subject to the Carbon Price Support mechanism which sets a price per tonne of carbon emitted and combined with the UK ETS allowance price, makes up the Total Carbon Price paid by electricity generators. In Ireland SSE's generation assets are subject to the EU Emissions Trading Scheme (EU ETS). At the time of reporting, SSE used carbon prices of £78/tCO₂ in GB and €86/tCO₂ in the EU. Our future plans include assumptions on low, central and high carbon range forecasts.

SSE is required to report its GHG emissions and energy consumption and this is presented on [page 54](#). For further details on SSE's approach to carbon pricing see SSE's [Sustainability Report 2023](#) alongside SSE's CDP climate change submission [sse.com/sustainability](https://www.sse.com/sustainability).



* In 2022/23, oil-fired generation output contributed around 2% of gas and oil output.

A sustainable approach continued

Protecting the natural environment

Nature has a central role in supporting the achievement of net zero and adapting to a climate changed world, and the nature and climate crises must be addressed hand-in-hand. SSE's Environment Strategy provides a framework for SSE to manage and mitigate impacts to terrestrial, freshwater and marine ecosystems, and build a business that uses resources efficiently and embraces the principles of a circular economy.

Emerging nature frameworks

2022/23 saw a continued international focus on nature and biodiversity and some significant steps forward for biodiversity were made, including the landmark deal made at the UN Convention on Biological Diversity (UNCBD) in Canada in December 2022, to protect a third of the planet for nature by 2030.

While frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the EU Corporate Sustainability Reporting Directive (EU CSRD) are emerging, there remains room for greater clarity on best practice measurement and disclosure of nature-related information. Increasing meaningful disclosures around nature-related impacts is a key focus for SSE, and it will monitor how these frameworks and standards develop and work to improve its own disclosures, including against its biodiversity net gain metrics.

Governing environmental performance

SSE's Chief Executive has overall lead responsibility for environmental performance, including at Board-level. The Safety, Health and Environment Committee (SHEC) advises the Board on matters relating to safety, health and environment (SHE). The work of the SHEC is designed around SSE's eight SHE Enduring Goals, one of which is Environment: Protecting the environment

and operating in a sustainable way. The SHEC is responsible for setting SHE performance targets, which include environmental performance.

The SHEC reports to the Sustainability, Safety, Environment Advisory Committee (SSEAC) which is a Board level committee that has specific oversight of environment matters.

At business level, Managing Directors are accountable for environmental performance and for managing environmental impacts by applying SSE's SHE Management System.

SSE's Group Environment Policy guides decision making within the company and outlines its commitments around protecting the environment, preventing pollution and operating in a sustainable way. This policy is approved by the SSE Board and is available publicly for SSE's stakeholders at sse.com/sustainability.

A strategic approach to environmental protection

While SSE's GHG emissions are its most material environmental impact, it also has wider impacts on the natural world that must be carefully managed. Halting the impact of nature loss and providing opportunities to enhance ecosystems and biodiversity will support SSE to meet its net zero ambitions.

SSE's Environment Strategy provides the framework by which SSE considers these wider environmental impacts. It is centred around three UN Sustainable Development Goals (SDGs) focused on the environment: SDG14 Life Below Water; SDG15 Life Above Land; and, SDG12 Responsible Consumption and Production. The Strategy is supported by policies and procedures to guide SSE's day-to-day operations and interactions with the environment.

To ensure effective environmental management, SSE operates an environmental management system which sets the controls, processes and procedures. In 2022/23, a number of SSE's business units achieved ISO14001 certification – SSEN Distribution, SSE Energy Customer Solutions and SSE Enterprise. All of SSE's businesses are now certified to ISO14001.

Further detail around SSE's approach to managing environmental impacts, including information on its ISO14001 certification, can be found in SSE's [Sustainability Report 2023](#).

OUR TARGET

SSE is committed to delivering Biodiversity Net Gain by 2025 on all onshore Large Capital Projects in the UK and Ireland

Understanding SSE's nature impacts and dependencies

SSE operates in some of the UK and Ireland's least populated places, home to a wide variety of valuable ecosystems and habitats. It works to manage the impacts of its activities to ensure it protects and, where possible, enhances these environments. Measurable, science-based data as presented in SSE's [Sustainability Report 2023](#) are key to ensuring nature impacts and dependencies are understood and considered in decision making with the aim of making progress towards preserving and protecting nature.

Targeting biodiversity net gain

For onshore Large Capital Projects, all of SSE's Business Units have committed to delivering no 'net loss' in biodiversity on those consented from 2023 onwards and 'net gain' in biodiversity on those consented from 2025 onwards.

SSE's approach to Biodiversity Net Gain began in 2020, with the development of SSEN Transmission's site optioneering toolkit, which is now in implementation and allows consideration of biodiversity at the earliest stages of development and has been recognised for its pioneering approach. In 2022, SSE Renewables also published optioneering toolkits and project biodiversity net gain metric, which has adapted the SSEN site optioneering toolkit and the Defra Biodiversity Metric 3.1. Biodiversity net gain will also be delivered by SSEN Distribution as part of its ED2 business plan. While SSE has focused on terrestrial habitats it is also exploring the potential for enhanced biodiversity within the marine environment.

Managing water use

Water plays a significant role in SSE's operations, being used in the energy production process including as a coolant in power stations and a source for power generation in hydroelectric generators. SSE also uses water as an amenity in its buildings.

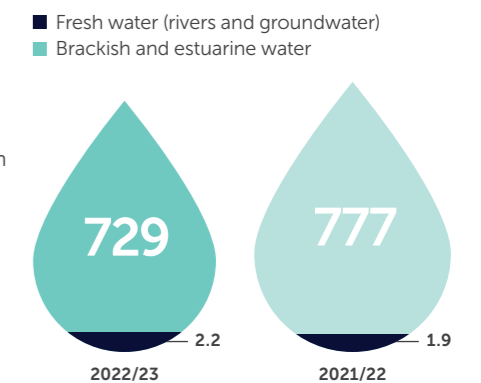
SSE has policies and processes in place, and works closely with environmental regulators, to ensure that it uses water in a sustainable way in its operations. SSE has an ongoing investment programme within its hydro operations to improve efficiency, enhance water capture and minimise spill from its plant.

None of SSE's thermal and hydro generation assets impact on water stressed areas, as defined by the relevant environmental regulators in the jurisdictions in which they operate.

In 2022/23, total water abstracted by SSE fell to 23,354 million m³ from 23,896 million m³ the previous year. This was largely due to a reduction in water passing through SSE's hydro generation plant as a result of lower levels of rainfall compared to the previous year. The vast majority (97%) of water abstracted in 2022/23 was used in SSE's hydro generation operations. This water is technically recorded as abstracted, but it passes through turbines to generate electricity and is returned to the environment almost immediately, and therefore has minimal environmental impact.

SSE's total water abstracted excluding hydro operations also fell slightly over this period. This was predominantly due to an unplanned outage at a thermal power station that uses a once through (direct) cooling water system. Such assets have higher abstraction rates than stations with cooling tower systems.

Total water abstracted by SSE (excluding hydro generation) (million m³)



Total water consumed increased significantly over this period, by over 70%. This was due to increased output from thermal generation overall, as well as a proportional increase in the output from thermal power plant with cooling towers which have higher evaporative losses of water than once through (direct) cooling systems.

Table 4: SSE's water data

	Unit	2022/23	2021/22
Water use			
Total water abstracted	Million m ³	23,354 ^(A)	23,896 ^(B)
Total water abstracted (exc. Hydro generation)	Million m ³	731	779
Freshwater abstracted (rivers and groundwater) (exc. hydro generation)	Million m ³	2.2	1.9
Total water returned	Million m ³	23,353 ^(A)	23,895 ^(B)
Total water consumed	Million m ³	1.4 ^(A)	0.8 ^(B)

(A) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.

(B) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report in SSE's [Sustainability Report 2022](#) and SSE's GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability.

A sustainable approach continued Protecting the natural environment continued

Managing air emissions

In 2022/23, emissions of nitrogen oxides (NOx), sulphur dioxide (SO₂) and particulate matter (PM10) all reduced compared to the previous year, with emissions of SO₂ reducing by more than a half. The falling trend across three of these key air emission sources, reflects a reduction in output from oil-fuelled peaking plant in Ireland compared to the previous year.

Mercury emissions to air increased almost fivefold, due to an increased level of test running on back-up fuel oil that was required during the year, as dictated by Transmission Operator on the island of Ireland. See Table 5 for full data on air emissions.

Sulphur hexafluoride (SF₆) is a highly effective insulating gas used for safety in electrical transformers and in 2022/23, SSE's SF₆ emissions increased by almost 40% compared to the previous year. This was due to a combination of factors, including more robust reporting of minor leakages and increasing numbers of assets (to deliver net zero) that still requires SF₆ as an insulating gas. SSE has a number of initiatives to reduce its dependency on SF₆ in its networks, including working with suppliers to install SF₆-free alternatives across its electricity transmission network. You can read more about what SSE is doing to reduce the impact of SF₆ in its business activities in its [Sustainability Report 2023](#) and its Net Zero Transition Plan.

SSE's energy consumption

Between 2021/22 and 2022/23, the energy SSE purchased for use in its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) increased by 5%, from 196GWh to 206GWh.

A large contributor to this trend was a 60% increase in energy consumed in SSE's gas storage facilities compared to 2021/22. This was largely due to increased gas storage activities at SSE's Aldbrough facility to ensure security of supply.

Energy consumed in SSE's offices, depots and data centres reduced by 5% compared to 2021/22. This was due to the continued investment by SSE in 2022/23 in a range of energy efficiency measures including a programme of LED lighting upgrades to depot sites and it continued its 'Better Off' behaviour change campaign.

In 2022/23, SSE purchased 100% of its electricity for use in its directly managed offices from renewable sources, backed by renewable guarantees. In 2022/23, around 52% of the electricity that SSE purchased for its assets (offices, depots, thermal power stations, gas storage facilities, and

Table 5: SSE's air emissions data

	Unit	2022/23	2021/22
Air emissions			
Sulphur dioxide (SO ₂) – thermal generation	Tonnes	1,336	3,021
Nitrogen oxide (NOx) – thermal generation	Tonnes	3,870	4,573
Sulphur hexafluoride (SF ₆) – thermal generation and electricity transmission and distribution activities	Kg	424	305
Particulates emissions (PM10) from thermal generation assets	Tonnes	116	277
Mercury emissions from thermal generation assets	Kg	10.6	2.2

Table 6: SSE's energy use data

	Unit	2022/23	2021/22
Energy use*			
Purchased heat from non-renewable sources – UK/Ire	GWh	3.3/0.06	3.3/0.08
Purchased electricity from renewable sources – UK/Ire	GWh	103.7/1.1	73.3/0.98
Purchased electricity from non-renewable sources – UK/Ire	GWh	97.9/0	118.6/0

* This information, taken in conjunction with Table 2 on page 49, represents SSE's disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements.

data centres) was from renewable sources, up from around 39% the previous year.

SSE is a member of the Climate Group's EP100 initiative to encourage businesses to double energy productivity associated with office and depot buildings by 2030 from a 2011 baseline.

Embedding circular economy principles

Circularity is built on the principles of reducing waste, increasing resource efficiency, and promoting renewable energy sources. By adopting circular strategies, SSE is able to minimise its environmental impact, enhance operational efficiency, strengthen resilience to resource shortages and create new value for stakeholders. SSE is

introducing the concepts of circularity into its business activities and is collaborating with stakeholders to create solutions for industry-wide challenges and support circular supply chains.

Table 7 outlines SSE's key waste data, including by end destination. In 2022/23, SSE managed 6,063 tonnes of waste, up from 5,287 tonnes in 2021/22. This increase was due to SSE widening the scope and improving the accuracy of its waste data. SSE's target for 2022/23 was to divert 85% of waste by tonnage from landfill and recycle 40% of waste by tonnage. It exceeded these targets, with 65% of SSE's total waste being recycled/composted and only 5% being sent to landfill. The proportion of waste sent to landfill more halved compared to the previous year,

Data and assurance

SSE takes an integrated approach towards assurance utilising internal audit and external assurance providers to ensure accurate, complete disclosures. Where data has been externally and independently assured, this has been noted in the relevant tables. In all other areas, data is identified and disclosed according to SSE's internal processes, guided by environmental regulations where appropriate.

with a higher proportion of waste being processed as energy from waste and an increase in recycled waste as well, as a result of improved recycling processes implemented at sites and as the inclusion waste recycling data such as metals.

Over 2023/24, SSE expects to further broaden the coverage of waste performance data to include large capital projects and minor works. SSE's 2023/24 performance target is to divert 95% of waste by tonnage from landfill and recycle 50% of waste by tonnage. It is expected that the planned scope expansion of waste data in 2023/24 will influence performance, in particular recycled waste data. SSE will continue to review its waste target to ensure that it remains stretching.

Table 7: SSE's waste data by end destination

		2022/23	2021/22
Total waste produced	Tonnes	6,063	5,287
Proportion of total waste:			
Sent to landfill	%	5%	12%
Processed as energy from waste	%	29%	25%
Recycled	%	62%	59%
Composted/sent to anaerobic digestion	%	3%	1%
Treated	%	2%	4%
Hazardous waste	Tonnes	144.4	147.9

Data excludes waste data from contractors for large capital projects, minor works contracts and some specialised waste streams.

Engagement in action Suppliers, contractors and partners



A coalition for circularity in the wind sector

SSE Renewables' wind portfolio in the UK and Ireland comprises some of the most productive onshore wind generation assets in Europe. The optimum maintenance of those assets further maximises value to SSE, whilst contributing to climate mitigation solutions. The opportunity to maintain the components of those assets using circular economy principles (reduce, reuse, repair, remanufacture, recycle, and recover) is emerging as an important driver of future commercial, social and environmental value.

SSE Renewables is driving forward a strategy to increase the use of refurbished and remanufactured minor component parts for the maintenance and repair of existing components across its wind portfolio, with particular focus on its onshore portfolio in the immediate term. Through a partnership with Scottish-based SME, Renewable Parts Ltd, rather than replacing broken turbine gears with newly manufactured gears, Renewable Parts refurbish and repair existing components to a high standard, with high-performance outcomes. This practical solution has been

instrumental to establishing a wider circular model throughout the wind industry supply chain.

To support the acceleration of a circular economy for the wind sector based in the UK, this year SSE Renewables, the University of Strathclyde and Renewable Parts joined forces to launch CWIC, the Coalition for Wind Industry Circularity. CWIC aims to stimulate collaboration between industry peers, suppliers, and government agencies to unlock and deliver economic, social, and environmental opportunities. There are immediate opportunities in the repair and maintenance of existing wind assets, and a longer-term prize through the design of future wind technology both onshore and offshore.



A sustainable approach continued

Ensuring a just transition

A sustainable transition to net zero is one that is fair to working people, consumers and communities. SSE seeks to ensure the benefits of net zero are shared widely and unfairness is predicted and pre-empted. Influencing a fair and just transition to net zero is a strategic objective for SSE.

SSE's UK and Irish GDP contribution, jobs supported and taxes paid for 2022/23

UK contribution to GDP
£6.04bn
2021/22: £5.98bn

Ireland contribution to GDP
€429m
2021/22: €417m

UK jobs supported
39,940
2021/22: 45,290

Ireland jobs supported
2,430
2021/22: 1,840

UK taxes paid
£502m
2021/22: £335m

Ireland taxes paid
€53.8m
2021/22: €46.4m



2021/22 contribution to GDP figures have been adjusted to current prices.

Leading on a just transition

SSE published its Just Transition Strategy in November 2020, setting out the 20 principles it will follow to ensure that the impacts from the decisions it takes are fair and that it maximises the opportunities for communities to benefit from net zero. The 20 principles sit under five key themes: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs, supporting communities.

With SSE's Just Transition Strategy, and a subsequent report focused on the worker transition in 2021, SSE continued extensive multi-stakeholder engagement in the pursuit of a net zero transition that is fair to working people, consumers and communities.

This has taken several different forms including:

- **Just transition documentary:** A short documentary featuring voices of SSE employees with the lived experience of transitioning from high- to low-carbon work, supplemented by the perspectives

of the Prospect trade union and environmental NGO WWF aimed to bring the notion of a just transition to life. The film explains that a just transition is about protecting workers and communities in the face of substantial industrial change and that people must be at the centre of efforts to tackle climate and nature crises. This documentary has been shared widely with stakeholders including trade unions, investors, and NGOs, and was also shown to over 1,660 employees.

- **Multi-stakeholder event:** An event in London in April 2023 aimed to normalise the just transition within corporate climate discourse, enhancing accountability and bringing the just transition from concept to action. The objectives included establishing a sense of collaboration and openness around a just transition; showing SSE's good stewardship of its own transition to net zero and highlighting the business benefits that come from establishing the world's first business strategy for a just transition.

- **Measuring progress report:** A progress update published in April 2023 in which SSE set out to demonstrate the impact its 20 principles for a just transition have had across the business. These specifically aim to promote a smooth, fair and just transition to net zero by disclosing progress (or otherwise) against the Just Transition Strategy.

More details on the report and the short documentary can be found at sse.com/sustainability/just-transition/



Sharing the benefits from net zero

Contributing to jobs and GDP

Under its revised Net Zero Acceleration Programme Plus, SSE plans to invest £18bn in the five years to March 2027. This scale of investment generates considerable value for the communities in which SSE operates.

Every year SSE commissions an independent assessment of the value it adds to GDP and the jobs it supports across the UK, Scottish and Irish economies. Over 2022/23, SSE contributed an estimated £6.04bn to UK and €429m to Irish GDP. This represented a slight increase compared to 2021/22 figures, which were £5.98bn and €417m respectively (adjusted for current prices). Jobs supported in these countries fell from 47,130 in 2021/22 to 42,370 in 2022/23, due to a reduction in supply chain spend. More detail on SSE's contribution to GDP and jobs supported in 2022/23 can be found in SSE's [Sustainability Report 2023](#).

SSE's economic contribution reports can be found at sse.com/sustainability/.

Paying a fair share of tax

SSE considers the responsible payment of tax a core element of how it shares value with society. While SSE was the first FTSE 100 company to be Fair Tax accredited in 2014, in 2022/23, SSE also became the first company to transition from the Fair Tax Foundation's UK HQ Multinational accreditation to the Foundation's new Global Multinational accreditation.

The purpose is to demonstrate an ongoing commitment to upholding the principles of fair tax as SSE expands internationally.

Over 2022/23, SSE's total tax contribution was £1.3bn, consisting of £549m taxes paid (including £217m corporation tax) and £764m taxes collected. Further information on SSE's tax position can be found on [pages 93 and 237 to 239](#) of this report, and in the [Sustainability Report 2023](#).

SSE is committed to the transparency of its tax affairs and publishes an annual Talking Tax report with enhanced country-by-country tax disclosures alongside detail of SSE's tax strategy. SSE's Talking Tax reports can be found on sse.com/sustainability/.

Sharing value directly with local communities

An integral part of a just transition is being a positive contributor to local communities by sharing the economic value from its assets and its business activities. During 2022/23, SSE invested around £16.5m in communities across the UK and Ireland. This included £10m awarded through SSE Renewables community funds, £1.4m awarded through SSEN's Resilient Communities Fund, and around £5m of donations made directly to charitable groups by SSE Airtricity to support with the cost of living crisis (see [page 64](#)), alongside smaller contributions from employee-led initiatives.

Invested in communities across the UK and Ireland by SSE in 2022/23.

£16.5m

SSE recognises the exceptional challenges faced by communities because of the cost of living crisis and in 2022/23 consulted with a wide range of stakeholders to understand where community funding could make the biggest difference. With stakeholder approval, SSE focused on investing in projects which would directly help improve energy efficiency and reduce fuel poverty. In November 2022, SSE Renewables' Sustainable Development Fund panel awarded its largest-ever single award of £1m to support the Highland Energy Efficiency Programme which provides energy efficiency measures including solar, battery, air source heating and insulation to households in extreme fuel poverty.

More detailed disclosure on SSE's community investment can be found in SSE's [Sustainability Report 2023](#), available at sse.com/sustainability/.

A sustainable approach continued Ensuring a just transition continued

A guarantee of fair and decent work

Jobs for net zero

With the scale of growth in energy investment over the next decade, it is essential that action is taken to attract more people into STEM (Science, Technology, Engineering, Maths) careers, whilst training existing talent to ensure the sector has a future-fit workforce with the skills and talent to deliver net zero.

Within SSE, at least 1,000 new jobs are expected to be created every year to 2025. Opportunities will be created in a range of role types, which will mean adding to existing skills and delivering new skills as SSE moves into new technologies. To fill these roles, SSE's recruitment strategy seeks to bring new talent into the organisation immediately, at the same time as developing a longer-term pipeline to meet the skills needs of the future.

New jobs expected to be created every year to 2025

1,000

For the jobs of today, SSE focuses on recruiting new talent through its early careers and pipeline programmes, as well as attracting those from sectors like oil and gas as part of the just transition, and reaching those in wider industries with similar skills such as mining, construction, transport and logistics.

To support a long-term pipeline, SSE works to inspire young people into STEM careers through strategic partnerships with secondary and primary schools (see SSE's [Sustainability Report 2023](#) for details), and over 2022/23 has performed a skills gap analysis to understand key training requirements for existing talent (see 'Developing the future skills required for net zero' on this page for more details).

At 31 March 2023, SSE's headcount was 12,180, up from 10,754 at 31 March 2022. This includes 100 employees in locations outside the UK and Ireland. To meet the demand of its growing Business Units, the total number of people joining SSE rose from 2,290 in 2021/22, to 3,226 for the same time period in 2022/23. This means that SSE filled a total of 4,401 positions across internal and external recruitment over 2022/23, an increase of 38% from 2021/22. For information about SSE's approach to inclusive and diverse hiring, see its [Inclusion and Diversity Report 2023](#).

SSE's employee retention level in 2021/22 was 90.5%, which remained slightly elevated compared to pre-pandemic rates. In 2022/23, retention decreased to 89.5% reflecting a return towards pre-pandemic labour market conditions. SSE's 2022/23 voluntary turnover rate was 7.0%, compared to 7.8% in 2021/22.

Developing the future skills required for net zero

SSE's investment in learning, training and development increased to £10.4m in 2022/23 from £7.5m in 2021/22. Average training hours per full-time employee was 19.8, a decrease from 20.7 in 2021/22, with 85.5% of SSE's employees receiving some form of training over the year.

Core to SSE's strategy to build its future workforce is consistent investment in its pipeline programmes. These pipeline programmes include apprenticeships, technical skills trainee programmes and graduate programmes. The number of people on one of SSE's pipeline programmes increased to 564, compared to 465 individuals in 2021/22. Investment in pipeline programmes increased to £12.8m in 2022/23 from £9.8m in 2021/22. This brings SSE's total investment in pipeline programmes over the last three years to just over £30m.

Total investment in learning, training and pipeline programmes in 2022/23

£23.2m

Over 2022/23, SSE identified the critical skills of its workforce required to deliver its Net Zero Acceleration Programme (NZAP). Actions have been identified to develop the skills of new and existing talent for the key roles it recognises as facing potential skills shortages. This approach to development and training is especially important for skills gaps that recruitment alone will not solve.

Targeted investment and focus was given to a series of specific skills gaps and shortages across the SSE Group, from upskilling existing electrical jointers, to developing new roles in system planning to support smart grids. Simultaneously, SSE is working to understand the skills required for new technologies of the future, for jobs that may not exist today, but which may be required to be implemented at pace to deliver net zero by 2030.

SSE has also continued to develop its graduate offering to ensure that it attracts future talent into this key early career pipeline. SSE has significantly expanded the number of graduate placements, from 60 participants in 2020/21 to 220 graduates enrolled for the September 2023 scheme which covers 13 different programmes.

More information on SSE's approach to learning and development and its training programmes can be found in its [Sustainability Report 2023](#).

Paying a fair wage

Fair remuneration is a cornerstone of SSE's approach to being a responsible employer and providing good jobs. SSE is actively involved in the living wage movement. Having been a real Living Wage accredited employer in the UK since 2013, it has also paid the Living Wage in Ireland since 2016 and continues to chair the Living Wage Scotland's Leadership Group.

In September 2022 in response to the cost-of-living crisis, the Living Wage Foundation announced the new real Living Wage for the UK two months earlier than usual. This saw a 10.1% increase from the 2021 UK rate. SSE welcomed the action taken by the Living Wage Foundation and implemented the increase in November 2022, backdated to the 1 October 2022.

Since its accreditation as a Living Hours employer in March 2021, SSE has been working to roll out this enhanced standard across its supply chain.

The right to freedom of association and collective bargaining

Everyone in SSE has the fundamental right to freedom of association and to join a trade union. SSE has four recognised trade union partners (Prospect, Unite, Unison and the GMB) which it works with through the Joint Negotiating and Consultative Committee and through regular ongoing dialogue. In 2022/23, 50.3% of SSE's total direct workforce were covered by collective bargaining agreements. Broader incorporation of employee voice is recognised by SSE as an important part of decision-making and strategy. See the stakeholder engagement section on employees on [page 28](#) of this report.

A growing package of employee benefits

SSE offers a wide range of employee benefits, including flexible working arrangements, 21 weeks of fully-paid maternity leave, all-employee share plans, a holiday purchase scheme, cycle-to-work schemes, salary sacrifice low emissions car scheme, and technology loans, amongst other initiatives.

In November 2022, SSE announced significant improvements to its family leave offering, well beyond the statutory minimum specified in UK and Irish employment law. The enhancements aimed to ensure that all new and prospective parents at SSE feel supported, regardless of personal or family circumstances and where they are on the journey to becoming a parent. This includes an additional seven weeks paid leave for partners, two weeks' full pay pregnancy loss leave, and two weeks' full paid leave for fertility treatment. See SSE's [Inclusion and Diversity Report 2023](#) for more information.

Over the course of 2022/23, SSE also enhanced its offering around health and wellbeing support. More detail can be found (see [page 63](#)).

Embedding a healthy business culture

SSE has well established processes and procedures to embed a healthy business culture at all levels of its business, to support people to do the right thing. SSE's 'Doing the right thing' guide to good business ethics applies to direct employees and those that work on SSE's behalf, and covers a wide range of topics, including bribery and corruption, fair competition, engagement with politicians and regulators, and cyber security. It is supported by a number of internal and external documents to help colleagues to do the right thing, which are outlined throughout the guide. The guide is available publicly at [sse.com/sustainability](#) and is promoted to all employees through SSE's internal communication channels and mandatory e-learning modules, as well as being highlighted to suppliers in SSE's Sustainable Procurement Code.

SSE also has a suite of mandatory ethics and compliance training modules, including modules on fraud awareness, bribery and anti-corruption, and anti-money laundering and financial sanctions, which all employees must complete bi-annually. Additional modules on competition law and REMIT are required for selected employees.

A review of cultural metrics is undertaken twice annually by the Board supported by a cultural dashboard (see [pages 137 and 138](#)).

Table 8: Reported incidents of suspected wrongdoing by category

Category of incident reported	2022/23	2021/22
Health and safety (General Safety/Covid-19/Environmental/Product Contamination)	8	9
Dishonest behaviour (Fraud/Theft/Bribery/Integrity/Money laundering/Corruption)	16	12
Conduct (Bullying/Harassment/Victimisation)	10	15
Inclusion and diversity (Racism/Discrimination/Unfair Treatment)	2	2
Drugs/alcohol	5	0
Regulatory Compliance	1	0
General (Data Protection/Policy/Reputation/Corporate Governance/ Failure to Investigate)	8	11
Total	50	49

Table 9: Outcomes of investigations into reported incidents of suspected wrongdoing

Outcome of investigation	2022/23	2021/22
Dismissal/Resignation	10	1
Warning issued	1	5
No action taken	0	4
Investigated as grievance	1	3
Investigated and partly substantiated but with no action taken	16	15
Investigated but case not proven	12	13
Initial investigation established insufficient evidence to proceed further	4	4
Unable to investigate due to insufficient information to establish the nature, cause, location or otherwise of the allegation	1	4
Cases Still Under Investigation	5	0
Total	50	49

Reporting and investigating wrongdoing

A healthy business culture is one where everyone feels able to speak up, in the event of wrongdoing. People that work for SSE, or on its behalf, are encouraged to speak up and are protected from retribution. SSE has an independent whistleblowing channel, hosted by SafeCall, with the option to report anonymously, which supplements internal reporting channels.

The number of reports of suspected wrongdoing has remained stable year-on-year, with 50 reports made through SSE's speak up channels in 2022/23, compared to 49 the previous year. Every report is triaged and considered for investigation. SSE monitors the trends of Speak Up cases closely. The outcomes of reported incidents and investigations for 2021/22 and 2022/23 are outlined in Table 8 and Table 9.

Supporting whistleblowers

SSE's Speak Up Aftercare Programme has been designed to promote good communication with people who speak up and provide reassurance that there will be no detriment for anyone speaking up in good faith. The programme takes the form of a survey that is issued at the point of initial complaint, at 90 days and then at 180 days. Each survey is slightly different, having been designed to ensure that there is opportunity to highlight detriment in any form, provide an outlet for discussion and resolutions, and also seek feedback for SSE on the user experience, ease of reporting, what went well and to constantly improve the service SSE is offering.

SSE's Group Whistleblowing Policy is available on [sse.com/sustainability](#), with the effectiveness of SSE's whistleblowing arrangements reviewed twice yearly by the Group Executive Committee and the Board.

A sustainable approach continued
Ensuring a just transition continued

Promoting inclusion and diversity

SSE's approach to inclusion and diversity

SSE's Inclusion and Diversity Strategy, launched in 2021, builds on the inclusion and diversity initiatives that SSE has been undertaking since 2014. It is framed on four pillars: Ambition; Education and Development; Inclusive Processes; and Employee Voice.

Delivery of the strategy relies on engagement and effort from many in SSE, and has been informed through collaborating with external partners to identify opportunities for further improvement. It focuses on inclusion for all by listening to underrepresented groups and their unique experiences, and invests leadership development to help shape and influence the actions needed to embed positive change across all levels of the business. Learnings from these initiatives will continue to develop the strategy further.

Developing leadership to drive inclusion from the top

SSE's has a number of leadership programmes in place, which are designed to build leadership confidence and raise awareness for all to create an inclusive workplace. This includes SSE's Igniting Inclusion Programme, which supports managing directors and Business Unit executive committees to learn about key inclusion and diversity themes, and how these can be practically applied in the workplace. Over 2022/23, SSE also embedded inclusivity throughout its existing Leadership Blueprint, ensuring that leaders build proud and inclusive teams.

Creating an inclusive employee culture

Listening to employees enables SSE to focus business priorities and improve initiatives, whilst also ensuring employees feel valued and have increased opportunities for development. SSE gains insight on employee voice through its 'Belonging in SSE' communities, each of which is sponsored by a Managing Director, and which aim to bring people together across the organisation for open and constructive employee-led discussion. Over 2022/23, SSE increased its members in the 'Belonging in SSE' communities to just over 2,000 and continued to listen to, and engage with, employees on subjects such as intersectionality, culture, ethnicity, and neurodiversity. Each Belonging in SSE community has developed an action plan and every two months they meet with SSE's Group Executive sponsors to discuss progress and opportunities to move forward with their action plans.

Measuring progress

A key part of SSE's Inclusion and Diversity Strategy is the ability to measure the progress being made as a result of the various initiatives in place. SSE has been tracking progress against a wide range of diversity metrics within the business since 2015, including the proportion of women, ethnic minority, disabled, and LGBTQIA+ employees. Setting measurable ambitions that align with best practice enables SSE to work towards stretching ambitions and monitor its progress against these.

Inclusion and Diversity Report 2023

SSE publishes an annual Inclusion and Diversity Report, which provides comprehensive information around SSE's Inclusion and Diversity Strategy and progress against it.

Further information around SSE's approach to inclusion and diversity over 2022/23, the actions it is taking to drive improvements and plans for the coming years, see SSE's Inclusion and Diversity Report 2023, available at sse.com/sustainability.



Ambition



Setting measurable goals
Setting ambitions and KPIs, and using external benchmarking.

Education and development



Focusing on behaviours
Building leadership confidence and raising awareness for all to create an inclusive workplace.

Inclusive processes



Embedding best practice
Ensuring policies and processes are inclusive and support everyone.

Employee voice



Actively listening
Understanding what matters to employees to inform and shape the improvements needed.

SSE's 2023 gender pay gap

Between 2021/22 and 2022/23, SSE saw a positive trend in its headline UK gender pay gap statistics. SSE's gender pay gap reduced from 18.0% at 5 April 2022 to 15.3% at 5 April 2023.

The reduction in SSE's UK median gender pay gap between 2021/22 and 2022/23 has been driven by three main contributing factors:

- Interim cost-of-living pay increase:** In recognition of the cost-of-living pressures affecting its employees, on 1 October 2022 SSE brought forward part of its trade union negotiated cost of living increase for 2023, by awarding up to a 5% increase to all employees earning less than £100,000 annually. The structure of this pay award was to prioritise helping those on lower salaries who are most affected by the rise in living costs, therefore employees received either a 5%, 3%, or 0% increase depending on their salary, with those in the lower pay brackets receiving the highest percentage increase. At SSE representation of women is highest in the lower and lower-middle pay quartiles, resulting in a higher percentage of female employees receiving a 5% pay award. However, the full impact of the 2022/23 pay award on SSE's gender pay gap will not be fully understood until the second part of the award is made for full-year in the first quarter of 2023/24 (backdated to 1 April 2023).
- Salary uplift for employees on Joint Agreement contracts:** SSE introduced a new skill-based Pay Progression model in 2021, which saw employees' salaries being mapped according to their skill-level. This resulted in many employees receiving salary uplifts, mainly those in the lower pay quartile. As SSE has higher female representation in this quartile, this meant a high number of women received a pay increase. Over 2022/23, the positive impact of this new pay model on the gender pay gap has continued with a slightly higher proportion of female employees progressing through the pay progression framework.

SSE's 2023 UK gender pay gap performance

UK gender pay gap

Median
15.3%
(2022: 18.0%)

Mean
12.1%
(2022: 13.2%)

UK bonus gender pay gap

Median
14.7%
(2022: 17.6%)

Mean
44.3%
(2022: 45.9%)

- Increasing representation of women in high-paid roles:** Over 2022/23, female representation in high-paid roles, classed as those earning over £100,000 per year, has more than doubled from 25 to 53 female employees, compared to a 50% increase for male employees, from 145 to 217. Due to SSE's female population representing 30% of its workforce, changes such as these have an impact on the median pay gap.

More detail on SSE's UK gender pay gap, including further data, analysis, and disclosure of the wide range of actions taken to reduce the pay gap, is provided in SSE's [Inclusion and Diversity Report 2023](https://sse.com/sustainability).

SSE has voluntarily disclosed its Ireland Gender Pay Gap since 2021, calculating it in line with the UK Gender Pay Gap methodology, based on a snapshot date of 5 April. In December 2022, SSE disclosed its first set of Ireland gender pay gap data in line with the Irish Government's new mandatory gender pay gap requirements which launched in May 2022. This data is calculated using a 30 June snapshot and SSE will publish its 2023 Ireland gender pay gap disclosure later in 2023. More detail on SSE's 2022 Ireland gender pay gap can be found at sse.com/sustainability.

SSE's 2022/23 recognition

Ranked #30 in the top 100 Globally for Gender Equality by Equileap. ✓

Included in the Bloomberg Gender Equality Index for the 6th consecutive year. ✓

Performed in the top decile of WDI responders for 2022 submission. ✓



A sustainable approach continued Ensuring a just transition continued

Making progress with women's representation

In 2021/22, SSE simplified its gender reporting and set stretching gender ambitions in line with the FTSE Women Leaders Review. These are outlined in Table 10 and are approved by the Group Executive Committee (GEC) and Board-level Nomination Committee.

Over 2022/23, progress has been made across the business, moving SSE closer to achieving its medium- and long-term targets. Female representation on the Board is currently 42%, following changes to the Board which took effect post 31 March 2023, which remains above the 40% Board Policy target. Full details of changes across membership and Nomination Committee focus are set out on [pages 115 and 142 to 149](#). The representation of women in the GEC and direct reports has increased from 22.4% at 31 March 2022 to 34% at 31 March 2023, representing maintenance of the progress disclosed in the 2022 Annual Report and offering a strong platform for continued work towards the 2025 ambition of 40%.



Table 10: SSE's gender data for senior levels and all employees at 31 March in each year

	Year	Ambition	2022/23 % Female (Male/ Female headcount)	2021/22 % Female (Male/ Female headcount)
Board ¹	Ongoing	50%, with no less than 40% female representation	46% (7/6)	50% (6/6)
Group Executive Committee (GEC) ²	–	–	27% (8/3)	25% (6/2)
GEC ² and direct reports (excl. administrative roles)	2025	40% female	34% (54/28)	22.4% (45/13)
Leadership Group ³	2030	40% female	25% (812/274)	23.7% (681/212)
All employees	2030	33% female	30% (8,525/3,655)	28.8% (7,658/3,096)

- As at 23 May 2023, the Board has 42% female representation (seven men and five women), see [page 149](#) for more detail.
- In the context of gender reporting, the GEC includes all members of the GEC and the Company Secretary. This is the definition of senior managers in SSE for the purposes of s414C(8)(c)(ii).
- Employees in SSE's senior level pay grades.

Wider diversity targets

SSE tracks progress against a range of diversity metrics, including the proportion of ethnic minority, disabled, and LGBTQIA+ employees. Senior leaders focus on progress as part of broad internal inclusion and diversity ambitions quarterly, and these metrics are reviewed twice yearly by the GEC and the Board. SSE understands that transparency supports inclusion and diversity progress, and therefore is working to increase the proportion of employees disclosing their diversity data to SSE, so that it can improve external disclosure as it becomes feasible to do so.

Over 2022/23, SSE has developed its ethnicity pay gap analysis, in line with the UK Government guidelines published in April 2023. SSE is using this data for internal analysis and aims to publish its ethnicity pay gap when employee disclosure rates are high enough to ensure anonymity and

provide meaningful insight. At 31 March 2023, SSE had an employee disclosure rate of 39% of the total employee population for diversity metrics including ethnicity, sexual orientation, and disabilities, an increase from 32% the previous year. SSE's diversity data based on the population of employees disclosing this information is provided in Table 11. Increasing employees' voluntary disclosure of their diversity data, even if they select 'prefer not to say', is essential in order for SSE to set ambitions, develop strategies, and gain learnings that will increase diversity within the business. See SSE's [Inclusion and Diversity Report 2023](#) for details about how SSE is working to increase diversity data disclosure rates.

An ethical business culture alongside inclusion and diversity are directly linked to the Group Principal Risk of People and Culture – full details are available on page 75.

Table 11: SSE's wider diversity data at 31 March in each year*

Diversity category	Year	Ambition (% of employees)	2022/23 (% of employees)	2021/22 (% of employees)
Disability	2030	8	8.9	6.8
Ethnic Minority	2030	15	8.1	6.3
LGBTQIA+	2030	8	3.8	3.6

* Data is collected on SSE's HR data reporting system 'Harmony'. Gender has a 100% completion rate, and is based on biological sex. Disability, Ethnic Minority, and LGBTQIA+ data is voluntarily disclosed by employees, with a 39% disclosure rate at 31 March 2023 and a 32% disclosure rate at 31 March 2022. Data excludes those without facility to share information on Harmony.

Protecting health, safety and wellbeing

Monitoring health and safety performance

Safety remains SSE's first priority with the objective that 'everyone gets home safe' and that focus is all the keener following the tragic death of Liam Macdonald, a young contractor working on Shetland, in June 2022.

The Total Recordable Injury Rate (TRIR) for direct employees and contractors combined was 0.19 per 100,000 hours worked, up from 0.17 in 2021/22. This increase reflects a significant surge in investment and construction, and an associated rise in contractor hours worked. Further detail on SSE's TRIR is outlined in Table 12, with additional information on contractor safety outlined on [pages 66 and 164](#).

SSE seeks to embed a strong safety culture and to ensure that all those working on its behalf feel confident to speak up around safety. In SSE's 2022 all-employee survey, which had a 79% response rate, 92% of employees said that their manager sets the right example when it comes to Safety, Health and Environment and 94% said that SSE makes it easy for people to do the right thing on Safety, Health and Environment.

Detailed information on SSE's health and safety performance over 2022/23 is provided in the Safety, Sustainability, Health and Environment Advisory Committee report on [pages 162 to 165](#) of this report and in the [Sustainability Report 2023](#).

Taking a holistic approach to wellbeing

In 2021/22, SSE undertook a strategic review of occupational benefits which also included recruitment of a dedicated Head of Health and Wellbeing. The review recognised that while a very good range of support was already in place, there were opportunities for some services to be used more and/or expanded upon.

Building upon the outcomes of the strategic review and recognising the impact which Covid and the cost of living crisis have had on employees' wellbeing, over 2022/23 SSE developed a holistic range of benefits which support physical, mental and financial wellbeing.

In addition to providing a wider range of support services, a key focus in 2022 was to make it easier for employees to access the right form of support when they need it. As a result, SSE launched the Health Hub, an online portal with clear signposting to all of

Table 12: Total Recordable Injury Rates for SSE's employees and contractors

	Unit	2022/23	2021/22
Total Recordable Injury Rate – employees and contractors	Per 100,000 hours worked	0.19	0.17
Total Recordable Injury Rate – employees	Per 100,000 hours worked	0.10	0.09
Total Recordable Injury Rate – contractors	Per 100,000 hours worked	0.34	0.32

the wellbeing support and guidance available to employees.

Increased investment in employee health

Over 2022/23, SSE made a significant investment to enhance the health support it provides to its employees. One of the key investments it made was the launch of a new service, WeCare, which enables employees in the UK and Northern Ireland to access free online GP appointments within 48 hours and access to a private prescription service, to help colleagues receive the medical care they need. WeCare can be used by all UK and Northern Ireland employees, as well as their immediate family who live in the same home, and it also offers 24/7 support on physical and mental health issues, general wellbeing and financial and legal matters. Employees in Ireland can receive similar support through SSE's partnerships with VHI Healthcare.

In 2022, SSE also launched a pilot scheme in partnership with the British Heart Foundation providing employees with free health assessments. The service was accessed by over 150 colleagues in 2022/23 and SSE plans to make it more widely available in 2023/24.

These initiatives build upon a strong foundation of existing support services including Nuffield mental health and musculoskeletal support, comprehensive Employee Assistance Programmes, a suite of toolkits covering mental health, menopause and other health issues, a series of health and wellbeing webinars and Nudge, a financial education resource.

Safety and the Environment remains as a Principal Risk to the Group, further details on how this is mitigated can be found on page 77.

WeCare



- Free online GP appointments within 48 hours. ✓
- Access to a private prescription service. ✓
- 24/7 support on physical and mental health issues, general wellbeing and financial and legal matters. ✓
- Can be used by all UK and Northern Ireland employees, as well as their immediate family. ✓



A sustainable approach continued Ensuring a just transition continued

Providing affordable and clean energy

Avoiding the next energy crisis

SSE recognises the hugely challenging circumstances faced by energy consumers in 2022/23. SSE Airtricity responded through a combination of keeping tariffs as low as possible for all consumers through not passing through the full impact of wholesale costs, a price freeze for financially vulnerable consumers and customer support funds. The business also honoured its commitment not to make a profit in the year. Residual profits of €8.6m were distributed to ROI domestic customers in full, after the year-end in April 2023, amounting to a credit of €35 per customer.

Short-term measures, however, are not a long-term solution to high energy costs and a reliance on unpredictable sources of energy. Therefore, the need to accelerate the delivery of renewable energy generation

and accelerated energy efficiency rollout for homes and businesses is more important now than ever. It is this multi-track approach, supporting customers in the short-term, with industry and government working together in the medium-term for a secure, clean and affordable future energy system.

Powering greener homes and businesses

SSE Business Energy helps business customers of all sizes across the UK to reduce their carbon emissions through its green electricity offering. All SSE Business Energy green electricity is backed by Renewable Energy Guarantees of Origin (REGOs) and is independently verified. In addition to this, SSE Airtricity has a 50% ownership share in Activ8 Solar Energies, which carried out over 1,500 domestic solar installations in 2022/23, with further

plans to deliver up to 40,000 installations over the next 10 years. This activity is also helping to support local jobs, with the creation of 200 highly skilled green jobs over the next two years announced by Activ8 in 2022, supporting a just transition towards net zero.

Energy Affordability remains a Principal Risk to the Group, for further details please see page 73 

Engagement in action Energy customers



Supporting customers through exceptional times

SSE Airtricity provided a holistic range of practical measures up to the value of €25m, including targeting families who are struggling financially. This has included:

- **Price promise:** SSE Airtricity held energy costs at June 2022 levels until the end of March 2023, for up to 60,000 financially vulnerable customers.
- **Discretionary fund:** a €1m discretionary fund was created to provide direct support to customers in difficulty.
- **Energy efficiency measures:** to help tackle one of the root causes of fuel poverty, SSE Airtricity supported vulnerable households with energy efficiency. This has included delivering home energy upgrades for up to 600

vulnerable households, at no cost, and a €2.5m donation to not-for-profit organisation EnergyCloud, which will help divert surplus renewable energy to up to 10,000 fuel poor homes across Ireland.

- **Working with partners to support households:** over 2022/23, SSE Airtricity made donations to trusted charity partners to support households in need of financial assistance across the island of Ireland, regardless of who their supplier is. This included a €1m donation to St Vincent de Paul (SVP) and donations totalling £2m to Bryson Charitable Group.
- **Energy Bill Relief Scheme:** Airtricity also applied discounts to the value of £116m in the year to customers under the UK Government's Energy Bill Relief Scheme.


The number of customers benefiting from Airtricity holding prices at June 2022 levels was

60,000




Providing an inclusive service to network customers

SSEN Distribution's Priority Service Register (PSR) is the mechanism to target support for people in vulnerable situations. The PSR provides support for customers who require adapted services, or who may need additional support, particularly in the event of power cuts. It is therefore critical that the Register is comprehensive, accurate and captures all those in need.

To achieve that aim, in March 2023 a new website thepr.co.uk  was created through a collaborative initiative led by SSEN Distribution and including 10 Distribution Network Operators (DNOs) and Gas Distribution Network Operators (GDNs). This website brings together individual registers from DNOs and GDNs, making it easier to raise awareness of the additional support available nationwide. Furthermore, the website supports external partners such as local and national charities and NHS Trusts to promote the PSR to their customer base through a clear process.

Unlocking a just transition for network customers


SSEN Distribution is at the forefront of enabling net zero at a local level, operating the electricity distribution network that will facilitate new forms of heating, battery storage and many more electric vehicles. In March 2023, it published a report which explores how net zero can be delivered fairly for consumers, ensuring people can participate in and benefit from the energy transition.

The report, titled [A Fair Energy Future](#) , details the partnerships and innovation projects SSEN Distribution has undertaken to explore and understand the new energy challenges that consumers will face in the

next two decades with technology rapidly advancing and high-carbon heating and transport being phased out.

In addressing these critical issues, SSEN Distribution has created an action plan for delivering a just transition for energy consumers. With 10 commitments, it will progress alongside further recommendations for the energy industry and policy makers to help unlock the benefits of net zero for all consumers.

SSEN Distribution's commitments cover a range of areas, including: supporting knowledge-sharing and collaboration; addressing emerging vulnerabilities resulting from the transition to net zero; ensuring equal access to electricity infrastructure; and, supporting remote and rural communities, which may be off-grid, to benefit from the electricity system of the future.

The full report can be found at ssen.co.uk .



Creating new standards in equal EV access

In October 2020 SSEN Distribution established 'Equal EV', a collaboration with Disabled Motoring UK (DMUK) to identify the unique enablers and barriers faced by drivers with vulnerabilities adopting electric vehicles (EVs) and the role of technologies and Distribution Network Operators in removing barriers. The insights gained from the work have been instructive and have supported the inclusion of a commitment to improve accessibility at public charge points for disabled users in the UK Government's Electric Vehicle Infrastructure Strategy.

In 2022, the Equal EV project fed into the creation of the British Standard Institution (BSI) PAS 1899, a new specification on accessible public charge points for EVs covering the design of charge points, including the location spacing and surrounding environment, as well as the appropriate information, signals and indicators to be provided.

In addition, Disabled Motoring UK (DMUK) launched a parking standard called the Disabled Parking Accreditation (DPA) which signposts off-street car parks that are accessible to disabled people and will soon include a dedicated section on EV charge point provision.

Supporting a sustainable supply chain

An increasing focus on contractor safety

In 2022/23 there was a significant rise in contractor hours worked on SSE's large capital projects, which represent a higher-risk environment than for SSE's operational activity. SSE's contractor TRIR increased slightly compared to 2021/22 performance and there was a contractor fatality on Shetland in June 2022. See the Safety, Sustainability, Health and Environment Advisory Committee report on [pages 162 to 165](#) of this report for more information around SSE's response to this incident.

Given the rise in contractor hours worked in SSE's current growth phase, there is a need for a strategy that builds stronger, more collaborative relationships with supply chain partners to keep everyone safe.

A dedicated, Group-level contractor safety team was established in early 2023 to ensure partners are fully supported and performance is monitored across all of SSE's large capital projects.

Mitigating modern slavery in the supply chain

Over 2022/23, SSE continued to deliver its Modern Slavery Action Plan. Key developments over the year included the rolling out of its updated modern slavery clause and Living Hours clause into supplier contracts, and completion of onsite modern slavery audits.

SSE finalised the programme of onsite modern slavery audits for three of its key sites, which have been undertaken by third party organisation Stronger Together since 2021/22. Findings showed that health, safety, and labour standards were very high on all three sites assessed and that risk of modern slavery was very low. The gap analysis highlighted key improvement areas, including around risk identification, supplier due diligence and training, which have been embedded in SSE's Action Plan.

Deep dive assessments for high risk areas of SSE's business activities continued. Work was undertaken with Slave Free Alliance to identify risk associated with Solar and

Battery projects, and mitigation actions are ongoing. SSE Renewables increased focus on high-risk areas such as vessels which service offshore wind farms to identify key risk areas and ensure additional due diligence is put in place where required.

In addition, SSE continued to actively participate in a number of industry working groups and initiatives that seek to develop best practice and industry-wide approaches to addressing modern slavery.

More information on SSE's actions to mitigate the risk of human rights abuses and modern slavery, and the industry collaboration being undertaken, can be found in SSE's [Sustainability Report 2023](#).

Healthy supply chains influence SSE's exposure to the Principal Risks of Large Capital Projects Management and Speed of Change – further details on how these are managed can be found on pages 75 and 77.

Engagement in action Suppliers, contractors and partners



Supply chain learnings from COP27

SSE participated in climate debates on the fringe of COP27 in Egypt in November 2022. SSE's objective in its attendance was to further the case for net zero through the practical demonstration and example of its investments in low-carbon infrastructure in the UK, Ireland and beyond.

One further objective was to learn from international experiences in relation to the mining and extraction of metals and minerals critical to the technology required by SSE's investments.

SSE actively participated in discussions and panels on the just transition, considering issues through the lens of indigenous communities, many of whom host the commercial mining of minerals such as cobalt, lithium and silicon.

The result of the engagement was an understanding of the importance of 'FPIC' principles (free, prior and informed consent) and an imperative to work more closely with the most strategic suppliers on efforts to ensure components contained within the manufactured capital assets SSE procures are sourced from responsible sources.

The engagement at COP27 was particularly instructive to SSE and has led to the development of a workstream that can deliver a transition to net zero in a responsible and ethical way. This work, directly with suppliers, is in addition to ongoing human rights work with the Sustainability Supply Chain School and industry collaborations including Utilities Against Modern Slavery and Scotland Against Modern Slavery.

