

Progressing towards net zero

SSE'S NET ZERO TRANSITION REPORT 2022



About SSE

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.

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.

Targeted action to address GHG emissions

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Progressing towards net zero

SSE is committed to providing transparent disclosures around its progress towards its net zero ambitions, supporting high-quality stakeholder engagement on climate-related issues.

Enhancing climate engagement with shareholders

SSE believes that both the Company and its investors will benefit from enhanced engagement on climate-related issues. SSE proposed an enabling resolution (resolution 19, see appendix A) to its 2021 Annual General Meeting (AGM) that asked shareholders to accept and approve the Company's proposal to adopt a plan to become a net zero business in its Scope 1, 2 and 3 greenhouse gas emissions by 2050 or sooner. The resolution also set out a framework for annual shareholder advisory votes on SSE's Net Zero Transition Report at future AGMs. The resolution received near unanimous support, with 99.96% of the votes cast in favour.

A plan for a net zero transition

In March 2022, SSE published its Net Zero Transition Plan which clearly sets out for stakeholders the key actions SSE will take to drive progress towards its net zero ambitions and its interim science-based targets aligned to a 1.5°C pathway. This plan is summarised on page 2 and the full report can be found at sse.com/sustainability.



Demonstrating progress

To demonstrate progress against its Net Zero Transition Plan, SSE has committed to producing an annual Net Zero Transition Report. The Net Zero Transition Reports will be subject to non-binding shareholder advisory votes at SSE's AGMs.

This is SSE's first Net Zero Transition Report covering progress over 2021/22.

It incorporates, by reference, climate disclosures from SSE's Annual Report 2022 and SSE's Sustainability Report 2022 and acts as an aid to stakeholders in navigating its report on progress. A non-binding advisory resolution to receive SSE's Net Zero Transition Report is proposed in resolution 21 at the 2022 SSE plc Annual General Meeting.

SSE's Net Zero Transition Plan
This details SSE's targets and actions to achieve its net zero ambitions.

SSE's Net Zero Transition Report
This report summarises SSE's progress against the Net Zero Transition Plan

SSE's Annual Report and Sustainability Report
Provides climate-related disclosures and should be viewed alongside SSE's Net Zero Transition Report

Being mindful of emerging frameworks

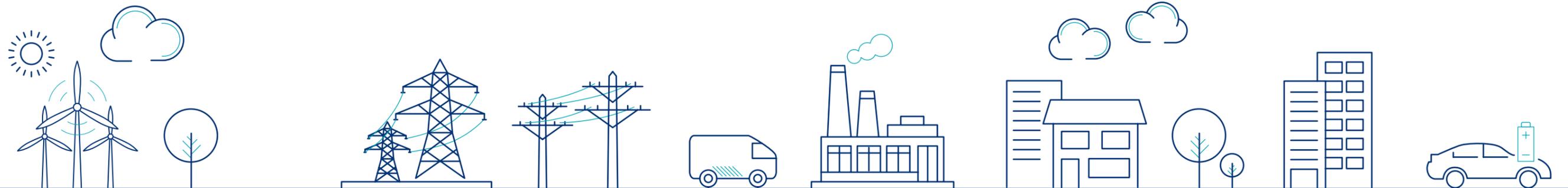
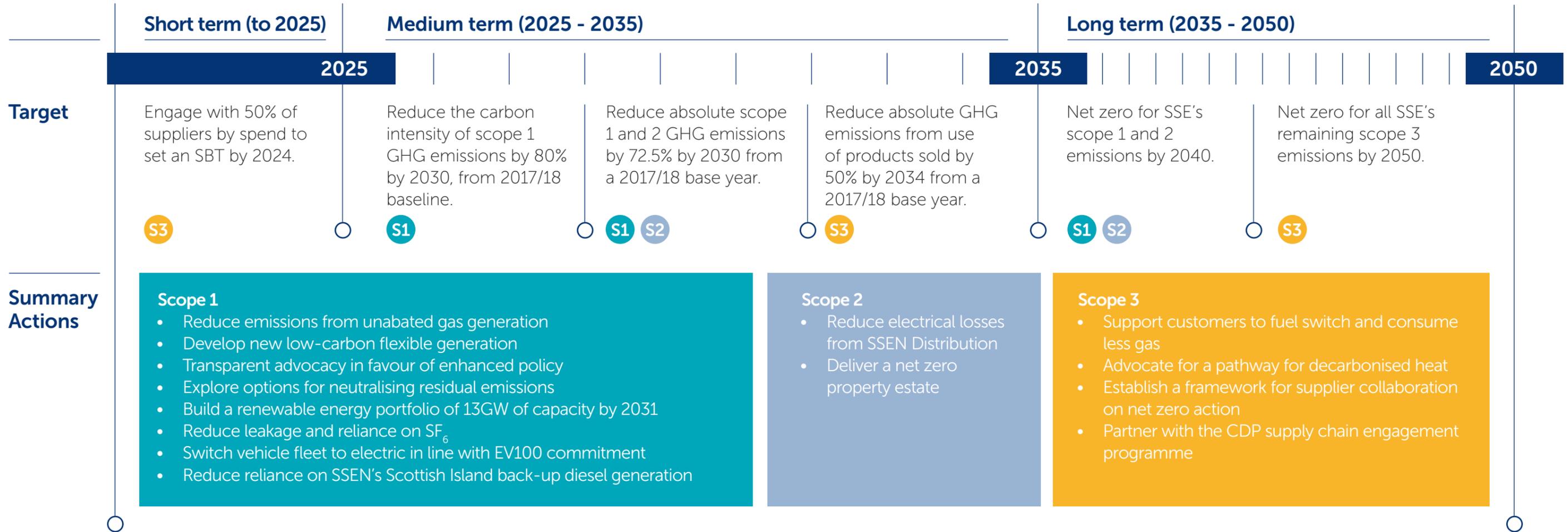
SSE recognises that the thinking around net zero transition plans is still in its early stages. SSE created its Net Zero Transition Plan in line with what it believes is current best practice. As thinking matures and new frameworks and regulatory requirements emerge, SSE will consider these and reflect them in its Net Zero Transition Plan.

Feedback is encouraged and very welcome. Please get in touch by emailing sustainability@sse.com if you have any comments or queries relating to the content of this report.

Net Zero Transition Plan on a page

The below graphic shows SSE's short-, medium- and long-term carbon targets, alongside key action it will take to achieve them.

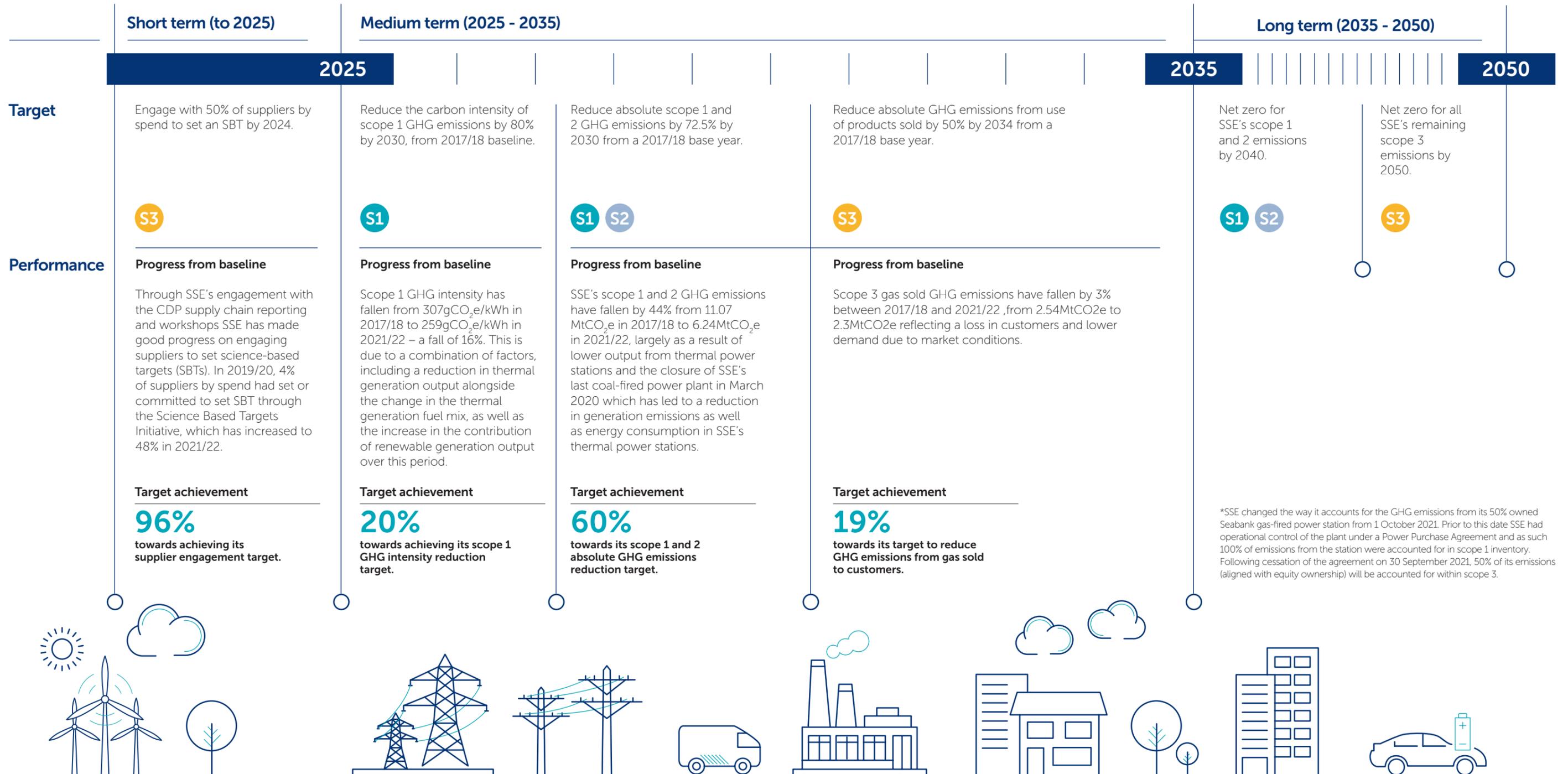
S1 Scope 1 **S2** Scope 2 **S3** Scope 3



SSE's performance against its 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.

S1 Scope 1 **S2** Scope 2 **S3** Scope 3



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, while reducing emissions from thermal sources of electricity generation. Progress against those actions is summarised on this page, alongside where more information can be found.

Actions	Where to find more information	Key progress in 2021/22
SCOPE 1		
Reduce emissions from unabated gas generation	Annual Report – pages 54 to 55 Sustainability Report – pages 24 to 27	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.
Develop new low-carbon flexible generation	Annual Report – pages 27 and 104 Sustainability Report – pages 64 and 65	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.
Transparent advocacy in favour of enhanced policy	Sustainability Report – page 28	SSE continued to advocate for increased support for lower-carbon thermal generation technologies.
Explore options for neutralising residual emissions	Sustainability Report – page 31	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.
Build a renewable energy portfolio of 13GW of capacity by 2031	Annual Report – pages 100 to 101 Sustainability Report – pages 56 to 59	SSE made good progress on key renewables projects and at 31 March 2022 it had 2.4GW of capacity in construction*
Reduce leakage and reliance on SF ₆	Sustainability Report – page 96	SSEN Transmission progressed with further trials of SF ₆ alternatives at its substations, including the first substation with SF ₆ -free Siemens Energy Clean Air Power Voltage Transformers. SSEN Distribution published its enhanced SF ₆ leakage reduction strategy as part of its RIIO-ED2 Business Plan.
Reduce reliance on SSEN's Scottish Island backup diesel generation	Sustainability Report – page 63	SSEN Distribution's new RIIO-ED2 business plan outlines its commitment to produce a diesel strategy to transition away from carbon-intensive fuels on the Scottish Islands.
Switch vehicle fleet to electric in line with EV100 commitment	Sustainability Report – page 97	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.
SCOPE 2		
Reduce electrical losses from SSEN Distribution	Sustainability Report – page 32	SSEN Distribution has implemented a number of measures to reduce electrical losses. Its new RIIO-ED2 business plan sets out an updated losses strategy for 2023 to 2028.
Deliver a net zero property estate	Sustainability Report – page 97	Energy consumed in SSE's offices, depots and data centres fell slightly compared to the previous year. SSE purchased 100% of its electricity for use in its facility managed offices from renewable sources, backed by renewable guarantees.
SCOPE 3		
Support customers to fuel switch and consume less gas	Sustainability Report – pages 41 to 43	The proportion of SSE Business Energy's customers choosing green products grew to 30%, up from 6% the previous year. SSE Airtricity supported domestic customers with energy efficiency, resulting in energy savings of 8.7GWh in 2021/22.
Advocate for a pathway for decarbonised heat	Sustainability Report – page 44	SSE advocated for solutions to decarbonise heat networks and low carbon heat incentives through responses to a number of government consultations and activity through its trade associations.
Establish a framework for supplier collaboration on net zero action	Sustainability Report – pages 32, 54 and 55	SSE's programme of supplier engagement included holding webinars with Supply Chain Sustainability School on the topic of carbon and the development of Powering Net Zero Pact, in collaboration with 10 of its strategic suppliers to drive action towards a fair and just energy transition.
Partner with the CDP supply chain engagement programme	Sustainability Report – page 32	SSE and collaborated with CDP Supply Chain to deliver its first supplier webinar focusing on carbon reporting. SSE was also awarded an 'A' in the CDP Supplier Engagement Rating assessment in 2022.

Governance and accountability

The framework, approved by SSE's shareholders, for reporting progress against its Net Zero Transition Plan commits SSE to update annually on the key measures and information relating to its performance in meeting its climate objectives. A summary of progress against those key measures is provided in the table.

	2021/22 progress
The measures the Company uses to evaluate the consistency of its economic activity with the Net Zero Transition plan	<p>SSE ensures that its economic activity is aligned with net zero and a 1.5°C pathway through its Net Zero Acceleration Programme – a fully-funded £12.5bn strategic capital investment plan to 2026.</p> <p>In 2021/22 SSE completed preliminary work to assess its economic activities and their compliance with the EU Taxonomy ahead of the development of a UK Taxonomy.</p> <ul style="list-style-type: none"> • Net Zero Acceleration programme – see pages 4 and 45 of SSE's Annual report 2022 • Aligning to taxonomy definitions – see pages 46 to 47 of SSE's Annual Report 2022
The measures the Company uses to align its public policy engagement and external communications with the Net Zero Transition plan	<p>SSE actively and positively advocates for more ambitious climate change policy to achieve net zero, with a significant focus for advocacy activities 2021/22 being linked to SSE being a Principal Partner of COP26. SSE conducts its advocacy in line with the goals of the Paris Agreement and its own net zero strategy. It reviews trade association membership annually to ensure that the organisations of which it is a member also advocate in line with the ambitions of the Paris Agreement.</p> <ul style="list-style-type: none"> • Trade Association Climate Review 2021 – see sse.com/sustainability • Detail of climate advocacy activities – see page 28 in the Sustainability Report 2022 and pages 45 to 46 of the Annual Report 2022
Information regarding the governance of the Net Zero Transition plan and any link between the Company's targets and executive remuneration	<p>Executive remuneration is linked to SSE's 2030 Goals, which include elements linked to its Net Zero Transition Plan.</p> <ul style="list-style-type: none"> • Remuneration Committee Report – see pages 187 to 188 of SSE's Annual report 2022
How the Company has evaluated and mitigated the impact of the net zero transition on the Company's employees, communities in which it operates and other stakeholders in the context of a just transition to being a net zero business	<p>Ensuring a transition to net zero which happens in a way that is fair and just for workers, communities and consumers is a key strategic objective for SSE, and is one of SSE's core 2030 Goals. SSE has published a number of disclosures on its just transition work.</p> <ul style="list-style-type: none"> • Just Transition Strategy report and Principles to action report – see sse.com/sustainability/just-transition/ • Sustainability Report 2022 – see page 69 • Annual Report 2022 - see pages 58 to 67
Confirmation of the extent to which the Company's overall climate risk reporting is consistent with the Final Recommendations of the Task Force on Climate-related Financial Disclosures	<p>SSE provides detailed climate-related disclosures aligned to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.</p> <ul style="list-style-type: none"> • TCFD aligned disclosures – see pages 42 to 55 of SSE's Annual report 2022
Any applicable updates to the frameworks, relevant methodologies, timescales for goals and targets and core assumptions used in relation to the Net Zero Transition Plan	<p>SSE's Net Zero Transition Plan was published in March 2022 and there have not been any changes to the timescales for goals and targets at the time of publication of this report.</p> <p>SSE's core interim climate targets are approved by the Science Based Targets Initiative (SBTi). No updates have been made to the SBTi framework against which SSE's targets have been approved. SSE is committed to updating its climate targets in line with the SBTi framework which requires a review once every 5 years or in the event that there are material changes to the business SSE is required to update its targets at that point.</p>

The methodologies, frameworks and assumption SSE uses to report its GHG performance is published annually in its GHG and Water Criteria. Of note is the change in the way that SSE 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 Power Purchase Agreement and as such 100% of emissions from the station were accounted for in scope 1 inventory. Following the cessation of the agreement on 30 September 2021, 50% of its emissions (aligned with equity ownership) will be accounted for within scope 3. The methodology and assumptions used to assess SSE's economic activities and their compliance with the EU Taxonomy is provided alongside the results of the assessment.

- Net Zero Transition Plan – see [sse.com/sustainability](https://www.sse.com/sustainability)
- GHG and Water criteria 2022 – see [sse.com/sustainability/policies-and-assurance](https://www.sse.com/sustainability/policies-and-assurance)
- EU Taxonomy alignment – see pages 46 to 47 of SSE's Annual Report 2022



Accelerating climate action

Appendix A

Framework for annual 'say on climate' shareholder resolutions: approved July 2021

Resolution 19: Net Zero Transition report

Resolution 19: that, on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, shareholders accept and approve the Company's proposal to adopt a plan to become a net zero business in its scope 1, 2 and 3 greenhouse gas emission by 2050 or sooner, consistent with limiting the average global temperature increase to 1.5°C with low or no overshoot, in line with the goals of the Paris Agreement ("Paris Goals")*.

That, the Company shall hereafter:

- (a) propose a resolution at each Annual General Meeting of the Company for shareholders to receive, consider and express non-binding advisory approval of SSE's Net Zero Transition report.
- (b) report annually within the Company's annual Sustainability Report (or such other place as any or all of this information may be required by applicable rules or laws) on the terms and implementation of the Net Zero Transition plan, and in accordance with the Final Recommendations of the Task Force on Climate-related Financial Disclosures (the "Net Zero Transition report").
- (c) using the latest developments in scientific understanding, regularly update the Company's interim greenhouse gas emission reduction targets (including scopes 1, 2 and 3) to ensure ongoing alignment with the Paris Goals.

* Nothing in this Resolution shall limit the Company's nor its Directors' powers to take any action which it believes in good faith would best promote the success of the Company.

Notes to Resolution 19: Net Zero Transition report

SSE believes that both the Company and its shareholders will benefit from enhanced engagement on climate-related issues. Having worked closely with the investor group Climate Action 100+, SSE is therefore proposing an enabling resolution to its AGM 2021 that will establish a framework for annual votes on its Net Zero Transition report at future AGMs.

It is intended that the Net Zero Transition report contemplated by the proposed resolution will include the following information, with the scope to be updated and revised from time to time in accordance with any mandatory requirements and best practice:*

- (a) the measures the Company uses to evaluate the consistency of its economic activity with the Net Zero Transition plan;
- (b) the measures the Company uses to align its public policy engagement and external communications with the Net Zero Transition plan;
- (c) information regarding the governance of the Net Zero Transition plan and any link between the Company's targets and executive remuneration;
- (d) how the Company has evaluated and mitigated the impact of the net zero transition on the Company's employees, communities in which it operates and other stakeholders in the context of a just transition to being a net zero business;
- (e) confirmation of the extent to which the Company's overall climate risk reporting is consistent with the Final Recommendations of the Task Force on Climate-related Financial Disclosures;
- (f) any applicable updates to the frameworks, relevant methodologies, timescales for goals and targets and core assumptions used in relation to the Net Zero Transition plan; and (g) the Company's progress on the implementation of matters the subject of the reporting requirements set out in paragraphs (a) to (g), above.

By consulting shareholders annually on its Net Zero Transition report SSE's objective is that both the Company and its shareholders benefit from enhanced climate-related engagement.

Given that shareholders may have multiple motives when voting on such a matter, the Company wishes to clarify that if there is a significant vote against, it would hold discussions with shareholders through its Investor Relations and Environmental, Social and Governance (ESG) engagement programme and seek information from them about why they did not support the proposed resolution, inform all shareholders about the results of that process and announce its intended measures aimed at taking them into account.

* Omitting commercially confidential or competitively sensitive information, and at reasonable cost.