

Sustainability summary 2019/20

BUILDING A BETTER WORLD OF ENERGY FOR TOMORROW

ALIGNING BUSINESS AND SOCIAL OBJECTIVES

SSE's strategic goal is to create value for shareholders and society. SSE recognises that a sustainable company is purpose-led; and that a purpose-led company is one that offers profitable solutions to the world's problems. The UN's Sustainable Development Goals (SDGs) are the blueprint for addressing global challenges, including climate change, and therefore SSE's four 2030 business goals are aligned to the UN's SDGs most material to its business.

This short report provides a summary of SSE's sustainability impacts over 2019/20. More information about SSE's sustainability performance can be found at sse.com/sustainability and in its Annual Report 2020 and Sustainability Report 2020, which will be published on 9 July 2020.



RESPONDING TO THE CORONAVIRUS PANDEMIC: SUPPORTING CUSTOMERS, EMPLOYEES AND COMMUNITIES



C-19 Business PLEDGE

In March 2020, SSE signed the C-19 Business Pledge, committing to support employees, customers, suppliers and communities through the coronavirus pandemic and the recovery efforts. Information on SSE's response to the crisis can be found on sse.com/coronavirus.

SSE'S BUSINESS GOALS FOR 2030

Cut our carbon intensity by 60%



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



Treble renewable energy output



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



Help accommodate 10m electric vehicles



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



Champion Fair Tax and a real Living Wage



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



TAKING MEANINGFUL CLIMATE ACTION

Carbon intensity performance

Despite a reduction in carbon emissions from thermal generation and a record year for SSE's renewable generation output, the carbon intensity of SSE's generated electricity increased marginally to 288gCO₂e/kWh in comparison to 284gCO₂e/kWh the previous year. This performance was in line with expectations in advance of the closure of Fiddlers Ferry in March 2020. This resulted in a change in generation output mix with gas generation output reducing whilst more carbon intensive coal generation output increased. SSE remains committed to reducing significantly the carbon intensity of its electricity generation.

SSE's carbon emissions

In 2019/20, SSE's total carbon emissions (scope 1, 2 and 3) fell by 6.5%, to 12.52m tCO₂e from 13.37m tCO₂e the previous year (exc. SSE Energy Services). This was largely due to a fall in carbon emissions arising from SSE's electricity generation activities, as a result of reduced thermal generation output, with a corresponding reduction in the emissions associated with the raw fuel purchased for the generation of electricity.

6.5%

Reduction in total carbon emissions between 2018/19 and 2019/20

Science-based targets

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

SSE's 2030 Goal for climate action will become more stretching from 2020/21 onwards. It is now targeting a reduction in the carbon intensity of electricity generated of 60% by 2030, compared to 2018 levels (the previous target was a 50% reduction from 2018 baseline). This target will be supported by three other targets which focus on reducing absolute emissions from material business activities:

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

Increasing climate-related disclosure

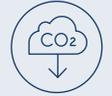
SSE has committed to meeting the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in full by March 2021. In making progress towards this commitment SSE published its 'Transition to net zero: the role of gas' report in November 2019, which uses climate scenario analysis to understand the role of its gas businesses in different decarbonisation pathways. SSE continues to align its climate disclosures in its Strategic Report to the recommendations and also responds annually to the CDP Climate Change Programme, which is aligned to TCFD recommendations, achieving an 'A-' leadership rating for its 2019 disclosure.

A-

2019 CDP Climate Change disclosure score



Cut our carbon intensity by 60%



The carbon intensity of electricity generated by SSE increased marginally between 2018/19 and 2019/20, from 284gCO₂e/kWh to 288gCO₂e/kWh.

The closure of its last remaining coal plant in March 2020 and significant development of its renewables pipeline mean that SSE has made very good progress in achieving its long-term objective of permanent carbon reduction from the production of electricity generated. In line with this progress, SSE increased its carbon intensity reduction target from 50% by 2030 to 60%, as part of setting its science-based targets.



In May 2020, SSE published its greenprint for a cleaner, more resilient economy to the UK Government – a set of practical proposals for helping the economy recover from the coronavirus crisis whilst taking climate action to achieve net zero. This includes a commitment to a net-zero power sector in the UK by 2040 and investment in a world-leading electric vehicle charging network.

PROVIDING AFFORDABLE AND CLEAN ENERGY

Record year for renewable output

SSE's renewable generation output in 2019/20 totalled 11.4TWh compared to 10.4TWh in 2018/29 (including constrained off wind in GB) – an increase of over 9%. This was mainly due to a significant increase in output of electricity as a result of more favourable weather conditions and a net increase in wind energy capacity in operation over the period (largely from Beatrice offshore wind farm (588MW, SSE share 40%)).

11.4TWh

Total renewable generation output in 2019/20

Significant success in the 2019 CfD Auction

SSE Renewables secured Contracts for Difference (CfDs) to build 2.2GW (Seagreen (454MW, at the time, SSE share = 100%) and Dogger Bank (3,600MW, SSE share = 50%)) of new offshore wind capacity through the Allocation Round in September 2019. The wind farms will be delivered at record low strike prices, demonstrating that offshore wind is now one of the cheapest forms of electricity generation in the UK. On completion, the wind farms as a whole will generate over 20TWh of energy annually, equivalent to nearly 7% of the UK's current electricity demand.

At the beginning of June 2020, SSE announced its plans to build Seagreen out to 1,075MW following the sale of a 51% stake to its new joint venture partner Total.

2.2GW

Contracts for Difference secured in 2019

Continued investment in onshore wind

SSE Renewables announced in January 2020 it will build Scotland's newest onshore wind farm, the 38MW extension to the existing 70MW Gordonbush wind farm in Sutherland, subsidy free.

In June 2020, SSE Renewables said it will proceed with construction of Viking Wind Farm (443MW), located on Shetland, which is being developed with community partnership Viking Energy Shetland. When complete, it will be the UK's largest onshore wind farm in terms of annual electricity output, playing a crucial role in contributing towards the UK and Scotland's net-zero targets.

Creating value through sustainable finance

In September 2019, SSEN's Transmission business issued its inaugural green bond worth £350m. This follows SSE's previous two green bonds of a combined €1.25bn issued in 2017 and 2018, and affirms SSE as the largest issuer of green bonds in the UK corporate sector. These green bonds help SSEN Transmission and the SSE Group as a whole take a leading role in supporting the transition to net zero through continued investment in renewable energy generation and the infrastructure needed to transport it to homes and businesses across the country.

£350m

Third green bond issued in September 2019

In 2018/19, SSE entered a £1.3bn Sustainable Revolving Credit Facility (RCF), linking an improved ESG performance to the pricing mechanism. SSE's target was to achieve a five-point improvement through ESG ratings provider Vigeo Eiris. In October 2019, SSE's score improved by 11 points from the previous year, from 51 to 62, which means the cost of debt on the RCF will be reduced.

Providing an inclusive service

SSEN Distribution has a core responsibility to ensure it meets the needs of customers who are more vulnerable. In 2019/20, it attained the British Standard for inclusive service provision (BS 18477) for the fifth consecutive year, which demonstrates SSEN's policies, procedures and services are accessible and fair to all customers.

SSEN also supports customers through its Priority Services Register (PSR) – a free service which provides adapted services and additional support during a power cut for customers who would benefit from extra help. In 2019/20, SSEN promoted the PSR through targeted awareness campaigns and new partnerships with organisations such as Citizens Advice, the Footprint Trust and the Centre for Sustainable Energy. In March 2020, SSEN had a total of 746,821 PSR customers, an increase of 5.6% compared to the same point the previous year.



Treble renewable energy output



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

Important progress was made to achieve 30TWh of renewable energy output by 2030 with success in the 2019 Contracts for Difference auctions and the investment decision to progress SSE's first subsidy-free onshore wind farm, Gordonbush Extension.

INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

Investing in the net-zero transition

In 2019/20, SSE's investment and capital expenditure in continuing businesses in the UK and Ireland totaled £1.4bn, taking the total for the five years to March 2020 to over £7.6bn. Over these five years, the large majority (70%) of this investment by SSE was in its core businesses of electricity transmission, electricity distribution and renewable sources of electricity. SSE has now committed to investment in core strategic infrastructure projects and to wider plans for investment to support the transition to net-zero emissions. This is currently expected to require total net investment by SSE of around £7.5bn in the period to March 2025.

£7.6bn

Total investment and capital expenditure over the last five years

Collaborating for innovation

Innovating, developing green technologies and creating increasingly smart electricity systems are vital to the achievement of a net-zero electricity system. Over 2019/20, SSE led, participated in and committed to the use of industry-leading innovative technologies and approaches:

- SSEN became the first UK transmission owner to energise sulphur hexafluoride (SF₆) gas-free technology. The innovative circuit breakers installed at its substation in Dunbeath, north of Scotland, are the first of their kind in the UK. SSEN seeks to demonstrate this viable alternative to SF₆ across the electricity industry.
- SSE Thermal, alongside 10 other leading energy and industrial companies, committed to transform the Humber region into the world's first 'zero-carbon cluster' by 2040. The consortium is focused on using emerging carbon capture and storage (CCS) and hydrogen technology to decarbonise energy and industry in the region. The initiative has the potential to capture and store around 10% of UK's carbon dioxide emissions per year by 2040.

- SSE Renewables and its project partner Equinor announced it will use the ground-breaking Haliade-X turbine for the Dogger Bank offshore wind farm. This means the world's most powerful wind turbine will be used to generate electricity at the world's largest wind farm.
- SSEN made significant progress in its first year of Project LEO (Local Energy Oxfordshire), a £40m collaboration for which SSE is the lead partner, that is one of the most ambitious and holistic smart grid trials ever undertaken in UK distribution networks. The project will seek to facilitate challenges as broad as: the move away from domestic gas heating, the increase in electric vehicle (EV) uptake, and the development of an ethical framework to secure SSEN's commitment to leave no-one behind in the transition to net zero.

A Network for Net Zero

SSEN's Transmission business has developed its Business Plan for the future of the north of Scotland electricity transmission system in 2021-2026. 'A Network for Net Zero' sets out a pathway for the north of Scotland to play its role in limiting global temperature increases to 1.5°C. The plan commits to five clear goals: transport the renewable energy that powers 10 million homes; 100% network reliability for homes and businesses; every connection delivered on time; one third reduction in Transmission's own GHG emissions; and delivering £100m in efficiency savings from innovation.

In December 2019, SSEN Transmission submitted its Business Plan for RIIO-T2 to Ofgem following formal engagement with stakeholders on the Business Plan development. Draft determinations on the Business Plan are expected from Ofgem in early July.

Electrifying SSE's vehicle fleet

As well as committing to providing the infrastructure needed within its network areas to support the electrification of transport in GB, in July 2019 SSE took an important step to reduce its operational carbon emissions by joining The Climate Group's

global EV100 initiative and committing to electrify its vehicle fleet. SSE operates one of the largest operational vehicle fleets in the UK and by 2030 will switch 3,500 of its vehicles to electric and install charging points for its employees to use. SSE has already installed over 50 charging points across 20 of its national locations.



Help accommodate 10m electric vehicles



SSEN Distribution is working at pace to pilot and trial electricity network flexibility that will enable local grids to accommodate, at scale, the electrification of cars.

SSEN's Project LEO and a partnership between government and network owners in Scotland represent two of the most significant projects in the UK that will help accelerate transport electrification. To support EV manufacturers, SSE joined the global EV100 initiative, committing to switch 3,500 of its vehicles to electric.

COMMITTING TO DECENT WORK AND ECONOMIC GROWTH

Adding value to the economy

Since 2011/12, SSE has commissioned professional-services firm PwC to calculate the scale of the economic value the company adds to society. Over 2019/20, SSE contributed £7.7bn to the UK economy, of which £1.4bn was in Scotland, and added €650m to the Irish economy.

Whilst the contribution in Ireland was relatively consistent with previous years (2018/19: €689m), the contribution made in the UK was lower (2018/19: £8.9bn). This was primarily driven by a reduced recorded spend in procurement due to the completion of major capex projects over the preceding two years and a decline in energy traded over 2019/20 compared to 2018/19, both of which led to a lower indirect and induced economic contribution. The full PwC report can be found at sse.com/sustainability.

£7.7bn

Contribution to the UK and Irish economies in 2019/20

Paying a fair share of tax

The coronavirus pandemic has highlighted the importance of quality public services in enabling governments to help people stay safe and support workers and businesses. Good public services and infrastructure must be paid for. SSE considers tax as one of the key ways in which businesses contribute to the societies that enable business success in the first place.

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

Investing in communities

Across its community investment and giving programmes, SSE invested £8.2m in communities across the UK and Ireland in 2019/20, compared with £8.5m in the previous year. This brings the total value invested by SSE in communities over the last five years to £35m.

£35m

Total value invested in communities over the last five years

In March 2020, SSE also committed to make up to £1m immediately available to fund community coronavirus responses and introduced new measures to work closely with community groups and offer flexibility during the crisis. By the end of May 2020, SSE had exceeded this commitment and granted more than £1m to support communities respond to coronavirus. Read more on sse.com/coronavirus.

If it's not safe, we don't do it

SSE's aim is to make sure everyone gets home safe. In SSE's 2019 employee engagement survey, 96% of SSE's workforce said they understand that at SSE, if it's not safe, we don't do it. 2019/20 marked the conclusion of SSE's '50by20' health and safety campaign and progress was made over the year in improving SSE's safety performance. The total number of injuries was 71, compared to 82 over 2018/19. The severity of the incidents also reduced, with one incident during 2019/20 that would be considered life changing compared to three incidents during 2018/19. Going forward SSE has introduced the concept of "Safe Days" as a new way to monitor and track its safety progress and performance.

96%

Proportion of SSE employees that believe "if it's not safe, we don't do it"

'Champion' status on inclusion

The more inclusive and diverse SSE's workforce and leadership teams are, the more business improvements will be made as SSE becomes more reflective of the customers and stakeholders it serves. SSE measures progress against its Inclusion Strategy by using Equal Approach's 'Return on Inclusion' tool which analyses the financial return from SSE's investment in inclusion initiatives. The latest results show SSE moving from 'Aspiring' into 'Champion' status, and generating financial return of £9.85 for every pound spent on inclusion. This return has more than doubled since SSE's initial return rate of £4.52 was calculated in 2017.



Champion Fair Tax and a real Living Wage



SSE continues to promote fair tax and a Living Wage as the core of its ability to share economic value with society.

In 2019/20 SSE achieved ongoing accreditation from both the Fair Tax Mark and the Living Wage, supporting both campaigns to attract more companies to become accredited. Furthermore, SSE continued its support of the new Living Hours initiative, which is designed to address negative impacts associated with exploitative zero-hour contracts.