

# SSE PLC SUSTAINABILITY-LINKED BOND FRAMEWORK

## DNV ELIGIBILITY ASSESSMENT

### Scope and objectives

SSE plc (hereafter referred to as "SSE") is a FTSE 100 UK-listed energy company operating across the UK and Ireland. It is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution and supply of gas and in the provision of energy-related services. SSE's purpose is to provide energy needed today while building a better world of energy for tomorrow and its vision is to be a leading energy company in a net-zero world. Its strategy is to create value for shareholders and society through successful development, efficient operation and responsible ownership of energy infrastructure and energy-related businesses.

SSE has developed a Sustainability Linked Bond Framework 2021 (the "SSE SLB Framework" or the "Framework"). The Framework enables issuance of Sustainability-Linked Bonds to finance and support activities with a general purpose of providing low-carbon solutions to support the provision of energy-related services. SSE has identified three material Key Performance Indicators (KPIs) to the business where SSE commits to future sustainability improvements within a predefined timeline (by 2030). The KPIs outlined below are also in alignment with the UN Sustainable Development Goals (SDGs):

- Carbon intensity of electricity generated (SDG 13 – Climate action).
- Renewable energy output (SDG 7 - Affordable and Clean Energy).
- Absolute GHG emission reductions for Scope 1 & 2 (SDG 13 - Climate Action).

SSE will assess its sustainability performance against the following Sustainability Performance Targets (SPTs):

- Reduce carbon intensity of electricity generated by 60%, by 2030 compared to 2018 levels, to around 120g CO<sub>2</sub>/kWh.
- Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.
- Reduce absolute Scope 1 and 2 GHG emissions by 40% by 2030 from a 2018 base year.

DNV GL Business Assurance Services UK Limited ("DNV") has been commissioned by SSE to provide an eligibility assessment of SSE's Framework. Our objective has been to provide an assessment on whether the Framework meets the criteria established within the International Capital Market Association (ICMA) Sustainability-Linked Bond Principles June 2020 (SLBP). Our methodology to achieve this is described under 'Work Undertaken'.

No assurance is provided regarding the financial performance of Bonds issued under the company's Framework, the value of any investments, or the long-term environmental and/or societal benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

## Responsibilities of the Management of Client and DNV

The management of SSE has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform SSE management and other interested stakeholders in the Framework as to whether the established criteria have been met, based on the information provided to us. In our work we have relied on the information and the facts presented to us by SSE. DNV is not responsible for any aspect of the nominated assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by SSE's management and used as a basis for this assessment were not correct or complete.

## Basis of DNV's opinion

We have adapted our eligibility assessment protocol, which incorporates the requirements of the SLBP to create an SSE-specific Sustainability-Linked Bond Eligibility Assessment Protocol (henceforth referred to as "Protocol"). Our Protocol includes a set of suitable criteria that can be used to underpin DNV's opinion. The overarching principle behind the criteria is that a Sustainability Linked Bond should "*provide an investment opportunity with transparent sustainability credentials*".

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the five Principles:

- **Principle One: Selection of Key Performance Indicators (KPIs).** The issuer of a sustainability-linked bond should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPTs). The KPI should be relevant, core and material to the issuer's core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.
- **Principle Two: Calibration of Sustainability Performance Targets (SPTs).** The SPTs should be ambitious, meaningful and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.
- **Principle Three: Bond Characteristics.** The bond will need to include a financial and/or structural impact depending on whether the selected KPIs reach (or not) the predefined SPTs. The bond documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB's financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.
- **Principle Four: Reporting.** Issuers should publish and keep readily available and easily accessible up to date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the bond's financial and/or structural characteristics, with such information to be provided to investors participating in the bond at least once per annum.
- **Principle Five: Verification (Post-issuance).** The Issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPT(s) should be made publicly available.

## Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by SSE in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of an SSE-specific Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by SSE on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions with SSE management, as well as review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

## Findings and DNV's opinion

DNV's summary findings are listed below, with further detail provided in [Schedule 2](#):

### 1. Principle One: Selection of Key Performance Indicators (KPIs).

Within the Framework, SSE has identified three material Key Performance Indicators (KPIs) to the business where SSE commits to future sustainability improvements within a predefined timeline (by 2030). The KPIs summarised below are also in alignment with the UN Sustainable Development Goals (SDGs):

- Carbon intensity of electricity generated.
- Renewable energy output.
- Absolute GHG emission reductions for Scope 1 and 2.

In summary, Carbon intensity of electricity generated is deemed material as it is a key measure of SSE's performance towards full decarbonisation by 2050, at the latest. As a significant generator of electricity, SSE has a responsibility to reduce its carbon intensity. Renewable energy output is deemed material as this is core to SSE's business strategy with a goal to treble renewable electricity between 2018 and 2030. Absolute GHG emission reductions for Scope 1 and 2 are deemed material as SSE has committed to a Science Based Targets (SBT) and net zero by 2050 commitment.

Based on the work undertaken, DNV can confirm that the KPIs are material to the company's overarching sustainability strategy. The rationale and process for KPI selection, as well as its definition, measurability and verifiability are clearly defined, presented within the Framework, and are deemed to be robust, reliable and in accordance with the SLBP principles.

### 2. Principle Two: Calibration of Sustainability Performance Targets (SPTs).

Aligned with the three KPIs outlined above, SSE has set the following SPTs:

- SPT 1: Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2018 levels, to around 120g CO<sub>2</sub>/kWh.

- SPT 2: Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.
- SPT 3: Reduce absolute Scope 1 and 2 GHG emissions by 40% by 2030 from a 2018 base year.

SPT 1 is aligned with SSE's long-term objective to decarbonise its electricity generation output. This target is set as part of SSE's stretching carbon targets approved by the Board and subsequently accredited by the SBTi. SPT 2 supports SSE's strategy to transition to a decarbonised energy system through investment into renewable electricity generation. This SPT is core to SSE's goal to treble renewable electricity. SPT 3 is SBTi accredited and ensures SSE is firmly aligned with a carbon reduction pathway required to meet the objectives of the Paris agreement and well below 2°C pathway.

All three SPTs are science-based with clear calculation methodologies with three-year historic performance as outlined within the Framework. Two SPTs (SPT 1 and SPT 3) have a defined baseline (2018) and target year (2030). SPT 2 has a target year set to 2030. DNV can also confirm they are leading targets when compared to SSE's peers. DNV reviewed the evidence demonstrating the above "Business as Usual" trajectory. DNV also reviewed the credibility of SSE's strategies to achieve the SPTs and can conclude that the evidence provided demonstrates SSE has clear roadmaps to meeting the three SPTs outlined in the Framework.

Based on the work undertaken, DNV can confirm that the SPTs represent a material improvement in the respective KPIs and are beyond a "Business as Usual" trajectory, are consistent with SSE's overall strategic sustainability strategy, set on a predefined timeline and refer to science in line with the SLBP.

### **3. Principle Three: Bond Characteristics.**

DNV can confirm the failure by SSE to satisfy SPT 1, SPT 2 or SPT3, on a set Reference Date will trigger a step-up margin or margin adjustment, as applicable. SSE has confirmed the reference date, step-up margin, or margin adjustment will be specified in the relevant documentation of the specific transaction (i.e. Final Terms of the Sustainability Linked Bond).

DNV can confirm SSE's commitment to the bond characteristics is in line with the requirements of the SLBP.

### **4. Principle Four: Reporting.**

SSE has committed to reporting annual progress against the KPIs within its sustainability report which is verified externally and available on SSE's website. The 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, and/or
- Any relevant information enabling investors to monitor the progress of the KPI.

Information may also include when feasible and possible:

- Qualitative or quantitative explanations 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.

DNV can confirm SSE's commitment to reporting is in line with the requirements of the SLBP.

## 5. Principle Five: Verification.

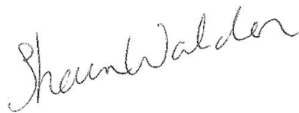
SSE commits to reporting all KPIs on an annual basis as part of SSE's annual report/sustainability report, which is verified by external auditors and available on SSE's website. A verification/assurance statement confirming whether the performance of the KPI meets the relevant SPT will also be published on SSE's website following a relevant target observation date.

DNV can confirm SSE's commitment to verification is in line with the requirements of the SLBP.

On the basis of the information provided by SSE and the work undertaken, it is DNV's opinion that the SSE's Sustainability Linked Bond Framework meets the criteria established in the Protocol and that it is aligned with the stated definition of sustainability-linked bonds within the Sustainability Linked Bond Principles 2020, which is to *"incentivise the issuer's achievement of material, quantitative, pre-determined, ambitious, regularly monitored and externally verified sustainability (ESG) objectives through KPIs and SPTs"*, thereby providing *"an investment opportunity with transparent sustainability credentials"*.

### for DNV GL Business Assurance Services UK Limited

London, 11 March 2021



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### About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

## SCHEDULE 1: DESCRIPTION OF SSE’S KEY PERFORMANCE INDICATORS (KPI) AND SUSTAINABILITY PERFORMANCE TARGETS (SPT)

KEY PERFORMANCE INDICATOR	SUSTAINABILITY PERFORMANCE TARGET	SDG ALIGNEMENT
Carbon intensity of electricity generated	<b>Reduce carbon intensity of electricity generated by 60%</b> by 2030, compared to 2018 levels, to around 120g CO <sub>2</sub> /kWh.	SDG 13 - Climate Action
Renewable energy	<b>Develop and build</b> by 2030 more renewable energy to contribute renewable output of 30TWh a year.	SDG 7 - Affordable and Clean Energy
Absolute GHG emissions (Scope 1 and 2)	<p><b>Reduction in absolute scope 1 and 2 emissions by 40%</b> (million tonnes CO<sub>2</sub>e) by 2030, compared to 2018 levels:</p> <ul style="list-style-type: none"> <li><i>Scope 1 comprises of: electricity generation, operational vehicles and fixed generation, sulphur hexafluoride emissions and gas consumption in buildings; and</i></li> <li><i>Scope 2 comprises of: electricity distribution losses and electricity consumption in non-operational buildings and substations – transmission and distribution.</i></li> </ul>	SDG 13 - Climate Action

## SCHEDULE 2: SUSTAINABILITY LINKED BOND ELIGIBILITY ASSESSMENT PROTOCOL

### 1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy	<p>The issuer’s sustainability performance is measured using sustainability KPIs that can be external or internal.</p> <p>The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations.</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Disclosing SSE’s Environmental performance 2019 (<a href="#">online</a>)</li> <li>• GHG criteria 2020 (<a href="#">online</a>)</li> <li>• Investment case (<a href="#">online</a>)</li> <li>• Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>• SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>• SSE commits to ‘net zero’ carbon emissions by 2020 at the latest (<a href="#">online</a>)</li> <li>• SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>• SSE’s investment case (<a href="#">online</a>)</li> <li>• SSE Reporting 2020 (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> <li>• SSE Sustainability Statement (<a href="#">online</a>)</li> <li>• SSE Sustainability Website (<a href="#">online</a>)</li> </ul>	<p>SSE has set three KPI’s that are material to the business and are aligned to SSE’s commitment to deliver low carbon and its long-term objective to decarbonise its electricity generation output - both within predefined timeframes (2030 and 2050). The three KPIs laid out in the framework are also in alignment with the SDGs (Goals #13 – Climate Action and #7 – Affordable and Clean Energy):</p> <ol style="list-style-type: none"> <li>1. <b>KPI 1: Carbon intensity of electricity generated</b> – a key measure of SSE’s performance towards full decarbonisation by 2050, at the latest. As a significant generator of electricity, SSE has a responsibility to reduce its carbon intensity;</li> <li>2. <b>KPI 2: Renewable Energy output</b> - core to SSE’s business strategy with a goal to treble renewable electricity output to 30TWh between 2018 and 2030; and</li> <li>3. <b>KPI 3: Absolute GHG emissions for Scope 1 and 2</b> - SSE has committed to deliver on its SBTs by 2030 and net zero by 2050.</li> </ol> <p>Having reviewed the material provided, DNV also notes SSE has conducted the following activities, that help validate the KPI’s set are indeed, relevant to SSE’s overarching strategy:</p> <ol style="list-style-type: none"> <li>1. <b>Economic analysis of businesses impact</b> in the UK and Irish economies (by a third party); and</li> <li>2. <b>Regulatory assessment of key changes</b> to UK and international rules for energy providers.</li> </ol>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Having assessed the documentation and the Framework, the three KPI's are deemed material to the business:</p> <ol style="list-style-type: none"> <li><b>KPI 1:</b> Carbon intensity of electricity generated is deemed material as it is a key measure of SSE's performance towards full decarbonisation by 2050, at the latest. As a significant generator of electricity, SSE has a responsibility to reduce its carbon intensity.</li> <li><b>KPI 2:</b> Renewable energy output is deemed material as this is core to SSE's business strategy with a goal to treble renewable electricity between 2018 and 2030; and</li> <li><b>KPI 3:</b> Absolute GHG emission reductions for Scope 1 and 2 are deemed material as SSE has committed to a Science Based Target (SBT) and net zero by 2050 commitment.</li> </ol> <p>Also, SSE's annual Sustainability Report and the Group's Annual report determine the KPI's as material based on risk:</p> <ol style="list-style-type: none"> <li>The highest risk SDGs that SSE needs to deliver on; and</li> <li>Principle Risks that face the Group - risks positioned on a relative basis against the output of "Business as Usual".</li> </ol> <p>In summary, we can conclude that the KPIs set by SSE are consistent with the SLBP Principles and are core &amp; material to the company's overarching sustainability strategy.</p>
1b	KPI - Measurability	KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to	Review of: <ul style="list-style-type: none"> <li>Disclosing SSE's Environmental performance 2019 (<a href="#">online</a>)</li> <li>Energy Live News 2020 (<a href="#">online</a>)</li> </ul>	<p>After reviewing the evidence, DNV can confirm the KPIs chosen by SSE are measurable, quantifiable, stretching and have a clear target date (year-2030) in place. They are also benchmarkable against peers in the same sector.</p> <p>From the documents assessed we can confirm:</p>



Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>facilitate the assessment of the SPTs level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate historical performance of the KPIs selected.</p> <p>In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>	<ul style="list-style-type: none"> <li>• GHG criteria 2020 (<a href="#">online</a>)</li> <li>• Making our commitment to net zero 2020 (<a href="#">online</a>)</li> <li>• Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>• SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>• SSE GHG and water criteria 2020 (<a href="#">online</a>)</li> <li>• SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>• SSE Reporting (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Statement (<a href="#">online</a>)</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	<ul style="list-style-type: none"> <li>• There is historical data in place for each KPI over the last three years</li> <li>• Each KPI is externally verifiable against international and national reporting standards and frameworks (SBTI and the GHG Protocol)</li> <li>• SSE provides a justification where any values might have increased in the framework. This helps investors to stay up to date on the company's performance</li> <li>• Each year, SSE assures its GHG emissions and carbon intensity data by a third-party and releases a statement on its website, and in its annual sustainability report, to verify this has taken place.</li> </ul> <p>DNV can confirm that the measurability of the three KPI's are clearly defined and that there is historical data in place. Information of this is published in the annual sustainability report.</p>
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter as well as the calculation methodology	<p>Review of:</p> <ul style="list-style-type: none"> <li>• SSE GHG and water criteria 2020 (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	<p>SSE has provided and included the applicable scope, parameters and calculation methodology as required under the SLB principles for each of the three KPI's:</p> <ul style="list-style-type: none"> <li>• <b>KPI 1: Carbon intensity of electricity generated</b> <ul style="list-style-type: none"> <li>○ gCO<sub>2</sub> e/kWh</li> <li>○ Intensity ratio based on i) SSE's CO<sub>2</sub>e from electricity generation emissions data, and ii) total output from SSE's electricity generation and renewables (offshore/onshore wind, hydro, pumped storage)</li> </ul> </li> <li>• <b>KPI 2: Renewable Energy output</b> <ul style="list-style-type: none"> <li>○ TWh</li> </ul> </li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> <li>○ Total output from SSE’s renewable energy electricity generation (offshore/onshore wind, hydro, pumped storage)</li> <li>● <b>KPI 3: Absolute GHG emissions for Scope 1 and 2</b> <ul style="list-style-type: none"> <li>○ Million Tonnes CO<sub>2</sub></li> <li>○ GHG emissions during the financial year (1 April 2019 to 31 March 2020), as a result of operational activities undertaken by SSE Group</li> <li>○ Progress is reported on in accordance with the SBTi requirements. Targets were verified by the SBTi in 2020.</li> </ul> </li> </ul> <p>DNV can confirm that the scope, parameters, and calculation methodology for the three KPI’s are clearly defined within the Framework.</p>

## 2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic and meaningful to the issuer’s business and be consistent with the issuers’ overall strategic sustainability/ESG strategy	Review of: <ul style="list-style-type: none"> <li>• Disclosing SSE’s Environmental performance 2019 (<a href="#">online</a>)</li> <li>• Energy Live News 2020 (<a href="#">online</a>)</li> <li>• Just Transition strategy news publication 2020 (<a href="#">online</a>)</li> </ul>	The selected KPI’s outlined in 1a are aligned with the following SPTs, and will help SSE on its commitment to deliver a low carbon economy by 2030: <ul style="list-style-type: none"> <li>● <b>SPT 1:</b> Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2018 levels, to around 120g CO<sub>2</sub>/kWh.</li> </ul>

			<ul style="list-style-type: none"> <li>• Making our commitment to net zero 2020 (<a href="#">online</a>)</li> <li>• Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>• SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>• SSE commits to 'net zero' carbon emissions by 2020 at the latest (<a href="#">online</a>)</li> <li>• SSE GHG and water criteria 2020 (<a href="#">online</a>)</li> <li>• SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>• SSE Reporting (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Statement (<a href="#">online</a>)</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> <li>• SSE Transition to Net Zero: The Role of Gas 2019 (<a href="#">online</a>)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SPT 2:</b> Develop and build more renewable energy to contribute renewable output of 30TWh a year by 2030.</li> <li>• <b>SPT 3:</b> Reduce absolute scope 1 and 2 GHG emissions 40% by 2030 from a 2018 base year.</li> </ul> <p>The three SPTs set are meaningful as they address a key environmental challenge faced by SSE, and the energy and utilities sectors more widely within the UK and Ireland to transition to a low carbon economy by the year-2030:</p> <ul style="list-style-type: none"> <li>• <b>SPT 1</b> is aligned with SSE's long-term objective to decarbonise its electricity generation output. This target is set as part of SSE's stretching carbon targets approved by the Board and accredited by the SBTi.</li> <li>• <b>SPT 2</b> supports SSE's strategy to transition to a decarbonised energy system through investment into renewable electricity generation. This SPT is core to SSE's goal to treble renewable electricity.</li> <li>• <b>SPT 3</b> is SBTi verified and ensures SSE is firmly aligned with a carbon reduction pathway required to meet the objectives of the Paris agreement and well below 2°C pathway.</li> </ul> <p>DNV reviewed the credibility of SSE's strategies to achieve the SPTs and can conclude that the evidence provided demonstrates SSE has clear roadmaps to meeting the three SPTs.</p> <p>DNV also notes that SSE has an internal review process in place. The targets set for each SPT are to be reviewed by the "SSE plc Board" on a regular basis. This is to ensure they remain in line with the best available science and/or latest external standards and initiatives. DNV notes that SSE has committed to an interim review date of the year-2025. This is to ensure that the SPTs remain aligned with the latest climate-science.</p>
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				DNV can confirm that the three SPTs are consistent with SSE's overall strategic sustainability strategy.
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a "Business as Usual" trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Disclosing SSE's Environmental performance 2019 (<a href="#">online</a>)</li> <li>• DNV benchmarking exercise 2021</li> <li>• Just Transition strategy news publication 2020 (<a href="#">online</a>)</li> <li>• Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>• SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>• SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>• SSE's investment case (<a href="#">online</a>)</li> <li>• SSE Reporting (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Statement (<a href="#">online</a>)</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	<p>After reviewing the evidence, DNV can confirm that the three SPTs represent a material improvement in the respective KPIs. We can confirm that all three SPTs are science-based with clear calculation methodologies and with three-year historic performance, as outlined within the Framework.</p> <p>Two SPT's have a defined baseline where relevant for KPI 1 and KPI 3 (2018) and each SPT has a defined target year (2030). DNV can also confirm they are leading targets when compared to SSE's peers. Also, based on the evidence reviewed including management discussions around possible interventions, DNV can confirm all three SPTs are beyond "Business as Usual" trajectory.</p>
2c	Target Setting - benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> <li>1. The issuer's own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI</li> <li>2. The SPTs relative positioning versus the</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>• Disclosing SSE's Environmental performance 2019 (<a href="#">online</a>)</li> <li>• DNV benchmarking exercise 2021</li> <li>• Energy Live News 2020 (<a href="#">online</a>)</li> <li>• GHG criteria 2020 (<a href="#">online</a>)</li> <li>• Investment case (<a href="#">online</a>)</li> <li>• Just Transition strategy new publication 2020 (<a href="#">online</a>)</li> </ul>	<p>DNV can confirm that the Framework reports on three-years of historic performance for each SPT.</p> <p>DNV can also confirm they are leading targets when compared to SSE's peers:</p> <ul style="list-style-type: none"> <li>• <b>SPT 1:</b> aligned with SSE's long-term objective to decarbonise its electricity generation output. This target is set as part of SSE's stretching carbon targets approved by the Board and subsequently accredited by the SBTi</li> <li>• <b>SPT 2:</b> This SPT supports SSE's strategy to transition to a "decarbonised energy system" through investment into renewable electricity generation. This</li> </ul>

		<p>issuer’s peers where comparable or available, or versus industry or sector standards</p> <p>3. Systematic reference to science-based scenarios, or absolute levels (e.g. carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies</p>	<ul style="list-style-type: none"> <li>SSE’s investment case (<a href="#">online</a>)</li> <li>Making our commitment to net zero 2020 (<a href="#">online</a>)</li> <li>Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>SSE commits to ‘net zero’ carbon emissions by 2020 at the latest (<a href="#">online</a>)</li> <li>SSE GHG and water criteria 2020 (<a href="#">online</a>)</li> <li>SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>SSE Reporting (<a href="#">online</a>)</li> <li>SSE SLB Framework</li> <li>SSE Sustainability Report 2020 (<a href="#">online</a>)</li> <li>SSE Sustainability Statement (<a href="#">online</a>)</li> </ul>	<p>SPT is core to SSE’s goal to treble renewable electricity.</p> <ul style="list-style-type: none"> <li><b>SPT 3:</b> Targets are SBTi accredited and in line with a “well below 2 degrees Celsius scenario”, ensuring that SSE is firmly aligned with a carbon reduction pathway required to meet the objectives of the Paris Agreement.</li> </ul> <p>DNV notes that SSE has set separate scope 1 and 2 targets (absolute carbon reductions) while its peers have not - 60% per gCO2e/kWh (Scope 1) and 40% per gCO2e/kWh (Scope 2). As part of SSE’s commitment to decarbonisation, DNV also notes that SSE has set more ambitious Scope 3 targets – a supplier target (50% suppliers must set a SBT by 2024) and an absolute emission reduction target (50% reductions in scope 3 emissions by 2034).</p> <p>DNV can confirm SSE’s targets are leading when compared to SSE’s peers.</p>
2d	Target setting – disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> <li>The timelines of target achievement, the trigger event(s), and the frequency of SPTs</li> <li>Where relevant, the verified baseline or reference point selected for improvement of KPIs as well as the rationale for that baseline or reference point to be used</li> <li>Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place</li> <li>Where possible and taking into account competition and confidentiality</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>Disclosing SSE’s Environmental performance 2019 (<a href="#">online</a>)</li> <li>DNV benchmarking exercise 2021</li> <li>Energy Live News 2020 (<a href="#">online</a>)</li> <li>GHG criteria 2020 (<a href="#">online</a>)</li> <li>Just Transition strategy new publication 2020 (<a href="#">online</a>)</li> <li>Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>SSE Annual Report 2020 (<a href="#">online</a>)</li> <li>SSE commits to ‘net zero’ carbon emissions by 2020 at the latest (<a href="#">online</a>)</li> </ul>	<p>DNV can confirm that the relevant disclosures on target setting are described within the Framework with a predefined timeline that aligns with science:</p> <ul style="list-style-type: none"> <li>Timeline to achieve target is clearly referenced as the year-2030 for all three KPIs</li> <li>KPI 1 and KPI 2 are to be measured and reported against a relevant baseline year of 2018.</li> <li>Scope 1 and 2 targets are approved by the SBTi, and SSE reports on compliance against the SBTi requirements</li> <li>SSE outlines its interim review date set for the year-2025 to ensure that the targets continue to reflect the best climate science</li> <li>Re-calculations, if needed, will take place to be in line with best science and the calculation methodology will be outlined; and</li> <li>SSE has reported it has met the Taskforce on Climate-related Financial Disclosures in full.</li> </ul>

		considerations, how the issuers intend to reach such SPTs	<ul style="list-style-type: none"> <li>SSE GHG and water criteria 2020 (<a href="#">online</a>)</li> <li>SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>SSE Reporting (<a href="#">online</a>)</li> <li>SSE SLB Framework</li> <li>SSE Sustainability Statement (<a href="#">online</a>)</li> <li>SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	DNV can confirm that all three SPTs are science-based with clear calculation methodologies, three-year historic performance has been outlined within the Framework, and they are set on a predefined timeline (baseline year of 2018 and target year of 2030).
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### 3. Bond Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Bond Characteristics – SPT Financial/structural impact	The SLB will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	Review of: <ul style="list-style-type: none"> <li>SSE SLB Framework</li> </ul>	<p>We have reviewed the relevant document and Framework and can confirm that the failure by SSE to satisfy SPT 1, SPT 2 or SPT3, on a set Reference Date, will trigger a step-up margin or margin adjustment, as applicable. The reference date, step-up margin, or margin adjustment will be specified in the relevant documentation of the specific transaction (i.e. Final Terms of the Sustainability Linked Bond). SSE intends to avoid error and doubt over the transactions for any SLB, by having no more than one step-up margin or margin adjustment, applied over the life of any given transaction.</p> <p>DNV can confirm that the inclusion of trigger event(s) under the Framework is in line with the requirements outlined by SLBP.</p>
3b	Bond Characteristics –	Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner should be explained.	Review of: <ul style="list-style-type: none"> <li>SSE SLB Framework</li> <li>Investment case (<a href="#">online</a>)</li> </ul>	DNV can confirm there appears to be little risk of SSE not being able to calculate its KPI's due to the GHG reporting framework that is followed for the SBTi, regulatory changes within which SSE operates, advancements in renewable technology, or the

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
	Fallback mechanism	Issuers may also consider including, where needed, language in the bond documentation to take into consideration potential exceptional events.	<ul style="list-style-type: none"> <li>SSE's investment case (<a href="#">online</a>)</li> </ul>	maturity of the DNV can confirm SSE's commitment to the bond characteristics is in line with the requirements of the SLBP.

#### 4. Reporting commitments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	<p>Issuers of SLBs should publish, and keep readily available and easily accessible:</p> <ol style="list-style-type: none"> <li>Up-to-date information on the performance of the selected KPI(s), including baselines where relevant</li> <li>A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics</li> <li>Any information enabling investors to monitor the level of ambition of the SPTs</li> </ol>	<p>Review of:</p> <ul style="list-style-type: none"> <li>Sciencebasedtargets.org (<a href="#">online</a>)</li> <li>SSE GHG and water criteria document 2020 (<a href="#">online</a>)</li> <li>SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>SSE SLB Framework</li> <li>SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	<p>We can confirm that SSE has committed to annual reporting against the KPI's within its Sustainability Report/annual report, and accessible on its company website. SSE has also committed to providing quarterly updates on its performance for each KPI against the relevant baseline (year-2018).</p> <p>Reporting may include:</p> <ul style="list-style-type: none"> <li>Up-to-date information on the performance of the selected KPIs, including reporting against the baseline year (i.e. year-2018) where relevant</li> <li>A verification assurance report relative to the KPI that outlines the performance against the SPT</li> <li>Reporting on Scope 1 and 2 performance against targets is in line with the SBTi requirements</li> <li>Quantitative or qualitative explanations on the contribution of the main factors behind the impacts of the performance improvement for each KPI</li> <li>Relevant information, where required, that enables investors to monitor the performance of the SPTs; and/or</li> </ul>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB's financial and/or structural characteristics.</p>		<ul style="list-style-type: none"> <li>Reporting on any re-assessments of KPIs and/or restatements of the SPT, and/or if pre-formula adjustments of KPI scope that have taken place.</li> </ul> <p>DNV can confirm SSE's commitment to reporting is in line with the requirements of the SLBP.</p>
4b	Second Party Opinion	<p>Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines.</p>	<p>Review of:</p> <ul style="list-style-type: none"> <li>SSE SLB Framework</li> </ul>	<p>SSE as committed to conducting a second party opinion on the Framework, meeting the SLBP. This includes an assessment of the KPIs selected, benchmark and baselines selected, and the credibility of the strategy to achieve them.</p>



5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	Issuers should have its performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.	Review of: <ul style="list-style-type: none"> <li>• SSE GHG and water criteria document 2020 (<a href="#">online</a>)</li> <li>• SSE Interim results 20/21 (<a href="#">online</a>)</li> <li>• SSE SLB Framework</li> <li>• SSE Sustainability Report 2020 (<a href="#">online</a>)</li> </ul>	<p>SSE has committed to providing up to date information on all three KPIs performance on an annual basis, disclosing information in its annual report/sustainability report. The data that SSE presents is also verified on an annual basis by external auditors. We can confirm that SSE publishes a verification/assurance statement or certificate, accessible on SSE’s corporate website, that confirms whether the performance of the KPI’s meet the relevant SPTs.</p> <p>We have noted that SSE’s GHG emissions are evaluated against the BEIS reporting standards and ISO14064-1:2006 standards.</p> <p>DNV can confirm SSE’s commitment to verification is in line with the requirements of the SLBP.</p>