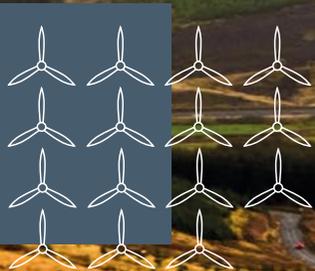




SSE Sustainability Financing Framework

August 2023



Introduction

SSE plc is a FTSE 100 UK-listed energy company with operations and investments across the UK and Ireland. It develops, builds, operates, and invests in low-carbon electricity infrastructure in support of the transition to net zero, including onshore and offshore wind, hydro power, flexible thermal generation, electricity transmission and distribution networks, alongside providing energy products and services to customers.

SSE's purpose is to provide energy needed today while building a better world of energy for tomorrow and its our vision is to be a leading energy company in a net zero world. SSE's strategy is to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero.



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SSE's approach to sustainability

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.

Since 2019, SSE has aligned its business strategy to the UN's Sustainable Development Goals (SDGs), which provide the framework to integrate the principles of long-term sustainability within its business strategy and guide the creation of 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.

SSE's 2030 Goals have addressing the challenge of climate change at their heart, and provide a framework for the Company as it works towards its net zero ambitions, ensuring that it does this in a way that is just and fair. These four 2030 Goals are linked to Executive management goals and linked to remuneration.

SSE's 2030 Goals

| | | | |
|--|--|--|--|
|  <p>Cut carbon intensity by 80%</p> |  <p>Increase renewable energy output fivefold</p> |  <p>Enable low-carbon generation and demand</p> |  <p>Champion a fair and just energy transition</p> |
| <p>Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO₂e/kWh</p>  | <p>Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.</p>  | <p>Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030.</p>  | <p>Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.</p>  |

In 2022, SSE undertook a sustainability materiality assessment, supported by a third-party professional services firm, the results of which reconfirmed the highly material nature of the 2030 Goals and the core issues they are focused on.

SSE's Net Zero Transition Plan

SSE aims to achieve net zero across its scope 1 and 2 emissions by 2040 at the latest (subject to security of supply requirements) and for remaining scope 3 emissions by 2050 at the latest. SSE's long-term net zero ambitions are supported by a series of interim carbon targets approved by the Science Based Targets Initiative (SBTi). These targets are aligned to the Paris Agreement and a 1.5°C pathway, and meet the strict SBTi criteria which requires that they cover scope 1, 2 and 3 GHG emissions.

SSE's series of SBTi-verified carbon targets are:

- Reduce absolute scope 1 and 2 GHG emissions by 72.5 % by 2030, from a 2017/18 base year;
- Reduce scope 1 GHG intensity of electricity generated by 80% by 2030, from a 2017/18 base year;
- Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year; and
- Engage with 50% of suppliers by spend to set an SBT by 2024.

SSE's two economically regulated businesses, SSEN Transmission and SSEN Distribution, as part of their respective business plans, have also set their own science-based GHG emission targets.

SSE's Net Zero Transition Plan sets out for stakeholders 17 key actions SSE will take to drive progress towards its net zero ambitions and its interim science-based targets, whilst also taking into account the cross-cutting issues of ensuring a just transition and climate adaptation and resilience. SSE reports its progress against the Plan, through its annual Net Zero Transition Report which is received by shareholders each year at SSE's Annual General Meeting for vote.

SSE's Net Zero Transition Plan and Net Zero Transition Report are available at [sse.com/sustainability](https://www.sse.com/sustainability).

SSE's approach to sustainability continued

Investing the net zero transition

In May 2023, 18 months after its initial launch, SSE's Net Zero Acceleration Programme (NZAP) was revised to reflect the increased opportunities created as the world pursues net zero. The new 'NZAP Plus' includes investment of £18bn over the five years to 2027, compared to £12.5bn over the five years to 2026 through the original NZAP. The Plan features revised growth targets to March 2027 for SSE Renewables of over 9GW of installed renewable generation capacity, including battery storage, alongside a considerable enhanced projection of the gross Regulated Asset Value of SSE's electricity transmission and distribution networks businesses of between £12bn and £14bn.

With around 90% of the NZAP Plus expected to be invested in either renewables or networks, the substantial majority of the investment plan is focused on climate solutions to achieve SSE's 2030 Goals, which are aligned to a 1.5°C pathway and linked to the UN SDGs most material to the business, and is aligned to the Technical Screening Criteria of the EU Taxonomy.

How SSE's businesses support net zero

Together, as a Group, SSE's businesses are well positioned to capture the substantial growth opportunities generated by driving and accelerating the net zero agenda through electricity infrastructure. The ways in which SSE's core business units work to support the net zero transition are outlined below.

SSE Renewables

SSE Renewables develops and generates zero carbon electricity at scale from wind farms and provides clean flexible power from its hydro schemes. The business comprises existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity, pumped storage, as well as solar and battery technology co-located on existing UK and new international markets. SSE Renewables is currently leading the construction of more offshore wind capacity than any other company in the world¹.

SSE Thermal

SSE Thermal owns and operates conventional flexible thermal generation in GB and Ireland, and around 40% of GB's conventional underground gas storage capacity. These assets provide much-needed system flexibility. SSE Thermal is actively developing options to progressively decarbonise its portfolio, most notably in carbon capture and storage and hydrogen technologies, with biofuel as a bridge into hydrogen.

¹ Correct at time of publishing.

SSEN Transmission

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands. Following a minority stake sale completed in November 2022, the business is owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. The business is well placed to capture significant long-term growth opportunities from investment in enhancing energy security and enabling the development of renewables across the north of Scotland.

SSEN Distribution

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.9m homes and businesses across central southern England and the north of Scotland. SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators with over 75,000km² of extremely diverse terrain. The business has significant growth opportunities as a key enabler of the local and national transition to a net zero future.

For more information on SSE's business model, see [sse.com/what-we-do](https://www.sse.com/what-we-do).

Ensuring a just transition to net zero

SSE is conscious that the scale of the economic transformation required to deliver a net zero economy will have consequences for communities, consumers and working people. In November 2020, SSE published its Just Transition Strategy which sets out 20 principles to guide the company as it transitions into a net zero world, and out of a high-carbon world, ensuring that the decisions it takes are fair and that it maximises the opportunities for all.

Since the publication of its Just Transition Strategy, SSE has published a number of reports focused on looking at the impacts of the just transition on key stakeholder groups which will be affected by it, and in April 2023 it published a report measuring its progress against its 20 principles for a just transition. In addition, social impacts are considered an important interdependency within SSE's Net Zero Transition Plan, and its just transition principles are integrated into its actions for net zero.

Rationale for establishing a Sustainability Financing Framework

As a major investor in the UK and Ireland's renewable energy infrastructure, SSE believes that Green and Sustainability Linked financing supports its long-term commitment to the principles of sustainability and the transition to a low-carbon economy, and any bond or loan issuance under this framework is in support of this strategy.

While environmental sustainability is core to SSE's purpose as an energy provider, it understands the critical importance of social and economic sustainability to its long-term future. In recent years SSE has implemented important policies to secure its social sustainability such as a firm commitment to the Living Wage in the UK and Ireland, and a responsible tax policy resulting in the achievement of the independent Fair Tax Mark. The participation in Green Bond markets complements SSE's strategy for long-term sustainability in its widest sense.

The issuance of Green Bonds supports SDG 13 on action to combat climate change, as the bond finances renewable energy in the UK and Ireland and the connection of future renewable generation to the UK energy system. For further information about SSE's contribution to the SDGs refer to SSE's most recent Sustainability Report, available at [sse.com/sustainability](https://www.sse.com/sustainability).

The growth in the sustainable finance market has been especially strong since the introduction of the first non-financial corporate Green Bond and the International Capital Market Association (ICMA) Green Bond Principles. SSE believes that the use-of-proceeds format has dominated the market so far, and there may be benefit to a thriving sustainable finance market of more strategic, enterprise-level sustainability financing.

Following SSE's Green Bond Framework (implemented in 2019 and updated in 2021), SSE established in 2021 a Sustainable-Linked Bond Framework under which it can issue Sustainability-Linked Bonds (SLBs). SLBs complement SSE's Green Bond funding programme and fit in well within its sustainable finance strategy.

SSE decided to update both its Green Bond Framework and its Sustainability-Linked Bond Framework in August 2023, into the present Sustainability Financing Framework (the 'Framework'), implementing the following major changes:

- Include all green and sustainability linked financing under one document, therefore aligning the framework to the ICMA's Green Bond Principles and Sustainability Linked Bond Principles and to the Loan Market Association's (LMA's) Green Loan Principles and Sustainability Linked Loan Principles. Therefore, the Framework applies also to Green



Loans, Sustainability-Linked Loans ("SLLs") and any other Use of Proceeds or General Corporate Purpose instrument (e.g. hybrid bonds, convertible bonds, commercial papers, derivatives instruments, or other forms of financial instrument available).

- Alignment of the Use of Proceeds Framework with the Technical Screening of the EU Taxonomy

With this new Sustainability Financing Framework, SSE's objective to have a more holistic approach will ensure that investors contribute to SSE's achievement of its strategic Business Goals. This Framework replaces SSE's previous Green Bond Framework, dated March 2021, and SSE's Sustainability-Linked Bond Framework, dated March 2021.

This Framework may be updated and amended from time to time. Any updated and amended Framework will be published on SSE's website and will replace this Framework.



Alignment with external frameworks and standards

The aim of this Sustainability Financing Framework is to facilitate transparency, disclosure, integrity and quality in SSE's Green and Sustainability-Linked financing for interested stakeholders. To achieve this, SSE has aligned to key external frameworks and standards.

ICMA Green and Sustainability-Linked Bonds Principles and LMA Green and Sustainability-Linked Loan Principles

The Framework is aligned for Use of Proceeds issuance with the ICMA Green Bond Principles (GBP) 2021 (with June 2022, Appendix 1) and the LMA Green Loan Principles (GLP) 2023.

For Sustainability Linked issuance the Framework is in alignment with the ICMA Sustainability-Linked Bond Principles (SLBP) published in June 2023. Substantially similar core components are outlined under the Sustainability Linked Loan Principles 2023, published by the LMA in connection with Sustainability-Linked Loans.

EU Taxonomy and EU Green Bond Standard

This Framework is focused on climate solutions that are aligned to the Technical Screening Criteria of the EU Taxonomy.

Green Projects eligible under this framework comply with the technical screening criteria for substantial contribution to climate change mitigation. SSE will align with the requirements of the Do No Significant Harm (DNSH) criteria, as well as the minimum safeguards outlined in Regulation (EU) 2020/852 on a best effort basis.

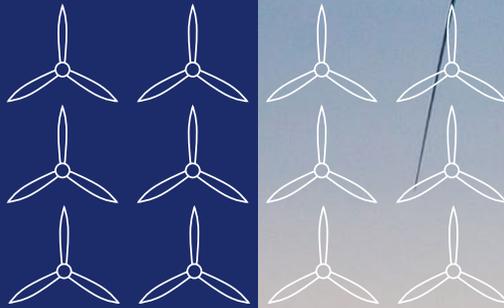
SSE intends to follow the best market practice as the regulation and market standards develop. The Framework follows, on a best effort basis, the recommendations of the latest proposed EU Green Bond Standard.



1. Green Financing Framework

The Green Financing Framework (“Green Financing Framework”) is made of the following four core sub-components:

- 1.1 Use of Proceeds;
- 1.2 Process for Project Evaluation and Selection;
- 1.3 Management of Proceeds; and
- 1.4 Reporting.



1. Green Financing Framework

1.1 Use of Proceeds

The net proceeds from the issuance of Green Financing will be used to finance or refinance Eligible Green Projects that are in pre-construction, under construction or have completed in the previous 36 months, which will include costs relating to development, acquisition, maintenance and/or operation expenditure. These projects will comply with the Eligibility Criteria as defined by the relevant EU Taxonomy technical screening criteria, a summary of this is set out in the below table.

| Relevant Eligible Green Project categories | Project type | Relevant SSE Business Unit | Relevant EU Taxonomy technical screening criteria |
|--|---|---|--|
| Renewable energy | Electricity generation facilities that produce electricity from renewable sources. This includes wind (onshore and offshore), solar, hydro and bioenergy technologies. | SSE Renewables SSE Thermal | 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power 4.5 Electricity generation from hydropower 4.8. Electricity generation from bioenergy |
| Renewable energy/ Energy efficiency | Facilities that store electricity and return it at a later time in the form of electricity. This includes pumped hydropower. | SSE Renewables | 4.10. Storage of electricity |
| Hydrogen storage | Facilities that store hydrogen and return it at a later time. | SSE Thermal | 4.12 Storage of hydrogen |
| Electricity networks | Transmission and distribution network infrastructure that facilitates the transition to lower-carbon electricity systems. | Scottish Hydro Electric Transmission plc (SSEN Transmission) Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc (SSEN Distribution) | 4.9. Transmission and distribution of electricity |

All of the above activities contribute to SDG 7 Affordable and Clean Energy and SDG 13 Climate Action.



1. Green Financing Framework

1.2 Process for Project Evaluation and Selection

The exercise of project evaluation and selection is carried out by SSE's Tax and Treasury Committee led by the Finance Director of SSE. The members of this committee represent the key departments within SSE (Corporate Finance, Group Treasury and Tax) that are responsible for the governance of liquidity and execution of funding structures for the company. This Committee has ultimate responsibility for reviewing all of SSE existing projects which have been completed in the past 36 months, at the pre-construction stage or in construction and determining those which could be eligible in the Green Financing Framework for refinancing. The main selection criteria for a project to be eligible is that it must contribute to a positive environmental impact, support SSE's commitment to the ongoing reduction of the carbon intensity of its electricity generation and support SDG 13 (take urgent action to combat climate change and its impacts).

This Committee will also review on an annual basis the ownership of all existing projects included in the Green Financing Framework, as well as any new project which may be eligible to be included within the portfolio of projects for future Green Financing refinancing. SSE strives to bring about positive environmental impacts from its operational and capital activities and may update its selection criteria in accordance with any developments in SSE's sustainability and environmental policies.

In addition to the Tax and Treasury Committee review, for any investment of greater than £10m, SSE operates its Large Capital Project Governance Framework. This Framework ensures through a gate process that all large capital investment projects for the SSE Group are governed, developed, approved and executed in a consistent and effective manner, with consideration of best practice in project delivery, safety and sustainability (economic, environmental and social).

1.3 Management of Proceeds

The proceeds of Green Financings are to be used for the refinancing and financing of Eligible Green Projects. The proceeds from the financing will be directly allocated to the refinancing of the projects to the level of capital expenditure spent at the time of settlement and will then be allocated on a monthly basis to projects to cover ongoing capital expenditure.

For proceeds that cannot be allocated to refinancing of projects at settlement, SSE will temporarily hold the funds in either deposits within its relationship banking group or liquid money market fund. Funds held on deposit will be monitored by the Tax and Treasury Committee led by the Finance Director of SSE until fully allocated.

In the event of divestment of any included project, either completed or under construction, SSE will include other Eligible Green Projects in the same categories outlined in Section 1, which are aligned with the above mentioned criteria. Where possible, SSE will seek to maintain a ratio of 1.2:1 of over collateralised eligible Green assets to Green financing.

Auditors or any other third party appointed by SSE will verify the internal tracking method and the allocation of funds from the Green Bond proceeds to the Eligible Green Projects.

1.4 Reporting

Allocation Reporting

Allocation reporting will be available to investors within one year from the date of the Green Bond issuance. In the first report after issuance, allocation of proceeds will be shown up to the level of refinancing capital expenditure on projects already spent, any proceeds that remain on deposit and still to be allocated will be reported the following year.

Where SSE refinances its equity share within a joint venture it will be reported on an equity stake basis. Should there be any variance in the initial allocation reporting, such as divestments, SSE will duly update the allocation report within one year. For the financings done under this Framework by any of SSE's subsidiaries, SSE will include in the allocation report the information corresponding to the Eligible Green Projects financed by the subsidiaries.

Auditors or any other third-party appointed by SSE will verify the internal tracking method and the allocation of funds from the Green Financing proceeds to the Eligible Green Projects.

Impact Reporting

SSE will annually, and until the maturity of the Green financing, provide investors with information on its investor website ([sse.com/investors/debt-investors](https://www.sse.com/investors/debt-investors)) regarding the environmental impact of the category of projects. This reporting will include relevant environment metrics related to the Eligible Green Projects, for example the estimated qualifying emissions avoided, expected electricity capacity and output, and electricity flows from transmission investments. For the financings done under this Framework by any of SSE's subsidiaries, SSE will include in the impact report the information corresponding to the Eligible Green Projects financed by the subsidiaries.

2. Sustainability-Linked Financing Framework

The Sustainability-Linked Financing Framework has been developed in alignment to the Sustainability-Linked Bond Principles 2023 (SLBP), as administered by the International Capital Market Association (ICMA), and to the Sustainability-Linked Loan Principles 2023 (SLLP) as published by the Loan Market Association (LMA)

The Principles above have five core components:

- 2.1 Selection of Key Performance Indicators (KPIs);
- 2.2 Calibration of Sustainability Performance Targets (SPTs);
- 2.3 Financing characteristics;
- 2.4 Reporting; and
- 2.5 Verification.



2. Sustainability-Linked Financing Framework

2.1 Selection of the Key Performance Indicators (KPIs)

Aligned with this strategy, SSE has selected the following three KPIs, which are core, relevant, and material to its business and measure progress against SSE's sustainability commitments.



Definition, rationale and materiality:

1. Scope 1 GHG intensity of electricity generated:

As a significant generator of electricity, SSE has a responsibility to reduce its carbon intensity on a pathway that is consistent with the Paris Agreement and in line with climate science. SSE's carbon intensity is one key measure of SSE's performance towards full decarbonisation by 2050 at the latest. Its 2030 Goal is to reduce the carbon intensity of electricity generated by 80% by 2030 compared to 2017/2018, to 61.4gCO₂e/kWh. This 2030 Goal is one of SSE's series of carbon targets verified by the Science Based Targets Initiative (SBTi) and is aligned to the Paris Agreement and a 1.5°C pathway.

Methodology for calculating the KPI:

The intensity ratio is based on:

1. SSE's total scope 1 GHG emissions in carbon dioxide equivalent (CO₂e); and
2. The total output from SSE's electricity generation, both thermal (coal, oil, gas, biomass, multifuel) and renewables (onshore and offshore wind, solar, hydro and pumped storage).

Details for the assurance and disclosure approach used by SSE plc to report on Scope 1 intensity during 2022/23 (1 April 2022 to 31 March 2023) can be found in SSE's GHG and Water Criteria which is available at [sse.com/sustainability/policies-and-assurances](https://www.sse.com/sustainability/policies-and-assurances).

² Scope 1 GHG emissions arise from operations owned or controlled by the organization. Scope 2 GHG emissions arise from the generation of purchased electricity, heating and cooling consumed by the organization.

2. Renewable energy output:

The generation of electricity from renewable sources, particularly from onshore and offshore wind, is core to SSE's business strategy. Its 2030 Goal is to build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030. In 2022/23, SSE owned around 4GW of installed renewable generation capacity. SSE Renewables seeks to deliver a fourfold increase in its owned renewables capacity to over 16GW (net) by 2032³. At 31 March 2023, SSE Renewables had a secured project pipeline of around 15GW, of which 2.8GW⁴ is already under construction. This includes Dogger Bank Wind Farm, which will be the world's largest offshore wind farm when complete. As well as SSE's flagship construction projects, offshore options include Berwick Bank, which would have a potential capacity of 4.1GW, and Coire Glas, which could be the UK's largest pumped storage project.

Methodology for calculating the KPI:

The total output from SSE's renewable energy electricity generation takes into account onshore and offshore wind (including constrained-off wind in GB), biomass⁵, solar, hydro and pumped storage. Details for the disclosure approach used by SSE plc for renewable energy output can be found in SSE's GHG and Water Criteria which is available at [sse.com/sustainability/policies-and-assurances](https://www.sse.com/sustainability/policies-and-assurances).

3. Absolute scope 1 and scope 2 GHG emissions:

While targeting greater renewable electricity generation and ensuring the carbon intensity of electricity generated is falling is important to SSE's strategy to support the transition to net zero, and to decarbonise its own activities, it is equally important to be focused on the tonnes of carbon being emitted. SSE has set an absolute emissions reduction target covering both its scope 1 and scope 2 emissions to cut by 72.5% its absolute emissions between 2017/18 and 2030. This GHG emissions reduction trajectory is aligned with the Paris Agreement and a 1.5°C pathway.

Methodology for calculating the SPT:

Details for the assurance and disclosure approach used by SSE plc to report on GHG emissions during 2022/23 (1 April 2022 to 31 March 2023) as a result of operational activities undertaken by the SSE Group can be found in SSE's GHG and Water Criteria which is available at [sse.com/sustainability/policies-and-assurances](https://www.sse.com/sustainability/policies-and-assurances).

³ Includes battery storage.

⁴ Includes 0.2GW of battery storage projects.

⁵ Where the electricity generated from biomass is eligible for Renewable Obligation Certificates (ROCs).

2. Sustainability-Linked Financing Framework

2.2 Calibration of Sustainability Performance Targets (SPTs)

SPT 1: Reduce the carbon intensity of electricity generated by 80% by 2030, compared to 2017/18 levels, to 61.4gCO₂e/kWh.

SPT 2: Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

SPT 3: Reduce absolute Scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year.

For the purpose of setting meaningful, enterprise-level Sustainability Performance Targets from which a Sustainability-linked financing can be aligned, a combination of three SPTs are drawn from SSE's 2030 Goals and a supporting science-based absolute carbon emissions target. The target observation date for each SPT will be specified in the relevant documentation of the specific transaction, as applicable (e.g. Final Terms of the Sustainability Linked Bond).

SPT 1: Reduce the carbon intensity of electricity generated by 80% by 2030, compared to 2017/18 levels, to 61.4gCO₂e/kWh.

Rationale and ambition

One of SSE's core 2030 business goals is to reduce the carbon intensity of scope 1 GHG emissions by 80% by 2030, compared to 2018 levels, to 61.4gCO₂e/kWh. This is in line with a 1.5°C Paris-aligned pathway. The achievement of this key strategic goal requires two important developments. The first, is a very significant reduction of greenhouse gas emissions associated with electricity generation from fossil fuels.

Historical data

| | Unit | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|--|------------------------|---------|---------|---------|---------|---------|---------|
| Scope 1 GHG intensity of electricity generation output | gCO ₂ e/kWh | 254 | 259 | 256 | 290 | 286 | 307 |

Strategy to reach the Target

SSE expects to achieve the target through changes to the operating regimes at existing gas power plant, in line with electricity system requirements. It also expects older power stations to come to the end of their natural economic and engineering lives. The second key contributing factor in reducing carbon intensity of electricity generation, is the rapid scaling up of renewable generation output, especially from offshore wind.

SPT 2: Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030

SE's strategy seeks to support the transition to a decarbonised energy system through disciplined investment in developing and operating renewable electricity generation. In 2022/23, SSE owned around 4GW of installed renewable generation capacity. It seeks to deliver a fourfold increase in SSE Renewables owned renewables capacity to over 16GW (net) by 2032⁶.

Historical data

| | Unit | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|--------------------------------------|------|---------|---------|---------|---------|---------|---------|
| Renewable energy output ⁷ | GWh | 10,227 | 9,496 | 10,242 | 11,442 | 10,464 | 9,824 |

⁶ Includes battery storage.

⁷ Includes pumped storage, biomass and constrained off wind in GB.

2. Sustainability-Linked Financing Framework

Strategy to reach the Target

At 31 March 2023, SSE Renewables had a secured project pipeline of around 15GW, of which 2.8GW⁸ is under construction. This includes Dogger Bank Wind Farm, which will be the world's largest offshore wind farm when complete.

As well as SSE's flagship construction projects, offshore options include Berwick Bank, which would have a potential capacity of 4.1GW, and Coire Glas, which could be the UK's largest pumped storage project.

SPT 3: Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year.

SSE's most material GHG emissions are direct emissions, defined as scope 1 and scope 2. To ensure it is firmly aligned to the carbon reduction pathway required to meet the objectives of the Paris Agreement, it is therefore key that it materially reduces its direct carbon emissions, not just on a relative measure, but on an absolute basis too.

Historical Data

| | Unit | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 |
|---|----------------------------------|---------|---------|---------|---------|---------|---------|
| Absolute scope 1 and 2 GHG emissions ⁹ | Million tonnes CO ₂ e | 6.52 | 6.24 | 7.64 | 8.91 | 9.52 | 11.06 |

Strategy to reach the Target:

SSE aims to achieve a 72.5% reduction in scope 1 and 2 GHG emissions between 2017/18 and 2030 through the way in which its thermal power stations operate.

To achieve both its interim 2030 target and net zero ambitions, SSE's investment criteria requires capital to be allocated in strategic alignment with SSE's commitments to reduce GHG emissions. Working towards its interim absolute scope 1 and 2 GHG emissions reduction target of 72.5% between 2017/18 and 2030, SSE expects its scope 1 GHG emissions from electricity generation to fall from 10.1MtCO₂e in the base year to 2.8MtCO₂e in 2030.

⁸ Includes 0.2GW of battery storage projects.

⁹ Scope 1 GHG emissions comprise electricity generation, operational vehicles and fixed generation, sulphur hexafluoride emissions and gas consumption in buildings. Scope 2 GHG emissions comprise electricity distribution losses and electricity consumption in non-operational buildings and substations – transmission and distribution.

The actions SSE intends to take in order to reduce its scope 1 and 2 GHG emissions are outlined in detail in its Net Zero Transition Plan, see page 3. With the overwhelming majority of SSE's direct impact on climate change coming from the generation of electricity from thermal sources, SSE's Net Zero Transition Plan focuses urgently on actions to reduce emissions from these activities.

SSE notes that some of its competitors have pursued a divestment strategy, with high-carbon assets being sold to new owners. With the UK and Ireland continuing to need gas generation for electricity system security, SSE seeks to take responsibility for its high-carbon assets over the long term, operating them in a responsible way, managing the phased reduction of emissions and repurposing the assets for the net zero world.

The Group's strategy is focused on both decreasing the output from, and therefore investment in, existing unabated generation whilst at the same time increasing investment to build a significant portfolio of carbon capture and storage (CCS) and hydrogen plants.

This portfolio will be supported by other carbon-free technologies such as pumped storage hydro designed to provide the firm flexible capacity needed to support a renewables-led power system in the UK and Ireland. While this strategy is being executed, SSE anticipates that further developments to policy frameworks will be required to achieve the targets in full.



2. Sustainability-Linked Financing Framework

2.3 Financing characteristics

The net proceeds from SSE's Sustainability-Linked Bonds and Sustainability-Linked Loans will be used for general corporate purposes and will have a sustainability-linked feature that will result in a margin adjustment or a premium payment as the case may be, if a Trigger Event occurs.

A Trigger Event occurs if:

- One or more of the selected KPI(s) have not achieved the SPT(s) on the target observation date, or
- One or more of the selected KPI(s) have achieved the SPT(s) on the target observation date, but the reporting does not meet the requirements as set out in the Reporting section of this Framework, or
- The verification of the SPT(s) have not been provided and made public as set out in the External Verification section of this Framework.

The relevant KPIs, SPTs, step-ups margin amount, as applicable, will be specified in the relevant documentation of the specific transaction. For the avoidance of doubt, no more than one step-up margin or margin adjustment, as applicable, can be applied over the life of a given Sustainability-Linked transaction.

2.4 Reporting

SSE will report annual progress against these KPIs in its corporate reporting and on its investor website, at [sse.com/investors/debt-investors](https://www.sse.com/investors/debt-investors).

Reporting may include:

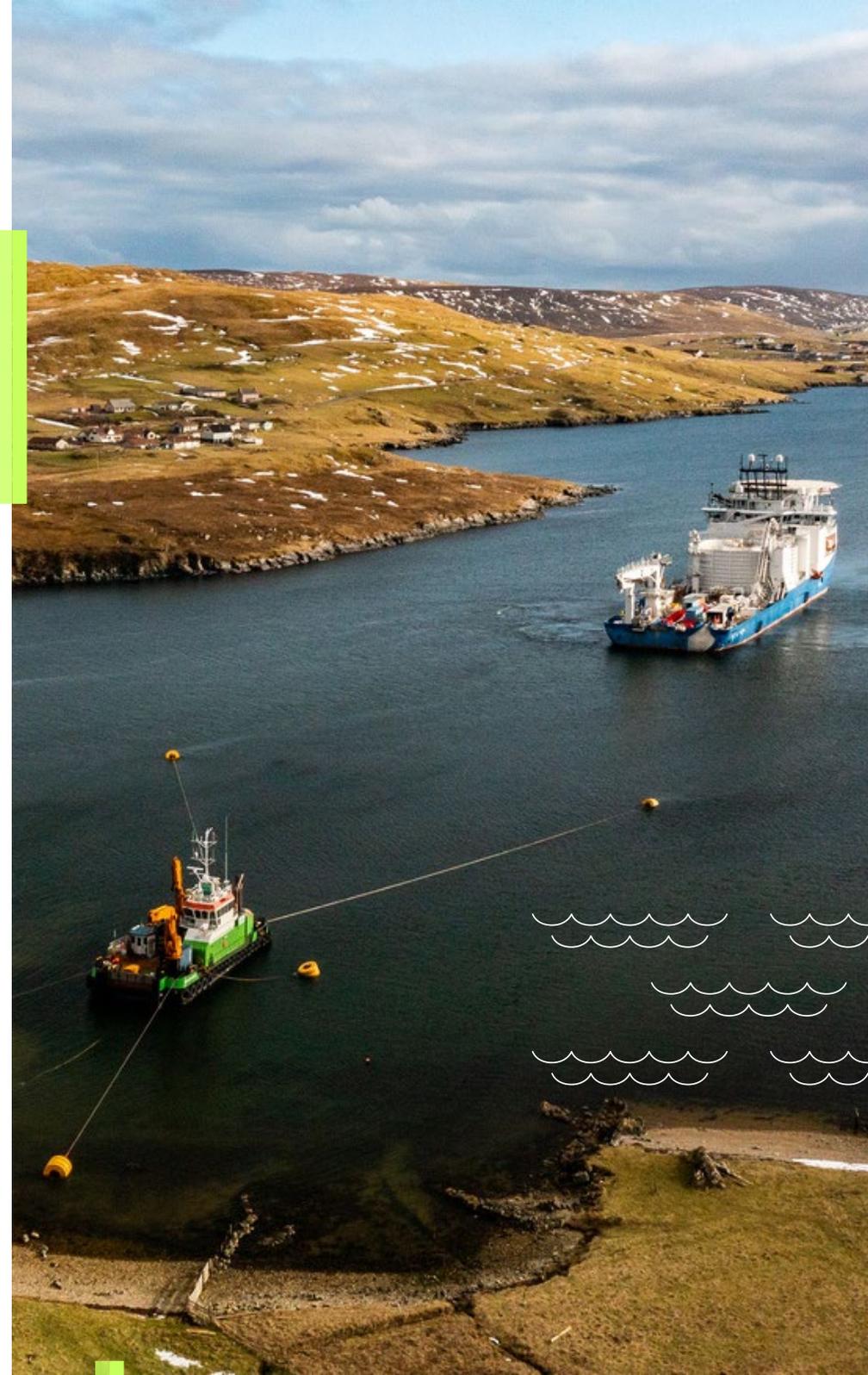
- Up-to-date information on the performance of the selected KPI, including the baseline where relevant
- A verification assurance report relative to the KPI outlining the performance against the SPT
- Any relevant information enabling investors to monitor the progress of the KPI.

Information may also include when feasible and possible:

- Qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the performance/KPI on an annual basis;
- Illustration of the positive sustainability impacts of the performance improvement; and/or
- Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.

2.5 Verification

Progress against the KPIs will be verified by external auditors and available on SSE's website. A verification assurance certificate confirming whether the performance of the KPI meets the relevant SPT will be published on SSE's website following a relevant target observation date.



Second Party Opinion of SSE's Sustainability Financing Framework

SSE's Sustainability Financing Framework has been reviewed by DNV who provided a second-party opinion on the alignment of the Framework and the associated documentation with the Green and Sustainability-Linked Bond Principles and Green and Sustainability-Linked Loan Principles and as well as an assessment of the alignment of the Framework with the requirements of the EU Taxonomy.

The Second Party Opinion can be found at [sse.com/investors/debt-investors](https://www.sse.com/investors/debt-investors).



Appendix

KPI definitions and assurance

SSE's GHG and Water Reporting Criteria describes the definitions of the environment KPIs that are subject to external assurance each year. The document describes the scope, methods of calculation, recording and reporting processes for each KPI. It can be found at [sse.com/sustainability/policies-and-assurances](https://www.sse.com/sustainability/policies-and-assurances).

Amendments to this Framework

SSE's Tax and Treasury Committee led by the Finance Director of SSE will review this Framework on a regular basis and such review may result in this Framework being updated and amended. The updated Framework, if any, will be published on SSE's website and will replace this Framework.

Therefore, the Framework may be subsequently revised or updated as the sustainability and green finance market continues to evolve, in order to reflect best market practice. Likewise, SSE is closely monitoring any further updates to the European Union (EU) classification of environmentally sustainable economic activities (the European Union Green Taxonomy) and monitoring the UK's classification of economic eligible activities (UK Taxonomy), as well as the EU Green Bond Standard Principles when these enter into force.



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