SSE has the largest renewable electricity portfolio in the UK and Ireland, providing energy needed today while building a better world of energy for tomorrow. It develops, builds, operates and invests in low-carbon infrastructure in support of the transition to net-zero, including onshore and offshore wind, hydro power, electricity transmission and distribution networks, alongside providing energy products and services to customers. SSE’s ambitions for the development of renewable energy now extend beyond the British Isles to carefully selected international markets, including East Asia, Europe and North America.

UK-listed and headquartered in Perth, SSE is a major contributor to the economies in the UK and Ireland. It employs around 11,000 people and is real Living Wage, Living Hours and Fair Tax Mark accredited.

This Sustainability Report for the period 1 April 2021 to 31 March 2022 aims to provide enhanced disclosure of SSE’s policies, practice and performance against its key economic, social and environmental impacts and goals.

On occasion the report refers to activities of joint ventures and in these instances it is made clear this is the case.
2021/22 highlights

Refreshed 2030 Goals
In February 2022, SSE refreshed its 2030 Goals, making them more ambitious and ensuring they remain stretching to the end of the decade. See more on page 10.

Net Zero Transition Report
SSE published its Net Zero Transition Plan in March 2022 and has produced a report on progress against this Plan, which will be subject to shareholder vote at the upcoming AGM in July. See more on page 26.

Action for a just transition
SSE’s work over 2021/22 has reinforced the importance of a just transition to net zero, which has included a worker insights report and partnership collaboration to share learnings. See more on page 69.

Increasing climate ambition
SSE announced more stretching net zero ambitions, alongside aligning & Science Based Targets Initiative-approved interim carbon targets to a more stretching 1.5°C pathway. See more on page 25.

Powering change together
The purpose of SSE’s annual sustainability report is to disclose the impact of its business activities on people and the environment. Designed to complement the statutory disclosures in the Annual Report, SSE’s social and environmental impacts are comprehensively monitored and disclosed. Led from a strategic objective to ‘create value for shareholders and society’, SSE recognises that it has a far wider impact on the world than simply its annual financial results.

2021/22 was an exceptional year for business delivery, with a capital investment plan between 2021 and 2026 pursuing clean growth opportunities that are critical to removing greenhouse gases from our energy systems and tackling climate change. It was also a year where SSE spelled out, with greater clarity than ever before, the greenhouse emission targets it must meet to become a net zero business.

Targets
The publication of a Net Zero Transition Plan in March was the culmination of a series of actions taken earlier in the year. New science-based greenhouse gas targets were set in November, accelerating the speed in which emissions reduction plans are delivered. This means, amongst other things, that rather than targeting to cut our absolute scope 1 and 2 greenhouse gas emissions to 6 million tonnes of carbon dioxide equivalent in 2030, we will be cutting them to 3 million tonnes. With COP26 focused on accelerated climate action, I like to think SSE’s plan is net zero acceleration in practice.

Action
Setting robust, independently verified targets is one thing. But, as our Net Zero Transition Plan outlines, the targets are only as good as the actions designed to meet them. The same argument is true for nation states and the Nationally Determined Contributions set in advance of COP26. In SSE’s case, we are clear on what we must do: we must bring about a responsible phased reduction of carbon emissions, associated with unabated gas generation, and establish new carbon capture power stations, as quickly as possible. At the same time, we must increase renewable energy output – and we are developing wind, hydro and solar projects to increase it fivefold by the end of the decade. Because SSE understands that tackling climate change is not simply a technical challenge to meet through investment in large-scale assets, SSE seeks to support the human challenge too. Working people need to become reskilled, communities must benefit from the economic activity that results and all energy consumers must be able to access the benefits a low-carbon economy can bring. These principles of a just energy transition to net zero have partly within SSE’s plans to achieve net zero.

Integrity
Any plan to meet net zero, indeed, any strategy to create value for SSE’s wider stakeholders, requires comprehensive transparency. It’s why SSE continues to quantify, annually, its overall socio-economic impact. It’s also why we publish, in significant detail, our journey in improving inclusion and diversity within the company. It also means we must be honest about the challenges we face. While excellent progress is being made – SSE’s carbon emissions are down again this year – I have no doubt there will be bumps in the path ahead. Our commitment to stakeholders is to let them know when those challenges arise.

Finally, the spirit in which this report is published, is to stimulate further engagement and feedback from the many people and organisations that have an interest in SSE and its business activities. As always, I would encourage you to get in touch with us directly, using the email address sustainability@sse.com.

Alistair Phillips-Davies
Chief Executive
SSE’s purpose, vision and strategy

SSE’s business model

**OUR PURPOSE**
To provide energy needed today while building a better world of energy for tomorrow.

**OUR VISION**
To be a leading energy company in a net zero world.

**OUR STRATEGY**
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.

**OUR GOALS**
With an eye to net zero, in 2022 SSE revised its interim goals aligned to the UN’s SDGs for 2030.

**OUR VALUES**
All of this is underpinned by a set of core values designed to guide decisions and actions in SSE.
SSE’s purpose, vision and strategy

SSE’s business model

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. SSE’s businesses are well positioned to capture the growth opportunities generated by driving and accelerating the net zero agenda through electricity infrastructure.

A strategically coherent business mix focused on net zero

Decarbonising generation

- SSE Renewables
  - What it does: Develops, builds, operates and invests in assets that generate electricity from renewable sources.
  - How it supports net zero: Develops and generates zero-carbon electricity at scale to enable the electrification of heat and transport.
  - 2.4GW of renewable generation capacity in construction*

- SSE Thermal
  - What it does: Generates electricity from thermal sources in a flexible and reliable way, and holds around 13% of the UK’s underground capacity for underground gas storage.
  - How it supports net zero: Produces progressively lower-carbon electricity and supports balancing of electricity networks.
  - 5.3GW installed thermal generation capacity

Enabling electrification

- Energy Portfolio Management
  - What it does: Secures value for SSE’s asset portfolios in wholesale energy markets and manages volatility through risk-managed trading of energy-related commodities.
  - How it supports net zero: Provides efficient route-to-market for low-carbon electricity, supports system balancing and provides energy solutions for business energy customers.
  - 7.8GW renewable generation capacity connected to SSEN Transmission’s network

- SSEN Transmission
  - What it does: Owns, operates and maintains the electricity transmission network in the north of Scotland.
  - How it supports net zero: Connects sources of renewable electricity generation to the national grid and transporting clean electricity to areas of demand.
  - 3.8GW installed thermal generation capacity

Providing energy solutions

- SSEN Distribution
  - What it does: Owns, operates and maintains the electricity distribution networks in the North of Scotland and central southern England.
  - How it supports net zero: Connects local renewables and the co-ordinated delivery of network investment and flexible solutions to alleviate network constraints and allow for further electrification.
  - 3.8 million homes and businesses supplied by SSEN Distribution

- Customers
  - What it does: SSE Business Energy and SSE Airtricity provide energy and related services to households, businesses and public sector organisations across Great Britain and the island of Ireland.
  - How it supports net zero: Increases the accessibility of green energy solutions through the provision of customer-driven propositions and acts as a partner to customers and stakeholders as they seek ways to respond to the climate crisis.
  - c.1.2 million domestic and business customer accounts

- Distributed Energy**
  - What it does: Focused on investing in, building and operating localised flexible energy infrastructure, as well as developing solar and battery projects, operating heat networks, and offering integration, aggregation and trading capability.
  - How it supports net zero: Through offering services that bring low-carbon, on-site generation, storage and delivery flexibility close to the point of use. Diverse capabilities across a range of low-carbon technologies offer a local ‘whole system’ approach.
  - 380MW solar and battery pipeline secured with >1GW more sites under assessment

* Based on equity share at 31 March 2022
** Following the sale of its Contracting arm, SSE Enterprise is now referred to as Distributed Energy
SUSTAINABILITY REPORT

Embedding sustainability

SSE’s approach to sustainability

A sustainable strategy

SSE does not have a separate sustainability strategy, rather it works to integrate the principles of long-term social and environmental sustainability within its business strategy. Driven by the stated objective to “create value for shareholders and society,” established in its business strategy since 2019, the United Nations Sustainable Development Goals (SDGs) have provided the framework to guide the creation of that shared value. In January 2022, the SSE Board reaffirmed its commitment to the SDGs supporting SSE in delivering sustainable outcomes.

The UN Global Goals is a powerful framework for SSE, as it represents a consensus of the priorities in achieving global sustainable development. The 17 SDGs and their 69 sub targets are as important for businesses and other sub state actors to contribute, as it is for national governments. SSE takes inspiration from those goals and sub targets, disclosing in this report the targets, actions and performance it is taking to make a meaningful contribution.

Material SDGs

A review of SSE’s environmental impacts in March 2022, led to the identification of three further SDGs where SSE makes a material impact. These material SDGs guide the pillars of SSE’s developing environment strategy and are:

- Climate Action
- Industry, innovation, and infrastructure
- Decent work and economic growth

SSE’s 2030 Goals

- Cut carbon intensity by 80% compared to 2017/18 levels, to 86gCO2e/kWh.
- Enable at least 2GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSE’s electricity networks by 2030.
- Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

Highly material SDGs

In March 2022 the Safety, Sustainability, Health and Environment Advisory Committee reconfirmed four highly material SDGs as being:

- Environment
- Industry
- Affordable and clean energy
- Industry, innovation, and infrastructure
- Decent work and economic growth

Materiality established

- Responsible consumption and production
- Life below water
- Life on land

The strategic hierarchy of Sustainability within SSE

While the breadth and depth of SSE’s economic, social and environmental is extensive and complex, a strategic hierarchy of sustainability provides simplification and clarity.

“...creating value for shareholders and society...”

Aligned to shared value global framework

United Nations Sustainable Development Goals (SDGs)

Driven by SSE’s strategy

“...creating value for shareholders and society...”

Material SDGs

Materiality established

SSE’s Environment Strategy

Highly material

SSE’s 2030 Goals

Cut carbon intensity by 80% compared to 2017/18 levels, to 86gCO2e/kWh.

Increase renewable energy output fivefold

Enable low-carbon generation and demand

Enable at least 2GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSE’s electricity networks by 2030.

Champion a fair and just energy transition

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.

Three further material SDGs linked to SSE’s Environmental Strategy

Environmental management and governance

SSE’s 2030 Goals

Cut carbon intensity by 80% compared to 2017/18 levels, to 86gCO2e/kWh.

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SUSTAINABILITY REPORT

Embedding sustainability

Stretching SSE’s 2030 business goals

SSE’s 2030 business goals, aligned to the four highly material SDGs, were established in 2019. A review in 2021/22 reflected on the significant progress made by SSE against the original ambitions at the same time as recognising the impetus for accelerated climate action in the UK and beyond. It also recognised the opportunity for greater specificity, particularly in relation to expected customer requirements on electricity networks. As a result, the Board agreed in January 2022 to upweight those business goals, and by doing so ensuring that SSE’s medium-term plans better reflect climate science, the ambitions of governments, and SSE’s accelerated five-year investment plan.

Refreshed Goals in 2022

- Cut carbon intensity by 80%
  - Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO2e/kWh.

- Increase renewable energy output fivefold
  - Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

- Enable low-carbon generation and demand
  - 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.

- Champion a fair and just energy transition
  - 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.

Goals set in 2019

- Cut carbon intensity by 50%*
  - Reduce the carbon intensity of electricity generated by 50% by 2030, compared to 2018 levels, to around 150gCO2/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.

* Target was subsequently uprated to a 60% reduction to around 120gCO2e/kWh in 2020 as a result of SSE’s first set of science-based carbon targets, at the time, aligned to a ‘well-below 2°C’ pathway.
Embedding sustainability

Structured sustainability governance

The structures governing sustainability within SSE are designed to deliver clear lines of accountability and ensure the alignment of strategic objectives with social and environmental value.

The good governance of sustainability issues helps to improve SSE’s overall business performance. It manages social and environmental risks — but perhaps more impactfully — it can unlock opportunity for enhanced value too.”

Helen Malhy CBIE, Chair, SSE-HEAC

The Board and its sub-Committees

During 2021/22, the Board reviewed and approved SSE’s Group Policies, including specific policy statements on human rights, the environment, climate change and sustainability. The Board also approves, annually, SSE’s priorities relating to its principal sustainability impacts, of which, climate change is defined as the most material of all. In November 2021 the Board approved a set of revised greenhouse gas emissions targets aligned to a 1.5°C warming pathway and verified by the Science Based Targets initiative. In March 2022 the Board also reviewed and approved SSE’s Net Zero Transition Plan.

The Board is advised on matters relating to safety, health and the environment by the Safety, Sustainability, Health and Environment Advisory Committee (SSE-HEAC), which continues to be chaired by an independent non-Executive Director. In 2021/22 the SSE-HEAC reviewed SSE’s climate adaptation plans, assessed SSE’s relative performance in ESG surveys and approved the 2021/22 Sustainability Report.

The Remuneration Committee is also chaired by an independent non-Executive Director of the Board. Its remit includes preparing SSE’s policy on executive remuneration for the approval of shareholders and assessing Executive Directors’ performance in relation to short and long term incentives. This includes assessing progress towards SSE’s four business goals for 2030 which are aligned to the UN’s SDGs. 2021/22 is the third time the Directors have been assessed against these criteria, see pages 80 to 83 for more information. The Remuneration Committee has undertaken its three-yearly review of its Remuneration Policy through 2021/22 and subject to shareholder approval, sustainability metrics will now be embedded within the long term incentive plan, in addition to the Annual Incentive Plan.

From 2021/22, and as a result of a new obligation to report against the Task Force on Climate-related Financial Disclosures recommendations, the Audit Committee reviewed the approach to the preparation of the 2022 disclosures in SSE’s Annual Report, and approved the TCFD report on pages 42 to 55 of SSE’s Annual Report 2022.

The GEC and its sub-Committees

SSE’s Group Executive Committee (GEC) is responsible for implementing strategy, as approved by the Board, including Group Policies and the management of risks. The GEC agrees priorities relating to SSE’s most material social, environmental, and economic impacts. The Chief Executive chairs the GEC and as Executive Director with responsibility for sustainability, agrees the annual objectives and priorities for the Chief Sustainability Officer.

The Group Risk Committee is responsible for managing the processes in place to assess and monitor the Group Principal Risks and provides oversight of Business Unit risks. The Human Rights Steering Group, responsible for the production of the annual Modern Slavery Statement, reports to the Group Risk Committee. In 2021/22, the Group Risk Committee also had oversight of the internal process to identify and quantify the most material climate-related risks and opportunities.

The Safety, Health and Environment Committee is responsible for the careful management of safety, health and environment matters across the SSE Group. In 2021/22 the Committee, amongst many other matters, approved a new framework for a group-wide Environment Strategy. It also considered, in detail, the safety, health and environment plans from each of the SSE business units.

SSEPD Board and its sub-Committee

SSE’s two electricity networks businesses, SSEN Transmission and SEN Distribution, have a dedicated governance framework underneath the SSE plc Board, reflecting business separation obligations under their Ofgem licences. The SSEPD Board is chaired by the SSE Finance Director and comprises Executive Directors from the SSE Group and two independent non-Executive Directors. It is responsible for the oversight of SEN’s most material sustainability impacts.

The Sustainability Sub-Committee of the SSEPD Board governs the sustainability strategies of both SEN Distribution and SENN Transmission, comprising of one independent non-Executive Director, the Group Chief Sustainability Officer and Executives from each of the respective businesses. In 2021/22 the Committee reviewed and had oversight of the sustainability strategy contained within the SENN Distribution ED2 draft business plan.

Chief Sustainability Officer

The role of Chief Sustainability Officer (CSO) was established in 2019, reporting directly to the Chief Executive and is responsible for advising on sustainability issues and strategy. To support the integration of sustainability within the governance structures of SSE, the CSO is a member of the SSE-HEAC and three of the four Group-level sub-Committees of the GEC: the Risk Committee, from June 2022, the Large Capital Projects Committee and the Safety, Health and Environment Committee; and is also a non-Executive Director of the SSEPD Board and its Sustainability sub-Committee.
Identifying the issues that matter

SSE considers issues material if they have the potential to have significant impact on its operations or its stakeholders, either positively or negatively.

The integrity of an organisation’s approach to long term sustainability depends upon its ability to identify the social and environmental risks and opportunities that matter. Those issues may matter to the success of the organisation or to the organisation’s stakeholders. This process of considering what is important and to whom is one that is constant and continuous for SSE. It is also a process SSE believes can always be improved upon.

Most importantly, ongoing materiality assessments require an analysis of emerging social, economic and environmental trends, a structured approach to stakeholder engagement, the nurturing of long-term partnership, and a sophisticated understanding of the principal risks facing SSE.

Emerging trends Page 16
Working with and for stakeholders Page 18
Partnerships that power change Page 19
SSE’s Group Principal Risks Page 20
Climate-related opportunities and risks Page 21
Identifying material issues

Emerging trends

An organisation’s long-term sustainability is, in part, determined by its ability to identify and respond to key and emerging trends in its external environment. In 2021/22, the case for enhancing future social and environmental value was given greater impetus in the recovery from the coronavirus pandemic, global efforts to combat climate change and the macroeconomic impact of rising prices constraining economic growth and causing hardship for many.

Increasing cost of living

UK consumer price inflation in the year to April 2022 reached 9%, driven by the increased cost of energy, exacerbated by the war in Ukraine. Ofgem’s raised cap on average household bills for gas and electricity means a 70% year-on-year increase. With poorer households spending a greater proportion of their income on energy, those with the least are bearing a greater burden of rising prices than the average household.

The outlook, according to the Bank of England, is that UK inflation will return to close to 2% within two years, but the impact for families in the meantime is serious. The impact of this inflationary period is also, according to the Bank of England, likely to impact on unemployment negatively too. These macroeconomic pressures are not unique to the UK and are being experienced across Europe and beyond.

SSE is concerned for both the hardship being faced by families in the short term and the inequalities that result from reducing economic activity. It is clear, however, that its response must be to continue with its investment plans in the net zero transition, growing its workforce and supply chain, helping to reduce reliance on volatile global gas prices, and invest in a way that maximises local social value too.

“Inflation hits 9% with poorest households facing even higher rates.”


Urgent messaging from climate science

The Intergovernmental Panel on Climate Change (IPCC) prepares comprehensive assessments of climate change every five to seven years. Its Sixth Assessment reports were published in 2021 and 2022, with increasingly urgent tones on the immediacy of the climate challenge.

The first report summarised the physical science of climate change and concluded that it is unequivocal that human behaviour has warmed the planet, causing widespread and rapid changes to the Earth’s oceans, ice, and land surface. This second report recognises that climate change poses a threat to human well-being and the health of the planet and that whilst adaptation efforts have been observed across all sectors and regions, progress is uneven, fragmented, small in scale and incremental.

The third report advises policy makers how to meet net zero and amongst its findings were that drastic changes are needed to phase out global dependence on fossil fuels. It is clear from the science that time is running out to prevent the most dangerous climate change (more than 1.5°C warming above pre-industrial levels). The final synthesis report of the Sixth Assessment is expected in September 2022 and will provide the conclusion to the entire Sixth Assessment cycle with guidance and advice for policy makers in advance of COP27 in Egypt.

SSE continues to pay very close attention to emerging climate science considering the implications of that science on its business activities.

“A shift to renewables will mend our broken global energy mix and offer hope to millions of people suffering climate impacts today. Climate promises and plans must be turned into reality and action, now. It is time to stop burning our planet and start investing in the abundant renewable energy all around us.”

Antonio Guterres, UN General Secretary, 4 April 2022 on the publication of the IPCC Sixth Assessment Working Group III Report.

The emerging consensus on standardised ESG metrics

After years of debate about the importance of common, international standards on sustainability metrics and criteria, consensus emerged in 2021. Announcements at COP26 include the establishment of and International Sustainability Standards Board (ISSB) to develop, in the public interest, a comprehensive global baseline on high-quality sustainability disclosure standards to meet investors’ information needs.

Incorporating existing frameworks such as CDP and the SASB Standards, the announcement was welcomed by the G20, the Financial Stability Board, the World Economic Forum amongst others. Furthermore, UK Chancellor Rishi Sunak announced in October a sustainable finance roadmap for the UK. With enhanced disclosure requirements for businesses on their environmental impacts and a UK taxonomy providing a rule book for the classification of environmental economic activity, further detail on the implementation of the plan is expected in 2022.

Having made comprehensive environmental and social disclosures on a voluntary basis for many years, SSE looks forward to greater standardisation in the future, as the basis for high quality stewardship engagement with its investors and shareholders.

“We want sustainability to be a key component of investment decisions, and our plans will arm investors with the right information to make more environmentally-led decisions.”

Rishi Sunak, UK Chancellor, 18 October 2021

Developing a framework to value nature

Inspired by the impact of the Task Force on Climate-related Financial Disclosure, and the importance of nature in restoring the planet back to balance, progress is being made in establishing a framework for valuing and disclosing nature impacts. The Taskforce on Nature-related Financial Disclosures (TNFD) published the first version of its nature-related risk management and disclosure framework. The TNFD seeks to create a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, ensuring nature is factored into financial and business decisions.

This first version of the TNFD framework includes disclosure recommendations and practical guidance on nature-related risk and opportunity analysis. Disclosure recommendations have been closely aligned with the TCFD recommendations, with the intention to focus on climate adaptation. TNFD is now undertaking an 18-month consultation process on the framework, with several beta versions published ahead of the final recommendations in September 2023.

SSE believes that the ability to quantify and articulate its impacts on nature is an important area for development in the years to come. It will continue to work, at a business level, on practical activities that support both the transparency of its impacts and the methods in which it can enhance value to nature.

“Truly sustainable economic growth and development means recognising that our long-term prosperity relies on rebalancing our demand of Nature’s goods and services with its capacity to supply them.”

Professor Sir Partha Dasgupta, February 2021.
Identifying material issues

Working with and for stakeholders

The essential nature of SSE’s core product, energy, means there is a wide range of stakeholders who have a direct interest in SSE and whose perspectives must be considered if it is to achieve its business objectives.

SSE’s approach to stakeholder engagement

SSE understands that there is an effective social contract between the company and the society within which it operates. At the core of that contract is a reciprocal relationship between SSE and its stakeholders, with SSE relying on a range of inputs, in return for which value is generated and shared.

SSE interacts with a vast array of stakeholders every single day. Its approach to stakeholder engagement seeks to ensure that stakeholder perspectives are built into its business plans and objectives every step of the way, from project planning, project delivery and onwards through long-term operations and customer service. It therefore promotes an open and transparent approach to stakeholder engagement which is supported by accountability at both Group and Business Unit level. SSE adopts a range of engagement methods to build those reciprocal relationships. These methods exist in a strategic framework that is a combination of business-led and Board level engagement. Details of engagement methods deployed, and the material issues raised are outlined on pages 34 to 39 of the SSE Annual Report 2022.

SSE’s key stakeholder groups

SSE defines its stakeholders as the people, communities and organisations with an interest in SSE’s purpose, strategy, operations and actions and who may be affected by them. In 2021/22 the SSE Board reconfirmed the six principal stakeholder groups, outlined below, within that context.

Employees

Engagement helps SSE attract, retain and develop a diverse and talented workforce now and for the future. See pages 76-83

Shareholders and debt providers

We engage to ensure confidence and support from those that invest in and lend to SSE. See SSE’s Annual Report 2022

Energy customers

Dialogue aims to support the transition to a decarbonised energy system in a fair and affordable way. See pages 38-45

Government and regulators

Constructive engagement aims to ensure fair energy sector frameworks for energy customers and investors. See page 28

NGOs, communities and civil society

Working openly and progressively seeks to support the achievement of shared goals with societal benefit. See page 19

Suppliers, contractors and partners

Fostering healthy reciprocal relationships helps SSE to ensure it achieves the greatest all-round value from its investments and activities. See pages 52-55

Creating value through stakeholder collaboration

Throughout this report, SSE provides case studies and dilemmas to demonstrate practical real-life examples of projects that have been undertaken with and for its stakeholders. These are highlighted using the icons shown to the right.

Partnerships that power change

Working with key partners enables SSE to drive progress by collaborating with leaders and specialists to achieve more than it could alone. Partnerships encourage knowledge sharing that enables SSE to set ambitious targets, keep it accountable and contribute to sustainability agendas beyond its own operations. SSE appreciates the support of its partners to drive improvements and increase SSE’s visibility of the challenges affecting the industry and its supply chain. SSE’s partnerships form a core part of the business, and have done for a number of years, helping SSE navigate new areas of focus as the scope of the business expands, and ensures it is preparing for the future.

Long standing values-based partnerships

SSE has worked with a number of partners for many years, which form a core part of SSE’s culture and help set standards for the way SSE operates.

• Living Wage Foundation: SSE firmly supports the principles and values promoted by the Living Wage Foundation and seeks to support both the Foundation and the wider business community, increasing the number of working people earn at least a real Living Wage. SSE has been an accredited Living Wage employer since 2013. Furthermore, SSE became a living hours employer in March 2021. For more information see page 60 of SSE’s Annual Report 2022.

• Fair Tax Foundation: As the first FTSE100 company to achieve Fair Tax accreditation in 2014, SSE has consistently supported the Fair Tax Foundation to establish a culture of pride amongst businesses making a fair contribution in the support of public services. SSE has achieved Fair Tax Mark accreditation for eight consecutive years. For more information on SSE’s tax disclosure see page 70.

• United Nations Global Compact (UNGC): SSE has been a signatory of the UNGC since 2018 and aligns to its ten principles for corporate sustainability. For more information see sse.com/sustainability/partnerships-and-memberships/

• Institute of Business Ethics (IBE): IBE promotes the highest standards of ethical business practice, providing its subscriber companies with a wealth of resources in implementing ethical business practices. SSE has been a subscriber since 2014 and regularly participates in events and industry working groups to share best practice on embedding ethical business cultures.

Driving potential for SSE and wider industry

As SSE’s business evolves, partnerships are essential for uncovering new areas of focus and increasing standards for the business, driving awareness of additional requirements that SSE must consider, and enabling SSE to be part of the discussions around emerging industry challenges and how to solve them. Recently SSE has been working with a number of partners that increase its reach and shape its thinking.

• Accounting for Sustainability: through SSE’s Chief Financial Officer, SSE has been a member of the Prince of Wales’ Accounting for Sustainability Network since its inception in 2011. The partnership with A4S and its network of finance leaders has been key in supporting SSE’s efforts for enhanced quantification and disclosure of its material social and environmental impacts.

• Business in the community Ireland (BITCI): BITCI is the foremost organisation in the Republic of Ireland promoting sustainability and responsible business practices. SSE is an active member and achieved the Business Working Responsibly Mark for the first time in 2017.

• Supply Chain Sustainability School: SSE has been a principal partner with the school since 2021 and is a member of a number of working groups relating to labour standards, infrastructure, carbon, and more. SSE has worked with the school to engage with its employees by delivering bespoke training programmes and workshops, as well as collaborate closer with its suppliers.

Many further business partnerships exist across SSE’s business units and SSE is grateful to those organisations for their input and contribution.
SSE’s Group Principal Risks

The execution of SSE’s strategy and delivery of its purpose is dependent on the effective identification, understanding and mitigation of the Group’s Principal Risks.

Sustainability in the Group Principal Risk context

Whilst all the Group Principal Risks are relevant to the sustainable development of SSE, those with particular significance to social and environmental impacts are outlined below. More information can be found in SSE’s Group Principal Risk report and SSE’s Annual Report 2022, pages 68 to 61, which detail key developments during the year and key mitigations SSE has in place.

Climate change

The risk that SSE’s strategy, investments or operations are deemed to have an unacceptable future impact on the natural environment and on national and international targets to tackle climate change.

The physical impacts of change, such as severe weather that can interrupt energy supply or generation, and the transitional risks relating to developments in political and regulatory requirements on the products and services SSE providers, have potential to impact SSE’s operations. SSE’s work to reduce its impact on climate change and the consideration of longer-term key climate-related risks and opportunities is detailed on pages 21 and 33.

Energy affordability

The risk that energy customers’ ability to meet the costs of providing energy, or their ability to access energy services is limited, giving rise to negative political or regulatory intervention that has an impact on SSE’s core regulated Networks and Renewables businesses.

SSE seeks to support the transition to net zero through disciplined investment in developing and operating low-carbon energy infrastructure, and delivering this in a way that represents value for money for energy customers. It works to ensure that the energy it supplies to customers is not only affordable but is accessible too, and it strives to offer services that are inclusive to all. See pages 38 to 43.

People and culture

The risk that SSE is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision-making.

An ethical business culture alongside the talent and skills of SSE’s employees enable it to fulfil its purpose and achieve its strategic goals. SSE has a long-standing commitment to fair and decent work and seeks to provide an inclusive, fulfilling and high-performing workplace. SSE’s responsible approach to attracting, developing and retaining a future skilled workforce is detailed on pages 76 to 83.

Safety and the environment

The risk of harm to people, property or the environment from SSE’s operations.

SSE has an uncompromising commitment to keep people safe and healthy, and to respect the environment in which it operates. SSE’s working environment includes challenging geographic locations and adverse weather conditions, which can impact its activities. It has clear safety and environmental processes and training in place to address these risks. SSE’s safety, health and environment performance and initiatives are detailed on pages 84 to 97.

Mandated climate-related financial disclosures in the UK

While SSE has voluntarily disclosed against the TCFD recommendations since 2018, in 2021/22 it is now mandatory for premium listed companies to report on a ‘comply or explain’ basis.

SSE’s TCFD report is outlined in its Annual Report 2022 between pages 42 and 55. The report represents the culmination of an enhanced governance and assurance process and represents the most fulsome assessment of the impact of climate change on SSE in the medium to long term.

With four pillars to the TCFD recommendations, and 11 recommended disclosures, the TCFD framework is designed to ensure that climate issues are factored into long term decision making. SSE has fully met 10/11 of the recommended disclosures. The remaining recommendation, under Strategy 2.e, has been partially met with plans to meet it in full in 2022/23. SSE further believes there is an opportunity for increasing maturity of all TCFD disclosures and will actively seek feedback from shareholders and other stakeholders to ensure its disclosures remain appropriate and comparable.

Summary of SSE’s TCFD compliance

A summary of SSE’s compliance and progress in 2021/22 is provided below.
Accelerating climate action

Increased climate ambitions and a clear plan of action for delivery are paving the way for SSE to drive accelerated action towards net zero.

SSE recognises the serious threat that climate change poses to the natural world and, therefore, to people and the economy. Despite the progress made in the climate negotiations at COP26 in Glasgow in November 2021, continuing evidence published by the Intergovernmental Panel on Climate Change presents an urgent and alarming picture. It continues to be clear that stronger action is needed by governments and business to support an accelerated delivery of net zero. This presents an opportunity for SSE to provide a clean and resilient energy system which is focused on supporting a transition that creates and shares value with shareholders and society.

Cut carbon intensity by 80%
Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO₂e/kWh.

SSE’s scope 1 GHG emissions intensity increased slightly between 2020/21 and 2021/22, however it has decreased 16% from the 2017/18 baseline. Despite SSE’s scope 1 emissions falling by 19% compared to 2009/10 and being the lowest since SSE’s records began, SSE’s scope 1 intensity increased slightly by 1% to 256gCO₂e/kWh in 2021/22, compared to 255gCO₂e/kWh in the previous year. Good progress was made in renewables growth and paving a way forward for low-carbon thermal generation. Plans progressed in the development of two new thermal power stations equipped with carbon capture technology with both projects moving forward in the UK Government’s process to support the most competitive carbon capture plants in pursuit of net zero ambitions.

Our progress
Reduction in GHG emissions from electricity generation
19%
GHG emissions from electricity generation
5.75 MtCO₂e
SUSTAINABILITY REPORT

Accelerating climate action

Performance summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Key performance indicator</th>
<th>Unit</th>
<th>2021/22</th>
<th>2020/21</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science-based carbon targets</td>
<td>Scope 1 and 2 emissions</td>
<td>Million tonnes CO₂e</td>
<td>6.24</td>
<td>7.64</td>
<td>8.91</td>
</tr>
<tr>
<td></td>
<td>Scope 1 GHG intensity</td>
<td>gCO₂e/kWh</td>
<td>259  A</td>
<td>256</td>
<td>290</td>
</tr>
<tr>
<td></td>
<td>GHG emissions from gas sold (scope 3 carbon emissions)</td>
<td>Million tonnes CO₂e</td>
<td>2.29</td>
<td>2.35</td>
<td>2.68</td>
</tr>
<tr>
<td></td>
<td>Proportion of SSE’s suppliers by spend that have set or committed to set science-based targets through the SBTI</td>
<td>%</td>
<td>48  A</td>
<td>29</td>
<td>4</td>
</tr>
<tr>
<td>CDP</td>
<td>SSE’s CDP Climate Change Programme Rating</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Climate adaptation</td>
<td>Weather-related resilience expenditure by SSEN Distribution</td>
<td>£m</td>
<td>22.8</td>
<td>278</td>
<td>246</td>
</tr>
<tr>
<td></td>
<td>Overhead line replacement and refurbishment</td>
<td>£m</td>
<td>1.5</td>
<td>3.4</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>Tree cutting</td>
<td>£m</td>
<td>23.7</td>
<td>277</td>
<td>296</td>
</tr>
<tr>
<td></td>
<td>Flood protection</td>
<td>£m</td>
<td>15.0</td>
<td>34.0</td>
<td>5.9</td>
</tr>
</tbody>
</table>

Detailed disclosure on the breakdown of SSE’s scope 1, 2, and 3 emissions is available in SSE’s sustainability data tables which can be accessed at sse.com/sustainability.

Weather-related resilience expenditure by SSEN Distribution:

<table>
<thead>
<tr>
<th>Year</th>
<th>Overhead line replacement and refurbishment</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017/18</td>
<td>0.9</td>
<td>1.0</td>
</tr>
<tr>
<td>2018/19</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>2019/20</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>2020/21</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>2021/22</td>
<td>3.7</td>
<td>3.7</td>
</tr>
</tbody>
</table>

Reducing GHG emissions:

Between 2017/18 and 2021/22 SSE’s total GHG emissions (scope 1, 2 and 3) have fallen by 35%, from 15.2MtCO₂e to 9.9MtCO₂e. The fall in GHG emissions across all three scopes is predominantly a result of the change in generation mix of SSE’s thermal generation plant from which GHG emissions contribute 92% of scope 1 emissions.

A strategy to support net zero

SSE’s business strategy has the transition to net zero at its core and SSE has a well-established decarbonisation plan which continues to deliver progress against stretching climate ambitions.

Stretching net zero ambitions

SSE made a clear public commitment in 2020 to the long-term goal of achieving net zero greenhouse gas (GHG) emissions across all its operations by 2050 at the latest, covering scope 1, 2 and 3 GHG emissions. Recognising the national and international importance of decarbonising the power sector as quickly as possible, in 2021/22, SSE revised this ambition and is now targeting net zero across 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 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 (see pages 26 to 27 on target requirements) and for remaining scope 3 emissions by 2050 at the latest.

SSE’s two economically regulated businesses, SSEN Transmission and SSEN Distribution, as part of their respective business plans, have set their own science-based greenhouse gas emission targets. To achieve these targets, these regulatory businesses have outlined the actions that they need to take. These targets and actions, which are outlined throughout this Net Zero Transition Plan, deliver GHG emission reductions and contribute to SSE’s overall net zero ambitions.

Progress on the Net Zero Transition Plan

At SSE’s Annual General Meeting in July 2021, SSE established a framework for annual shareholder advisory votes which involve committed to net zero in addition to publishing a Net Zero Transition Report to disclose progress towards net zero.

In March 2022, SSE published its Net Zero Transition Plan which details the targets and actions SSE intends to take to achieve its net zero ambitions. SSE’s Net Zero Transition Report summarises the progress against this plan towards SSE’s net zero targets and should be viewed alongside SSE’s Annual Report 2022, Sustainability Report 2022 and SSE’s CDP Climate Change disclosures. All reports are available at sse.com/sustainability.

SSE’s GHG emissions by scopes between 2017/18 and 2021/22

- **Scope 1**: Gas sold, Investments*, upsteam emissions from subtractive refining and transport of raw fuels purchased, SSEN Transmission losses and business travel.
- **Scope 2**: Electricity consumption in operational and non-operational buildings and distribution losses.
- **Other Scope 3**: Operational vehicles, fixed generation, sulphur hexafluoride and gas consumption in buildings.
- **Scope 1**: Electricity generation carbon emissions.

*SAE changed the way it accounts for the GHG emissions from its LSO owned Sea Bank gas-fired power station from 1 October 2021. Prior to this date SSE held operational control of the plant under a Power Purchase Agreement and as such 2020 of emissions from the station were accounted for in scope 1 inventories. Following cessation of the agreement on 30 September 2021, 50% of its emissions (aligned with equity ownership) will be accounted for within scope 1.
Accelerating climate action

Performance against the Net Zero Transition Plan

To drive improved performance, SSE measures and reports progress against stretching targets that are science-based and aligned to the ambitions set out in the Paris Agreement.

<table>
<thead>
<tr>
<th>Target</th>
<th>Short term (to 2025)</th>
<th>Medium term (2025 - 2035)</th>
<th>Long term (2035 - 2050)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2025</td>
<td>2035</td>
<td>2050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope 1</strong></td>
<td>Engage with 50% of suppliers by spend to set an SBT by 2024.</td>
<td>Reduce the carbon intensity of scope 1 GHG emissions by 80% by 2030, from 2017/18 baseline.</td>
<td>Net zero for SSE’s scope 1 and 2 emissions by 2040.</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td>Progress from baseline</td>
<td>Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year.</td>
<td>Net zero for all SSE’s remaining scope 3 emissions by 2050.</td>
</tr>
<tr>
<td><strong>Scope 3</strong></td>
<td>Progress from baseline</td>
<td>Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year.</td>
<td></td>
</tr>
</tbody>
</table>

**Performance**

Through SSE’s engagement with the CDP supply chain reporting and workshops SSE has made good progress on engaging suppliers to set science-based targets (SBTs). In 2019/20, 4% of suppliers by spend had set or committed to set SBT through the Science Based Targets Initiative, which has increased to 48% in 2021/22.

| Target achievement | 96% towards achieving its supplier engagement target. | 20% towards achieving its scope 1 GHG intensity reduction target. | 19% towards its target to reduce GHG emissions from gas sold to customers. |

*SSE changed the way it accounts for the GHG emissions from its 50% owned Seabank gas-fired power station from 1 October 2021. Prior to this date SSE had operational control of the plant under a Power Purchase Agreement and as such 100% of emissions from the station were accounted for in scope 1 inventory. Following cessation of the agreement on 30 September 2021, 50% of its emissions (aligned with equity ownership) will be accounted for within scope 3.*
Accelerating climate action

Embedding climate action

SSE works to embed policies and processes that support the delivery of climate action in line with clear principles aligned to the Paris Agreement and a 1.5°C pathway.

Advocating for accelerated climate policy

During 2021/22, SSE continued to advocate for accelerated climate action with a focus on increasing deployment of renewable generation and decarbonisation of thermal generation, heat and transport. Specific activity included:

Addressing barriers to offshore wind deployment: SSE Renewables has long advocated for the UK Government to set more ambitious renewable buildout targets and streamline the planning process for offshore wind through the Offshore Wind Acceleration Task Force. In 2022, it was pleased to see the UK Government confirm targets in the British Energy Security Strategy for 50GW of offshore wind by 2030, including 5GW floating offshore wind, with a commitment to significantly cut consent time down to one year.

Making the case for pumped storage: through its membership of the Long Duration Electricity Storage Alliance, SSE Renewables engaged with the UK Government’s Energy Minister to advocate for bespoke policy mechanisms such as a ‘cap and floor’ to support the deployment of renewable generation supported by hydrogen storage. Working with its CCS trade association, it contributed to a cross-sector Carbon Capture, utilisation and storage (CCUS) Delivery Plan, setting out the pathway needed to abate 50 million tonnes of CO₂ per year by 2035.

Unlocking the north of Scotland’s net zero contribution: in November 2021, SSE’s Transmission published an analysis highlighting the significant contribution the north of Scotland will make to UK and Scottish Government net zero targets and advocated for the UK Government to introduce a national strategic plan that sets out the necessary investment in the UK transmission system to achieve a fully decarbonised electricity sector by 2035.

Increasing support for lower-carbon technologies: over 2021/22, SSE’s Thermal contributed to key UK Government consultations, including the development of a UK Low Carbon Hydrogen Standard, a Hydrogen Production Business Model and a Power-Carbon Capture and Storage (ICCS) Business Model. It advocated for frameworks to establish carbon dioxide transport and storage networks across the UK and low-carbon hydrogen value chains, with the potential to progress to a 100% hydrogen-fuelled power generation sector, supported by hydrogen storage.

Advocating for clean, flexible and affordable energy

The decarbonisation of electricity systems needs to be managed in a responsible and phased way to meet the challenges of energy security, affordability and net zero commitments. This was evidenced in 2021/22, when SSE’s scope 1 GHG emissions intensity increased slightly. The main reason for this was the increased demand for more carbon intensive oil-fuelled peaking plant in Ireland that arose due to the need to balance the electricity grid. To address this SSE has been advocating for policy mechanisms that support the deployment of renewable technologies that provide flexibility as well as planning frameworks that deliver accelerated offshore wind development. For instance, policy interventions such as the Maritime Area Planning Act in the Republic of Ireland enable the rapid deployment of offshore wind which in turn decreases dependency on expensive and carbon intensive oil-fuelled peaking plant.

Taking account of the price of carbon

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

During 2021/22, SSE’s generation activities in GB operated under the new UK Emissions Trading Scheme (UK ETS) carbon pricing system, which came into operation to replace the EU ETS following Brexit. The UK ETS is a cap- and-trade emissions scheme, similar in design and aims to the EU ETS. SSE’s activities are subject to the Carbon Price Support (CPS) mechanism which sets a price per tonne of carbon emitted and combined with the UK ETS allowance price, makes up the Total Carbon Price paid by electricity generators.

The combination of the UK ETS and the CPS sets the carbon price in electricity markets in Great Britain, and the EU ETS in the Single Electricity Market (SEM) between Ireland and Northern Ireland. SSE views that a robust carbon price in the electricity system has a critical role in meeting the UK’s net zero commitments, and delivering a net zero electricity system in the 2030s. SSE continues to promote a robust carbon price with the UK and Irish Governments, along with the European Commission, and supported the strengthening of the UK and EU’s 2030 ambition ahead of COP26 which directly impacts the UK ETS and EU ETS through determining the supply of greenhouse gas emission allowances. Ultimately, SSE believes the progressive tightening of the allowances available is a powerful tool to reduce greenhouse gas emissions in the most economic way possible. SSE will also continue to actively engage with both the UK and EU as they implement the changes to align their ETS with their net zero targets as soon as possible, both bilaterally and through its trade associations.

Climate alignment of trade association membership

SSE is a member of a number of diverse trade associations that align with its business objectives and enable it to work collaboratively across the energy sector on matters of shared interest. SSE works closely and engages with these trade associations on a continuous basis to ensure that their principles on climate change are consistent with those of its own.

In December 2021, SSE published the first annual review of its trade association memberships in relation to its net zero ambitions and the goals of the Paris Agreement. The results showed that, of the 20 trade associations considered within scope, 19 were aligned overall and one was partially aligned. None of the trade associations assessed were identified to have opposing climate-related views. SSE will continue to engage with all trade associations that were found to be aligned and will undertake a process to seek increased engagement where partial alignment was identified, with results of action taken to be disclosed in the next annual review later in 2022. More information can be found in SSE’s Trade Association Climate Review available at sse.com/sustainability.
Accelerating climate action

Targeted action to address GHG emissions

SSE’s Net Zero Transition Plan sets out a clear plan of action it will take to accelerate clean energy development alongside reducing emissions from thermal sources of electricity generation.

A clear plan of action for net zero

SSE understands that credible net zero targets must be backed up by a clear plan of actions that will be taken to achieve them. SSE’s Net Zero Transition Plan was designed to provide this clarity for its stakeholders, outlining in detail 14 key actions it will take to ensure its net zero ambitions are met.

The key actions focus primarily on addressing SSE’s largest source of GHG emissions from electricity generation, alongside a plan to address remaining GHG emissions across all scopes. This section provides updates on some of the actions taken for the key sources of emissions for SSE’s scope 1, 2, and 3 GHG emissions, with further information provided throughout this report.

Activities

<table>
<thead>
<tr>
<th>Actions</th>
<th>Where to find more information</th>
<th>Key progress in 2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce emissions from unabated gas generation</td>
<td>Annual Report – pages 54 to 55</td>
<td>GHG emissions from SSE’s electricity generation fell by 19% between 2020/21 and 2021/22, and were the lowest since SSE’s records began.</td>
</tr>
<tr>
<td>Develop new low-carbon flexible generation</td>
<td>Sustainability Report – pages 27 and 104</td>
<td>SSE Thermal progressed plans for the development of two new power stations equipped with carbon capture technology, with both projects moving forward to differing degrees in the UK Government’s process to encourage and support competitive carbon capture plants.</td>
</tr>
<tr>
<td>Transparent advocacy in favour of enhanced policy</td>
<td>Sustainability Report – page 31</td>
<td>SSE continued to advocate for increased support for lower-carbon thermal generation technologies.</td>
</tr>
<tr>
<td>Explore options for neutralising residual emissions</td>
<td>Sustainability Report – pages 64 and 65</td>
<td>SSE showed its support for Direct Air Carbon Capture and Storage (DACCS) in the UK Government’s proposed Scottish Cluster and submitted evidence on negative emissions technologies to the UK Environmental Audit Committee.</td>
</tr>
<tr>
<td>Build a renewable energy portfolio of 13GW of capacity by 2031</td>
<td>Annual Report – pages 100 to 101</td>
<td>SSE made good progress on key renewables projects and at 31 March 2022 had 2.4GW of capacity in construction*.</td>
</tr>
<tr>
<td>Reduce leakage and reliance on SF6</td>
<td>Sustainability Report – page 96</td>
<td>SSE Transmission progressed with further trials of SF6 alternatives at its substations, including the first substation with SF6-free Siemens Energy Clean Air Power Voltage Transformers. SSE Transmission published its enhanced SF6 leakage reduction strategy as part of its RIO-ED2 Business Plan.</td>
</tr>
<tr>
<td>Reduce reliance on SSEN’s Scottish Island backup diesel generation</td>
<td>Sustainability Report – page 63</td>
<td>SSE Distribution’s new RIO-ED2 business plan outlines its commitment to produce a diesel strategy to transition away from carbon-intensive fuels on the Scottish Islands.</td>
</tr>
<tr>
<td>Switch vehicle fleet to electric in line with EV100 commitment</td>
<td>Sustainability Report – page 97</td>
<td>SSE made good progress towards its EV100 commitment with over 40% of its car fleet now fully electric and it increased its fully electric van fleet from 12 to 41.</td>
</tr>
</tbody>
</table>

**SUSTAINABILITY REPORT**

**Targeted action to address GHG emissions**

**Key progress in 2021/22**

- GHG emissions from SSE’s electricity generation fell by 19% between 2020/21 and 2021/22, and were the lowest since SSE’s records began.
- SSE Thermal progressed plans for the development of two new power stations equipped with carbon capture technology, with both projects moving forward to differing degrees in the UK Government’s process to encourage and support competitive carbon capture plants.
- SSE showed its support for Direct Air Carbon Capture and Storage (DACCS) in the UK Government’s proposed Scottish Cluster and submitted evidence on negative emissions technologies to the UK Environmental Audit Committee.
- SSE made good progress on key renewables projects and at 31 March 2022 had 2.4GW of capacity in construction.*
- SSE Transmission progressed with further trials of SF6 alternatives at its substations, including the first substation with SF6-free Siemens Energy Clean Air Power Voltage Transformers. SSE Transmission published its enhanced SF6 leakage reduction strategy as part of its RIO-ED2 Business Plan.
- SSE Distribution’s new RIO-ED2 business plan outlines its commitment to produce a diesel strategy to transition away from carbon-intensive fuels on the Scottish Islands.
- SSE made good progress towards its EV100 commitment with over 40% of its car fleet now fully electric and it increased its fully electric van fleet from 12 to 41.

* Based on equity share

**ENGAGEMENT IN ACTION**

**Exploring options for neutralising emissions**

In 2021/22, SSE Thermal contributed to two bids for UK Government support to deploy decarbonisation infrastructure within industrial clusters: the Scottish Cluster and the East Coast Cluster. The CO2 transport and storage infrastructure, which is expected to be deployed this decade, would support negative emissions technologies such as Direct Air Capture (DAC). One of the UK’s first DAC projects is being developed in North East Scotland, and could use the same geological CO2 store as SSE’s Peterhead Carbon Capture Power Station, emphasising the importance of such infrastructure for achieving net zero. SSE also submitted evidence on negative emissions technologies to the UK Environmental Audit Committee, setting out the criticality of CCS infrastructure to the successful deployment of negative emissions technologies.
Accelerating climate action

Removing other scope 1 and 2 GHG emissions

Although electricity generation emissions are the most significant GHG emission source for SSE, it is still important for SSE to reduce other scope 1 and 2 GHG emissions sources. SSE has a set of actions that aim to reduce these emissions. The next largest contributor to SSE’s scope 1 and 2 emissions is losses from the electricity distribution network. These emissions are important because as the network grows to facilitate the connection of renewable electricity generation there will be a corresponding increase in the amount of electricity lost on the network which will result in a rise in electricity losses. Grid decarbonisation will help to lower the impact of emissions from these losses; however, it is important for SSE to continue to invest in methods that limit these losses wherever possible across the network.

A strategy to address losses from electricity distribution networks

At the beginning of the RIO-ED1 price control period, SSEN Distribution developed its Distribution Losses Strategy for the purpose of identifying key measures to reduce losses across its networks. SSEN Distribution has implemented innovation projects alongside additional measures such as increasing the minimum size of new secondary transformers and switching off underutilised plant during periods of low loading; to ensure that it continues to reduce losses over the remainder of the current RIO-ED1 price control period.

For the next price control period between 2023 and 2028, SSEN Distribution has updated its Losses Strategy and will focus on further reduction of technical losses across its networks. SSEN Distribution will continue with many of the initiatives set out in RIO-ED1; but will also expand its activities to initiatives such as the introduction of On-Load Tap Changing (OLTC) technology in transformers and setting a minimum cable size of 300mm² in its LV, 11kV and 33kV network. It will also work to improve monitoring to understand where actual losses occur.

Addressing supplier emissions

SSE has set SBTi-approved targets to engage with 50% of its partners to identify and reduce their own climate-related emissions. In 2021, SSE developed a Supplier Engagement Rating assessment in 2022. Over 11,400 companies were assessed, and SSE featured in the top 5%.

This engagement has been recognised by CDP as it awarded SSE an A in its Supplier Engagement Rating assessment in 2022.

Adapting to a climate changed world

The increasing severity and regularity of extreme weather events can pose significant disruption to SSE’s operations and it must work to build resilience as it adapts to changing weather patterns.

Potential impacts of climate change

The physical impacts of climate change have the potential to adversely impact SSE’s operations and interrupt the supply of energy to its customers. Changes in rainfall and temperature patterns can output the upper level of SSE Renewables’ generation assets. Extreme weather events, such as storms, floods and heat waves, can impact the resilience of SSE’s electricity networks and lead to variations in energy demand which affect SSE’s customer businesses. Seven Met Office named storms impacted SSE’s distribution network in the winter of 2021/22, three of which became Red Alert events, Storm Arwen, Storms Malik and Corrie and Storms Eunice/Franklin. These storms impacted over 100,000 customers, with a significant number over a multi-day period.

Future climate models predict that climate change will continue to bring extreme events such as storms, floods and heat waves all of which have the potential to impact SSE’s businesses. SSE, boosting weather resilience and assessing climate adaptation requirements is essential to the ongoing resilience of its operations.

In 2022/23, SSE contributed to the electricity generation sector’s third Climate Change Adaptation Report published by Energy UK. This report detailed the measures electricity generators are implementing to keep its networks is a significant potential risk. Full detail of the TCFO assessment can be found in SSE’s Annual Report, pages 49 to 53.

In addition to this, SSE continues to review climate projections using the Met Office UK Climate Projection (UKCP18) tool for the next decade, to understand the potential impact on its key assets and infrastructure from higher temperatures, changing rainfall patterns, and more extreme weather events such as floods, droughts and heat waves. This process supports the UK Government’s assessment of critical infrastructure which takes place every five years. SSE’s electricity networks and generation businesses have published progress reports against the previous assessments which were completed in 2015 and further work is ongoing to reassess the risks and to update mitigation measures where required (see case study above). In addition, SSEN Transmission and SSEN Distribution have set out resilience strategies and climate adaptation actions in their respective price control frameworks.

Developing tools to determine infrastructure project emissions

New infrastructure is essential to support the decarbonisation of the energy system, however, through the construction and operation of this infrastructure carbon is emitted. Understanding the capital carbon (defined as the GHG emissions from the creation, refurbishment and end of life treatment) of infrastructure projects provides the opportunity for decision makers to reduce carbon and support the decarbonisation of other sectors that supply goods to the energy industry.

Over 2021/22, SSEN Transmission began collaborating with other Transmission Operators through the UK Reduction of Capital Carbon in Infrastructure (ROCCI) group to develop a common method for Transmission Operators and their suppliers to use to report the capital carbon in transmission assets. The tool uses a carbon asset database alongside a product carbon calculator. SSE is also collaborating with Distribution Network Operators, through the Energy Networks Association’s Carbon Working Group, to further align this approach across all electricity network companies. For the future, this tool will enable SSEN Transmission to identify and include technologies that are lower in carbon in its investment cases.

Demonstrating leadership in supply chain engagement

SSE has been working with CDP to improve its climate-related supply chain engagement. By requesting information and providing supplier support webinars, SSE suppliers accounting for over 63% of spend provided information to SSE through the CDP Supply Chain module in 2020/21. This was the highest number of responses since SSE began its partnership with CDP in 2016.

Building resilience to future climate change

Future climate models predict that climate change will continue to bring extreme events such as storms, floods and heat waves all of which have the potential to impact SSE’s businesses. SSE, boosting weather resilience and assessing climate adaptation requirements is essential to the ongoing resilience of its operations.

In 2022/23, SSE contributed to the electricity generation sector’s third Climate Change Adaptation Report published by Energy UK. This report detailed the measures electricity generators are implementing to keep power stations and other generating technologies operating in the event that more extreme weather events, such as flooding, rising sea levels, drought, extreme temperatures and coastal erosion, take place. As part of its resilience planning, SSE assessed the resilience of its new high-efficiency gas-fired power station, at Keady 2, to the risk of flooding and concluded that the project was resilient to future flooding impacts. Overall, assessments like these provide valuable evidence to help government and businesses assess the UK’s resilience to climate change.

SUSTAINABILITY REPORT

ENGAGEMENT IN ACTION

DILEMMA
Providing affordable and clean energy

As global energy systems transition away from being largely based on fossil fuels, it is vital that the new renewables-led system is accessible, affordable and reliable for energy consumers.

SSE has an important role in supporting its customers and consumers access affordable and clean energy. From driving down the cost of generating electricity from renewables, providing low-carbon energy solutions and green services to customers, to the careful balancing of consumer interests in electricity networks business plans – SSE’s businesses seek to ensure the transition to net zero represents value for consumers.

Increase renewable output fivefold
Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

Despite a fall in renewable generation output between 2020/21 and 2021/22, over the year SSE has made good progress on key renewable projects.

SSE Renewables progressed key offshore projects in 2021/22, including reaching financial close on Dogger Bank C and construction progressing at Seagreen and Dogger Bank A and B. At 31 March 2022, SSE had 2.4GW of renewable energy capacity in construction (based on equity share). SSE’s renewable generation output (inc. pumped storage, biomass and constrained off wind in GB) fell by 7% between 2020/21 and 2021/22, from 10.2TWh to 9.5TWh, driven by unfavourable weather conditions over the summer.

Assuming average weather conditions, renewable output is expected to increase in 2022/23, due to the start of production at Seagreen.

Our progress
Renewable generation output 2021/22*
9.5TWh

Renewable energy capacity in construction at 31 March 2022**
2.4GW

Delivering net zero in a cost-effective way 37
Serving electricity distribution customers 38
Low carbon energy solutions for customers 41

* Includes pumped storage, biomass and constrained off wind in GB.
** Based on equity share.
Providing affordable and clean energy

Performance summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Key performance indicator</th>
<th>Unit</th>
<th>2021/22</th>
<th>2020/21</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>Total renewable generation output including constrained off grid wind⁴</td>
<td>GWh</td>
<td>9,496</td>
<td>10,242</td>
<td>11,442</td>
</tr>
<tr>
<td></td>
<td>Total renewable generation capacity¹</td>
<td>MW</td>
<td>3,035</td>
<td>3,897</td>
<td>3,993</td>
</tr>
<tr>
<td></td>
<td>Renewable capacity in construction²</td>
<td>GWh</td>
<td>2.4</td>
<td>2.0</td>
<td>0.04</td>
</tr>
<tr>
<td>Supporting customers universal access</td>
<td>Networks customers on the Priority Services Register (PSR)</td>
<td>Number</td>
<td>768,104</td>
<td>770,844</td>
<td>746,621</td>
</tr>
<tr>
<td></td>
<td>Customer minutes lost – SHEDS/SEEPD</td>
<td>Average per customer</td>
<td>57/42</td>
<td>57/44</td>
<td>56/46</td>
</tr>
<tr>
<td></td>
<td>Customer interruptions – SHEDS/SEEPD</td>
<td>Per 100 customers</td>
<td>56/42</td>
<td>64/48</td>
<td>63/47</td>
</tr>
<tr>
<td></td>
<td>Total renewable generation output</td>
<td>GWh</td>
<td>8,759</td>
<td>9,649</td>
<td>10,756</td>
</tr>
<tr>
<td></td>
<td>Renewable generation output – proportion of SSE’s total output¹</td>
<td>%</td>
<td>38.1</td>
<td>34.8</td>
<td>37.7</td>
</tr>
</tbody>
</table>

Energy efficiency

| Business Energy smart meter operating volumes (gas and electricity)³ | Number | 174,292 | 160,970 | 157,409 |
| Meter Point Administration Numbers (MPANs) supplied with SSE Green products³ | Number | 166,080 | 59,542 | 49,080 |
| Energy saved as a result of energy efficiency measures targeted to fuel poor households in Ireland | Million kWh | 8.7 | 5.0 | 5.8 |

¹ Figures include pumped storage and biomass.
² Based on SSE equity stake at 31 March in each financial year.
³ Total output includes output related to SSE’s 50% ownership share in Seabank power station.
⁴ At 31 March in each year. 2021/22 data includes operated AMR, S1 and S2 type Smart Meters that are within the scope of the UK Government’s Smart Mandate.
⁵ Individual companies may have more than one MPAN so figures are not representative of customer numbers.

Delivering net zero in a cost-effective way

The scale of infrastructure investment needed to deliver net zero requires innovative technology, partnership models and sustainable financing to deliver value for money for all energy consumers.

Reducing reliance on imported gas

Driven by the global price of gas, the cost for energy for homes and business is at historically high levels, causing significant hardship for many families across the UK and Ireland. However, within the next few years, reduced reliance on gas for energy is expected to deliver improved electricity affordability.

Advances in technology and increased scale of wind turbines means that, in 2019, the price of a Contract for Difference (CfD) for offshore wind in the UK was less than £30/MWh, down from around £140/MWh in 2014 (in 2012 prices). While the projects awarded CfDs in 2019 are in development, it has been calculated that if those wind farms had been operating in the winter months of 2021/22, over £7bn of payments would have been made to the CfD scheme administrator, helping to reduce future energy bills for consumers. With SSE’s Seagreen wind farm having been developed at place, SSE expects it to contribute 0.9TWh electricity to the GB electricity system in 2022/23, providing a very practical contribution to both the challenges of increased renewables output and the pressure on household energy bills.

Increasing renewables output

The rapid deployment of renewable energy globally is understood to be the most important short-term action to tackle climate change and now, with the effects of global gas prices on inflation, the case for renewable energy is reinforced further. SSE seeks to make a significant contribution to this challenge of increased renewable deployment.

Significant progress was made in 2021/22 in progressing SSE’s 2030 Goal to increase renewable electricity generation fivefold between 2017/18 and 2030. Construction continues at offshore wind farms Dogger Bank and Seagreen, in addition to onshore developments at Viking on Shetland and Lenesale in Ireland. First power at Seagreen is expected in July 2022 and Lenesale is due to be commissioned in late 2022 or early 2023. The development of SSE’s pipeline of renewable energy projects continues to be a high priority in ensuring its ambitions are met. SSE’s secured ownership share of an extensive pipeline of projects both home and abroad, totals over 11GW of future renewable energy capacity.

In its core markets of the UK and Ireland, multiple projects are progressing at once, with a wide range of options being pursued in onshore, offshore, pumped hydro options and – in the longer term – green hydrogen production co-located with wind. SSE’s plans to expand into carefully chosen international markets made important progress with an agreement reached in early 2022 to acquire a renewables development platform in Southern Europe. While renewable energy output in 2021/22 declined year-on-year, as a result of natural wind resources being below normal yearly averages, SSE’s hydro assets played an important role in providing low-carbon flexibility to the GB electricity system. SSE expects renewable output to increase sharply when both Dogger Bank and Seagreen are in full operation.

Engagement in action

Delivering cost effective renewable energy from the north of Scotland

The renewable energy generated in north of Scotland will play a significant role in helping the UK Government achieve its commitment of a fully decarbonised electricity sector by 2035. To achieve this target, the cost-effective transmission of this renewable energy from areas of production to areas of high demand is crucial.

Managed by National Grid, and regulated by Ofgem, Transmission Network Use of System Charging (TNUsoS) is a charge to recover the cost of the installation and maintenance of the TNUoS network. Generally, generators located closer to areas of demand pay less, with those in more remote areas paying more to transmit power onto the system. This results in higher costs for the delivery of renewable projects in the north of Scotland compared to other parts of Britain. The TNUsoS methodology was devised over 30 years ago for a fossil fuel led energy system and TNUsoS Transmission believed it is no longer fit for purpose.

SSEN Transmission has been advocating for the reform of TNUsoS and in 2022 it contributed to Ofgem’s TNUsoS Call for Evidence Next Steps publication. This publication presented options for potential changes to the current TNUsoS charging methodology. SSE hopes that Ofgem’s review will create a clearer view of network charges which will ultimately drive the delivery of vital renewable projects in the most cost-effective way for energy consumers.
Providing affordable and clean energy

Serving electricity distribution customers

With concerns over the affordability of energy and steep rises in the cost of living, SSEN Distribution has learned from the coronavirus pandemic to adapt quickly to support customers who may be struggling with rising energy prices.

Expanding fuel poverty support

In its approach to addressing fuel poverty, SSEN Distribution works with a network of local and national agencies providing specialist direct support to its customers. Engagement with partners, customers and stakeholders has led to a re-focus of some partnerships, broadening the offer to include critical services such as income maximisation and benefit entitlement checks, and ensuring support was available in areas where the price cap offers limited consumer protection, such as homes heated by oil.

Throughout 2021/22, SSEN Distribution supported its customers experiencing fuel poverty, through a variety of partnerships and initiatives, including:

- Enhanced partnership outreach to support hard-to-reach customers: SSEN has well-established partnerships with organisations such as Citizens Advice, Centre for Sustainable Energy and WarmerKits, which undertake targeted outreach to support customers with backing fuel poverty and promote the PSR. In 2021/22, outreach through these organisations was expanded with the number of households supported increasing to 6,762 from 3,792 in 2020/21.

- Improving customer referrals: Over 2021/22, SSEN continued to train colleagues to identify signs that customers may require additional support, ensuring we could refer people for specialist, independent advice and support in matters of fuel poverty and energy efficiency. Once referred, customers are called back directly from SSEN’s delivery partners, Home Energy Scotland or YES Energy Solutions.

- A new interactive self-serve tool: SSEN Distribution developed and launched a new interactive online self-serve tool, in collaboration with the Energy Saving Trust, which allows customers to virtually walk around a home and learn where they can make energy savings.

Driving greater Priority Services Register awareness

The Priority Services Register (PSR) is the backbone of support for SSEN Distribution customers who require adapted services, additional support, or extra reassurance during power cuts.

Over 2021/22, SSEN continued to raise awareness of the PSR to ensure it reached those customers in most need. This involved undertaking a PSR gap analysis, both on a geographical and needs code basis, to identify key areas of focus; holding an online workshop with water, emergency response and charities focusing on key PSR gap areas; and what channels are best to promote the PSR in different focus areas; and engaging with SSEN’s Inclusive Service Panels who gave important insight into the development of an impactful campaign to identify and seek views which would inform the PSR campaign. The Panels were clear that in the wake of the pandemic we should consider how best to identify those with transient needs, i.e. hospital leavers as this category has emerged more prominently since the pandemic.

There was a considerable increase in customers registered on the PSR between 2019/20 and 2020/21, from 746,821 to 770,844, which was expected as a result of the coronavirus pandemic. This has been followed by a small decrease in 2021/22 to 768,104. The transient nature of vulnerability means that PSR register numbers are never static. People join and leave as they fall in and out of vulnerable situations. SSEN Distribution is watching closely as the impacts of affordability are felt by communities.

An accredited strategy for engagement

SSEN Distribution seeks to ensure that its engagement with stakeholders is effective and supports the achievement of positive and tangible outcomes for customers, stakeholders, and society. SSEN Distribution’s stakeholder engagement strategy continues to meet the AA1000 Stakeholder Engagement Standard (2015), an internationally recognised best practice framework for stakeholder engagement, and its principles of inclusivity, materiality, responsiveness and impact. The successful delivery of the continuous improvement plan has been influenced by AA1000 feedback. In 2021/22, SSEN’s AA1000 SE3 Healthcheck scores rose to 71% from 64% the previous year.

Ensuring a smart and fair future energy system

SSEN’s Smart and Fair project with the Centre for Sustainable Energy has proven to be instrumental in setting standards for future fairness. Phase One of the project made recommendations for policy makers and system operators on how to support the transition to a smart and fair energy system. A key finding from the research was that customers require particular capabilities to be able to access the benefits of smart grids, for example, the ability to engage with technology, and access to high-quality broadband, as well as the more conventional things like access to finance.

Phase Two was launched in May 2021 to develop the theories into practical action. Alongside a focus on widening participation, particularly for those who are hard to reach, a tool is being developed to overlay the capability lens research and make it applicable in a local area energy planning context. It takes both publicly available and specialist data, such as credit reference agency analysis, to help understand locations where certain vulnerabilities are more likely to be prevalent in the context of the energy transition. It aims to provide a solid evidence basis for decision makers to understand the implications of decarbonisation projects, such as heat zoning and charge point siting.

Championing equality for EV disabled drivers

In the transition to electrified transport there is the risk that some vehicle users are excluded, and proactive measures are needed to ensure the transition is an inclusive one. In 2021/22, SSEN Distribution launched a two-stage research project in partnership with Disabled Motoring UK to understand the unique enablers and barriers faced by drivers with vulnerabilities adopting EVs and the potential of technologies and DCOs to remove barriers. Over 100 ideas were generated through workshops, with several being selected for in-depth development, such as enabling PSR households to use Vehicle to Home to provide back-up power during a power cut.

The recommendations were published in the ‘Equal EV’ SSEN Distribution report in collaboration with Energy Systems Catapult. The work has supported the inclusion of a commitment to improve accessibility at public charge points for disabled users in the UK Electric

DILEMMA

Using learnings from the pandemic to inform an adaptable approach

SSEN Distribution’s rapid response to the COVID-19 pandemic has given insight, experience and confidence to apply their engagement strategy to the emerging cost-of-living crisis, helping them to address the expected increase in numbers of customers experiencing fuel poverty.

As pandemic restrictions eased, SSEN Distribution was keen to understand how it could continue to adapt to changing customer needs. Direct feedback from stakeholder groups recommended that the use of technology adopted during 2020/21 be maintained but supplemented by in-person events and engagement. This hybrid approach post-pandemic, means that customer representation has expanded and has resulted in broader and richer responses to current issues, such as the rising cost-of-living.

This hybrid approach includes: providing both face-to-face and live streaming opportunities for workshops and engagement events; making materials available digitally online for stakeholders to watch at their convenience; and, consideration of the timings and duration of engagement events, to increase participation and diversity of stakeholders attending.

Between 2020 and 2022, 200 colleagues received tailored training to become SSEN Stakeholder Champions, taking innovative approaches, knowledge and skills back to their teams to cascade and further embed good practice, understanding and improved performance.
Providing affordable and clean energy

Vehicle Infrastructure Strategy. Further collaboration will take place with the industry to implement the solutions identified by stakeholders, such as exploring the implementation of charging services for PSR customers in outages, industry and government, hosted project webinars, and produced video interviews with participants to highlight their experience firsthand.

Developing common standards for domestic flexibility
SSEN Distribution aims to embed fairness from the start of every net zero and low-carbon technology project, to ensure vulnerable customers and communities are not left behind by including their needs from the earliest stages of planning.

Domestic flexibility will be a powerful tool for the future. However, for all consumers to benefit, this must be done responsibly and through a trusted process. Following feedback from both expert and consumer forums, SSEN approached Flex Assure who set common standards for industrial and commercial flexibility services providers (aggregators) to develop a domestic and small business equivalent. The result, HOMEflex, will allow aggregators to earn a HOMEflex ‘trust-mark’ enabling households and microbusinesses to benefit from flexibility in the knowledge that they will be financially rewarded. Technological advances such as smart charging and smart time of use tariffs have the potential to reduce peak electricity demand by up to 23%, helping avoid or postpone network reinforcement.

Vulnerability Future Energy Scenarios
In 2021/22, SSEN Distribution started conducting Consumer Vulnerability Foresighting with Imperial College London. Currently, investment decisions are guided by Distribution Future Energy Scenarios (DFES) which are based on assumptions using engineering and asset-based predictions and lacks any human, societal or community-based elements.

Outputs from Vulnerability Future Energy Scenarios (VFES) will include plausible societal trends to be considered when planning future networks. These findings were shared with stakeholders at COP26 in Glasgow.

Low carbon energy solutions for customers

SSE’s competitive customer businesses

<table>
<thead>
<tr>
<th>SSE Energy Business</th>
<th>SSE Airticity</th>
<th>SSE Distributed Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides the shopfront and route to market for SSE’s low-carbon energy generation and green products to around 470,000 non-domestic customers across GB.</td>
<td>Ireland’s largest supplier of 100% green energy, supplying around 700,000 homes and businesses across the island of Ireland and first nationally accredited one-stop-shop for home energy upgrades.</td>
<td>Provides integrated energy-related services to industrial and commercial customers. With a focus on distributed energy, it has around 11,300 heat network customer accounts.</td>
</tr>
</tbody>
</table>

SSE’s customer businesses are its “shop front” offering integrated energy solutions that support customers on their journey to net zero. They provide low-carbon energy supply and new technologies for a decarbonised future.

SSE Airticity
Supporting customers through current affordability challenges
SSE Airticity recognises the huge challenges faced by its customers in the current economic environment. Over winter 2021/22, the business announced an additional up to €500,000 of funding for customers requiring additional support with energy costs and established a dedicated affordability project targeting customers experiencing longer-term fuel poverty. SSE Airticity continues to support customers in difficulty and has established the following support since the end of the 2020/21 financial year as cost of living concerns have heightened:

- **Increasing home energy efficiency:** In April 2022, SSE Airticity committed to delivering home energy upgrades to up to 600 fuel poor homes at no cost to them. Almost half the energy consumed in a typical home is through heating, and by tackling energy efficiency directly, household energy bills can be reduced.
- **Providing additional customer support:** In April 2022, SSE Airticity established a €1m customer support fund to directly support customers who may be struggling to pay their bills, as well as making a donation of €1m to a trusted all-Island charity partner to support hard to reach customers struggling with the cost of living.
- **Shielding vulnerable customers:** In May 2022, a further price promise of up to €20m was announced as a result of a price cap, with Airticity committing to hold energy tariffs for existing domestic financially vulnerable customers in the Republic of Ireland, for the remainder of the year.

SSE Airticity has committed to deliver home energy upgrades at no cost to 600 fuel poor homes.

Nikki Flanders
Managing Director, Energy Customer Solutions

“While today’s energy prices are a real concern for customers we must remain equally committed to sustainability for the longer term. It has never been more important for us to work closely with customers to help them become more energy efficient through suitable technologies and behaviours, and to ensure all customers can readily access the greenest energy sources to power their businesses and homes.”

PARTNERING IN ACTION

Increasing value through an adapted approach
SSEN Distribution established a partnership with Centre for Sustainable Energy (CSE) in March 2021 to support fuel-poor households through advice from dedicated Energy Advisors on measures such as supply-switching, access to energy efficiency advice and onward grants including Warm Home Discount. During 2021/22, as the cost of living began to rise, engagement with stakeholders highlighted that SSEN Distribution should seek to support consumers through income maximisation, ensuring that consumers access the financial support they are entitled to.

The CSE Energy Advisor project was reviewed in line with this insight and it was concluded that due to the reduced client financial gain available from switching suppliers, the project was unlikely to achieve its maximum impact. It was decided that the project should be refocused on benefit entitlement checks (BECs) and that income maximisation activity would become a standard offering, with delivery of the project beginning in December 2021.

1,130 households supported with specialist advice
£57,444 client financial gain achieved through benefits entitlement check

Nikki Flanders
Managing Director, Energy Customer Solutions

SSE plc Sustainability Report 2022

600
Fuel poor homes

£2.5m
Already allocated by SSE Airticity to directly support households with costs of living and energy bills

41
Providing affordable and clean energy

One-Stop-Shop home energy efficiency solutions
In March 2022, building upon the success of existing partnerships with An Post and several Local Authorities across the country, SSE Airtricity became the first nationally accredited one-stop-shop for home energy upgrades with the Sustainable Energy Authority of Ireland (SEAI). Over 2021/22, SSE Airtricity delivered large-scale energy efficiency retrofit projects for homes across Ireland through these partnerships, supporting almost 800 customers to improve energy efficiency and reduce their carbon output while also saving energy costs. In addition to this, Activity8 Solar Energies, in which SSE Airtricity has an ownership share, carried out over 1,100 solar installations over 2021/22.

Of the 800 retrofits, 90 were deep retrofits on fuel poor homes. The occupants of these homes are some of our communities most vulnerable, they may be living in fuel poverty or be living with a chronic illness so these upgrades are vital and have health and financial benefits for the homeowners. These measures see the average Building Energy Rating (BER) increasing from a D3 to a B2 across these properties. The upgrades are government funded and are free to the homeowner.

800 private and local authority households supported to retrofit homes and improve energy efficiency
> 1,100 solar installations carried out for customers through Activity8

Counteracting cost-of-living increases
In line with the Irish Government’s Climate Action Plan to retrofit 500,000 homes to a BER B2 standard by 2030 and with affordability as a key focus, SSE Airtricity in partnership with Limerick City & County Council and Dun Laoghaire Rathdown County Council completed 117 retrofits on fuel poor homes.

All homes had a full deep retrofit with a complete suite of measures installed such as new windows and doors, external insulation, attic insulation, low energy LED lighting, high efficiency gas boilers installed. SSE Airtricity has also been awarded the contract to install the first communal heat pump system in the Republic of Ireland with 44 units being installed in this project.

These measures delivered a combined energy saving of 1.26 GWh, BER ratings raised from D3 to B2 supporting the Climate Action Plan objectives in the decarbonisation of housing stock.

SSE Business Energy
Helping business customers go green
In 2021/22, SSE Business Energy in GB saw an expansion in the number of customers supplied with traceable green products, with the proportion of customers choosing green products growing to 30% from 63% the previous year. Businesses customers recognise the importance of taking action to decarbonise. To help address this, a fixed contract business customers renew with SSE Business Energy, they can be migrated to 100% renewable electricity contracts, matched with independently verified and assured output from SSE’s UK wind farms and hydro plants. SSE Business Energy also launched a Green EV tariff, which supports businesses running on, or switching to, electric vehicles and enables them to charge fleets with 100% renewable electricity.

6% → 30%
Increase in SSE Business Energy customers choosing green products between 2020/21 and 2021/22

In May 2021, a simplified Corporate Power Purchase Agreement (CPPA) approach was established to enable a wider range of customers to purchase energy directly from SSE’s renewable assets, giving customers fully traceable access to 100% renewable energy. This approach aims in the medium term to enable the democratisation of low-carbon energy supply helping an ever increasing number of customers access sustainable energy for their business and associated supply chain.

Under the UK Government’s Smart Programme businesses have also been supported through the installation of approximately 27,000 smart meters, which is crucial in the delivery of flexible products, like time-of-use tariff for EVs to empower and support businesses toward net zero. 2022 saw 166,000 meters supplied with a green product.

INNOVATION IN ACTION

Developing an energy technology business
SSE Airtricity has further developed its demand side proposition by collaborating with Cool Planet to provide an offering which will help alleviate pressure on Ireland’s electricity system through AI technology that supports better balancing of the national grid. Demand response will become an increasingly vital tool towards delivering net zero carbon as it enables increasing renewables penetration and decarbonisation of the electricity systems. It also allows industry to generate revenue from dispatchable load such as decarbonised and electrified process heat.

The demand response solution incentivises commercial customers to reduce electricity consumption from the grid during periods of high demand. At peak times, when the country’s energy demand can outstrip supply, companies and factories will be incentivised to reduce their electricity usage, by making use of on-site generators, battery storage or temporarily switching off certain machines and processes. This will help balance supply and demand and stabilise the grid.

This offering is available to commercial customers across the island of Ireland. Innovative technology, such as this, enables our customers to further demonstrate their green credentials and support integration of renewables on the grid.

ENGAGEMENT IN ACTION

Supporting the ambitions of COP26
Businesses are increasingly looking at ways to reduce their carbon footprint and therefore traceability and transparency of where their energy comes from allows companies to do this in a way they can manage and measure. Energy Customer Solutions green electricity matched to a specific renewable assets supports the demand by business to decarbonise.

In October 2021, SSE Business Energy provided the power for all three COP26 permanent venues in Glasgow. The summit’s power supply came from a Wind Farm in Perthshire operated by SSE Renewables. The Scottish Event Campus (SEC) moved to renewable energy sources in 2020 as part of its long-term sustainability strategy with SSE Business Energy providing 100% renewable energy to the 14,300 capacity arena for the occasion.

Given the objective of COP 26 in tackling climate change SSE Business Energy supported the ambitions of the event in the carbon reductions at the venues.
Providing affordable and clean energy

SSE Distributed Energy

New horizons for SSE Enterprise

Following the sale of its Contracting and Rail businesses, SSE Enterprise has refocused its business on distributed energy. Now called SSE Distributed Energy, the business helps people and places reach their net zero targets by adopting a whole-system approach to connect localised and flexible energy assets. It is focused on accelerating growth in battery storage and solar, as well as supporting decarbonisation through EV infrastructure, electrical connections, heat networks and smart places.

Over 2021/22, SSE Distributed Energy has seen key milestones in its developing solar and battery storage business, including a secured 380MW solar and battery pipeline and with over 1GW more of other sites currently under assessment. Existing grid connections at legacy coal-fired sites, such as Ferrybridge and Fiddler’s Ferry, puts SSE Distributed Energy in a strong position to deploy battery storage at scale and pace.

Battery Storage assets providing flexible power

Battery storage is crucial when it comes to balancing the electricity grid and paving the way for society to move towards net zero. As a result, SSE Distributed Energy is actively growing its battery storage pipeline. In 2021 SSE purchased the project development rights for its first 50MW battery storage asset on a consented site in Wiltshire. Construction will begin in summer 2022, with full energisation expected in summer 2023.

Once built, this battery will benefit from the remote monitoring and trading services now offered in SSE Distributed Energy through the SSE Enhance platform. The platform will integrate with the site control and monitoring systems and also allow smart trading to maximise the value of these assets.

Expanding solar capabilities

SSE Distributed Energy acquired its first large-scale solar development project in January 2022. Solar technologies are a key complementary technology to SSE’s existing portfolio of low carbon infrastructure such as wind and hydro that support the energy transition.

The 30MW solar farm at Littleton Pastures is located near Evesham in Worcestershire. Once complete in late 2023, the 77-acre site will be capable of powering some 9,400 homes.

Advocating for heat networks

Taking action to decarbonise heat sources is arguably one of the biggest challenges facing UK energy policymakers over the next few decades. Heat networks have the potential to be a cost-effective way of reducing carbon emissions from heating. Over 2021/22, SSE Distributed Energy undertook a range of activity advocating for heat networks. It submitted responses to key consultations including the Scottish Government’s Heat networks delivery plan consultation and three Department for Business, Energy and Industrial Strategy (BEIS) consultations. Heat Networks: Proposals for Heat Network Zoning; A market-based mechanism for low-carbon heat; and, Recovering the costs of heat network regulation.

While climate targets are agreed globally and translated into national plans, the practical actions are implemented locally. Cities, towns and communities will reduce their carbon footprint by turning to electric transport, transitioning away from fossil fuels for heat, and generating more electricity locally. SSE’s distributed energy division has the expertise to support all of those practical actions.”

Neil Kirkby,
Managing Director, SSE Enterprise

SSE Distributed Energy also works regularly with its trade associations, The Association for Decentralised Energy (ADE) and Energy UK, and is part of their heat networks working groups. It is also a founding member of the Heat Network Industry Council, a group key stakeholders in the heat networks sector working together to find solutions to decarbonising heat networks.

Decarbonising heat networks to support the path to net zero

In September 2021, SSE Distributed Energy outlined an innovative project in partnership with National Grid, which aims to decarbonise heat networks, capturing waste heat from electricity transformers to generate hot water and space heating for homes and businesses. The technology offers a route to net zero heat when applied to transformers served by 100% renewable electricity from wind or solar farms. It is estimated that the heat recovery project will initially reduce heat network carbon emissions by more than 40% versus traditional gas-fed systems.

The heat recovery project can potentially save millions of tonnes of CO2 every year if rolled out across National Grid’s network of transformers across England and Wales, harnessing this waste heat via SSE Distributed Energy’s heat networks to serve towns and cities across the region. Due to the location of the electricity transformers, they have the potential to become valuable community assets turning transformers into community ‘boilers’ that serve local heat networks with a low or even zero-carbon alternative to fossil-fuel powered heat sources such as gas boilers.

SSE Distributed Energy’s heat recovery technology is currently undergoing a proof-of-concept trial at National Grid’s Deeside Centre for Innovation, the first facility in Europe where assets associated with electricity networks can be tested off-grid. The centre is designed as a unique environment for developments and trials of new technologies and practices. Deeside is a key part of National Grid Electricity Transmission’s Innovation programme, a series of projects, informed and developed by stakeholders, innovating to address the challenges of the energy transition.

ENGAGEMENT IN ACTION

The road to renewables

In October 2021 SSE’s COP26 electric bus spent 11 days showcasing net zero projects over 1,000 green miles on its ‘road to renewables’ concluding in Glasgow. As part of the engagement undertaken with stakeholders on this journey the bus visited the Scottish Parliament to give MSPs their chance to learn about the benefits, both environmental and economic, in the transition towards net zero.

The bus made a stop at First Caledonia bus depot, where SSE is helping install charging infrastructure to power 150 clean green buses for Glasgow at what will be the biggest depot in the UK, once finished, and provide cleaner air for the city.

The First Bus EV charging facility will support the transport transition and a more sustainable means of transport.

> 1,000 green miles traveled
> > 100 Stakeholders engaged
Investing in industry, innovation and infrastructure

Significant investment is needed in electricity infrastructure and new technologies to deliver an accelerated transition to net zero.

It is understood that the electricity sector will be the first to decarbonise in order to support the decarbonisation of other sectors and allow the transition to net zero at pace. SSE seeks to accelerate this decarbonisation and has an ambitious investment plan out to 2026 focused on low-carbon electricity assets and infrastructure. The scale of the transition to net zero will require continuous innovation and new technologies to be developed. SSE’s approach includes carefully chosen partnerships to develop the technologies, experience and skills that it needs to accelerate projects in support of net zero.

Enable low-carbon generation and demand

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.

SSEN Transmission increased the renewable capacity connected to its network by around 1GW. SSEN Distribution progressed key innovation projects to support flexible markets and future infrastructure provision for low-carbon technologies.

SSEN Transmission made strong start of the first year of its five-year RIIO-T2 price control period and continued to deliver against its strategic objective to enable the connection of renewable capacity to its network. In 2021/22, there was 7.8GW of renewable capacity connected to SSEN Transmission’s network, up from 6.8GW the previous year.

In 2021/22, SSEN Distribution had 12 ongoing strategic partnerships and initiatives exploring smart grid solutions to support low-carbon technologies, including being one of the founding partners of a new global smart grid partnership. It had around 58,000 electric vehicles registered in its licence areas and around 46,000 heat pumps connected to its networks.

Our progress
SSEN Distribution has 12 strategic partnerships and initiatives exploring smart grid solutions to support low-carbon technologies.

7.8GW
Renewable capacity connected to SSEN Transmission’s network in 2021/22
Performance summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Key performance indicator</th>
<th>Unit</th>
<th>2021/22</th>
<th>2020/21</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling the connection of low-carbon technologies</td>
<td>Cumulative total of renewable generation capacity connected to SSEN Transmission’s network</td>
<td>GW</td>
<td>78</td>
<td>68</td>
<td>63</td>
</tr>
<tr>
<td>Electric vehicles registered in SSEN Distribution’s licence area</td>
<td>Number</td>
<td>c. 56,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Heat pumps connected to SSEN Distributions network</td>
<td>Number</td>
<td>c. 46,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SSEN Distribution’s supply points with communicable and smart capability</td>
<td>Number</td>
<td>1,425,834 (38)</td>
<td>902,703 (23)</td>
<td>333,546 (9)</td>
<td></td>
</tr>
</tbody>
</table>

Investing in critical low-carbon infrastructure:

<table>
<thead>
<tr>
<th>Category</th>
<th>Investment and capital expenditure (adjusted)</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSEN Transmission</td>
<td>614</td>
<td>435.2</td>
<td>329.0</td>
<td></td>
</tr>
<tr>
<td>SSEN Distribution</td>
<td>364.8</td>
<td>350.8</td>
<td>36.9</td>
<td></td>
</tr>
<tr>
<td>SSEN Renewables</td>
<td>311.1</td>
<td>294.5</td>
<td>142.7</td>
<td></td>
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<tr>
<td>Thermal generation and gas storage</td>
<td>131.4</td>
<td>108.4</td>
<td>17.2</td>
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Supporting research and innovation:

<table>
<thead>
<tr>
<th>Category</th>
<th>Headcount</th>
<th>£m</th>
<th>£m</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend on research and innovation</td>
<td>57</td>
<td>42.5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1. Figures are for calendar year 2021. As SSE’s 2030 Goal was updated in 2022 to include ambitions around the facilitation of EVs and heat pumps on SSEN Distribution’s network, this is the first year the information is being disclosed in SSE’s Sustainability Report.
2. Calculated using the number of smart meters connected to SSEN Distribution’s network which are communicable by SSEN as a proportion of SSEN Distribution’s reported customer numbers.
3. Over 2020/21, SSE undertook a strategic review of its work on investment in research and innovation. 2019/20 data was not collated but instead a baseline of 2020/21 data was created against which to benchmark future years’ investment.

Creating value in the transition to net zero

Achieving net zero will mean fundamental changes right across the economy and society, which create opportunities for increased efficiency and economic prosperity.

Investing in a net zero future

SSE’s approach is to invest in a well-balanced mix of assets and businesses that support the net zero transition. The completion of the sale of SSE’s remaining stake in gas distribution operator SGN represented progress towards sharpening the Group’s focus on net zero.

In November, SSE published its £12.5bn Net Zero Acceleration Programme to 2026 aimed at accelerating clean growth, alongside ambitious 2033 targets, aligned with net zero by 2050. It is estimated that SSE’s capital investment could total in excess of £25bn this decade in the UK and Ireland. This significant investment will contribute towards tackling climate change whilst securing indigenous energy supplies and creating high quality low-carbon jobs. It will also enable delivery of around 20% of the UK’s revised 50GW offshore wind target and over 20% of UK electricity networks investment, whilst deploying flexibility solutions and exporting renewables capabilities overseas.

A central role for innovation

The transition to net zero will require transformation across the energy system, and SSE’s focus is on enabling, harnessing and deploying new technologies and innovations which can accelerate this journey. SSE has a well-established approach to innovation, which enables its businesses to partner with others to develop the technologies, experience and skills that it needs to accelerate projects in support of net zero.

£12.5bn Investment and capex planned in the five years to March 2026
With a potential to exceed £1.5bn per year

By the end of the decade:

£25bn

£12m

SSE’s approach to innovation and technology

SSE is focused on enabling, harnessing and deploying new technologies and innovations which can accelerate the journey to net zero.

Empowering innovation in SSE’s business units

Each SSE business sets its own innovation priorities, whilst Group services co-ordinate cross-cutting innovation and growth areas. An open innovation ecosystem supports the SSE businesses to achieve their innovation priorities which is harnessed through four enabling pillars (Partnering for Innovation; Learning by Doing; Digitalisation; and, Talent) which provide the businesses with access to technologies, experience and skills.

A culture of innovation is promoted through a dedicated innovation team within SSEN and two Engineering Centres of Excellence. The Networks Innovation team provide expertise to leverage regulatory funding for innovation and their focus is on accelerating a low-carbon transition and co-creating with partners to develop whole-system solutions. The Engineering Technology Centre of Excellence with SSE Renewables and Thermal enable technology and digital solutions for cost-effective renewables and innovation in pumped hydro, CCS and hydrogen.
Industry, innovation and infrastructure

SSE seeks to proactively engage with external partners including its peers, local authorities, supply chain, academia and wider industry and has built significant expertise and capability in forming effective consortia. Co-creation with energy industry peers is crucial to facilitate whole system solutions and SSE is a member of a number of ongoing Collaborative Innovation Partnerships. SSE has an enduring commitment to the University of Strathclyde of more than seven years and has been a member of the Imperial Business Partners programme for over two years.

SSE’s aim is to accelerate technologies to higher readiness levels for deployment, learn from other utilities and industries and mitigate the risks of implementation of new technologies. SSE is a founding member of two National Demonstration Research Centres and leading industry projects such as Project LEO and Electricity Transmission Collaboration Panel, through which the businesses are able to manage trials to test and scale new solutions.

SSE promotes a culture empowering employees to drive innovation and develop the ability to make decisions in uncertainty. This is done through programmes such as Generation Innovation, Enterprising Ideas, the Career Development Programme, and a knowledge transfer partnership with the University of Strathclyde. SSE’s talent strategy focuses on inclusivity, fairness and flexibility to actively engage a diverse range of talent in the market, as well as developing future leader learning for all and the capability to respond to the future needs of the business.

Investment in and adoption of digital is fundamental to achieving successful development, efficient operation and responsible ownership of energy infrastructure. SSE invests in and adopts a range of digital solutions, including drones, AI and Digital twins. SSE continues to strengthen and evolve its approach to cyber risks with control frameworks to identify threats and reduce exposures. SSE also supports using open data to manage the network better and improve the customer experience.

SSE Distributed Energy is partnering with National Grid to capture waste heat from electricity transformers to generate hot water and space heating for homes and businesses.

SSE Distributed Energy has created a new innovation platform for employees to deliver solutions to key operational challenges.

SSE Distributed Energy has a unique Procurement and Commercial Leadership Development Programme to deliver new skills for the energy transition to zero carbon.

SSE Airtricity has partnered with Cool Planet to help alleviate pressure on Ireland’s electricity system and intelligently balance the national grid.

SSE Renewables has launched a digital ventures team and partnered with Avanade and Microsoft to deliver solutions to net zero at speed.
Driving sustainability in the supply chain

As described in detail on page 59 of SSE’s Annual Report 2022, an overhaul of SSE’s sustainable procurement strategy began in 2020 and continued to be a priority for the business over 2021/22. With plans to invest £25bn in low-carbon infrastructure over the next decade, SSE recognises there are numerous risks from the mismanagement of sustainability issues, as well as enormous opportunities from a focus on the socio-economic and environmental value created through its supply chain activities. SSE is in the process of transitioning to a mature sustainable procurement model where sustainability risks are fully managed alongside opportunities to collaborate and drive innovation. The key actions setting out how SSE is delivering this change are shown in the graphic below.

One particular area in which SSE made significant progress in 2021/22 was the roll-out of a new supply chain reporting tool across all of SSEN Transmission’s active large capital projects. The Sustainability Data Capture Tool (SDCT), which is specifically designed to manage and visualise supply chain sustainability performance at a project level, is used to measure sustainability progress and to meet regulatory reporting requirements. SSEN Transmission aims to use this data to develop baselines, set targets, and implement data-based decision making to drive further sustainability and meet business goals.

Ronnie Fleming
Chief Procurement Officer

E NGAGEMENT IN ACTION

Measuring social value in the supply chain

In 2020/21, recognising that the energy sector is in transition with a need for new skills, SSE’s Procurement and Commercial (P&C) department developed a Leadership Development Programme a key part of which required the cohort of P&C professionals to deliver a project that would add value to SSE Group. The project selected by the cohort focused on the of creating and measuring social value within SSE’s supply chain.

The project involved working closely with SSE’s supply chain partners on its major projects to enhance the jobs and skills impact of investment. This included creating partnerships at community level, engaging SSE’s supply chain to support its Sustainable Procurement Code; increasing skillsets within the industry through training opportunities; providing local employment opportunities; and attracting talent who want to work for companies that incorporate social value.

Over 2021/22, SSE began piloting its approach across five projects over a period of six months and due to finish in 2022/23. The pilot has included embedding social value into tender requirements, engaging with suppliers on employability, apprenticeships, and graduate programmes, and asking suppliers to provide commitments on social value and reporting on delivery. SSE are working with sustainability experts Action Sustainability to produce a value and reporting on delivery. SSE are working with sustainability experts Action Sustainability to produce a roadmap with recommendations for the full-scale roll-out of the approach which will embed learnings from the pilot.

Embedding sustainability in Large Capital Projects
In early 2021/22, Deloitte undertook a review of SSE’s Large Capital Project (LCP) governance framework and made a recommendation that sustainability should be embedded throughout the process to align with the company’s business goals and material UN Sustainable Development Goals (SDGs). SSE recognised that to meet its 2030 goals, and deliver against the UN SDGs, its Large Capital Projects should be designed and constructed to enable the journey to net zero, deliver socio-economic benefits and facilitate a just transition. The company consequently undertook a refresh of the sustainability requirements in its LCP governance framework to meet four key objectives:

1. Ensure SSE is delivering LCPs in a sustainable way;
2. Encourage and increase sustainability throughout the LCP value chain;
3. Increase awareness of and reduce sustainability risks that could cause issues for the project, wider society, or the environment; and
4. Increase innovation and maximise the opportunity to deliver a positive impact on wider society and the environment, going above and beyond regulation.

The newly updated LCP governance framework requires LCP project teams to embed sustainability throughout the project process, ensuring sustainability risks are mitigated and sustainability opportunities are maximised across 10 sustainability criteria aligned to the UN’s SDGs. This covers key topics from whole life carbon, climate adaptation, circular economy and biodiversity to modern slavery and human rights, and maximising local content.

From 1 April 2022, a Sustainability Assessment and Action Plan (GAAP) is required for all and in development projects. Guidance, training, and additional resources for project teams support the roll-out of this new approach, in addition to partnering with external experts at the Supply Chain Sustainability School.
The Powering Net Zero Pact ("the Pact") is a new initiative created by SSE with 10 other founding partners as a legacy of COP26. The Pact brings together companies across all tiers of the power sector globally – including civils, shipping, renewables, electrical engineering, and others – to achieve a fair and just energy transition to net zero. Over a six-month period, the 11 founding partner companies of the Pact – which, alongside SSE, includes: Balfour Beatty; DEME Group; GE Renewables; Hitachi Energy; NKT; RJ McLeod; Siemens Energy; Siemens Gamesa; Subsea 7; and Vestas – met on a regular basis to agree areas of focus, shared commitments, and topics for future collaboration.

The Pact focuses on five areas of ambition: achieving net zero carbon emissions; protecting and enhancing the natural environment; transitioning to a circular economy; guaranteeing fair work and sustainable jobs; and adding value to local communities. Each area of ambition has a shared commitment and area for collaboration, as detailed in the table on the next page.

Any organisation that wants to be involved in driving forward a just energy transition to net zero can become a Powering Net Zero Pact signatory and part of a network of leading global companies committed to working together to deliver real change. To sign up to the Pact, companies must:

- Be involved in some part of the power sector;
- Meet all five of the shared commitments; and
- Be willing to participate in an action-focused working group for at least one of the five collaboration topics.

More information can be found at sse.com/sustainability/poweringnetzeropact or by emailing poweringnetzeropact@sse.com.

### Founding partners:

- **SSE**
- **Hitachi Energy**
- **Balfour Beatty**
- **Vestas**
- **Siemens Gamesa**
- **NKT**
- **GE Renewable Energy**
- **Siemens Energy**
- **Subsea 7**
- **RJ McLeod**
- **DEME**

Together the Powering Net Zero Pact founding partners:

- **employ 240,000 people globally**
- **have plans to invest £16bn in the net zero transition**
- **work with 120,000 suppliers**
- **had a combined annual turnover last year of >£55bn**

### 5 AREAS OF AMBITION

<table>
<thead>
<tr>
<th>Area of Ambition</th>
<th>Shared Commitments</th>
<th>Topics for Collaboration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve net zero carbon emissions</td>
<td>Work towards science-based carbon targets, aligned to 1.5 degrees by 2025*</td>
<td>Develop understanding and quantification of scope 3 carbon emissions</td>
</tr>
<tr>
<td>Protect and enhance the natural environment</td>
<td>By 2025, publicly disclose wider environment metrics, including water use, air quality and biodiversity, recognising the importance of the wider natural environment in getting to net zero</td>
<td>Share approaches to managing, protecting and enhancing biodiversity, with the aim of developing a framework for achieving Biodiversity Net Gain</td>
</tr>
<tr>
<td>Transition to a circular economy</td>
<td>By 2025, set a waste reduction target through the incorporation of circularity</td>
<td>Develop innovative products and construction methods to increase resource efficiency and design out waste</td>
</tr>
</tbody>
</table>
| Guarantee fair work and sustainable jobs | Create a roadmap for the skills needed for net zero and guarantee fair work standards:  
  - Aim to prevent all life-changing safety incidents  
  - Work towards paying all workers at least a real Living Wage  
  - Acknowledge the right to freedom of association for all workers  
  - Recognise the importance of greater inclusion and diversity, with targets publicly disclosed by 2025  
  - Implement a robust approach to good business ethics with clear channels for speaking up against wrong-doing | Develop a targeted modern slavery and human rights abuse risk-based approach across global supply chains |
| Add value to local communities | Identify and commit to common responsible developer, constructor and operator principles by 2025 | Develop and nurture competitive, local supply chains close to assets |

* Where companies face significant technological and methodological challenges for setting SBTs, a commitment to working towards SBTs with an annual update on progress will be accepted.

### UNDEPNNED BY A SHARED STRATEGIC APPROACH

- Business strategies aligned to the UN’s Sustainable Development Goals
- Sustainability questions included in tenders and sustainability requirements rolled out through supply chains
- Annual meeting of signatories to review commitments and continue ambitious progress

More information can be found at sse.com/sustainability/poweringnetzeropact or by emailing poweringnetzeropact@sse.com.
Industry, innovation and infrastructure

Ambitious renewables growth to support net zero

SSE Renewables’ considerable expertise in the development, construction, and operation of renewable electricity, alongside an enviable pipeline of high-quality projects, means it is at the forefront of providing the clean energy needed for the net zero transition.

Supporting the delivery of accelerated renewables ambition

The British Energy Security Strategy published in April 2022 set out enhanced ambitions to drive the delivery of net zero, increasing a target for offshore capacity from 4GW to 8GW by 2030.

SSE’s Net Zero Acceleration Programme out to March 2026, seeks to deliver a doubling of installed renewable capacity to 8GW. SSE Renewables also has further ambitions to increase this to over 13GW by 2035. These plans will enable delivery of around 20% of the UK’s enhanced offshore wind capacity target and are crucial in supporting SSE’s refreshed 2030 Goal of increasing renewable generation output fivefold between 2017/18 and 2030, to 50TWh a year.

SSE has ambitious plans for increasing installed renewable generation capacity:

- 2020/21
- 2025/26
- 2030/31

- 4GW
- 8GW
- >13GW

Progressing flagship wind projects

SSE Renewables made good progress on key offshore projects in 2021/22, including reaching financial close on Dogger Bank C and progressing construction at Dogger Bank A and B (each 1.2GW, SSE Renewables share 40%). In February 2022, SSE Renewables and Equinor each sold a 10% share in Dogger Bank C to Eni. Construction was also progressed at Seagreen (1.2GW, SSE Renewables share 40%) and first power is currently expected in July.

SSE’s onshore project construction has also progressed over 2021/22. At SSE’s Viking wind farm (443MW) in Shetland, turbines are expected to be installed in early 2023 and completion is planned for July 2024. When complete, Viking wind farm is expected to be amongst the highest yielding onshore wind farms in Europe. In addition, progress at Lenelaw wind farm (30MW, SSE Renewables share 50%) in Ireland will see it be commissioned in late 2020/early 2023.

At 31 March 2022, SSE had 2.4GW of renewable energy capacity in construction (based on equity share).

Developing a strong domestic pipeline

SSE Renewables is currently building more offshore wind than anyone else in the world and, over 2021/22, it continued to expand its sector-leading pipeline with opportunities for renewable development across the UK and Ireland.

In January 2022, SSE Renewables added its first floating offshore wind project to its domestic pipeline with the success in Crown Estate Scotland’s ScotWind offshore wind seabed leasing process as part of a consortium with Marubeni Corporation and CIP (Copenhagen Infrastructure Partners). The up to 2.6GW site (SSE Renewables share 40%) in the Firth of Forth will be one of the largest floating wind projects in the world and aims to start generating by 2030.

In Ireland, SSE Renewables will now progress Arklow Bank Wind Park 2 via the new Marine Area Planning regime. The revised project will proceed with an increased capacity of 80MW and, subject to securing the necessary consents and route to market, could be complete by 2028. A foreshore licence has been secured for site investigations for the 2GW Braymore Wind Park project off the north-east coast and an application has been submitted for the 1.2GW Celtic Sea Array off the south-east coast. Applications for Marine Area Consent for both Braymore Wind Park and the Celtic Sea Array will take place in the Irish Government’s next phase, expected in 2023.

“With wind power the most cost-efficient source of generation, SSE Renewables’ portfolio of wind assets and its considerable pipeline of projects will support a more affordable transition net zero for energy consumers in the UK and Ireland. We also have our sights set internationally, expanding ambitions into new carefully selected markets overseas.”

Stephen Wheeler
Managing Director, SSE Renewables

At 31 March 2022, SSE’s pipeline of renewable capacity in the UK and Ireland consisted of 2.4GW in construction, up to 2.1GW consented, up to 6.5GW requiring consent and a further 2.9GW of future prospects.

Driving growth overseas

With many countries setting out increasingly ambitious climate change targets, the market for renewables globally is growing rapidly and SSE continues to develop options for exporting its long-held renewables expertise to selected new geographies.

SSE Renewables’ strategy to export its capabilities in offshore wind development, construction, and operation to selected international markets gained momentum over 2021/22.

In July 2021, SSE Renewables announced the creation of a 50/50 joint venture with ACCIONA Energía to develop offshore wind opportunities in the Polish energy market, with an application having been made by SSE Renewables for offshore development rights in the Baltic Sea, which would be codenveloped with ACCIONA Energía.

In addition, in September 2021, SSE Renewables signed an agreement to create a joint ownership company with Pacifico Energy, one of Japan’s largest developers of renewable energy, that will pursue the development of offshore wind projects in Japan. The creation of SSE Pacifico also involved the acquisition of an 80% interest in 10GW of early-stage development opportunities across Japan.

Most recently, in April 2022, it entered into an agreement to acquire Siemens Gamesa Renewable Energy’s (SGRE) Southern Europe wind, solar and batteries development platform. The SGRE portfolio includes c.3.9GW of onshore wind development projects across Spain, France, Italy and Greece, with scope for up to 1GW of additional co-located solar development opportunities.

In the Netherlands, SSE Renewables has submitted bids in the 1GW Hollandse Kust (West) offshore wind tender for two separate sites of 700MW each. It has formed a 50/50 strategic partnership with Brookfield for the bids.

Supporting the delivery of accelerated renewables ambition

The British Energy Security Strategy published in April 2022 set out enhanced ambitions to drive the delivery of net zero, increasing a target for offshore capacity from 4GW to 8GW by 2030.

SSE Renewables’ considerable expertise in the development, construction, and operation of renewable electricity, alongside an enviable pipeline of high-quality projects, means it is at the forefront of providing the clean energy needed for the net zero transition.

Supporting the delivery of accelerated renewables ambition

The British Energy Security Strategy published in April 2022 set out enhanced ambitions to drive the delivery of net zero, increasing a target for offshore capacity from 4GW to 8GW by 2030.

SSE Renewables believes these projects will enable learning on how to limit and avoid negative impacts of wind farm developments while promoting the positive ones, and facilitate research and collaboration.

Digital solutions to support the delivery of net zero

SSE Renewables has teamed up with technology leaders Microsoft and Avarade on a series of digital innovation projects which are developing solutions to improve understanding of the impacts wind farms have on surrounding ecosystems. Through the partnership, the companies are implementing two ground-breaking digital innovation projects:

- Species monitoring using artificial intelligence (AI): In May 2020, SSE Renewables installed four cameras on the Isle of May to pilot the use of AI to accurately monitor local puffin colonies as part of planning conditions for its Beatrice offshore wind farm. The AI technology gathers footage and automatically detects and counts the birds during their breeding season, and has learned not to count the same puffin twice in the field of view. This initial trial was finalised over 2021/22 and the AI technology has proven a success. Live deployment at Dunbeath, in Caithness, is expected to place in September 2022.
- ‘Digital twin’ site: In April 2022, SSE Renewables submitted a bid to tender for the Hollandse Kust (West) project. The bid proposes using LiDAR, Sonar, hydrophones and AI, amongst other technologies, to create an ecological ‘digital twin’ of the site that will show in real-time what is going on below the surface of the water, enabling cause and effect to be modelled in a very transparent way. A requirement of the Dutch Government is that this data must also be open source, meaning that unprecedented amounts of data will be shared and it could be the world’s largest digital research project of its kind.

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SSE Renewables UK and Irish pipeline and international growth opportunities*

<table>
<thead>
<tr>
<th>Key:</th>
<th>Offshore wind</th>
<th>Onshore wind</th>
<th>Conventional and pumped storage hydro</th>
<th>Solar</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9GW</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In construction</td>
<td>1.9GW</td>
<td>0.5GW</td>
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</tr>
<tr>
<td>Consents/requiring Up to</td>
<td>6.4GW</td>
<td>0.7GW</td>
<td>Up to 1.5GW</td>
<td></td>
</tr>
<tr>
<td>Future prospects</td>
<td>2.2GW</td>
<td>0.6GW</td>
<td>75MW</td>
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</tr>
<tr>
<td>1GW</td>
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</tr>
<tr>
<td>0.7GW</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Bids submitted to the 1.4GW Hollandse Kust (west) offshore wind tender through a 50/50 partnership with Brookfield.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.6GW</td>
<td></td>
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<tr>
<td>0.6GW</td>
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<tr>
<td>-</td>
<td></td>
<td></td>
<td>Up to 1.5GW</td>
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</tbody>
</table>

In July 2021, SSE Renewables UK and Irish pipeline and international growth opportunities.

*Figures based on equity share at April 2022. For more information see pages 38 to 41 of SSE’s Preliminary Results for the year to 31 March 2022, available at sse.com/investors.

SSE Renewables is also assessing other growth options across selected markets in Northern Europe and the United States. Towards the end of 2021/22, it opened an office in Boston and is assessing participation in upcoming offshore leasing rounds, for example, in California, which is expected to take place in Autumn 2022.
Industry, innovation and infrastructure

Building a network for net zero

Significant growth in SSEN’s transmission network over the next decade will facilitate the connection of increasing renewable capacity in the north of Scotland, which will play a crucial role in supporting the UK’s climate ambitions.

Delivering a network for net zero

2021/22 marked the first year of SSEN Transmission’s delivery against its business plan for the new five-year RIIO-T2 price control period, running from 2021 to 2026. Significant progress was made building out critical network infrastructure to unlock renewable generation in the north of Scotland. This included progress on the Shetland HVDC transmission link, which will see Shetland connected to the GB transmission system for the first time, enabling the connection of renewables and supporting Shetland’s security of supply. The project is on track for completion and energisation in 2024. In addition, in January 2022, Tealing substation was completed, which will enable the connection of the Seagreen offshore wind farm.

Growing a network to meet the scale of change needed for net zero will require ambitious investment programmes over and above the baseline settlement agreed with Ofgem, the regulator, for nearly £2.8bn of approved ‘Certain View’ investment. During 2021/22 and early 2022/22, progress has been made on a number of plans for investments by SSEN Transmission over and above the Certain View. These additional investments, which are being taken forward through Ofgem’s Uncertainty Mechanisms, will be key to delivering a pathway for net zero.

Progress has included:

- Approval of Final Needs Case (FNC) for the 2GW Peterhead to Drax link; Ofgem approved the FNC in March 2022 for delivery in 2027. The project is currently underway, after which the projects can apply for the second phase of development, with the potential to be awarded up to £500,000 to take the project forward to further phases.

- Initial Needs Case (INC) submitted to Ofgem in March 2022 for work needed to upgrade the main Argyll transmission network from 132kV, supporting the forecast growth in renewables in the region.

- Response to INC for the Fort Augustus to Skye transmission line; in April 2022, Ofgem published its response to SSEN’s submission for the replacement and upgrade of the Fort Augustus to Skye transmission line, required to maintain security of supply and to enable the connection of renewable electricity generation along its route. This paves the way to progress to the FNC stage of the regulatory approvals process.

Facilitating the connection of renewables

The RIIO-T2 period is expected to deliver significant growth in the capacity of renewables connected to SSEN Transmission’s network, from around 6GW in 2020/21 to around 14GW by March 2026. By 2026, the total installed renewable capacity connected to the network increased by 1GW, to 11.5GW in total. SSEN Transmission is well on its way to delivering its RIIO-T2 goal to transport the renewable electricity that powers 10 million homes, which will be met once the installed capacity of renewables reaches 15GW. This growth will play an important role in achieving SSEN’s medium-term 2030 Goal to enable low-carbon generation and demand, which is targeting at least 20GW of renewable generation capacity connected to SSEN’s transmission network by 2030.

By 2026, SSEN Transmission is targeting to transport the renewable electricity that powers 10 million homes.

Preparing for future network requirements

Beyond the RIIO-T2 price control period, further network upgrades in both onshore and offshore transmission infrastructure will be needed to enable the forecasted growth in renewables.

Through its British Energy Security Strategy, the UK Government has revised its offshore wind capacity target to 30GW by 2030 and calls for faster, more strategic network build-out to connect the renewables needed for net zero. In addition, in January 2022, Crown Estate Scotland published the outcome of the ScotWind leasing round, awarding leases with a potential capacity of around 25GW, vastly exceeding the anticipated 10GW of potential capacity expected to be leased. Supporting these ambitions will require advancing major infrastructure projects in SSEN’s Transmission region.

SSEN Transmission also uses energy scenarios to ensure that it is preparing for future network requirements. National Grid Electricity Transmission’s publication of its Networks Options Assessment (NOA) in January 2022 made clear the extent of future network development that will be needed and provided strong signals supporting several major reinforcements in the North of Scotland to meet forecast future energy scenarios. In SSEN Transmission network region, these included: two subsea high-voltage direct current (HVDC) links from Peterhead to England; a second HVDC link from Spittal in Caithness, connecting to Peterhead; and, strategic onshore reinforcements north of Inverness and between Inverness and Peterhead.

In addition, in May 2022, SSE Transmission published an update to its own North of Scotland Future Energy Scenarios, which provide localised future energy scenarios that better represent energy users’ needs in SSEN Transmission’s network area. The analysis shows that by 2030 the north of Scotland will need up to c.35GW of renewable capacity to meet net zero by 2050. In the latest 2022 update, SSEN Transmission included additional considerations in its analysis such as hydrogen deployment and the electrification of rail.
Industry, innovation and infrastructure

Powering communities to net zero

As local electricity networks undergo a transformation in the coming years, SSEN Distribution is building a strong foundation to meet the electricity demands of the future and make net zero a reality for customers and communities.

A stakeholder-led business plan for net zero

Local electricity networks will be a key enabler in the transition to net zero, as the electrification of heat and transport gathers pace alongside new smart flexible-energy solutions. In December 2021, SSEN Distribution submitted its final RIIO-ED2 business plan for 2023 to 2028 to the energy regulator, Ofgem. The stakeholder-led plan aims to balance the need to accelerate investment in the smart and flexible electricity networks that will meet new decarbonisation demands, while keeping costs down for consumers and supporting those who are most vulnerable. It sets out a total expenditure of around £4bn to deliver improvements for customers and accelerate investment in its networks to power communities to net zero.

SSEN Distribution’s plan has six key goals focused on resilience, customers, and working towards net zero – one of which is to facilitate the connection of an additional 1.3 million electric vehicles (EVs) and 800,000 heat pumps in its license areas by 2028. This supports SSE’s refreshed 2030 Goal to enable low-carbon technologies. These included:

• Project LEO: taking place in Oxfordshire, it is one of the UK’s most ambitious, wide-ranging and innovative energy trials, seeking to accelerate the UK’s transition to a zero-carbon energy system. You can read more at project-leo.co.uk.
• Optimise Prime project: the world’s largest trial of commercial EVs which seeks to investigate the effects of commercial fleets on the electricity distribution network. Physical trials for the project began in August 2021. More information available at optimise-prime.com.
• The Skyline project: is establishing data sharing with the automotive and charge point industries, allowing Distribution Network Operators (DNOs) to prepare when and where new electricity demand to charge electric vehicles is coming from, to inform infrastructure requirements and improve customer experience.
• Project Re-Heat: the first DNO-led large scale heat trial and will see 150 heat pumps installed in domestic homes across three local authority areas. Those heat pumps will be connected to thermal storage units, enabling customers to be more flexible in the times they use electricity for heating.

Local electricity networks are at the forefront of the transition to net zero, and the behavioural shift that will be needed by consumers as we move to smarter electricity networks will be unprecedented. Our focus is on trialling new methods and new technologies that will facilitate this transition in a way that provides the best value and is inclusive for all energy consumers.

Chris Burchell
Managing Director, SSEN Distribution

Tackling GHG emissions from SSEN’s electricity distribution network

Smart grids play an essential role in bridging the gap between international targets and local ambition, and they will be fundamental to achieving a secure, cost-effective, net zero future, whilst maintaining network resilience.

In November 2021, SSEN Distribution announced it was one of the founding partners of a new global smart grid partnership: the International Community for Local Smart Grids (ICLSG). Led by the University of Oxford, the ICLSG consists of eight founding partners, including electricity distribution companies from the UK, Italy, Australia, New Zealand and Japan. It is a knowledge-sharing partnership founded to accelerate a fair, resilient and local transition to net zero. The new project is a first-of-its-kind five-year knowledge sharing partnership that will see community energy groups and electricity networks share key learnings from innovation projects, facilitate knowledge sharing and support a collaborative transition to a decarbonised future.

5-year knowledge sharing programme

8 Founding partners from around the world, from the UK to Japan.

In 2021/22, SSEN Distribution had 12 ongoing strategic partnerships and initiatives exploring smart grid solutions to support low-carbon technologies. These included:

• Project LEO: taking place in Oxfordshire, it is one of the UK’s most ambitious, wide-ranging and innovative energy trials, seeking to accelerate the UK’s transition to a zero-carbon energy system. You can read more at project-leo.co.uk.
• Optimise Prime project: the world’s largest trial of commercial EVs which seeks to investigate the effects of commercial fleets on the electricity distribution network. Physical trials for the project began in August 2021. More information available at optimise-prime.com.
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‘Local electricity networks are at the forefront of the transition to net zero, and the behavioural shift that will be needed by consumers as we move to smarter electricity networks will be unprecedented. Our focus is on trialling new methods and new technologies that will facilitate this transition in a way that provides the best value and is inclusive for all energy consumers.’

Chris Burchell
Managing Director, SSEN Distribution

In addition, in November 2022 at COP26, SSEN Distribution announced it was one of the founding partners of a new global smart grid partnership, International Community for Local Smart Grids (ICLSG). See the case study on page 63 for more information.
Industry, innovation and infrastructure

A changing role for thermal generation in a net zero world

With thermal generation continuing to be relied upon to meet electricity system demand, SSE Thermal is actively developing low-carbon generation options to ensure continued security of supply and to provide the generation flexibility that society needs on the transition to net zero.

Delivering efficient CCGT plant for the near term

SSE Thermal is committed to the responsible phased reduction of unabated gas output at the same time as repurposing key assets for the net zero world. It is well understood that unabated thermal generation has a diminishing but essential part to play as the UK and Ireland transitions to net zero, and recent market volatility has reinforced the importance of its role in ensuring a resilient energy transition.

In 2021/22, the final phase of development at SSE Thermal’s 893MW Keadby 2 progressed well. Commissioning started in October 2021 and a capacity market agreement will be in place from October 2022. The power station is expected to be fully commercially available ahead of this date. Keadby 2 brings Siemens’ cutting-edge turbine technology to the UK, this first-of-a-kind turbine will be Europe’s most efficient CCGT and will displace older, more carbon intensive plant on the system. It is capable of being upgraded to decarbonise the system further, through hydrogen blending or carbon capture and storage. The completion of Keadby 2 will come at a crucial time to support the UK to secure indigenous energy supplies and provide continued flexibility for the electricity system as the country transitions to net zero.

Developing a thermal generation fleet for net zero

To deliver GHG reductions in line with a 1.5C pathway, considerable reduction in the emissions from SSE Thermal’s generation plant will be required. To achieve this, SSE Thermal’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 power stations and repurposing the assets for the net zero world.

SSE Thermal is developing CCS projects with Equinor at Keadby and Peterhead, as well as two further projects in the Humber. Keadby Hydrogen power station and a hydrogen storage facility at Aldbrough. These projects will play a pivotal role in helping to achieve national net zero targets, and SSE Thermal has made substantial progress over 2021/22. In January 2022, both Keadby and Peterhead Carbon Capture and Storage projects were submitted into Phase 2 of the UK Government’s Cluster Sequencing Process, with outcomes expected to be announced in mid-2022. These projects combined could see up to 3 million tonnes of CO2 captured a year.

In October 2021 the UK Government announced that the East Coast Cluster – comprising the Humber and Teesside regions – would be Track 1 clusters, or the first clusters supported to deploy shared CCS infrastructure by the middle of this decade. The Scottish cluster was identified as a ‘reserve’ Track 1 cluster and remains in line to progress to deployment as a Track 2 cluster by the end of the decade.

SSE Thermal also made progress on the development of its low-carbon hydrogen projects, alongside Equinor. For more detail on progress see the case study on the next page.

Over the past year SSE’s Thermal generation assets have provided much needed flexibility to support a volatile energy market with increasing penetration of intermittent renewables, demonstrating the valuable role they have in delivering a resilient and orderly transition to net zero. Our focus remains on developing and progressing new low-carbon thermal generation options.”

Catherine Raw
Managing Director, SSE Thermal

Exploring low-carbon hydrogen options

The UK Government’s inaugural hydrogen strategy, published in August 2021, highlighted the important role it will play in providing flexible energy for power, heat and transport and the need for large hydrogen storage facilities.

In 2021/22, SSE announced the development of low-carbon hydrogen projects in the Humber, in partnership with Equinor:

• Keadby Hydrogen Power Station: the power station would have a peak demand of 1.8GW of hydrogen, producing zero emissions at the point of combustion. It would be the world’s first major 100% hydrogen-fired power station, securing at-scale demand for hydrogen in the region for decades to come. With appropriate policy mechanisms in place, Keadby Hydrogen could come online before the end of the decade.

• Aldbrough Hydrogen Storage: with an initial expected capacity of at least 320GWh, it would be significantly larger than any hydrogen storage facility in operation in the world today. Hydrogen storage is expected to play an important role in a low-carbon hydrogen economy, balancing supply and demand with hydrogen produced using carbon capture and electrolysers technologies.

SSE Thermal is also involved in an initiative to promote the Isle of Grain as a location for a low-carbon hydrogen economy. This could provide the opportunity to bring low-carbon hydrogen to SSE’s Medway site.

SSE Thermal sees significant further growth opportunities in this space, in line with the UK’s target to deliver 10GW of low-carbon hydrogen production by 2030.
Committed to decent work and economic growth

Considered planning for the social consequences of net zero provides an opportunity to create good quality jobs and share economic value widely.

Change of the scale and nature needed to achieve net zero brings social consequences, impacting people – employees, consumers, communities, suppliers, and wider society – in many different ways. SSE has a responsibility to influence those impacts positively, which is why its alignment to SDG 8: Decent Work and Economic Growth is a core strand of its strategic approach. In aligning to SDG 8, SSE has committed to being a global leader for a just energy transition to net zero, with detail on how it is meeting that goal detailed on the following pages.

Champion a fair and just energy transition
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.

SSE was ranked the top company globally in the World Benchmarking Alliance’s just transition assessment in November 2021.

Over 2021/22, SSE continued to engage widely on its Just Transition Strategy and published a second just transition report focused on action to support the worker transition to net zero. Underpinning its just transition approach, SSE maintained its Fair Tax Mark and real Living Wage accreditations, and completed its first year with the Living Hours accreditation. SSE contributed £4 of value to the UK and Irish economies for every £1 earned in adjusted operating profit, and granted over £11m to communities and charities across the UK and Ireland. It also led efforts to bring collaboration across its sector through the creation of the Powering Net Zero Pact.

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| Paying a fair share of tax | 70 |
| Sharing economic value | 72 |
| Guaranteeing fair work | 76 |
| Creating an inclusive workplace | 79 |
| Getting everyone home safe | 84 |
Performance summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Key performance indicator</th>
<th>Unit</th>
<th>2021/22</th>
<th>2020/21</th>
<th>2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth</td>
<td>Contribution to GDP (UK/Ireland)</td>
<td>£bn/km</td>
<td>5.8/4.38</td>
<td>5.2/4.39</td>
<td>5.7/5.50</td>
</tr>
<tr>
<td></td>
<td>Jobs supported (UK/Ireland)</td>
<td>Headcount</td>
<td>45,292/1,840</td>
<td>41,602/2,160</td>
<td>56,810/3,740</td>
</tr>
<tr>
<td></td>
<td>Taxes paid (UK/Ireland)</td>
<td>£m/km</td>
<td>335/146.4</td>
<td>379/20.4</td>
<td>421/61.8</td>
</tr>
<tr>
<td>Increased productivity</td>
<td>Employee productivity compared to national averages (UK/Ireland)</td>
<td>Number</td>
<td>41.1/29.1</td>
<td>32.4/71.5</td>
<td>38.1/71.7</td>
</tr>
<tr>
<td></td>
<td>Investment in learning and development</td>
<td>£m</td>
<td>17.3</td>
<td>15.8</td>
<td>18.6</td>
</tr>
<tr>
<td></td>
<td>Average training hours per FTE</td>
<td>Hours</td>
<td>20.7</td>
<td>24.1</td>
<td>24.9</td>
</tr>
<tr>
<td>Promote development</td>
<td>Total procurement expenditure</td>
<td>£bn</td>
<td>c. 2.5</td>
<td>c. 2.4</td>
<td>c. 2.2</td>
</tr>
<tr>
<td></td>
<td>Average time taken to pay suppliers</td>
<td>Days</td>
<td>28</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Investment in communities</td>
<td>£m</td>
<td>11.2</td>
<td>10.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Full, productive and inclusive employment</td>
<td>Employee retention/turnover rate</td>
<td>S Retention / Turnover</td>
<td>95/59.5</td>
<td>92/57.9</td>
<td>88/52.0</td>
</tr>
<tr>
<td></td>
<td>Voluntary turnover rate</td>
<td>%</td>
<td>78</td>
<td>3.6</td>
<td>6.5</td>
</tr>
<tr>
<td></td>
<td>Lost days due to sickness</td>
<td>Number</td>
<td>6627/0</td>
<td>6626/2</td>
<td>181,165</td>
</tr>
<tr>
<td></td>
<td>Average lost days per head</td>
<td>Number</td>
<td>6.3</td>
<td>5.9</td>
<td>9.4</td>
</tr>
<tr>
<td></td>
<td>Employee engagement survey score</td>
<td>%</td>
<td>82</td>
<td>82</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>Median gender pay gap (UK/Ireland)</td>
<td>%</td>
<td>18.0/15.6</td>
<td>18.2/17.1</td>
<td>18.4</td>
</tr>
<tr>
<td></td>
<td>Reduce the risk of modern slavery</td>
<td>Human rights grievances filed through formal mechanisms</td>
<td>Number</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Labour rights</td>
<td>Total recordable injury rate – employees and contractors combined</td>
<td>Per 100,000 hours</td>
<td>0.17</td>
<td>0.15</td>
<td>0.16</td>
</tr>
<tr>
<td></td>
<td>Employees covered by collecting bargaining agreements</td>
<td>%</td>
<td>58.2</td>
<td>53.9</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Speak up (whistleblowing) contacts made</td>
<td>Number</td>
<td>52</td>
<td>66</td>
<td>88</td>
</tr>
</tbody>
</table>

A fair and just transition

Embedding the just transition in SSE’s strategy

The case for climate action is indisputable. However, the way economies decarbonise is less definite. Without careful planning and deliberate consideration of the implications of the transition on people – whether that’s workers, consumers or communities – risks the social legitimacy of net zero itself.

A ‘just transition’ is therefore the fairest way of ensuring that the benefits of climate action are shared widely, whilst preventing an unfair burden of the costs on those with least ability to afford it.

In November 2020, SSE became the first company in the world to publish a Just Transition Strategy. This Strategy outlines 20 principles to promote a fair and just transition for workers, consumers and communities when transitioning to a net zero world, while at the same time transitioning out of high-carbon activities. The importance of the just transition to SSE is reflected in its update to one of its four company 2030 Goal – Fossil Free, with the explicit aim to ‘Champion a fair and just energy transition’.

The actions underpinning a just transition which are outlined within this 2030 Goal – guaranteeing fair work, fair tax and sharing economic value – form the structure of this section of SSE’s Sustainability Report 2022.

For more information on SSE’s just transition approach, go to sse.com/sustainability/just-transition and careers.sse.com/just-transition.

SSE’s progress on the just transition over 2021/22

Communication and consultation on SSE’s Just Transition Strategy

Throughout 2021/22, SSE met with a wide range of stakeholders to gather feedback and develop its just transition approach. This included meetings with policy makers, trade union partners, suppliers, oil and gas companies, investors, academics, and industry and skills bodies. Most importantly, SSE undertook primary research with its own employees that have transitioned from high to low carbon careers, including:

- A detailed survey of over 150 people;
- Gathering information on engagement through its employee survey, and;
- Focus groups. In addition, SSE contributed to more than 30 stakeholder events over the year focused on just transition.

From principles to action

Using the findings from its research, engagement and consultation over the year, SSE published a new report ‘From principles to Action’ which is available on its website.

At an industry and government level, these include things like developing ‘all energy’ frameworks for skills, fair work terms where there is public sector support for climate action, and making sure net zero sector plans embed the concept of a just transition. And for SSE, clear commitments include not asking for industry-specific experience unless it is specifically required, piloting an engineering conversion programme, and paying for workers to develop the skills they need. See the case study on page 61 of the Annual Report 2022 for more information.

Collaboration for a just energy transition

A just transition to net zero requires genuine collaboration, which is why over 2021/22 SSE worked with a number of partners to progress this shared objective.

- The Powering Net Zero Pact was signed by SSE and a small group of global energy companies, led by the Council for Inclusive Capitalism and Bp, which helped shape the Just Energy Transition Framework for Company Action. This Framework which was launched during COP26 is the first ever guide for companies on concrete actions they can take to implement an energy transition that advances both social and environmental goals. The Framework’s building blocks for action are aligned with the UN’s Net Zero Benchmark Just Transition Indicators.

As a legacy of COP26, SSE led a group of global companies across the power sector to create the Powering Net Zero Pact with the principles of a just transition forming the basis of shared commitments. See pages 54 and 55 for more information on this world-first collaboration.

Scotland’s Just Transition Commission

SSE’s Chief Sustainability Officer was one of the Scottish Government’s Just Transition Commissioners in its first iteration, which was created to gather evidence and advise the Scottish Government on actions to promote a just transition. The final report was published in March 2021, with a new iteration of the Commission set up later in 2021 to focus on delivery of these recommendations. SSE’s Chief Sustainability Officer sits in the Energy Sector workstream of the commission which exists to specifically scrutinise the country’s energy policy and strategy, and ensure that the just transition is fully integrated.
Paying a fair share of tax

Providing tax transparency and understanding the role of tax in a just transition to net zero.

At the highest level, society can address some of the distributional challenges of reaching net zero through a tax system where profitable organisations pay their fair share. SSE’s commitment to the principles of fair tax is well-documented, and this commitment will make an important contribution to achieving a just transition.

SSE has been accredited with the Fair Tax Mark since 2014, which means the Fair Tax Foundation has independently assessed it as having a responsible and transparent approach to paying tax, and that SSE explicitly rules out the use of tax havens or an aggressive approach to tax avoidance. SSE’s total tax contribution for 2021/22 is shown below, with more information found on page 58 of the Annual Report and within its Talking Tax 2022 report which will be published in autumn 2022.

Over 2021/22, SSE’s total tax contribution was £944m, split between £375m in taxes paid (including £70m paid in corporation tax) and £569m in taxes collected. This is a decrease of 5.5%, 5.6% and 5.4% respectively compared to 2020/21. This small reduction was the result of three key drivers:

1. 2020/21 tax figures include the tax contribution from SSE Contracting over the full financial year, whereas the disposal of this business in 2021/22 means that the tax contribution from SSE Contracting was only included up to 30 June 2021.
2. Environmental taxes paid were lower this year due to outages at some generation sites; and
3. Environmental taxes collected were lower due to lower energy usage by business customers.

**TAXES PAID:**

<table>
<thead>
<tr>
<th>UK taxes paid</th>
<th>Ireland taxes paid</th>
<th>Profit tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>£335m 2020/21: £379m</td>
<td>€46.4m 2020/21: €20.4m</td>
<td>£70m 2020/21: £64m</td>
</tr>
</tbody>
</table>

Taxes on profits that SSE makes. Corporation tax is one example of a tax paid on profit.

**TAXES COLLECTED:**

<table>
<thead>
<tr>
<th>Value added tax (VAT)</th>
<th>People tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>£323m 2020/21: £334m</td>
<td>£147m 2020/21: £154m</td>
</tr>
</tbody>
</table>

VAT is charged on goods and services, which are bought from suppliers or sold to customers. SSE collects VAT on behalf of national tax authorities.

**People tax**

| People tax | €60m 2020/21: €64m |

Taxes paid on wages earned by employees, for example an employer’s share of National Insurance contributions.

**Environmental tax**

<table>
<thead>
<tr>
<th>Environmental tax</th>
<th>Property tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>£41m 2020/21: £62m</td>
<td>£204m 2020/21: £207m</td>
</tr>
</tbody>
</table>

SSE pays environmental taxes in relation to its direct operations, the main one being the Climate Change Levy which is a tax it pays on fossil fuels used to generate electricity.

**Property tax**

<table>
<thead>
<tr>
<th>Property tax</th>
<th>Environmental tax</th>
<th>Other taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>£204m 2020/21: £207m</td>
<td>£96m 2020/21: £109m</td>
<td>£3m 2020/21: £4m</td>
</tr>
</tbody>
</table>

Property taxes relate to owning or using properties and infrastructure. These include business rates paid to local councils, and taxes on transactions when properties are bought and sold.

SSE collects environmental taxes from its customers on behalf of governments, including the Climate Change Levy which is an environmental tax charged on the energy that businesses use.

A variety of smaller taxes contribute to this figure which is collected by SSE on behalf of governments.
Committed to decent work and economic growth

Sharing economic value

Creating and sharing value with society by adding economic value, investing in communities and supporting sustainable supply chains.

Contributing to GDP and supporting jobs

With an investment plan of £12.5bn between 2021 and 2026, SSE recognises that the way this money is invested can deliver significant economic benefits to the places SSE operates within. To understand its wider socio-economic contribution, SSE has commissioned Biggar Economics to measure the value it adds to GDP and the jobs it supports across its home markets for the last 13 years. Over 2021/22, SSE contributed a total of £6.2bn to the combined UK and Irish economies, supporting more than 47,000 jobs.

<table>
<thead>
<tr>
<th>UK contribution</th>
<th>£5.8bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/21: £5.2bn</td>
<td></td>
</tr>
<tr>
<td>2020/21: 41,400</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ireland contribution to GDP</th>
<th>€438m</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020/21: €439m</td>
<td></td>
</tr>
<tr>
<td>2020/21: 1,840</td>
<td></td>
</tr>
</tbody>
</table>

£4 economic value added for every £1 earned in adjusted operating profit

£4

1 person directly employed

>3 additional jobs supported for every £1 invested

CASE STUDY

Investing in flexible low-carbon assets and generating socio-economic benefits

The next generation of flexible thermal power stations critical for meeting the UK’s carbon reduction targets include the Keadby and Peterhead Carbon Capture Power Stations, which are being developed by SSE’s Thermal partner Equinor (see page 64). Investment in these technologies will present significant economic opportunities for communities and businesses. Over 2021/22, SSE commissioned Biggar Economics to analyze the potential socio-economic impact of Keadby and Peterhead carbon capture plants.

The Keadby Carbon Capture Power Station will be located in the Humber and analysis by Biggar Economics shows the project has the potential to generate £1.2bn for the UK economy over its lifetime. This is comprised of £470m which would be added to the UK economy through development and construction, with 7,850 years of employment supported. £57m will be generated for Yorkshire and Humber; and the East Midlands. On an annual basis once operational, the plant could contribute £53m to the UK economy each year and support 560 jobs.

Analysis by Biggar Economics on the Keadby Carbon Capture Power Station likewise showed the potential significant economic contribution of the project, totaling £1.2bn over its lifetime. It is estimated that the development and construction of Peterhead will add £470m to the UK economy, as well as 7,850 years of employment. On an annual basis once operational, the plant would contribute an average of around £50m to the UK economy and support 560 jobs. Of this, £190m could be added to the Scottish economy during development and construction, with 3,070 years of employment supported. Across the lifetime of the station, an average of around £35m would be added to the Scottish economy annually with 290 further jobs supported each year.

Supporting competitive, local supply chains

Core to a just transition is the maximisation of economic opportunity for people close to the places hosting renewables developments. An ongoing priority for SSE is to help create an environment where there is increased domestic content of projects, especially offshore wind developments. The ability to locally share the economic benefit of low-carbon investments through sustainable domestic employment, at scale, is a key component of delivering fairness. It means working people, particularly those currently in industries which are in decline, can access new skills and jobs. At the same time, this ambition must be balanced with the cost of delivering renewable power.

SSE believes that all levers should be used to achieve increased local content and more competitive domestic supply chains where infrastructure is being built. It is proactive in supporting policymakers and industry to work together, and has prioritised close collaboration with supply chain partners to bring about greater investment in the manufacturing of key components needed for its projects. Over 2021/22, key areas of progress included:

- SSE led the creation of the Powering Net Zero Pact, a world-leading global initiative which brings the power sector together to collaborate on difficult areas of sustainability with the goal of achieving a fair and just transition to net zero. One of the five working groups for signatories of the Pact to collaborate on is how to better support competitive, local supply chains close to assets.

- SSE Renewables’ senior leadership team have taken leadership positions within industry bodies with the objective of supporting practical and actionable steps that will result in a sustainable domestic supply chain, capable of competing internationally. This includes the Offshore Wind Industry Council, the Global Wind Energy Council, and the Scottish Energy Advisory Group.

- While voluntary action from developers is important in securing increased local content within projects, SSE believes there is an important role for government to both incentivise and regulate for increased local content. It continues to work closely with policymakers to develop policies that support local content, such as the UK Government’s CfD Supply Chain Plan. It is also collaborating with international partners to share lessons learned from the UK’s experience of growing local supply chains for onshore and offshore renewables.
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Investing in communities and promoting resilience

An integral part of a just transition is sharing value with local communities. SSE is one of the largest corporate grant givers in the UK and Ireland and, over 2021/22, distributed and donated over £11m to support more than 1,000 community projects.

The majority of SSE’s community giving comes from its SSE Renewables business, which for over a decade has provided communities close to its assets with funding for local or regional projects. SSE Renewables will invest over £310m locally in community funds from its current renewable projects over their lifetime. Over 2021/22, £9.7m was granted through SSE Renewables’ community investment funds (£50.02m) (£10.2m). This funding financed 1,048 community projects across the UK and Ireland, including 137 rural jobs, 96 scholarships and 108 community projects which enhance local net zero ambitions. £1.3m of this total investment in 2021/22 was from SSE Renewables’ flagship Sustainable Development Fund which helped fund 29 transformational Scottish and English projects. Detailed disclosure on SSE Renewables’ community funding can be found on sserenewables.com/communities.

In addition to this direct community investment through renewable projects, almost £500,000 was administered to communities through SSEN’s Resilient Communities Fund, which prioritises projects which protect the welfare of vulnerable members of the community in SSEN’s network areas during significant emergency events. The fund aims to help improve local responses to emergency events by enhancing community facilities, services, and communication. Following the severe storms in winter 2021/22, SSEN announced it would also grant a further £1m through its Resilient Communities Fund. In May 2022, the fund received 140 applications which demonstrates the commitment and capability of local residents to respond to emergencies.

In addition to the SSE Renewables’ community investment funds and SSEN’s Resilient Communities Fund, this year SSE also donated £1m to the Disasters Emergency Committee (DEC) in support of humanitarian aid in Ukraine.

Adapting community benefit funding

SSE Renewables’ community investment funds typically endure for 25 years with a common formula to calculate the value available to communities each year. In 2020, faced with a challenging landscape for developing new onshore wind farms in Great Britain, SSE Renewables made the difficult decision to change its onshore community benefit policy, adjusting the amount of community benefit for future onshore farms in Great Britain from £5,000 per MW of capacity to £3,000 per MW per year. Eighteen months on from this decision, and following changes in market conditions and representations from the communities themselves, SSE Renewables revised the decision and reverted its direct funding to £5,000 per MW for new onshore wind farm developments.

SSE plc Sustainability Report 2022
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SUSTAINABILITY REPORT

Guaranteeing fair work

Investing today in the workforce of tomorrow by creating jobs, developing skills, and ensuring people are treated fairly and with respect.

Creating good, green jobs

Over 2021/22, SSE hired 3,195 roles through internal and external recruitment channels. This was an increase from 2,227 the previous year, reflecting growth of around 1,000 new jobs over the last year, a rate of growth expected every year to 2026, in support delivery of the £12.5bn Net Zero Acceleration Programme. These jobs will be located across all SSE’s operations and in all parts of the UK, with further growth expected. In SSE’s transmission business alone, 450 new jobs are expected to be created over the next year. Additional roles will also be created and supported through SSE’s supply chain activities. See page 75 for information on SSE’s approach to supporting competitive, domestic supply chains.

1,000 new jobs created in 2021/22

1,000 new jobs created every year to 2026

The ability of SSE, and the energy industry more widely, to secure sufficient talent required for the net zero transition is a key area of strategic focus. SSE is developing re-training programmes to widen its reach to those that want to join the green revolution. For SSE, this includes initiatives which have been developed over the year, including a pilot engineering conversion course in its networks business for those with an engineering background in different sectors and a returning programme for those coming back to the electricity sector, I have never known a better time to join. SSE is committed to sustaining its programmes (see next page).

In my 30 years working in the electricity sector, I have never known a better time to join. SSE is involved in some of the most exciting project in the world right now – from building the world's largest wind farm, to installing high tech transmission infrastructure. And we are looking for new talent to join us, people from all sorts of backgrounds and experiences, to help us provide the very practical solutions to the global climate challenge."

John Stewart
Human Resources Director

Embracing a Learning Culture

SSE’s response to the coronavirus pandemic helped accelerate a shift to modern learning approaches, using technology to further promote and develop an accessible and inclusive learning culture. This approach has been embraced across SSE’s businesses, with 80% of all training now delivered digitally.

Over 2021/22, SSE introduced a series of interconnected learning SharePoints, providing self-led resources to support and complement formal learning offerings. This approach gives employees the opportunity to develop their knowledge at their own pace, prior to attending formal courses, and allows them to access information to maintain their skills, as and when required. SSE made some improvements to IT infrastructure and tools to increase the accessibility of learning. This included using and promoting Office 365 capabilities, which allow learners to use a wide range of devices to view training materials. This enables employees to access training in a variety of formats and locations, allowing SSE to reach a higher proportion of its workforce. This is especially important as SSE’s business expands to have more remote workers.

£7.5m investment in learning, training, and development (2020/21: £6.8m)

Inventing early careers

Central to creating a workforce for net zero is promoting and encouraging new, diverse talent into early career positions. Investment in pipeline programmes increased to £9.8m in 2021/22 from £9.0m in 2020/21. The number of people on SSE’s pipeline programmes (apprenticeships, technical skills trainee programmes, graduate programmes, conversion programmes and other pipeline programmes) remained consistent with the previous year (2021/22: 470 individuals, 2020/21: 460 individuals). SSE’s overall headcount decreased however in 2021/22 due to the disposal of non-core businesses, meaning an increase in the proportion of SSE’s workforce on a pipeline programme, rising from 3.8% to 4.3%. Focus on recruiting from a more diverse talent pool for pipeline programmes also increased the proportion of women across all of these programmes, overall increasing to 19% in 2021/22 from 11% in 2020/21.

Apprenticeships: with no minimum entry requirements, SSE seeks to attract individuals who can demonstrate seven key characteristics: drive, ownership, resilience, learning agility, safety consciousness, social adaptability and collaboration. SSE’s apprenticeship programmes offer opportunities to develop skills within engineering and wider business roles including Electrical, Joiner, Fitter, Energy, Power Network Engineer, Finance, Procurement and Data Science. While there is still a long way to go to have gender balance in SSE’s apprenticeship programme, the female proportion increased this year to 11% from 7% in 2020/21.

Trainee Engineers: for those who meet the minimum requirements, trainees can benefit from work-based learning whilst studying towards an HNC in Electrical Engineering or a Diploma of Higher Education in Engineering. Trainees undertake work placements to put their education into practice and gain practical, hands-on experience. The proportion of women on this programme increased from 11% to 23% between 2020/21 and 2021/22.

Grades: SSE’s graduate IT and Engineering placements offer practical skills, with Engineering graduates also receiving relevant professional qualifications or charterships e.g. IMEICE, ICE and IET. SSE’s graduate opportunities across the business have one thing in common: across the two years of the programme, the graduates gain hands-on experience, build a valuable network and develop a unique set of skills to shape their career. Women made up 39% of SSE’s graduates in 2021/22, compared to 23% the previous year.

Employability programmes: these encourage social mobility and are designed to recruit talent from communities and social demographics that may not have otherwise applied to work in the energy sector. The programmes encourage the uptake of STEM subjects in education and include Teach First, Barnardo’s Works, SSE Works, and Career Ready. Over 2021/22, in-person work experience programmes have been reinstated, following the removal of coronavirus restrictions, with SSE welcoming 18 people onto the Barnardo’s Works programme since October 2021. Other programmes such as Career Ready, were delivered online and developed over the past year to provide virtual work experiences that expose young people to the energy industry.

£9.8m invested in pipeline programmes (2020/21: £9m)

280 apprenticeships (2020/21: 363)

43 Trainee Engineers (2020/21: 53)

124 IT and Engineering graduate placements (2020/21: 56)
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Sustaining key skills

In addition to £8.5m invested in early career programmes, SSE invested £1.7m over 2020/21 to sustain key skills across its workforce (2020/21: £6.8m). This reduction in spend is due to the impact of the coronavirus pandemic, which led to activities paid for in financial year 2020/21 being rescheduled to run in financial year 2021/22. A total of 9,704 people received training, which included 3,996 receiving technical skills training, 3,625 receiving safety training, and 2,083 receiving personal skills training.

£8.5m investment over 2020/21 and 2021/22 to sustain key skills

SSE promotes an everyday learning culture, encouraging everyone to learn whilst carrying out their roles. The My Learning portal provides a variety of accessible resources which offer flexibility for learners to maintain and develop skills and knowledge that will benefit both current and future roles. The portal has continued to be developed over 2021/22, addressing learner feedback and improving the user experience. Development areas include personal and management skills, health and wellbeing, safety, and business ethics.

Developing leaders

SSE continues to build leadership talent that will support the growth of the business as it focuses on delivering a net zero future and takes on the challenges of an increasingly competitive marketplace.

2,569 leadership training events carried out (2020/21: 1,786)

A total of 2,569 leadership training interventions were carried out over 2021/22 (2020/21: 1,786). Development programmes are structured to support leaders as they progress through the stages of their career. Examples include the People Management Programme (PMP) and Inclusive Leadership Development Programmes (ILDP) targeting those new to leadership roles, and the Career Development Programme (CDP) aimed at senior talent development. Over 2021/22, 216 leaders attended the PMP, 95 attended the ILDP and 35 attended the CDP.

Tailored leadership programmes are also available for each business area. They provide a combination of theory and practical activities designed to stretch participants as they practice and develop their skills. Tailored offerings supported 153 leaders through 2021/22. Business benefits include: increased staff engagement, improved communication, collaboration and learning across the teams, improved working practices; shared efficiencies and business improvement opportunities; and the identification of talent to aid succession planning.

Creating an inclusive workplace

The innovative solutions required to deliver net zero need a workforce with diverse perspectives, different experiences, and new skills.

Driving inclusion, powering change

Over 2021/22, SSE has refreshed its strategic approach to inclusion and diversity, recognising that this is an essential driver to deliver net zero in a way that is fair and affordable.

In 2021/22, SSE refreshed its Inclusion and Diversity strategy by establishing four strategic areas of focus: (1) Ambition, setting measurable goals; (2) Education and Development, focusing on behaviours; (3) Inclusive Processes, embedding best practice; and (4) Employee Voice, actively listening. Actions to influence positive change are informed through collaboration with external partners to identify opportunities for further improvement, as well as listening to employee experiences. The refresh seeks to deliver greater inclusion and diversity across all levels of the company and embeds systemic and behavioural change; supporting the delivery of SSE’s IN, ON, UP approach which it has been implementing since 2017.

This approach, developed with inclusion experts E&IInclusion, focuses on attracting diverse talent IN, enabling them to stay ON, and supporting them to progress UP at SSE, by providing opportunities that are fair and transparent for all.

Reflecting its increased strategic focus, SSE has published a new comprehensive Inclusion and Diversity Report 2022, providing information on SSE’s updated Inclusion and Diversity Strategy, progress made, gender pay gap performance, and a range of key performance indicators for 2021/22. Read the report on www.sse.com/sustainability/reporting.

The 2021 Inclusion and Diversity Strategy pillars: SSE has developed four key areas of focus to deliver the IN, ON, UP ambition.

AMBITION

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

EDUCATION AND DEVELOPMENT

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

INCLUSIVE PROCESSES

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

EMPLOYEE VOICE

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

INCLUSION AND DIVERSITY IS AN ESSENTIAL PART OF THE JUST TRANSITION

The innovative solutions required over the next decade and beyond will need a workforce with diverse perspectives, different experiences, and new skills. SSE recognises that boosting inclusion and diversity is an essential part of a fair and just transition to net zero, and has therefore included this within the 20 principles of its Just Transition Strategy, forming a core part of its business strategy. SSE is working to attract people from declining high-carbon sectors alongside increasing diversity and inclusion within its business, which is why initiatives aim to be broad and inclusive to everyone. For example, industry-specific experience has been removed from job adverts to attract a more diverse pool of talent in all senses, including high-carbon professionals, and those from diverse backgrounds. For more information on SSE’s just transition approach, go to www.sse.com/sustainability/just-transition/
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2020/21 inclusion and diversity highlights

Publication of SSE’s Inclusion and Diversity Report 2022, providing more data and detail on its approach than ever before.

Revised senior leadership gender ambitions set to align with the FTSE Women Leaders Review (see more on page 65 of the Annual Report 2022)

SSE reaches a 50/50 gender split on its Board for the first time.

SSE has been tracking progress against a wide range of diversity metrics within the business since 2015, including the proportion of women, ethnic minority, disabled, and LGBTQI+ employees. For the first time, SSE has now published its ambitions to increase the proportion of employees with these diverse characteristics along with its ambitions to increase gender balance at a senior level.

<table>
<thead>
<tr>
<th>Total workforce diversity ambitions</th>
<th>Gender ambitions for senior levels</th>
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<tbody>
<tr>
<td><strong>Women</strong></td>
<td><strong>Women on the Board</strong></td>
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<tr>
<td>Ambition</td>
<td>Ambition</td>
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<tr>
<td>Ambition deadline 2030</td>
<td>Ambition deadline Ongoing</td>
</tr>
<tr>
<td>31 March 2022</td>
<td>31 March 2022</td>
</tr>
<tr>
<td>33%</td>
<td>40%</td>
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<tr>
<td>26.4%</td>
<td>36%</td>
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<table>
<thead>
<tr>
<th>Disability</th>
<th>Women in the Group Executive Committee (GEC)¹ and direct reports (excl. administrative roles)</th>
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<tbody>
<tr>
<td>Ambition</td>
<td>Ambition</td>
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<tr>
<td>Ambition deadline 2030</td>
<td>Ambition deadline 2025</td>
</tr>
<tr>
<td>31 March 2022</td>
<td>24 May 2022</td>
</tr>
<tr>
<td>6.0%</td>
<td>34.4%</td>
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<tr>
<td>6.8%</td>
<td>22.4%</td>
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<thead>
<tr>
<th>Ethnic minority</th>
<th>Women in the Leadership Group²</th>
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<tr>
<td>Ambition</td>
<td>Ambition</td>
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<tr>
<td>Ambition deadline 2030</td>
<td>Ambition deadline 2030</td>
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<tr>
<td>31 March 2022</td>
<td>31 March 2022</td>
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<tr>
<td>15%</td>
<td>40%</td>
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<tr>
<td>6.8%</td>
<td>23.7%</td>
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<td>6.0%</td>
<td>20.2%</td>
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<tr>
<th>LGBTQI+</th>
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<tr>
<td>Ambition</td>
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<tr>
<td>Ambition deadline 2030</td>
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<td>31 March 2022</td>
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<tr>
<td>8%</td>
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<tr>
<td>5.6%</td>
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<tr>
<td>3.0%</td>
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For more information on SSE’s 2020/21 inclusion and diversity ambitions, progress made over the year and key inclusion and diversity initiatives, see pages 64 to 65 of its Annual Report 2022 and its dedicated Inclusion and Diversity Report 2022, both of which can be found on sse.com/sustainability/reporting.

HELPING MIGRANT WOMEN COMMUNICATE TRANSFERABLE SKILLS TO ACCESS IRELAND’S JOB MARKET

In Ireland SSE ran the Knowledge Sharing Programme with support from Business in the Community, Ireland, to help migrant women living in Ireland secure a job that matched their skills and expertise. The women, from a range of backgrounds including Brazil and India, are highly qualified for engineering and environmental roles within energy companies. Since arriving in Ireland, due to recruiters and employers not being able to understand how their education and qualifications suit the Irish job market, they were missing out on relevant opportunities and accepting roles which did not match their capabilities.

To help these women obtain the right jobs, SSE took part in six sessions, across six weeks, with the participants, where colleagues across the business shared knowledge about the energy sector in Ireland on topics including: Irish energy policy, biodiversity, windfarm operations, and grid operations. SSE’s Human Resources team gave advice on applying for roles and offered to review participant CV’s to help them tailor their experience. In addition, members of Engineers Ireland provided advice on communicating overseas qualifications to Irish recruiters. The programme also provided the participants the opportunity to network and support each other. Subsequent to finishing the programme, four of the seven women have found employment in their fields, one as an engineer. The programme has been shortlisted for the PwC Business Post Sustainable Business Awards under the social and inclusion category.
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SSE’s gender pay gap
SSE is committed to providing open and detailed information about its gender pay gap. In 2016, SSE became the first FTSE company to publicly disclose this information. 2022 is therefore SSE’s seventh year of reporting its UK gender pay gap, and its second year of voluntarily disclosing its Ireland gender pay gap. Data in this section is as of 5 April 2022.

For SSE’s full gender pay gap breakdown and additional narrative, see page 26-28 and 34-35 of its Inclusion and Diversity Report 2022.

UK Gender Pay Gap 2022
Mean Gender Pay Gap: 13.2% (2021)
Median Gender Pay Gap: 12.9% (2021)
Proportion of M/W receiving bonus Y-O-Y: 32.4% / 27.7% (2021)
Median Bonus Gender Pay Gap: 45.9% (2021)

Ireland Gender Pay Gap 2022
Mean Gender Pay Gap: 18.4% (2021)
Median Gender Pay Gap: 18.9% (2021)
Proportion of M/W receiving bonus Y-O-Y: 78.9% / 71.6% (2021)
Median Bonus Gender Pay Gap: 53.9% (2021)

While its mean and median gender pay gaps in both the UK and Ireland reduced this year, they remain persistently high. SSE has determined two core reasons for its gender pay gap:

1. Low representation of women in senior and higher paid technical positions.
2. Fewer women than men applying for roles across all levels of the business.

Currently there are more men than women in the marketplace that are trained for SSE’s higher paid technical roles. This is due to a number of reasons, including historically the industry being male-dominated, and there being barriers to women taking up STEM education and following this through to technical STEM careers. SSE works to encourage more women into the STEM industry through its STEM Education Outreach Strategy, and its STEM Returners scheme, which enables people to return to STEM careers after a career. In addition, SSE is working to increase the proportion of women in its senior leadership, see page 81 for its ambitions and progress against these.

Increased in women being hired in SSE’s Leadership Group*
Gender parity can only be achieved if women make up an even proportion of roles at all levels in the organisation. At 5 April 2022, 28.6% of SSE’s UK workforce of 10,754 people were women (2021: 26.4%). The increase in the representation of women is seen across all four quartiles, with the upper quartile (most senior quartile) increasing by 15%. SSE is continuing to implement its Inclusion and Diversity Strategy, with a focus on improving the proportion of women at all levels in its business. Initiatives focus on bringing more women, and wider diversity into the business, enabling them to stay on, and supporting them to progress up to senior levels.

89.6%
Returned after maternity leave in 2022/23
83% of employees have the ability to work flexibly (2017: 36%)
To ensure everyone at SSE is compensated fairly, SSE has moved to a new skills-based reward system, which will create a better opportunity for all employees to move through the pay scales as they acquire new skills.

Over 2021/22, SSE also worked with KPMG to better understand its employee data and the causes of its gender pay gap. This will allow the company to focus its future efforts to reduce the gap. This work is ongoing, and SSE expects to report the findings during the 2022/23 reporting cycle.

SSE has voluntarily disclosed its Ireland gender pay gap since 2021, calculated in line with the UK Gender Pay Gap methodology, based on a snapshot date of 5 April. The figures below follow this approach for 2022. In May 2022, the Irish Government launched new mandatory requirements for calculating the gender pay gap in Ireland, which will require companies to use a June 2022 snapshot date and report this data publicly by December 2022. The June 2022 snapshot is beyond the last practicable day for inclusion in the Annual Report 2022 (being 24 May 2022), but SSE confirms the data will be reported in line with stated December deadline.

SSE is committed to creating an inclusive and diverse workforce across all its operations. For SSE Airtricity, part of SSE’s business in Ireland, 100% of all roles are advertised as having the ability to work differently. As part of SSE Ireland’s commitment to Business in the Community Ireland’s Elevate Pledge, over 2022/23 SSE ensured that all Hiring Managers completed an inclusive recruitment upskilling programme to understand how to be consciously inclusive. The commitment over 2022/23 will be to collect social mobility data. SSE’s Inclusion and Diversity Strategy includes its Irish business and details about how SSE are increasing the representation of diversity in its business can be found in SSE’s Inclusion and Diversity Report 2022.

Proportion of women per Quartile Y-O-Y (2021-2022)
*Employees in SSE’s senior level pay grades.
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Underpinning everything SSE does is a foundation of guaranteeing a safe place to work for employees and those who work on behalf of SSE.

The safety of everyone

The safety of everyone who works for SSE, and the people who come into contact with the Company, is a long standing priority. In 2017, SSE introduced a simplified way of talking about safety and health and practical steps by which employees and contractors can enable SSE’s safety licence, “It’s not safe, we don’t do it”. With this Safety Family, culture now firmly embedded, a new safety and health vision 2022+ programme builds on a simple concept - setting teams up for success by making it easier to do the right thing, so that everyone gets “Home Safe”.

SSE seeks to understand underlying employee sentiment towards safety and the annual all-employee survey undertaken in summer 2021 found that safety was recognised as the number one priority for SSE colleagues and SSE’s licence “It’s not safe, we don’t do it” is something that SSE colleagues live by.

Since 2017 there has been a decline in both the number of incidents and the incident rate. However, 2021/22 has presented challenges, such as, a 30% increase in the workload by contract partners, an increase in project activity, and multiple coronavirus distractions leading to an increase in SSE’s incident rate for the first time in many years, from a Total Recordable Injury Rate (TRIR) of 0.15 per 100.00 hours worked in 2020/21 to 0.17 in 2021/22.

Ensuring robust governance and management of safety and health

SSE has an integrated management system, covering occupational health and safety risks, major accident hazards, health and wellbeing, and environmental management.

SSE’s management system is certified to the internationally recognised standards ISO 45001: Occupational Health and Safety Management and ISO 14001: Environmental Management. In 2020/21, SSE extended ISO 45001 certification to Gas Storage, Thermal, SSE Renewables Operations, Embedded UK, and Thermal in Ireland. This is in addition to SSE plc and SSE Enterprise Utility Solutions. The ISO 14001 and ISO45001 certificates are publicly available at sse.com/sustainability.

With 15 Management Standards it provides a framework across all business areas to deliver safe, sustainable operations, and continual improvement in performance. It also comprises 45 Risk Standards that set out SSE’s approach and compliance with legislation for the wide range of safety, health, and environmental (SHE) risks impacting the extent of work activities undertaken.

Accompanying this comprehensive set of standards are supporting documents, audit protocols (enabling determination of conformance with SSE’s SHE standards), Training Briefs, and Employee Risk Cards summarising key points for all employees to manage risks in their day-to-day work activities.

Robust processes and governance are in place in SSE’s business units and the Group SHE team develop annual SHE plans, to oversee the performance and progress made to address specific risks such as new technologies and entering new regions.

‘Across SSE we have a very simple goal – that we all get home safe having taken care of people and the environment. This is reinforced though our systems, making it easy to do the right thing, and our culture. Across SSE our communities have a real pride in what we do and a commitment to our licence, ‘if it’s not safe, we don’t do it’.”

Mark Paterson
Safety, Health and Environment Director

The Group Safety, Health, and Environment Committee (SHEC) supports the development of SSE’s SHE strategy to drive improvement in performance and risk management across the SSE group. This is evidenced by the improvements made through ongoing projects and the steps taken to launch SSE’s Home safe programme. The SHEC has been able to review the good progress on key SHE measures and, in line with its terms of reference, review specific risk areas.

In addition, the Sustainability, Safety, Health, and Environment Advisory Committee provides additional oversight. It is formed by members of the Board and Non-executive Directors.

Managing safety and health risk across SSE

To ensure risks are identified, managed, and mitigated by SSE’s business units and relevant contractor partners, who sit closest to the risk, every employee, supervisor, and manager needs to fulfil their responsibilities for their safety, the safety of others, and the safety of the environment.

SSE undertakes an assurance audit programme annually to verify compliance, focussing on the management of SHE risks. Where gaps or non-conformance against Management or Risk Standards are identified, improvement actions are developed and tracked to completion. In addition, SSE reviews Group SHE risks annually including occupational health, process safety, operational safety, and environment risks. This review is undertaken by the SHE Leadership team and the SHE Committee to ensure that risks are addressed adequately in each business units’ SHE plans.

Annual safety and health reviews are completed by both SSE Group and business units to assess performance, the changing internal and external environments, technology, and any incidents over the previous year. These wide-ranging reviews form part of safety and health Governance, and the process for controlling SSE’s SHE risks.

Taking care of employees

Over 2021/22 SSE’s focus increased to focus on health and wellbeing. To reduce employees’ risk of getting seriously ill from coronavirus SSE continued informing and encouraging its employees to proactively make healthier lifestyle choices. This included encouraging people to quit smoking, reduce alcohol intake, eat healthier, and exercise more, and SSE has a number of employee benefits that can help employees achieve these goals such as gym memberships and health screening.

In addition to physical health, the pandemic has had a significant impact on employees’ mental health. Changes to working conditions can cause additional stress and anxiety, and working from home full-time can cause feelings of loneliness and depression. Therefore, in 2021/22, SSE implemented several mental health initiatives. These included engagement around Time to Talk, Mental Health Week, and World Mental Health Day to help eradicate the stigma around poor mental health and encourage people to feel confident and comfortable seeking support. Post pandemic, SSE continues to support colleagues as they return back to the office through a flexible first policy.

To support employees on key issues that affect wellbeing, SSE launched employee belonging groups where colleagues support and learn from each other. Groups include Chronic Health and Disabilities, Menopause and Inclusion and Diversity topics. For more information on SSE’s belonging communities, see SSE’s inclusion and Diversity report on sse.com/sustainability/reporting.

SSE provides employees access to support services for mental health including Mindful Health, which is a self referral service, giving access to specialist counselling, and access to counselling services for anxiety, depression, and stress. SSE has an Employee Assistance Programme (EAP) and provides access to Care First’s EAP which helps provide support for life’s challenges. SSE has over 330 trained mental health first-aiders available to talk with colleagues to provide support anyone who is in the business and to signpost where additional support can be provided. For more details on employee benefits, see page 61 of SSE’s Annual Report 2022.

Subjects include: mental health, which SSE has prioritised as part of its health and wellbeing focus, reinforcing that it’s ok to not be ok, menopause, which although has a significant proportion of the population in their lifetimes, is another condition that people struggle to talk about, and issues such as gym memberships and health screening.

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Enabling employees to talk via SSE’s seven mental health and diversity awareness webinars.

Making the uncomfortable comfortable

Over 2021/22 SSE led a number of initiatives to encourage employees to come together to share their personal health stories with the aim of removing the taboo around health conditions and to make uncomfortable conversations comfortable.

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Protecting and enhancing the natural environment

The decline in nature is one of the biggest challenges facing society and SSE has a responsibility to ensure that it preserves and enhances the value of the environments in which it operates.

While the greatest threat to nature is from climate change, ecosystems and biodiversity are affected by human behaviour in other ways too. Overuse of resources, land encroachment and pollution are combining with climate change to create a natural environment emergency that is described as profound to human life as global warming. SSE operates in some of the UK and Ireland’s most remote areas which are home to a wide variety of valuable ecosystems and habitats. Its Environment Strategy is designed to ensure that environmental impacts are considered throughout SSE’s operations and are carefully managed.

Environmental management and governance

<table>
<thead>
<tr>
<th>Resource use</th>
<th>Natural environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedding effective environmental management and governance</td>
<td>89</td>
</tr>
<tr>
<td>Enhancing the natural environment</td>
<td>90</td>
</tr>
<tr>
<td>Responsible production and consumption</td>
<td>94</td>
</tr>
</tbody>
</table>
Embedding effective environmental management and governance

The careful management of environmental impacts is in part achieved through embedding robust policies and procedures to ensure that local environments are protected.

SSE’s Environment strategy
In 2021/22, SSE refreshed its Environment Strategy to ensure its environmental objectives remained stretching and its approach ambitious. The Environment Strategy provides a guide for its businesses when undertaking their daily activities and seeks to ensure that the environment in which it operates is protected and, where possible, enhanced.

The strategy has three pillars – responsible production and consumption; and, the natural environment – which are underpinned by an ethos of compliance. As part of this strategy, SSE has a robust environmental management system supported by governance at both the Executive and Board level – the Safety, Health and Environment Committee (SHEC) and the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC), respectively.

The strategy provides a pathway to engage internal and external stakeholders while holding SSE accountable for performance. SSE has set Group-wide environment goals, targets and indicators to measure success. Supporting these are Business Unit specific goals and impacts on the environment.

The strategy provides a guide for its approach ambitious. The Environment Strategy continues to be awarded the prestigious ‘leadership’ status for four consecutive years, cementing its prominent reputation in environmental sustainability.

Leading environmental performance
SSEN Transmission submits environmental disclosures to the energy regulator, Ofgem, on an annual basis, to monitor performance and drive improvements.

In November 2021, SSEN Transmission was awarded ‘leadership’ status for Environmental Discretionary Reward (EDR) submission, achieving its highest score to date. SSEN Transmission is the only GB transmission owner to be awarded the prestigious ‘leadership’ status for four consecutive years, cementing its prominent reputation in environmental sustainability.

The increase in incidents recorded reflects the growth in Business Unit activity as well as SSE’s focus to improve reporting of incidents. A future focus on enhanced analysis of environmental incident data using Power BI aims to identify trends and opportunities for improvement, investment and innovation. A breakdown of environmental incidents by severity category can be found on page 88.
Protecting and enhancing the natural environment

Enhancing the natural environment

SSE supports the conservation, restoration and sustainable use of land and water resources; and promoting the integration of amenity, ecosystem and biodiversity improvement into business activities.

Increasing ambition on biodiversity

SSE operates in some of the UK and Ireland’s most remote areas which are home to a wide variety of valuable ecosystems and habitats. SSE works to actively manage its environmental footprint and take careful consideration of biodiversity in its activities to ensure that it maximises positive and minimises negative impacts. In support of this, in 2021/22, all SSE Business Units committed to achieving no ‘net loss’ in biodiversity by 2023 and ‘net gain’ in biodiversity by 2025 on onshore Large Capital Projects.

More information on SSE’s approach to biodiversity can be found in SSE’s Annual Biodiversity Report, available at sse.com/sustainability. The report highlights the work SSE has undertaken to protect and enhance biodiversity, contribute to biodiversity research and knowledge, and connect people with the natural world.

SSE is targeting Biodiversity Net Gain by 2025

On all onshore Large Capital Projects

Partnering to restore peatland habitats

A collaborative approach with communities, landowners and experts ensures the most effective outcomes for nature. In recent years there have been major declines in the extent of the UK’s blanket bog habitat, its largest terrestrial carbon store, principally due to afforestation, drainage, burning and overgrazing. More than a fifth of Scotland is covered by peat, storing approximately 4.5 billion tonnes of carbon. Peatlands are home to a wide range of rare, threatened, or declining habitats and species.

SSE Renewables actively manages peatland across ten operational wind farm sites and their associated Habitat Management Plan (HMP) areas in Scotland, have completed 1,678 hectares of restoration, with a further 330 hectares in progress on operational and construction sites and have identified over 2,500 hectares for future restoration projects, under proposal.

At Dunmaglass Wind Farm*, a key aim of the Nature Conservation Management Plan (NCMP) is to restore and enhance areas of blanket bog across the site. Work to date has focused on restoring circa 25ha of peatland utilising specialist, skilled contractors employing innovative re-profiling and restoration techniques. At each stage in the process, these works have been undertaken collaboratively with the Dunmaglass Estate who have also contributed their own funding to enable additional areas of peatland to be restored.

There are varying types of peatland erosion on site, and this requires a variety of restoration techniques to be employed including hag re-profiling and cross-tracking.

The success of these restoration techniques will be assessed in line with a commitment to long-term habitat monitoring for the operational lifespan of the site. In addition, SSE Renewables is actively investigating additional monitoring opportunities for blanket bog restoration across operational assets to better understand how to maximise the value of these projects and contribute to delivering positive effects for biodiversity.

* Dunmaglass Wind Farm is a joint venture between SSE (51.1%) and Greencoat UK Wind Plc (49.9%)
Protecting and enhancing the natural environment

Working together to develop nature-based solutions
For SSEN Distribution, 2021/22 has been a year of listening and learning. Stakeholders have been instrumental in building the RIIO-ED2 business plan and setting its high standard of ambition, by encouraging SSEN Distribution to be bold but credible with its investment strategy and to create a transparent and ethical pathway to net zero. In addition to setting 1.5°C science-based carbon targets, SSEN Distribution is proposing nature-based solutions (NbS) for carbon removal and biodiversity, at a scale it’s not yet attempted.

Stakeholder input to nature-based solutions
SSEN Distribution listened to over a hundred stakeholders in 2021/22, including consumers and nature specialists to understand how a credible NbS proposal could be developed. The careful management of investments and interventions locally was prioritised by SSEN Distribution and stakeholders, who were averse to prioritising carbon removal and nature restoration at the expense of other outcomes for society. SSEN Distribution is proposing NbS for carbon removal and biodiversity, at a scale it’s not yet attempted.

A variation in regional approaches
When exploring options for NbS, SSEN Distribution is taking a slightly different approach between its licence area in the north of Scotland compared to its licence area in central southern England. This is due to the different types of environments and stakeholders it typically works with in those regions. Opportunities in Scotland tend to offer larger areas of land owned and/or managed by fewer individuals than in England. For Scotland, two major stakeholders with the required experience and expertise were contacted: Trees for Life, a conservation charity focused on restoring Scotland’s native Caledonian forest, and the Cairngorms National Park Authority, a statutory body governing the national park. These stakeholders provided information on multiple potential opportunities for the preferred habitats in the area.

In England, wider engagement was undertaken with a total of 57 stakeholders contacted, consisting of 12 major wildlife/nature charities, one private landowner, 38 local planning authorities, three offsetting providers, and three statutory bodies.

Credible qualitative and quantitative engagement has shaped SSEN Distribution’s plans, the level of ambition has increased over the last year from pre-pandemic times, awareness on climate-related issues has never been stronger and has encouraged a ‘step change’ in leadership that will reduce carbon, improve focus on biodiversity, and reduce the impact of current operations.

As the world races to address the climate emergency, it risks forgetting the nature crisis. They are both so inextricably linked that we must work to solve them together. The catastrophic consequences of climate change are already being felt and our lack of action in previous years means that more drastic measures are now needed. Investing in nature is about our survival – nature can bounce back, but it needs to be now."

Shirley Robertson
Head of Environment, Consents and Sustainability Strategic Policy
SSEN Distribution

SSEN Distribution is proposing to deliver 2,000ha of woodland restoration and 2,200ha of peatland restoration, which is expected to remove over 300,000 tCO₂e and provide 3,000 biodiversity units by 2045*.

*Subject to Ofgem support.
Protecting and enhancing the natural environment

Responsible production and consumption

SSE relies on many natural resources during the construction and operation of its assets. It seeks to promote circularity, the waste hierarchy and increases in recycling and diversion from landfill for any discarded materials.

SSE’s responsible consumption and production strategy

SSE is working towards more sustainable patterns of resource consumption; reducing reliance on non-renewable and single-use materials and linking to the objectives of UN SDG 12.

In responsible consumption and production, SSE have rationalised their recycling and resource recovery service providers to single national providers for both UK and Ireland. This allows SSE to ensure consistent management across our business and to drive improvement in recycling, diversion from landfill, reporting and application of circular economy principles.

SSE has waste management controls within each of its businesses to follow the waste hierarchy to prevent, reduce, reuse and recycle its waste. It provides recycling facilities at its key offices and operational sites and adheres to the relevant regulatory requirements for waste management at its different sites and locations.

Over 2021/22, SSE made important progress on elements of its responsible consumption and production strategy. This included:

- Improving governance: this has been achieved through Group and Business Unit level Circular Economy Action Groups reviewing monthly performance, driving compliance against new targets and identifying improvement opportunities to apply the waste hierarchy and circular economy principles.
- Rationalising its waste management supply chain: SSE now works with one main supplier in the UK, and one in Ireland. This allows it greater oversight of data and management of waste.
- Improving reporting of data: SSE now reports waste data monthly via a Power BI report.
- Setting waste management targets: SSE set new Group and Business Unit waste management targets for 2022/23 to minimise waste to landfill and to promote increased recycling of discarded materials. Subsequent 2021/22 performance and improvements in data and accuracy meant that SSE exceeded these targets at Group level in the same financial year.
- SSE is reviewing its data sets to drive improved performance across all Business Units.
- SSE’s annual waste management targets are a minimum of:
  - 85% of waste by tonnage diverted
  - 40% of waste by tonnage recycled

Managing water use

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

<table>
<thead>
<tr>
<th>Total water abstracted (million m³)</th>
<th>2020/21</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Landfill (12%)</td>
<td>26,032</td>
<td>23,896</td>
</tr>
<tr>
<td>Energy from waste (25%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycled (59%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composted / anaerobic digestion (13%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treated (4%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total water abstracted (million m³) 2020/21 23,896 2021/22

In 2021/22, total water abstracted by SSE fell to 23,896 million m³ from 26,032 million m³ the previous year. This was largely due to a reduction in water passing through SSE’s hydro generation plant as a result of lower levels of rainfall compared to the previous year. The vast majority (97%) of water abstracted in 2021/22 was used in SSE’s hydro generation operations. This water is technically recorded as abstracted, but it passes through turbines to generate electricity and is returned to the environment almost immediately, and therefore has minimal environmental impact.

Total water consumed also fell significantly over this period, by over 78%. This was due to reduced output from thermal generation overall, as well as a proportional reduction in the output from thermal power plants with cooling systems that have evaporative losses of water.

Partnersing in Action

Addressing a future waste challenge in renewables

A key future challenge facing the renewables industry relates to the end-of-life use of the component parts of wind turbines. To avoid turbine blades becoming landfill at the end of their economic life, SSE is exploring the potential of repurposing wind turbine blades for energy from wind. More details of the waste disposal methods of SSE’s recorded waste in 2021/22 can be seen in the chart below. The figures provided represent SSE’s operational waste, and don’t include waste data from contractors on large capital projects or minor works contracts, however, plans are in place to begin compiling this data and a reporting tool is being trialed in the renewables and transmission business units.

Disposal methods of SSE’s recorded waste 2021/22 by proportion

SSE Distributed Energy is also supporting the development of solutions to address the challenge of sustainable wind turbine blade disposal that is faced by the renewables industry. Over 2021/22, it has been exploring the potential of repurposing wind turbine blades into canopies for EV charging hubs. The project is in its early stages of development with costs of designing and converting blades into canopies still being explored to assess whether there is a viable business case. SSE is exploring the potential of SSE Distributed Energy in the initial demonstration phase of the project. Should the project progress, SSE Distributed Energy has secured a broken section of blade material and is ready to explore potential sites for a proof of concept build later this year.

Canopys and shelters are key to positive user experiences and fundamental to the design of EV hubs and with SSE Distributed Energy planning to build over 260 rapid charging hubs in the next five years, repurposing of blades could provide a unique solution for both businesses.
Reducing the impact of SF₆

Sulphur hexafluoride (SF₆) gas has been used extensively across the electrical industry due to its insulating and interruption properties, making it possible to reduce equipment size and improve reliability and safety. However, SF₆ is a greenhouse gas that is 23,500 times more harmful to the Earth’s atmosphere than CO₂, which if released, stays in the atmosphere for over 3,000 years. It is used as an insulating gas for switchgear in substations and its lifecycle management requires careful handling, particularly when decommissioning aging substations.

SSE’s renewables business use negligible quantities of SF₆ in operations, these are not included in reported KPIs than CO₂ which if released, stays in the atmosphere for over 3,000 years. It is used as an insulating gas for switchgear in substations and its lifecycle management requires careful handling, particularly when decommissioning aging substations.

Reducing GHG emissions from networks

Over 2021/22, SSE’s renewables business use negligible quantities of SF₆ in operations, these are not included in reported KPIs. SSE Transmission has continued its work on SF₆ alternatives. SSE Transmission worked with the GE and Amey consortium to energise its first SF₆-free gas-insulated substation on its network using C₄–F₆ technology, as part of the New Deer project in Aberdeen. This is the world’s largest installation to date of this type of SF₆-free gas.

In addition, the first SF₆-free Siemens Energy “Clean Air” Power Voltage Transformers were installed on the GB Transmission network at the new Glen Kyliesh substation near Tomatin in the Scottish Highlands.

SSE Transmission also has plans to install SF₆-free switchgear at their Kintore 400kV substation in Aberdeen, which will be the first time globally that SF₆-free gas insulated switchgear will be used at this voltage level. SSE supported GE in obtaining EU lifeGRID project funding. Over 2021/22, it awarded some key contracts for the project and construction works began in June 2021.

It has become apparent in recent years that the rate of SF₆ leakage from the ageing asset base installed across all GB Distribution Network Operators (DNOs) has been increasing. Therefore, it has been necessary for all DNOs, to develop and implement SF₆ leakage mitigation strategies.

Over the year, SSE Distribution continued to implement its strategy to minimise switchgear SF₆ leakage, which includes a pro-active approach to its SF₆ switchgear repair process and it has targeted innovation at leak detection and repair, as well as trialling alternatives. In December 2021, SSE Distribution finalised its RIO-ED2 Business Plan which outlines its enhanced SF₆ leakage reduction strategy for the price control period 2023 to 2028.

SSE Transmission continues to work with suppliers to use new, more environmentally friendly gas insulated equipment by installing SF₆ alternatives across its electricity network in the north of Scotland. To date SSE has energised five substations with two distinct SF₆-free alternative technologies, installing SF₆ alternatives, where technically viable, is now “business as usual” for SSE Transmission.

Reducing GHG emissions from networks

Over 2021/22, SSE’s SF₆ emissions increased slightly to 305kg from 295kg the previous year. Whilst SF₆ leakage reduced over the year, SF₆ leakage increased slightly to 305kg from 295kg the previous year. This reduction was largely due to a fall in electricity consumed at the new closed Fiddler’s Ferry coal-fired power station, as decommissioning activity reduced, and a reduction in energy consumption at SSE’s Ashborough gas storage facility.

During 2021/22, SSE invested in a range of energy efficiency measures for its offices, depots and data centres, including a programme of LED lighting upgrades to depot sites. Over this period, SSE purchased 100% of its electricity for use in its facility managed offices from renewable sources, backed by renewable guarantees. In 2021/22, 38.6% of the electricity that SSE purchased for its assets was from renewable sources, up slightly from 38.3% the previous year.

SSE’s Better Off behaviour change campaign, alongside its investment of £12.8m since 2011/12 in energy efficiency and building renewable generation programmes, has helped to reduce carbon emissions from energy used in its facility managed offices by 45% since 2017/18.

SSE is a member of the Climate Group’s EP100 initiative to encourage businesses to double energy productivity associated with office and depot buildings by 2030 from a 2011 baseline. From 1 April 2022 onwards, SSE will revise its annual reduction target to 7.19% against a 2020/21 baseline, to align with its ambition of achieving a net zero non-operational buildings (offices, depots and data centres) estate by 2035.

Electrifying SSE’s vehicle fleet

In July 2019, SSE joined The Climate Group’s EV100 initiative and committed that by 2030 it will switch 2,500 of its vehicles to electric and install charging points at its sites. Progress in 2021/22 means SSE is ahead of schedule to meet its EV100 commitment.

Since the launch of SSE’s new low-emission company car scheme in June 2020, the uptake of electric vehicles has increased significantly. By the end of FY 2021/22 SSE had taken delivery of 560 fully electric vehicles, meaning over 40% of its car fleet is now fully electric. There are currently another 409 fully electric vehicles on order meaning SSE will be moving to 70% of its car fleet being fully electric by the time these are delivered. The success of the car scheme has resulted in a reduction in the average CO₂ across SSE’s car fleet from 106gCO₂/km when the scheme launched, to just 56gCO₂/km at the end of 2021/22. SSE has also expanded its fully electric van fleet between 2021/22 and 2020/21, increasing it from 12 to 41, with a further 5 on order. SSE is trialling all low emission and fully electric vans that come to market and will increase volumes when suitable vans become available to match operational requirements.

SSE has also continued to grow its electric vehicle charging infrastructure, increasing installations to 260 in 2021/22, from 140 the previous year. This includes 22 rapid and two ultra-rapid charge points.
This section provides additional disclosures of SSE’s sustainability performance measured against key internal and external frameworks, as well as the Limited Assurance opinion on select environmental data point mentioned throughout this report.

SSE is committed to transparent and open reporting of current and historic non-financial data.

The following additional information on performance can be found at sse.com/sustainability.

Sustainability data tables
Detailed environmental, social and economic data is available to download from SSE’s website. More detail on SSE’s gender pay gap and diversity information can be found in SSE’s Inclusion and Diversity Report 2022.

GHG and water criteria documents
The criteria document details the reporting approach SSE uses to disclose GHG and water-related information related to its operational activities. The criteria is updated annually.

Gender pay gap information
SSE’s UK and Irish gender pay gap information is available to download on SSE’s website. More detail on SSE’s gender pay gap and diversity information can be found in SSE’s Inclusion and Diversity Report 2022.

Group Policies
SSE makes key sustainability-related Group Policies publicly available on its website, outlining SSE’s approach to promoting a healthy business culture and guiding decisions and actions as expected by its stakeholders.

Modern slavery statements
SSE’s Modern slavery statements set out the steps taken by SSE to identify and prevent modern slavery and human trafficking existing within its business and supply chains. All statements since 2016 are available to download.

ISO certification
SSE’s ISO 14001:2015 (Environmental management systems) and ISO 45001:18 (Occupational health and safety management systems) certificates are available to download from its website.

ESG rating and indices performance

To increase transparency of its performance in key ESG ratings and investor-led initiatives, the table below outlines SSE’s last two years’ ratings and inclusion in indices.

<table>
<thead>
<tr>
<th>2021/22</th>
<th>2020/21</th>
<th>Stable/improved/decreased</th>
</tr>
</thead>
<tbody>
<tr>
<td>V.E.SAM</td>
<td>67/100</td>
<td>63/100 Improved SSE scored as ‘Advanced’ (Oct 2021)</td>
</tr>
<tr>
<td>Now a Part of S&amp;P Global</td>
<td>66/100</td>
<td>56/100 Improved SSE has a 79th percentile ranking (Nov 2021)</td>
</tr>
<tr>
<td>SUSTAINABILITY Risk Rating*</td>
<td>22.71</td>
<td>30.1 Improved SSE is ranked 15th percentile in the Electric Utilities and assessed as having ‘strong’ management of ESG issues (Feb 2022)</td>
</tr>
<tr>
<td>MSCI ESG Ratings</td>
<td>AAA</td>
<td>AAA Stable SSE is in the top 8% of 139 global utilities (Sep 2021)</td>
</tr>
<tr>
<td>World Benchmarking Alliance</td>
<td>14.4/20</td>
<td>9.9/20 Improved SSE is ranked 2nd out of 50 keystone electric utilities companies globally (Nov 2021)</td>
</tr>
<tr>
<td>World Benchmarking Alliance</td>
<td>14/16</td>
<td>- N/A (first year of benchmark)</td>
</tr>
<tr>
<td>World Benchmarking Alliance</td>
<td>Included</td>
<td>Included Stable SSE has been included in the index series since 2001 (Jun 2021)</td>
</tr>
<tr>
<td>FTSE4Good</td>
<td>A</td>
<td>A- Improved SSE is on CDP’s climate change A-list (Feb 2022)</td>
</tr>
<tr>
<td>CDP Water</td>
<td>B</td>
<td>B Stable SSE scored as ’Management’ (Dec 2021)</td>
</tr>
<tr>
<td>CDP Climate</td>
<td>Included</td>
<td>Included Stable SSE is in the top decile for disclosure (Jan 2022)</td>
</tr>
<tr>
<td>WDI</td>
<td>Included</td>
<td>Included Stable SSE has been included since the index since 2018 (Jan 2022)</td>
</tr>
</tbody>
</table>

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Data and performance

Sustainability - Linked Executive Remuneration

The Annual Incentive Plan (AIP) for SSE’s Executive Directors for 2021/22 was evaluated against several sustainability measures, including progress made against the company’s 2030 Goals. The below table summarises the performance outcome for the key non-financial performance measures included in the AIP of ‘Stakeholders’ and ‘Contribution to the UN Sustainable Development Goals’.

<table>
<thead>
<tr>
<th>Contribution to the UN Sustainable Development Goals (20% of AIP)</th>
<th>Summary performance</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate action (5%)</strong>: Take urgent action to combat climate change and its impacts</td>
<td>Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2017/18 levels, to around 120gCO2e/kWh.</td>
<td>The carbon intensity of electricity generated increased by 1.2% in 2021/22. Planned and unplanned outages in Thermal Generation and extremely low wind and rain in North of Scotland led to a reduction in overall output. Correspondingly, GHG emissions from electricity generation fell by 19%. Keadby 2, expected to be the most efficient CC GT station in Europe, on track to be online by end 2023. Keadby 3 progressing well through planning. SSE set updated science-based carbon targets in November 2021, aligned to a 1.5°C pathway. As a result, this goal has been increased to a reduction of 80% (from 60%) from 2022/23 onwards.</td>
</tr>
<tr>
<td><strong>Affordable and clean energy (5%)</strong>: Affordable, reliable and sustainable energy for all</td>
<td>Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.</td>
<td>Renewable generation output (inc. biomass, pumped storage and constrained off wind) in GB fell in the year due to unfavourable weather conditions. However, excellent progress was made on key offshore projects, including reaching financial close on Dogger Bank C and construction progressing well at Saugaven and Dogger Bank A and B. SSE Renewables, along with partners, also won rights to develop what will become one of the world’s largest floating offshore wind farms in the January ScotWind leasing round.</td>
</tr>
<tr>
<td><strong>Industry, innovation and infrastructure (5%)</strong>: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</td>
<td>Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.</td>
<td>SSEI Distribution published its RHI-ED2 business plan with key goal to facilitate connection of 1.3m EVs by 2026. It has progressed a number of key projects to support low-carbon technology solutions, including several ongoing strategic initiatives and partnerships in this area. 33% of SSE’s car fleet now fully electric with emissions down by 23%. Employee EV salary sacrifice car scheme launched so that every employee will have access to a fully electric car.</td>
</tr>
<tr>
<td><strong>Decent work and economic growth (5%)</strong>: Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td>Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.</td>
<td>SSE maintained its Fair Tax Mark accreditation for the eighth consecutive year and published its Talking Tax 2021 report. Living wage increased in line with real Living Wage rate increase and from April now has Living Hours accreditation. Work has begun to roll the new accreditation out in its supply chain. Goal in this area has been reviewed in 21/22, broadening it to encompass a just transition.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholders (25% of AIP)</th>
<th>Summary performance</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customers (2.5% for each factor assessed)</strong></td>
<td>Business Energy – A range of measures including customer complaints and satisfaction. Gateway for threshold performance at median performance of Citizens Advice Non-Domestic League table.</td>
<td>Currently sitting at 6th out of 17 suppliers in Citizen’s Advice Non-Domestic League Table.</td>
</tr>
<tr>
<td><strong>Electricity Networks</strong></td>
<td>Range of measures including customer interruptions and customer minutes lost.</td>
<td>Margin between performance in the North v South. Improvement plan in place for the South. In overall DNO Customer Performance league table SHEPD sat 8/14 and SEPD at 14/14. Exceed with unprecedented level of storms handling a typical year’s worth of calls in 5 months.</td>
</tr>
<tr>
<td><strong>Employees (2.5% for each factor assessed)</strong></td>
<td>Safety – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for direct employees.</td>
<td>Similar strong results to last year at this time to date with TRIR up slightly (0.09 v 0.08) and AFR the same at 0.04. Overall TRIR slightly up at year end with significant increase in hours worked</td>
</tr>
<tr>
<td>Engagement</td>
<td>A range of measures including employee engagement survey scores, employee uptake of share plans and retention rate. Board and leadership engagement with employees.</td>
<td>Very strong set of results for 2023 with key Sustainable Engagement Index indicator ahead of sector norm and at 82%, 8% up from 2019. Connection to Strategy up 18% at 85%. Strong employee survey and verdict feedback around flexible working and company’s COVID response.</td>
</tr>
<tr>
<td>Inclusion and diversity</td>
<td>Progress made closing SSE’s median UK gender pay gap and progress made against SSE’s Inclusion Strategy including progress on Return on Inclusion.</td>
<td>Return on Inclusion champion status retained with improved index score from 75% to 83.3%. Inclusive Hiring measures up in all categories (open advertising, flexible working, diverse panels and gender diverse shortlists. Increased female representation in talent programmes averaging at 40%. Positive increases in diversity questions in CPTW survey. Increase in number of female leavers year-on-year currently being looked into, GPC median slightly down and more women receiving performance bonus.</td>
</tr>
<tr>
<td><strong>Suppliers (2.5%)</strong></td>
<td>Safety – Total Recordable Injury Rate (TRIR) and Accident Frequency Rate (AFR) for contractors.</td>
<td>TRIR the same as last year at 0.32 and AFR (0.14 v 0.19) improved significantly.</td>
</tr>
</tbody>
</table>
## Data and performance

### SASB Standards Disclosure

<table>
<thead>
<tr>
<th>Table 1. Sustainability Disclosure Topics &amp; Accounting Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SSE disclosure 2021/22</strong></td>
</tr>
<tr>
<td><strong>IF-EU-110a.1</strong></td>
</tr>
<tr>
<td>(1) Cross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations</td>
</tr>
<tr>
<td>SSE’s generation activities in the UK are subject to the UK ETS and the carbon price Support and in Ireland they are subject to the EU ETS (see page 299). SSE is required to report its GHG emissions and energy consumption in the UK through the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 and the Streamlined Energy and Carbon Reporting (SECR) requirements. Information disclosed in the accompanying data and performance tables (available at sse.com/sustainability/reporting), alongside pages 54 to 55 of SSE’s Annual Report 2022 represent SSE’s disclosure against these requirements.</td>
</tr>
<tr>
<td><strong>IF-EU-110a.2</strong></td>
</tr>
<tr>
<td>Greenhouse gas (GHG) emissions associated with power deliveries</td>
</tr>
<tr>
<td>As of January 2020, SSE Energy Services, the retail division of the SSE Group, was sold to CVCO Energy. This ended the direct supply of electricity from SSE to household customers in Great Britain. Scottish and Southern Electricity Networks (SSEN) maintain responsibility for the distribution of electricity across central southern England and the north of Scotland, as well as the electricity transmission network in the north of Scotland. Details of the emissions associated with the losses within our networks are disclosed in the accompanying data and performance tables (available at sse.com/sustainability/reporting).</td>
</tr>
<tr>
<td><strong>IF-EU-110a.3</strong></td>
</tr>
<tr>
<td>Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets</td>
</tr>
<tr>
<td>Two of SSE’s science-based carbon targets cover SSE’s scope 1 GHG emissions. Discussion on trends and progress against these targets can be found on page 26.</td>
</tr>
<tr>
<td><strong>IF-EU-110a.4</strong></td>
</tr>
<tr>
<td>(1) Number of customers served in markets subject to renewable portfolio standards (RPS) and (2) percentage fulfilment of RPS target by market</td>
</tr>
<tr>
<td>SSE’s customer-facing businesses only serve customers in the GB market and the island of Ireland. Single Electricity Market. Both these energy markets have mature carbon reduction and renewable support frameworks. In Ireland, there are government targets on particular forms of renewable energy (for example, 50% offshore wind by 2030) and, in the UK, renewable targets support statutory carbon budgets. Neither market has standards that mean electricity generators must secure a proportion of their portfolio of energy generation from renewable sources.</td>
</tr>
<tr>
<td><strong>IF-EU-120a.1</strong></td>
</tr>
<tr>
<td>Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg)</td>
</tr>
<tr>
<td>SSE depends on various ways across its operations, from use in electricity generation to an amenity in its buildings. SSE provides information on its wind management approach and its operations in relation to wind stressed areas on page 95, alongside a detailed breakdown of wind use data in the accompanying data and performance tables (available at <a href="https://www.sse.com/sustainability/reporting">https://www.sse.com/sustainability/reporting</a>).</td>
</tr>
<tr>
<td><strong>IF-EU-140a.1</strong></td>
</tr>
<tr>
<td>(1) Total electric withdrawn, (2) total power consumed, percentage of each in regions with High or Extremely high Baseline Water Stress</td>
</tr>
<tr>
<td>In 2021/22, SSE had three minor permit breaches in relation to water quality and/or quality permits. Immediate action to rectify the non-compliance was undertaken and the environmental regulator notified in each case. Investigations were completed following these events and actions taken to prevent recurrence.</td>
</tr>
<tr>
<td><strong>IF-EU-140a.2</strong></td>
</tr>
<tr>
<td>Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations</td>
</tr>
<tr>
<td>SSE disclosure 2021/22</td>
</tr>
<tr>
<td><strong>IF-EU-140a.3</strong></td>
</tr>
<tr>
<td>Description of water management risks and discussion of strategies and practices to mitigate those risks</td>
</tr>
<tr>
<td>Detailed description of the strategies and practices SSE has in place to mitigate water management risks is provided in SSE’s CEP Water Programme response, which is publicly available on its website at sse.com/sustainability.</td>
</tr>
<tr>
<td><strong>IF-EU-150a.1</strong></td>
</tr>
<tr>
<td>Amount of coal combustion residuals (CCR) generated, percentage recycled</td>
</tr>
<tr>
<td>SSE’s largest remaining coal-fired power plant in March 2020.</td>
</tr>
<tr>
<td><strong>IF-EU-150a.2</strong></td>
</tr>
<tr>
<td>Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment</td>
</tr>
<tr>
<td>N/A - SSE’s largest remaining coal-fired power plant in March 2020.</td>
</tr>
<tr>
<td><strong>IF-EU-240a.1</strong></td>
</tr>
<tr>
<td>Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers</td>
</tr>
<tr>
<td>More information will be available in 2022/23.</td>
</tr>
<tr>
<td><strong>IF-EU-240a.2</strong></td>
</tr>
<tr>
<td>Typical monthly electric bill for residential customers for (1) 1,500 kWh and (2) 2,000 kWh of electricity delivered per month</td>
</tr>
<tr>
<td>More information will be available in 2022/23.</td>
</tr>
<tr>
<td><strong>IF-EU-240a.3</strong></td>
</tr>
<tr>
<td>Number of residential customer electric disconnections, for non-payment, percentage reconnect within 30 days.</td>
</tr>
<tr>
<td>More information will be available in 2022/23.</td>
</tr>
<tr>
<td><strong>IF-EU-240a.4</strong></td>
</tr>
<tr>
<td>Discussion of impact of external factors on customer affordability of electricity including the economic conditions of the service territory</td>
</tr>
<tr>
<td>More information will be available in 2022/23.</td>
</tr>
<tr>
<td><strong>IF-EU-320a.1</strong></td>
</tr>
<tr>
<td>(1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)</td>
</tr>
<tr>
<td>See the accompanying data and performance tables (available at sse.com/sustainability/reporting) for SSE’s safety performance, as well as page 156 of SSE’s Annual Report 2022.</td>
</tr>
<tr>
<td><strong>IF-EU-440a.1</strong></td>
</tr>
<tr>
<td>Percentage of electric utility revenues from rates that (1) have decoupled and (2) contain a lost revenue adjustment mechanism (LRAM)</td>
</tr>
<tr>
<td>Not applicable in the UK and Irish electricity systems.</td>
</tr>
<tr>
<td><strong>IF-EU-440a.2</strong></td>
</tr>
<tr>
<td>Percentage of electric load served by smart grid technology</td>
</tr>
<tr>
<td>With the smart meter roll out continuing in Great Britain, there are now 1,435,874 smart meters connected to SSN Distribution’s networks that can communicate to SSN’s systems. This means that 38% of all SSE’s supply points have communicatable and smart capability.</td>
</tr>
<tr>
<td><strong>IF-EU-440a.3</strong></td>
</tr>
<tr>
<td>Customer electricity savings from efficiency measures, by market</td>
</tr>
<tr>
<td>See pages 30 to 42 for details of SSE’s fuel poverty and energy efficiency support.</td>
</tr>
<tr>
<td><strong>IF-EU-540a.1</strong></td>
</tr>
<tr>
<td>Total number of nuclear power units, broken down by U.S Nuclear Regulatory Commission (NRC) Action Matrix Column.</td>
</tr>
<tr>
<td>N/A - SSE does not operate nuclear generation.</td>
</tr>
<tr>
<td><strong>IF-EU-540a.2</strong></td>
</tr>
<tr>
<td>Description of efforts to manage nuclear safety and emergency preparedness</td>
</tr>
<tr>
<td>N/A - SSE does not operate nuclear generation.</td>
</tr>
<tr>
<td><strong>IF-EU-550a.1</strong></td>
</tr>
<tr>
<td>Number of incidents of non-compliance with physical or cybersecurity standards or regulations</td>
</tr>
<tr>
<td>SSE has robust processes and practices in place to manage cybersecurity and its datacentres are certified to ISO27001 for information security. SSE also has a suite of mandatory ethics and compliance training modules which all employees are required to complete, which includes Cyber Security eLearning module. SSE discloses the number of material or regulatory reportable incidents caused by cyber security breaches of SSE’s systems in the accompanying data and performance tables (available at sse.com/sustainability/reporting).</td>
</tr>
<tr>
<td><strong>IF-EU-550a.2</strong></td>
</tr>
<tr>
<td>(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI). Indicative of major event days.</td>
</tr>
<tr>
<td>A comparable indicator for GB is the Customer Interruptions and Customer Minutes Lost on SSE’s electricity distribution network. See the accompanying data and performance tables (available at sse.com/sustainability/reporting) for data.</td>
</tr>
<tr>
<td><strong>IF-EU-000A</strong></td>
</tr>
<tr>
<td>Number of (1) residential, (2) commercial, and (3) industrial customers served</td>
</tr>
<tr>
<td>See the accompanying data and performance tables (available at sse.com/sustainability/reporting) for SSE’s domestic and business customer supply contracts.</td>
</tr>
<tr>
<td><strong>IF-EU-000B</strong></td>
</tr>
<tr>
<td>Total electricity delivered for (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers</td>
</tr>
<tr>
<td>See pages 109 and 107 of SSE’s Annual Report 2022 for the total volume of electricity sold to customers by business and domestic supply businesses. See page 98 of SSE’s Annual Report 2022 for the electricity distributed to customers by SSE Distribution.</td>
</tr>
<tr>
<td><strong>IF-EU-000C</strong></td>
</tr>
<tr>
<td>Length of transmission and distribution lines</td>
</tr>
<tr>
<td>SSE owns, operates and maintains around 15,000 km of overhead lines and underground cables. SSE reports the length of electricity transmission lines only in its CDP Climate Change Programme response, which is publicly available at sse.com/sustainability.</td>
</tr>
<tr>
<td><strong>IF-EU-000D</strong></td>
</tr>
<tr>
<td>Total electricity generated, percentage by major energy source, percentage in regulated markets</td>
</tr>
<tr>
<td>See the accompanying data and performance tables (available at <a href="https://www.sse.com/sustainability/reporting">https://www.sse.com/sustainability/reporting</a>) and pages 100 and 103 of SSE’s Annual Report 2022 for SSE’s generation by source. SSE has generation activities in the UK and Ireland which are both regulated markets.</td>
</tr>
<tr>
<td><strong>IF-EU-000E</strong></td>
</tr>
<tr>
<td>Total wholesale electricity purchased</td>
</tr>
<tr>
<td>See pages 109 and 107 of SSE’s Annual Report 2022 where the total volume of electricity sold by SSE Business Energy and SSE Energy is described. This note points out that these businesses act independently from SSE’s generation businesses in the market, the volume of electricity sold to customers represents the net amount of electricity purchased by SSE throughout 2022/23.</td>
</tr>
</tbody>
</table>
Independent Limited Assurance Report to the Directors of SSE plc on selected non-financial metrics

The Board of Directors of SSE plc ("SSE") engaged us to obtain limited assurance on the selected non-financial metrics (together the 'Subject Matter Information') as defined below and marked with the symbol (A) within SSE's Annual Report and/or the SSE's Sustainability Report for the year ended 31st March 2022 (the "Reports") available at https://www.sse.com/sustainability (as specified within the 'Subject Matter Information' table below).

Our assurance conclusion does not extend to information in respect of earlier periods or to any other information included in, or linked from, the Reports including any images, audio files or videos.

Our limited assurance conclusion

Based on the procedures we have performed, as described under the 'Summary of work performed as the basis for our assurance conclusion' and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information as defined below and marked with the symbol (A) on pages 34 to 37 in SSE's Annual Report and page 22 to 27 and 58 to 57 in SSE's Sustainability Report for the year ended 31st March 2022, has not been prepared, in all material respects, in accordance with the Reporting Criteria and referenced in the 'Subject Matter Information and Reporting Criteria' section below.

Subject Matter Information and Reporting Criteria

The Subject Matter Information needs to be read and understood together with the Reporting Criteria available at https://www.sse.com/sustainability, which SSE is solely responsible for selecting and applying. The Subject Matter Information is set out in the table below. The location of the Subject Matter Information between the Reports are shown by the symbol (A).

<table>
<thead>
<tr>
<th>Subject Matter Information</th>
<th>Unit</th>
<th>Total</th>
<th>Annual Report 2022</th>
<th>Sustainability Report 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 carbon emissions</td>
<td>mtCO2e</td>
<td>5.75</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Scope 2 carbon emissions</td>
<td>mtCO2e</td>
<td>0.49</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Scope 3 carbon emissions</td>
<td>mtCO2e</td>
<td>3.86</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total carbon emissions</td>
<td>mtCO2e</td>
<td>9.93</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total water abstracted</td>
<td>million m3</td>
<td>23,856</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total water consumed</td>
<td>million m3</td>
<td>0.8</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total water consumed – Buildings</td>
<td>million m3</td>
<td>0.023</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Total water returned</td>
<td>million m3</td>
<td>22,856</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Scope 1 GHG emissions intensity of electricity generated</td>
<td>gCO2e/kWh</td>
<td>229</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Carbon intensity of electricity generation</td>
<td>gCO2e/kWh</td>
<td>228</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Energy Consumption: Total electricity consumption in non-operational buildings</td>
<td>kWh</td>
<td>78,299,038</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Energy Consumption: Purchased heat from non-renewable sources</td>
<td>GWh</td>
<td>3.33</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Operational Plant &amp; Vehicles: Fuel used in operational vehicles</td>
<td>litres</td>
<td>6,134,294</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Business Travel: Flights – distance travelled</td>
<td>km</td>
<td>3,406,656</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Business Travel: Train – distance travelled</td>
<td>km</td>
<td>1,814,847</td>
<td>•</td>
<td>•</td>
</tr>
<tr>
<td>Business Travel: Company cars – distance travelled</td>
<td>km</td>
<td>9,691,114</td>
<td>•</td>
<td>•</td>
</tr>
</tbody>
</table>

Inherent limitations

The absence of a significant body of established practices on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for determining such information. The precision of different measurement techniques may also vary.

Responsibilities of SSE’s directors

As explained in the Directors' Statement on page 57 of SSE's Annual Report and on page 1 of SSE Sustainability Report, the Directors of SSE are responsible for:

- determining appropriate reporting topics and selecting suitable indicators for measuring or evaluating the underlying subject matter;
- ensuring that those indicators are relevant and appropriate to SSE and the intended users of the Reports;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining controls, processes and internal systems over information relevant to the evaluation of the Subject Matter Information, which is free from material misstatement, whether due to fraud or error, against the Reporting Criteria; and
- producing the Reports, including underlying and supporting information and a statement of Directors' responsibilities separately, balanced reflection of SSE's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Reports.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of SSE.

Professional standards applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (Including International Independence Standards).

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed as the basis for our assurance conclusion

In carrying out our limited assurance engagement we:

- considered the suitability in the circumstances of SSE's use of the Reporting Criteria, as the basis for preparing the Subject Matter Information;

- through inquiries with SSE's management, including the Sustainability team and those with responsibility for sustainability and management sustainability reporting obtained an understanding of SSE's control environment, processes and systems relevant to the preparation of the Subject Matter Information;

- evaluated whether SSE's methods for developing estimates are appropriate and had been consistently applied;

- undertook site visits at one of SSE's power station sites; we selected these sites based on their current and materiality to the group, and unexpected fluctuations in the site Subject Matter Information since the prior period;

- performed limited substantive testing on a selective basis of the Subject Matter Information at corporate head office to check that underlying information had been appropriately evaluated or measured, recorded, collated and reported;

- considered the disclosure and presentation of the Subject Matter Information.

Our procedures did not include evaluating the suitability of design or operating effectiveness of control activities, testing the data on which the estimates are based or separately developing our own estimates against which to evaluate SSE's estimates.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Other information

The other information comprises all of the information in the Reports other than the Subject Matter Information and our assurance report. The directors are responsible for the other information. As explained above, our assurance conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, we considered the suitability in the circumstances of SSE's use of the Reporting Criteria, as the basis for preparing the Subject Matter Information. The other information is material to SSE's Annual Report and on page 57 of SSE's Annual Report and on page 1 of SSE Sustainability Report.

Use and distribution of our report

This report, including our conclusion, has been prepared solely for the Board of Directors of SSE in accordance with the agreement between us dated 2nd March 2022 (the "agreement"). Our report must not be made available to any other party save as set out in the agreement. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and SSE for our work or this report except where terms are expressly agreed between us in writing.
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