



SSE SUSTAINABILITY FINANCING FRAMEWORK 2023



Document title: Second Party Opinion on SSE plc's Sustainable Financing Framework 2023

Prepared by: DNV Business Assurance Services UK Limited

Location: London, U.K.

Date: 22 August 2023

This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial instrument being assessed.

SSE SUSTAINABILITY FINANCING FRAMEWORK

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

SSE plc (henceforth 'SSE' or 'The Company') is a FTSE 100 UK-listed company focused on the generation, distribution, and supply of electricity across the UK and Ireland. Focused on tackling the issue of climate change through enabling low-carbon generation and demand, and with an aim to be net zero by 2050, SSE develops, builds, operates and invests in, low-carbon electricity infrastructure and renewable energy assets. The Company's portfolio enables the development of renewables (onshore and offshore wind, hydropower, solar, flexible thermal generation), and having recognised the economic transformation required to deliver a net zero economy, SSE focusses on enhancing energy security (secure electricity transmission) and ensuring its electricity distribution networks are reliably maintained.

The company has aligned its business strategy and 2030 Goals to four of the United Nations (UN) Sustainable Development Goals (SDGs) that are highly material to the business, and those in which SSE believes it can positively contribute towards – specifically Goals #7 (Affordable and Clean Energy), Goal #8 (Decent Work and Economic Growth), Goal #9 (Industry, Innovation and Infrastructure) and Goal #13 (Climate Action). The central focus of SSE's core 2030 Goals are to tackle the issue of climate change. Understanding the critical importance of social and economic sustainability to its long-term future, and recognising its journey is "purpose led", SSE has linked performance on its core 2030 Goals to executive management goals and remuneration.

Given that environmental sustainability is core to its purpose as an energy provider, SSE has also set an ambitious goal to achieve net-zero emissions for Scopes 1 and 2 carbon green house gas (GHG) emissions by 2040, and for Scope 3 carbon GHG emissions by 2050. To support this transition, SSE has a series of interim carbon targets that are approved by the Science Based Targets Initiative (SBTi) and in-line with the Paris Agreement's 1.5°C pathway, as follows:

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

SSE has a fully-funded £18bn strategic capital investment plan over the five years to 2027. With around 90% of this expected to be invested in either renewables or networks, the substantial majority of the investment plan is focused on climate solutions to achieve SSE's 2030 Goals and is aligned to the Technical Screening Criteria (TSC) of the EU Taxonomy for substantial contribution to climate change mitigation.

As a major investor in the UK and Ireland's renewable energy infrastructure, green financing is essential to demonstrate SSE's long-term commitment to the principles of sustainable development, the just transition, and decarbonisation.

Given the growth in the sustainable finance market, and to progress its Green Bond Framework published in 2021, SSE has released a more holistic "Sustainability Financing Framework" (hereafter referred to as, "The Framework") this year as part of its sustainable finance strategy to support the company's journey towards achieving its net-zero aspirations.

The Framework enables the following:

- Issuance of ‘Use of Proceeds’ bonds and/or loans to finance, or refinance, in whole or in part, eligible **Green, Sustainability projects** (“Eligible Green Projects”) in the Eligible Green Categories (collectively referred to as, “Use of Proceeds Instruments”), that are also aligned with the TSC of the EU Taxonomy; and
- Issuance of **Sustainability-Linked Bonds (including public bonds or private placements¹) and Loans**, and any other sustainability-linked financing instruments (collectively referred to as, “Sustainability-Linked Instruments”)¹.

Further details are outlined in the “Findings and DNV’s opinion” section.

DNV Business Assurance Services UK Limited (“DNV”) has been commissioned by SSE to provide an eligibility assessment of their Sustainability Financing Framework (the “Framework”), under which it can finance and support activities with a general purpose of increasing renewable capacity and generation, as a part of SSEs climate transition plans. Our objective has been to provide an assessment on whether the Framework meets the criteria established within:

International Capital Market Association (ICMA)	Loan Market Association (LMA)
Green Bond Principles (GBP) 2021 (with June 2022, Appendix I)	Green Loan Principles 2023 (GLP)
Sustainability-Linked Bond Principles 2023 (SLBP)	Sustainability-Linked Loan Principles 2023 (SLLP)

Our methodology to achieve this is described under ‘Work Undertaken’ below. DNV was not commissioned to provide independent assurance or other audit activities. No assurance is provided regarding the financial performance of bonds or loans issued under the company’s Framework, the value of any investments, or the long-term environmental benefits of the associated transactions. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of SSE and DNV

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

¹ This also applies to General Corporate Purpose instrument (e.g. hybrid bonds, convertible bonds, commercial papers, derivatives instruments, or other forms of financial instrument available).

Basis of DNV’s opinion

We have adapted our eligibility assessment protocol which incorporates the requirements of the GBPs, the GLPs, the SLBPs and the SLLPs, to create an SSE-specific Sustainable Financing Eligibility Assessment Protocol (henceforth referred to as “Protocol”). Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion. As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the following Principles, split by type of issuance:

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
Principle One:	<p>Use of Proceeds.</p> <p>The Use of Proceeds criteria are guided by the requirement that an issuer of funding instruments under the Framework must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.</p>	<p>Selection of Key Performance Indicators (KPIs).</p> <p>The issuer of sustainability-linked bonds and/or loans should clearly communicate its overall sustainability objectives, as set out in its sustainability strategy, and how these relate to its proposed Sustainability Performance Targets (SPTs). The KPI should be relevant, core and material to the issuer’s core sustainability and business strategy, measurable or quantifiable on a consistent methodological basis, externally verifiable; and able to be benchmarked externally.</p>
Principle Two:	<p>Process for Project Evaluation and Selection.</p> <p>The Project Evaluation and Selection criteria are guided by the requirements that an issuer of funding instruments under the Framework should outline the process it follows when determining the eligibility of an investment using proceeds from green instruments and outline any impact objectives it will consider.</p>	<p>Calibration of Sustainability Performance Targets (SPTs).</p> <p>The SPTs should be ambitious, meaningful, and realistic. The target setting should be done in good faith and based on a sustainability improvement in relation to a predetermined performance target benchmark.</p>
Principle Three:	<p>Management of Proceeds.</p> <p>The Management of Proceeds criteria are guided by the requirements that a funding instrument should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.</p>	<p>Financial Characteristics.</p> <p>The bonds and/or loans will need to include a financial and/or structural impact depending on whether the selected KPIs reach the predefined SPTs. The bond and/or loan documentation needs to require the definitions of the KPI(s) and SPT(s) and the potential variation of the SLB’s financial and/or structural characteristics. Any fallback mechanisms in case the SPTs cannot be calculated or observed in a satisfactory manner, should be explained.</p>
Principle Four:	<p>Reporting.</p> <p>The Reporting criteria are guided by the recommendation that at least annual reporting to the investors of the instrument should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.</p>	<p>Reporting.</p> <p>Issuers should publish and keep readily available and easily accessible up-to-date information on the performance of the selected KPI(s), as well as a verification assurance report outlining the performance against the SPT(s) and the related impact and timing of such impact on the bond/loan’s financial and/or structural characteristics, with such information to be provided to investors participating in the bondloan at least once per annum.</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
Principle Five:	N/A	Verification (Post-issuance). The Issuer should have its performance against its SPTs independently verified by a qualified external reviewer with relevant expertise, such as an auditor, environmental consultant and/or independent ratings agency, at least once a year. The verification of the performance against the SPT(s) should be made publicly available.

Work undertaken

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

The work undertaken to form our opinion included:

- Creation of an SSE-specific Protocol, adapted to the purpose of the Framework, as described above, and in Schedules 1, 2, 3 and 4 of this opinion.
- Assessment of documentary evidence provided by SSE on the Framework and supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with SSE management, as well as a review of relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of findings against each element of the criteria.

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

Findings and DNV's opinion

DNV's summary findings are listed below, split by type of instrument:

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
<p>Principle One:</p>	<p>Use of Proceeds:</p> <p>SSE intends to use this Framework to issue green bonds, loans and/or other debt instruments referred to as "Use of Proceeds Instruments", to finance or refinance Eligible Green Projects.</p> <p>The Framework defines Eligible Green Projects as those in the pre-construction, under construction, or have been completed within 36 months, as falling into one or more of the following categories:</p> <p>Eligible Green Categories:</p> <ul style="list-style-type: none"> • Renewable energy • Renewable energy/energy efficiency • Hydrogen storage • Electricity networks <p>For the Eligible Green Projects under these Eligible Green Project categories to be financed or refinanced, SSE has included criteria to reduce the embodied carbon within its construction activity and its projects, which intends on reducing overall absolute emissions (e.g. the production and storage of renewable energy).</p> <p>SSE has also mapped the eligible project categories against the relevant UN SDGs, specifically Goal #7 (Affordable and Clean Energy) and Goal #13 (Climate Action) (see Schedule 1).</p> <p>DNV confirms that the eligible green categories and the associated projects as detailed in Schedule 1, will positively contribute to a low carbon transition.</p> <p>We can confirm that SSE has also stated that a look-back period of 36 months prior to the issuance of any financial instrument issued under the Framework, will apply.</p> <p>DNV concludes that the Green Eligible Categories as listed above and within the Framework, align with the defined categories as stated within the GBPs and the GLPs, and will deliver clear environmental benefits. We can also confirm that the eligible projects categories outlined in the Framework are consistent with the categories outlined in the GBPs and the GLPs.</p>	<p>Selection of Key Performance Indicators (KPIs):</p> <p>As part of its long-term commitment to the principles of sustainability and the transition to a low-carbon economy, SSE has identified three material KPIs to the business that are core, relevant, and material. The Company will also measure and report against progress on the KPIs annually within a predefined timeline of FY 2030. The three KPIs set will contribute to SSE's aspiring target to be net zero by 2050.</p> <p>SSE has also mapped out which of the stated United Nations (UN) Sustainable Development Goals (SDGs) KPI 1, KPI 2 and KPI 3 will contribute to, specifically: SDG #7 (Affordable and Clean Energy) and Goal #13 (Climate Action). We can further confirm that the KPIs address relevant environmental challenges of the industry.</p> <p>The selected KPIs that SSE has committed to driving future sustainability improvements in, are outlined as below:</p> <p>KPI 1 – Scope 1 GHG intensity of electricity generated:</p> <ul style="list-style-type: none"> • Reduction of carbon intensity of the power generated expressed in gCO₂e/kWh. • This indicator covers Scope 1 emissions for electricity generated from both thermal (coal, oil, gas, biomass, multifuel) and renewables (onshore and offshore wind, solar, hydro, pumped storage) • Methodology aligned to the GHG Protocol. • Science-based, verified by the SBTi and in line with a 1.5°C Paris-aligned pathway. • Contributes to SDG #13 (Climate Action). <p>KPI 2 - Renewable energy output</p> <ul style="list-style-type: none"> • Increase renewable energy output from renewables expressed in TWh. • This indicator covers onshore and offshore wind (including constrained-off wind in GB), biomass, solar, hydro and pumped storage. • Methodology aligned to the GHG Protocol. • Contributes to SDG #7 (Affordable and Clean Energy). <p>KPI 3 - Absolute Scope 1 and Scope 2 GHG emissions²:</p> <ul style="list-style-type: none"> • Absolute carbon emissions reduction of scopes 1 and 2 expressed in tonnes CO₂e. • Science-based, in line with a 1.5°C Paris-aligned pathway. • Contributes to SDG #13 (Climate Action). <p>DNV confirm that the KPIs selected are relevant, core, and material to SSE's overarching corporate strategy</p>

² SSE defines (1) Scope 1 GHG emissions as those emissions arising from operations owned or controlled by the organisation; and (2) Scope 2 emissions GHG emissions as those emissions arising from the generation of purchased electricity, heating and cooling consumed by the organisation.

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
		<p>and of high strategic significance to SSE's current and/or future operations. The rationale and process for KPI selection, as well as the definition, measurability and verifiability are clearly defined, and deemed to be robust, reliable and in accordance with the SLBPs and the SLLPs.</p>
<p>Principle Two:</p>	<p>Process for Project Evaluation and Selection:</p> <p>DNV can confirm SSE has specified the eligibility criteria for each type of green project in the Use of Proceeds table of its Framework.</p> <p>SSE's Tax and Treasury Committee (the "Committee") is responsible for evaluating and selecting projects. The committee comprises representatives from key departments within SSE, including Corporate Finance, Group Treasury, and Tax, which oversee the company's liquidity. The Committee is led by the Company's Finance Director.</p> <p>The Committee meets on an annual basis, and its primary task is to review all existing projects completed within the last 36 months, those in pre-construction or construction phases, and to evaluate new projects that may qualify for financing under the Green Financing Framework.</p> <p>Projects and their risk, are evaluated against SSE's internal sustainability and environmental policies, their ability to reduce the carbon intensity of SSE's electricity generation, and their ability to support the delivery of the UN SDG Goal #13 on climate change.</p> <p>In the Framework, and to further mitigate potential risk, SSE has also stated for any investment exceeding GBP 10 million, they will go to its Tax and Treasury Committee and be reviewed also against SSE's "Large Capital Project Governance Framework". This Framework employs a gate process to ensure consistent and effective governance, development, approval, and execution of large capital investment projects.</p> <p>DNV concludes there is a robust decision-making process behind the approval of any Eligible Green Category and the associated projects, taking into account a comprehensive set of parameters as outlined in the Framework. We can also confirm that projects to be (re)-financed by future issuances, will be appropriately evaluated, selected, managed, and reported on as outlined within SSE's Framework, and that they meet the requirements as required under the GBPs and the GLPs.</p>	<p>Calibration of Sustainability Performance Targets (SPTs):</p> <p>In line with the three KPIs as outlined above, SSE has set the following SPTs for the FY 2030. These are supplemented by historical and actual figures for six years from the FY 2017/18 to the FY 2022/23.</p> <p>SPT 1: Reduction in carbon intensity of electricity generated by 80% by 2030 compared to 2017/18 levels, to around 61.4gCO₂e/kWh. Baseline: 307 gCO₂e/kWh in 2017/18.</p> <p>SPT 2: Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030. Baseline: 9,824 GWh in 2017/18.</p> <p>SPT 3: Reduce absolute Scope 1 and 2 carbon emissions emitted by 72.5% by 2030 from a 2017/18 baseline. Baseline: 11.06 million tonnes CO₂e in 2017/18.</p> <p>We can confirm that SSE has set a meaningful, enterprise-level SPT when looked at from which a Sustainability-linked financing instrument can be aligned with, and when used in combination, support in achieving a science-based absolute carbon emissions target.</p> <p>SPT 1 is aligned with SSE's long-term target to be net-zero by 2050 and to reduce its own operational carbon emissions from fossil fuels by scaling up renewable electricity generation (especially from offshore wind). This target is set to be SBTi approved by the year 2024. This SPT will also ensure SSE is in line with the changes to electricity system requirements.</p> <p>SPT 2 supports the transition to a decarbonised energy system through investment in developing and operating renewable electricity generation.</p> <p>SPT 3 supports the alignment to mitigate the most material GHG emissions (direct emissions) from its scope 1 and scope 2 carbon footprint on an absolute emissions basis. This SPT supports SSE's carbon reduction pathway required to meet the in line with a 1.5°C Paris-aligned pathway, and ambition to be net zero (Scopes 1 & 2) by 2040, with net zero including Scope 3 by 2030.</p> <p>SSE confirms that the baseline dates set for all KPIs may be recalculated, if there are structural changes taking place that significantly impact the organisation's base year figures.</p> <p>All SPTs have clear calculation methodologies, a defined baseline, and have a defined target year(s) set as outlined above. We can confirm that the SPTs set will</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
		<p>support the sector wide objective to have a renewables-led power system in place for the UK and Ireland.</p> <p>While it was not possible to make comparisons to peers or to industry standards, based on the information provided to DNV we can confirm that the interim and long term targets set are in line with SSE's plans for Net Zero which includes Net Zero Scopes 1 & 2 by 2040 and Net Zero including Scope 3 by 2050.</p> <p>SSE has also outlined within the Framework factors that support the achievement of the SPTs as well as any associated risk, such as adjustment to the SPTs as policy frameworks evolve (which SSE anticipates).</p> <p>Based on the work undertaken, DNV can confirm that all SPTs represent a material improvement in the respective KPIs. They will contribute to the decarbonisation of the grid and the sector wide objective to have a renewables-led power system in place for the UK and Ireland. We can also confirm all three SPTs are consistent with SSEs overall ESG and Corporate Strategy, that they are set on a predefined timeline, and science-based. It is in DNV's opinion that the SPTs set are in line with the SLBPs and the SLLPs.</p>
<p>Principle Three:</p>	<p>Management of Proceeds:</p> <p>DNV can confirm that SSE has committed to ensuring the amounts represented by the Eligible Green Projects will exceed, or at least be equal to, the amount of (re)-financed raised under the Framework.</p> <p>SSE intends to allocate the proceeds from the financing directly to the refinancing of the projects, to the level of capital expenditure spent at the time of settlement. This will be allocated on a monthly basis to projects to cover ongoing capital expenditure.</p> <p>The internal tracking method and the allocation of funds from the proceeds to the Eligible Green Projects will independently verified by a third party or auditor.</p> <p>We can confirm that for the proceeds which cannot be allocated to the refinancing of projects at settlement, SSE will temporarily hold the funds in either ring-fenced deposits within its relationship banking group or liquid money market fund. Funds held on deposit will be monitored by the Tax and Treasury Committee led by the Finance Director of SSE until fully allocated.</p> <p>DNV can conclude that the process in place for the management of proceeds, as outlined within the Framework, meets the requirements of the GBPs and the GLPs.</p>	<p>Financial Characteristics:</p> <p>DNV can confirm that the bonds and loans generated from SSE's Sustainability-Linked financing instruments will be utilised for general corporate purposes, which incorporate a sustainability-linked feature. If a Trigger Event occurs, then this will result in a coupon adjustment or margin adjustment, or a premium payment.</p> <p>A Trigger Event will occur if any one of the following is true:</p> <ul style="list-style-type: none"> • One or more of the selected KPI(s) fail to achieve the SPT(s) on the specified observation date; • One or more of the selected KPI(s) have achieved the SPT(s) on the specified observation date; • The reporting does not meet the requirements as set out in the Reporting section of the Sustainability Linked section of SSE's Framework; or • Verification of the SPT(s) compliance has not been provided and/or the verification was not made public as set out in Principle five. <p>SSE has confirmed that a given sustainability-linked transaction can only experience a maximum of one step-up margin, or margin adjustment, over its lifespan. If this takes place, in the Framework SSE has confirmed that the relevant documentation associated with the specific transaction will be provided.</p> <p>We can confirm SSE's commitment to the sustainability-linked bond and sustainability-linked loan characteristics are in line with the requirements of the SLBPs and the SLLPs.</p>

	Use of Proceeds Bonds and Loans	Sustainability-Linked Bonds and Loans
<p>Principle Four:</p>	<p>Reporting:</p> <p>SSE has committed to providing information to its investors via its investor website, on both the allocation and impact of the Eligible Green Projects (re)-financed, under the Framework.</p> <p>Allocation reporting will be made available within one year from the date of issuance and until full allocation. Within the first report after issuance, SSE will provide insights on the allocation of proceeds shown up to the level of refinancing capital expenditure on projects already spent. Any unallocated proceeds that remain on deposit will be reported the following year. Where SSE refinances its equity share within a joint venture, we can confirm that the Company will also report on an equity stake basis. SSE has also committed to updating the allocation report within one year, should there be any variance in the initial allocation reporting, such as divestments.</p> <p>Impact reporting will also take place annually, until the maturity of the green financing. SSE will report on the environmental impact of each eligible green category and the projects within this. The company has outlined in its Framework, the potential environment metrics that it may use, to report on the impact of the related Eligible Green Projects financed under each project.</p> <p>DNV can confirm SSE's commitment to producing appropriate and transparent reporting on both the allocation and environmental impacts of the financing, and that this meets the requirements of the relevant GBPs and the GLPs.</p>	<p>Reporting:</p> <p>SSE has committed to reporting annually, on the progress against the three KPIs, as part of corporate reporting and on its investor website.</p> <p>The reporting may include:</p> <ul style="list-style-type: none"> • The performance of the selected KPI(s), including the baseline where relevant; • A verification assurance report relative to the KPI outlining the performance against the SPT; and • Any relevant or contextual information which enables investors to monitor the progress of the KPI. <p>Information may also include, when feasible and possible, the following:</p> <ul style="list-style-type: none"> • A qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI or SPT on an annual basis; • Illustration of the positive sustainability impact of the performance improvement; and/or • Any re-assessments of KPIs and/or restatement of the SPT and/or pro forma adjustments of baselines or KPI scope, if relevant. <p>SSE has also committed to conducting a second party opinion on the Framework by the way of this assessment and to the external verification of the KPIs to be reported on (as per principle five below).</p> <p>DNV can confirm SSE's commitment to reporting on the KPIs and SPTs is in line with the requirements of the SLBPs and the SLLPs.</p>
<p>Principle Five:</p>	<p>N/A</p>	<p>Verification (Post-issuance):</p> <p>SSE has committed to reporting progress on the KPIs against the SPTs, and has confirmed that they will engage an external verifier (an auditor or any other qualified provider of third-party assurance or attestation services), to provide at least a limited assurance regarding the performance of the KPIs on an annual basis, and for the duration of the SPTs at least, as part of its corporate reporting. The information will be made available on SSE's website.</p> <p>SSE has also conducted a pre-issuance external review by way of this assessment with DNV Business Assurance Services UK Limited ("DNV") to confirm its alignment with the ICMA SLBPs and the LMA SLLPs. The SPO will be made publicly available on SSE's corporate website.</p> <p>Based on the evidence reviewed and the discussions with SSE, DNV can confirm the Company's commitment to verification as outlined in the Framework, and that this is in line with the requirements within the SLBPs and the SLLPs.</p>

On the basis of the information provided by the Company and the work undertaken, it is DNV's opinion that the SSE's Sustainability Financing Framework issued in 2023, meets the criteria established in the Protocol and is aligned with the stated definitions of "Green Bonds" as within the Green Bond Principles (GBP) 2021 and "Green Loans" as within the Green Loan Principles (GLP) 2023; and is aligned with the stated definition of "Sustainability-Linked Bonds" as stated within the Sustainability-Linked Bond Principles (2023) and "Sustainability-Linked Loans" as stated within the Sustainability-Linked Loan Principles (SLLP) 2023.


for DNV Business Assurance Services UK Limited

London, 22 August 2023

A handwritten signature in black ink, appearing to read "Niki Bowen".

Niki Bowen

Principal Consultant and Project Director
DNV – Business Assurance

A handwritten signature in black ink, appearing to read "Shaun Walden".

Shaun Walden

Head of Sustainable Finance and Reviewer
DNV – Business Assurance







About DNV


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

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


SCHEDULE 1: DESCRIPTION OF ACTIVITIES TO BE FINANCED UNDER THE USE OF PROCEEDS BONDS AND LOANS



SSE has listed four green project categories, with descriptions of the eligible green activities to be (re)-financed. The Company has also mapped the eligible green activities to the EU Taxonomy, which provides guidance on Green Finance eligibility, and SSE has confirmed that it will comply with the Technical Screening Criteria as outlined in the applicable activity. Finally, the Company has also mapped out alignment to the UN SDGs in which the eligible green project categories will contribute towards.

Relevant Eligible Green Project Categories	Description of activities	EU Taxonomy Technical Screening Criteria (TSC) Alignment	United Nations (UN) Sustainable Development Goals (SDGs) alignmet
Renewable energy	Electricity generation facilities that produce electricity from renewable sources. This includes wind (onshore and offshore), solar, hydro and bioenergy technologies.	4.1 Electricity Generation using Solar Photovoltaic (PV) Technology 4.3 Electricity Generation using Wind Power 4.5 Electricity Generation using Hydropower 4.8 Electricity Generation from Bioenergy	 
Renewable energy/Energy efficiency	Facilities that store electricity and return it at a later time in the form of electricity. This includes pumped hydropower.	4.10 Storage of Electricity	 
Hydrogen storage	Facilities that store hydrogen and return it at a later time.	4.12 Storage of Hydrogen	 

<p>Electricity networks</p>	<p>Transmission and distribution network infrastructure that facilitates the transition to lower-carbon electricity systems.</p>	<p>4.9. Transmission and distribution of electricity</p>	
------------------------------------	----------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------	-------------------------------------------------------------------------------------

SCHEDULE 2: DESCRIPTION OF THE KEY PERFORMANCE INDICATOR (KPI) AND SUSTAINABILITY PERFORMANCE TARGET (SPT) FOR SUSTAINABILITY LINKED BONDS AND LOANS

Key performance indicator (KPI)	Sustainability performance target (SPT)	UN SDG alignment
<p>Scope 1 GHG intensity of electricity generated</p>	<p>Reduce the carbon intensity of electricity generated by 80% by 2030, compared to 2017/18 levels, to around 61gCO₂e/kWh.</p> <p>SSE has outlined how they measure the intensity ratio and the subsequent performance of this SPT:</p> <p>The intensity ratio is based on:</p> <ol style="list-style-type: none"> 1. SSE's total scope 1 GHG emissions in carbon dioxide equivalent (CO₂e); and 2. The total output from SSE's electricity generation, both thermal (coal, oil, gas, biomass, multifuel) and renewables (onshore and offshore wind, solar, hydro and pumped storage). <p>SSE has a strategy in place to reach the target that is two-fold:</p> <ol style="list-style-type: none"> 1. By implementing changes to the operating regimes at existing gas power plant, in line with electricity system requirements. SSE also expects older power stations to come to the end of their natural economic and engineering lives 2. Upscale renewable generation output 	

<p>Renewable energy output</p>	<p>Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.</p> <p>SSE has outlined how they measure generation and the subsequent performance of this SPT: The total output from SSE’s renewable energy electricity generation takes into account onshore and offshore wind (including constrained-off wind in GB), biomass, solar, hydro and pumped storage.</p> <p>SSE’s strategy seeks to support the transition to a decarbonised energy system through disciplined investment in developing and operating renewable electricity generation, which directly impacts KPI 1 and SPT 1 on GHG intensity as well. SSE has a secured project pipeline including 15GW of generation.</p>	
<p>Absolute scope 1 and scope 2 GHG emissions</p>	<p>Reduce absolute Scope 1 and 2 GHG emissions 72.5% by 2030 from a 2017/18 base year.</p> <p>SSE’s investment criteria requires capital to be allocated in strategic alignment with SSE’s commitments to reduce GHG emissions. SSE will still manage gas generation in line with the UK and Ireland’s demands for energy, but commits to do so in a responsible way and to manage a phase-out and the replacement with renewable assets.</p>	

SCHEDULE 3: USE OF PROCEEDS FINANCIAL INSTRUMENTS – SSE-SPECIFIC SUSTAINABILITY FINANCING FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Types of Financing Framework	<p>The financing must fall in one of the following categories, as defined by the GBP and GLP:</p> <ul style="list-style-type: none"> • Use of Proceeds Bond/Loan • Use of Proceeds Revenue Bond/Loan • Project Bond/Loan • Securitised Bond/Loan <p>Green Bonds/Loans are defined as any type of bond/loan instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects.</p> <p>Green bonds must align with the four components of the GBP. Green Loans must align with the four components of the GLP.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> • SSE Sustainability Financing Framework 	<p>SSE intends to use this Framework to issue green bonds, loans and/or other debt instruments referred to as “Use of Proceeds Instruments”, to finance or refinance Eligible Green Projects.</p> <p>The Framework outlines that the Use of Proceeds instruments can include:</p> <ul style="list-style-type: none"> • Green Bonds (including hybrid bonds and convertible bonds) • Green Loans (including commercial paper, derivatives instruments, or other forms of financial instrument available). <p>DNV confirms that the Use of Proceeds instruments outlined in the framework align with the definition of “Use of Proceeds Bonds/Loans”.</p> <p>DNV can also confirm that SSE has stated that a look-back period of 36 months prior to the issuance of any financial instrument issued under the Framework will apply.</p>
1b	Green Project Category	<p>The cornerstone of a Green Bond/Loan is the utilisation of the proceeds which should be appropriately described in the legal documentation for the security.</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> • SSE Sustainability Financing Framework 	<p>The Framework defines Eligible Green Projects as those in the pre-construction, under construction, or have been completed within 36 months, as falling into one or more of the following:</p> <p>Eligible Green Category:</p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Hydrogen storage • Electricity networks <p>For the Eligible Green Projects under these Eligible Green Project categories to be financed or refinanced, SSE has included criteria</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>to reduce the embodied carbon within its construction activity and its projects, which intends on reducing overall absolute emissions (e.g. the production and storage of renewable energy).</p> <p>DNV concludes that the Green Eligible Categories as listed above and within the Framework, align with the defined categories as stated within the GBPs and the GLPs. We can also confirm that the eligible projects categories outlined in the Framework are consistent with the categories outlined in the GBPs and the GLPs.</p> <p>DNV can conclude that the Framework appropriately describes the proposed utilisation of proceeds. The specificities of each issuance will need to be further assessed on an individual basis.</p>
1c	Green benefits	All designated sustainability project categories should provide clear environmental benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework 	<p>SSE has provided a description of the types of Eligible Green projects that it intends to finance under the Framework. SSE has prioritised projects, aligned with their commercial activities that supports its progress towards delivering on the UN SDGs. SSE has mapped the eligible project categories against these relevant UN SDGs, specifically Goal #7 (Affordable and Clean Energy) and Goal #13 (Climate Action) (see Schedule 1).</p> <p>These projects will comply with the following categories: Eligibility Criteria as defined by the relevant EU Taxonomy technical screening criteria (TSC). These are detailed further in Schedule 1.</p> <p>Any issuance of bonds or loans under this framework aligns with SSE's strategic commitment to this approach. Embracing Green Bond markets complements SSE's comprehensive strategy for sustainable growth in all aspects. SSE is committed to creating positive environmental impacts through its operational and capital endeavours and may update its selection criteria based on advancements in sustainability and environmental policies.</p> <p>DNV confirms that the eligible green categories and the associated projects as detailed in Schedule 1, will positively contribute to a low carbon transition and will deliver clear environmental benefits.</p>

2. Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	The issuer of a Green Bond/Loan should outline the decision-making process it follows to determine the eligibility of projects using the proceeds	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> • SSE Sustainability Financing Framework • Large Capital Project Governance Framework Manual 	<p>DNV can confirm SSE has specified the eligibility criteria for each type of green project in the Use of Proceeds table of its Framework.</p> <p>The Tax and Treasury Committee (the “Committee”) at SSE, led by the Finance Director, oversee the evaluation and selection process for eligible projects.</p> <p>This Committee comprises of representatives from essential SSE departments, namely Corporate Finance, Group Treasury, and Tax, responsible for managing liquidity and funding structures within the company.</p> <p>The Committee meets on an annual basis and holds the final authority to assess all completed projects within the last 36 months, projects in the pre-construction or construction phase, and to evaluate new projects that may qualify for financing under the Green Financing Framework.</p> <p>The selection criteria used by the Committee to determine if a project is eligible are as follows:</p> <ul style="list-style-type: none"> ▪ It must contribute to a positive environmental impact; ▪ It must support SSE’s commitment to the ongoing reduction of the carbon intensity of its electricity generation; and ▪ It must support SDG #13 (Climate Action). <p>In the Framework, and to further mitigate potential risk, SSE has also stated that for any investment exceeding GBP 10 million, they will go to its Tax and Treasury Committee and will also review the investment against SSE’s “Large Capital Project Governance Framework”.</p> <p>This Framework employs a gate process to ensure consistent and effective governance, development, approval, and execution of large capital investment projects. This gate process includes 5-steps:</p>

				<ul style="list-style-type: none"> • Opportunity Assessment: This relates to developing, assessing and selecting Business opportunities. • Development: This phase is where project opportunities are further assessed and defined. • Refinement: The selected option is further developed to allow full assessment and viability of the technology and execution of the Project. • Execution: The approved option is designed in detail, procured, constructed and commissioned. • Operate & Evaluate: The asset is handed over to Operations and its performance and financial returns are evaluated against the Business Case <p>The above process is driven by SSE Governance teams, (including the SSE plc Board, Group Executive Committee), Project Review Boards and individual Project Teams.</p> <p>SSE may update its project selection criteria in accordance with any developments in SSE's own sustainability and environmental policies.</p> <p>DNV concludes there is a robust decision-making process behind the approval of any Eligible Green Category and the associated projects, taking into account a comprehensive set of parameters as outlined in the Framework.</p> <p>We can also confirm that projects to be (re)-financed by future issuances will be appropriately evaluated, selected, managed, and reported on as outlined within SSE's Framework, and that they meet the requirements as required under the GBPs and the GLPs.</p>
--	--	--	--	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

2b	Issuer's environmental, social and governance framework	In addition to the information disclosed by an issuer on its Bond/Loan process, criteria and assurances, Bond/Loan investors may also take into consideration the quality of the issuer's overall framework and performance regarding sustainability.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework 	<p>DNV has reviewed evidence showing that this process will be supported by a governance framework.</p> <p>The Committee will conduct an annual assessment of ownership of existing projects covered by the Green Financing Framework, as well as potential new projects that could be included for future Green Financing refinancing.</p> <p>Projects and their risk, are also evaluated against SSE's internal sustainability and environmental policies, their ability to reduce the carbon intensity of SSE's electricity generation, and their ability to support the delivery of the UN SDG Goal #13 on climate change.</p> <p>The evidence reviewed gives DNV the opinion that the Framework is in line with SSEs wider approach to managing environmental and social sustainability.</p>
----	---------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of a Bond/Loan should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Sustainability Projects.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework 	<p>The proceeds from the financing will be allocated to the refinancing of the projects, to the level of capital expenditure spent at the time of settlement. This will be allocated on a monthly basis to projects to cover ongoing capital expenditure by the Treasury Committee.</p> <p>Auditors or any other third party appointed by SSE will independently verify the internal tracking method and the allocation of funds from the green financing instruments to the Eligible Green Projects.</p> <p>DNV finds that SSE has made appropriate plans to track the use of proceeds and that this is attested to by an internal process, further ratified by auditors or any other third party.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3b	Tracking procedure	So long as the Bond/Loans are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green or social investments or loan disbursements made during that period.	In addition to reviewing the evidence below, we had several detailed discussions with SSE: <ul style="list-style-type: none"> ▪ SSE Sustainability Financing Framework 	DNV can conclude that SSE has an internal process in place for tracking the balance of the proceeds taking into any disbursements.
3c	Temporary holdings	Pending such investments or disbursements to eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	In addition to reviewing the evidence below, we had several detailed discussions with SSE: <ul style="list-style-type: none"> • SSE Sustainability Financing Framework 	For the proceeds that cannot be allocated to refinancing of projects at settlement, SSE will temporarily hold the funds in either ring-fenced deposits within its relationship banking group or liquid money market fund. Funds held on deposit will be monitored by the Tax and Treasury Committee led by the Finance Director of SSE until fully allocated. DNV can conclude that SSE has appropriately disclosed how it will manage any unallocated proceeds.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond/Loan and where appropriate Bond/Loan proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	In addition to reviewing the evidence below, we had several detailed discussions with SSE: <ul style="list-style-type: none"> • SSE Sustainability Financing Framework • SSE's Green Bond Report 2023 (Annual Green Bond Report) (Link) 	Allocation reporting of proceeds will be made available by SSE to investors/lenders within one year from the date of issuance. Within the first report after issuance, allocation of proceeds will be shown up to the level of refinancing capital expenditure on projects already spent. Any unallocated proceeds that remain on deposit will be reported by SSE in the following year. Annual reporting will take place subsequently. Where SSE refinances its equity share within a joint venture, the Company will be reported on an equity stake basis. Should there be any variance in the initial allocation reporting, such as divestments, SSE will update the allocation report within one year.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Auditors or any other third-party appointed by SSE will independently verify the internal tracking method and the allocation of funds from the Green Financing proceeds to the Eligible Green Projects.</p> <p>Impact reporting will also take place annually, until the maturity of the green financing. SSE will report on the environmental impact of each eligible green category and the projects within this. The company has outlined in its Framework, the potential environment metrics that it may use, to report on the impact of the related Eligible Green Projects financed under each project.</p> <p>For financing done under this Framework by any of SSE's subsidiaries, SSE will include within the allocation and impact report, information corresponding to the Eligible Green Projects financed by the subsidiaries.</p> <p>DNV can confirm SSE's commitment to producing appropriate and transparent reporting on both the allocation and environmental impacts of the financing, and that this meets the requirements of the relevant GBPs and the GLPs.</p>

SCHEDULE 4: SUSTAINABILITY-LINKED BOND AND LOAN ELIGIBILITY ASSESSMENT PROTOCOL

1. Selection of Key Performance Indicators (KPIs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	KPI – material to core sustainability and business strategy	The issuer's sustainability performance is measured using sustainability KPIs that can be external or internal.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p>	It is in our opinion that the three KPIs SSE has selected are material to the business and aligned to the Company's commitment to delivering its long-term objective to achieve net-zero by 2050, targeting the generation of electricity from renewable sources and the decarbonisation of its own activities, for the relevant KPIs.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>The KPIs should be material to the issuer’s core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector and be under management’s control. The KPI should be of high strategic significance to the issuer’s current and/or future operations.</p> <p>It is recommended that issuers communicate clearly to investors the rationale and process according to which the KPI(s) have been selected and how the KPI(s) fit into their sustainability strategy.</p>	<ul style="list-style-type: none"> • SSE Sustainability Financing Framework • SSE Annual Report 2023 (Link) • SSE Sustainability Report 2023 (Link) • SSE Net Zero Transition Plan: “Progresing Towards Net Zero” (Link) 	<p>The KPIs selected are also of high strategic significance to SSE’s current and future operations. They address the relevant ESG challenges and risks to the business that are within SSE’s control. We can also confirm that the three KPI’s commit the business to future sustainability improvements within predefined timelines and are reviewed at least annually by SSE.</p> <p>As a significant producer of electricity, SSE bears the responsibility to lower its carbon intensity following a trajectory that aligns with the Paris Agreement and adheres to climate science. Also, SSE’s carbon intensity serves as a crucial metric to gauge its progress toward complete decarbonisation by 2050, at the latest. Emphasising renewable energy sources, especially onshore and offshore wind, is at the core of SSE’s business strategy.</p> <p>Based on the work undertaken, DNV can confirm that the KPI’s are relevant, core and material to the Group’s overarching corporate strategy. The rationale and process for KPI selection, as well as the definition, measurability and verifiability, are clearly defined and presented within the Framework.</p> <p>In conclusion, the KPIs set out by SSE are consistent with the SLBP and SLLP, and are material to The Company’s overarching ESG strategy.</p>
1b	KPI - Measurability	<p>KPIs should be measurable or quantifiable on a consistent methodological basis; externally verifiable; and able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPTs level of ambition.</p> <p>Issuers are encouraged, when possible, to select KPI(s) that they have already included in their previous</p>	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE. Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Annual Report 2023 (Link) • SSE Net Zero Transition Plan: “Progresing Towards Net Zero” (Link) • SSE Sustainability Financing Framework • SSE Sustainability Report 2023 (Link) 	<p>It is in our opinion that the three KPIs chosen by SSE are measurable, quantifiable, and can be benchmarked against industry standards and/or peers operating in the same sector. The KPIs summarised below are either in alignment with the UN Sustainable Development Goals (SDGs), industry standards, or UK/EU environmental objectives:</p> <p>KPI 1 – Scope 1 GHG intensity of electricity generated</p> <ul style="list-style-type: none"> • SDG alignment - Goal #13 (Climate Action) • Paris-aligned and set in accordance with the SBTi methodology • Details for the assurance and disclosure approach used by SSE plc to report on Scope 1 intensity during 2022/23 (1 April 2022 to 31 March 2023) can be found in SSE’s GHG and Water Criteria.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>annual reports, sustainability reports or other non-financial reporting disclosures to allow investors to evaluate the historical performance of the KPIs selected.</p> <p>In situations where the KPIs have not been previously disclosed, issuers should, to the extent possible, provide historical externally verified KPI values covering at least the previous 3 years.</p>		<p>KPI 2 - Renewable energy output</p> <ul style="list-style-type: none"> Paris aligned and set in accordance with the SBTi methodology Details for the disclosure approach used by SSE plc for renewable energy output can be found in SSE's GHG and Water Criteria. <p>KPI 3: Absolute scope 1 and scope 2 GHG emissions</p> <ul style="list-style-type: none"> Paris aligned and set in accordance with the SBTi methodology SDG alignment – Goal #13 (Climate Action) Details for the assurance and disclosure approach used by SSE plc to report on GHG emissions during 2022/23 (1 April 2022 to 31 March 2023) as a result of operational activities undertaken by the SSE Group can be found in SSE's GHG and Water Criteria. <p>From the documents assessed we can confirm:</p> <ul style="list-style-type: none"> A clear baseline year has been set for each target. Each KPI is externally verifiable against the applicable national or international reporting standards and frameworks (e.g., GHG Protocol and the SBTi guides; UN SDGs), and Each year SSE will get the data assured by a third party, and will release a statement available on its website, and in its annual Sustainability report, to verify this has taken place. <p>DNV can confirm that the measurability of the three KPI's are clearly defined, and information on this will be published in the Group's website.</p>
1c	KPI – Clear definition	A clear definition of the KPI(s) should be provided and include the applicable scope or perimeter, as well as the calculation methodology	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Annual Report 2023 (Link) SSE Sustainability Financing Framework 	<p>It is DNV's opinion that SSE has provided and included the applicable scope, parameters, and calculation methodology where relevant as required under the SLBP and SLLP, for all three KPI's:</p> <p>KPI 1 – Scope 1 GHG intensity of electricity generated:</p> <ul style="list-style-type: none"> SSE has provided a baseline for the purposes of their reporting of 307g CO₂e/kWh in 2017/18 The intensity ratio is based on:

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> SSE Sustainability Report 2023 (Link) SSE Net Zero Transition Plan: "Progresing Towards Net Zero" (Link) 	<ul style="list-style-type: none"> SSE's total scope 1 GHG emissions in carbon dioxide equivalent (CO₂e); and The total output from SSE's electricity generation, both thermal (coal, oil, gas, biomass, multifuel) and renewables (onshore and offshore wind, solar, hydro and pumped storage). <p>KPI 2 – Renewable energy output:</p> <ul style="list-style-type: none"> SSE has provided a baseline for the purposes of their reporting of 9,824 GWh in 2017/18 The total output from SSE's renewable energy electricity generation takes into account onshore and offshore wind (including constrained-off wind in GB), biomass, solar, hydro and pumped storage. <p>KPI 3: Absolute scope 1 and scope 2 GHG emissions:</p> <ul style="list-style-type: none"> SSE has provided a baseline for the purposes of their reporting of 11.06 million tonnes CO₂e in 2017/18 This GHG emissions reduction trajectory is aligned with the Paris Agreement and a 1.5°C pathway. <p>DNV can confirm that the scope, parameters, and calculation methodology for the three KPI's are clearly defined within the Framework and meet the criteria set out by the SLBP and SLLP.</p>

2. Calibration of Sustainability Performance Targets (SPTs)

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Target Setting - Meaningful	The SPTs should be ambitious, realistic, and meaningful to the issuer's business and be consistent with the issuers' overall strategic sustainability/ESG strategy.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p>	After reviewing the evidence provided, DNV can confirm that the selected KPI's outlined in 1a, are aligned with the following three SPT's set out below, and that they are meaningful, i.e. they help SSE address key environmental challenges

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
			<ul style="list-style-type: none"> SSE Sustainability Financing Framework SSE Sustainability Report 2023 (Link) SSE Standard Fuel Mix (Link) SSE “Our Renewable Electricity” (Link) SSE Net Zero Transition Report 2023 (Link) 	<ul style="list-style-type: none"> SPT 1: Reduce the carbon intensity of electricity generated by 80% by 2030, compared to 2017/18 levels, to 61.4gCO₂e/kWh. SPT 2: Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030. SPT 3: Reduce absolute Scope 1 and 2 GHG emissions 72.5% by 2030 from a 2017/18 base year. <p>DNV can confirm that the above SPT’s will help SSE in its commitment to achieving 2030 goals, supporting science based absolute carbon emissions target and that all three SPTs are consistent with SSE’s overall ESG strategy.</p>
2b	Target Setting - Meaningful	SPTs should represent a material improvement in the respective KPIs and be beyond a “Business as Usual” trajectory; where possible be compared to a benchmark or an external reference and be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework SSE Sustainability Report 2023 (Link) SSE Standard Fuel Mix (Link) SSE “Our Renewable Electricity” (Link) SSE Net Zero Transition Report 2023 (Link) 	<p>Having reviewed the evidence provided, DNV can confirm that all SPTs represent a material improvement in the respective KPIs, are appropriately tied to a predetermined performance target benchmark, and that the SPTs are above a “Business as Usual” trajectory.</p> <p>DNV can confirm that each SPT is aligned with as much as possible, either science (SBTi guidelines) or aligned to sector specific goals to decarbonise the grid.</p> <p>We conclude that SSE has set out a clear calculation methodology for its SPTs, provided historic data (where viable), and that is in line with the bond and loan characteristics of the SLBP and SLLP.</p>
2c	Target Setting – benchmarks	<p>The target setting exercise should be based on a combination of benchmarking approaches:</p> <ol style="list-style-type: none"> The issuer’s own performance over time for which a minimum of 3 years, where feasible, of measurement track record on the selected KPI(s) is recommended and when possible forward-looking guidance on the KPI. The SPTs relative positioning versus the issuer’s peers where comparable 	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework SSE Sustainability Report 2023 (Link) 	<p>DNV can confirm SSE has demonstrated evidence of historic performance data for the SPTs where viable. Based on the peer and industry analysis provided, we conclude that the targets are leading or in line with peers or when assessed against relevant industry standards:</p> <ul style="list-style-type: none"> SPT 1 is aligned with SSE’s long-term target to be net-zero by 2050, and to reduce its own operational carbon emissions in line with science. This target is set to be SBTi approved by the

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<p>or available, or versus industry or sector standards.</p> <p>3. Systematic reference to science-based scenarios, or absolute levels (e.g., carbon budgets) or official country/regional/international targets or to recognised Best-Available-Technologies or other proxies.</p>	<ul style="list-style-type: none"> SSE Standard Fuel Mix (Link) SSE “Our Renewable Electricity” (Link) SSE Net Zero Transition Report 2023 (Link) 	<p>year 2024. SSE has tracked the data since 2017/18 and aligns with peer benchmarks for the reduction of Scope 1 emissions.</p> <ul style="list-style-type: none"> SPT 2 supports the SSE’s long-term objective to increase installed renewable generation capacity. SSE has tracked the data since 2017/18 and aligns with peer benchmarks for the production of renewable energy. SPT 3 supports to SSE’s long-term Net-Zero Transition plan focuses urgently on actions to reduce emission. SSE has tracked the data since 2017/18.
2d	Target setting – disclosures	<p>Disclosures on target setting should make clear reference to:</p> <ol style="list-style-type: none"> The timelines of target achievement, the trigger event(s), and the frequency of SPTs Where relevant, the verified baseline or reference point selected for the improvement of the KPIs as well as the rationale for that baseline or reference point to be used Where relevant, in what situations recalculations or pro-forma adjustments of baselines will take place Where possible and taking into account competition and confidentiality considerations, how the issuers intend to reach such SPTs 	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework SSE Sustainability Report 2023 (Link) SSE Standard Fuel Mix (Link) SSE “Our Renewable Electricity” (Link) SSE Net Zero Transition Report 2023 (Link) 	<p>DNV can confirm that the relevant disclosures on target setting are described within the Framework, within a predefined timeline, and that SSE has committed to relevant disclosures and target setting. Timelines to achieve each target are clearly referenced for all three KPIs in the short-term (2024), medium-term (2030) and long term (2050) - and complies with recognised standards.</p> <p>Where relevant, KPI’s are to be measured and reported against a baseline year:</p> <ul style="list-style-type: none"> SPT 1: baseline year of 2017/2018 according to the SECR methodology; aligns with the SBTi guidelines and the UK Net Zero ambition. SPT 2: related to SSE’s energy portfolio that generates renewable electricity SPT 3: Action SSE intends to take in order to reduce its scope 1 and 2 GHG emissions <p>DNV can confirm that each SPT is aligned with science or industry standards, has a clear calculation methodology in place, that historic performance has been outlined, and where relevant, are set on a predefined timeline.</p> <p>Exact targets for a specific transaction would need to be included in the relevant linked bond or loan documentation.</p>

3. Financial Characteristics

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Bond or Loan Characteristics – SPT Financial/structural impact	The SLB/SLL will need to include a financial and/or structural impact involving trigger event(s) based on whether the KPI(s) reach the predefined SPT(s).	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> SSE Sustainability Financing Framework 	<p>DNV can confirm that SSE can use on, all or a selection of KPIs and/or SPT's in a relevant Sustainability-Linked instrument.</p> <p>In the occurrence of a Trigger Event, there will be a modification in the coupon rate or margin, or an additional premium payment. A Trigger Event will take place if one or more of the selected KPIs fail to achieve the specified Sustainability Performance Target (SPTs) on the designated observation date.</p> <p>Likewise, the funds raised from SSE's Sustainability-Linked Loans will also serve general corporate purposes and incorporate a sustainability-linked aspect. If a Trigger Event occurs, there will be an adjustment in the margin or an additional premium payment.</p> <p>The precise details pertaining to the relevant KPIs, SPTs, and step-up margin amount (if applicable) will be explicitly outlined in the documentation for each specific transaction. It is important to note that a given Sustainability-Linked transaction can only undergo a maximum of one step-up margin or margin adjustment throughout its duration.</p> <p>We can confirm SSE's commitment to the linked bond and loan characteristics is in line with the requirements of the SLBP and SLLP.</p>

4. Reporting commitments

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Reporting	Issuers of SLB/SLLs should publish, and keep readily available and easily accessible:	In addition to reviewing the evidence below, we had several detailed discussions with SSE.	We can confirm that SSE has committed to reporting annual progress against the KPIs which is verified externally and available on SSE's website.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
		<ol style="list-style-type: none"> 1. Up-to-date information on the performance of the selected KPI(s), including baselines where relevant 2. A verification assurance report relative to the SPT outlining the performance against the SPTs and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics 3. Any information enabling investors to monitor the level of ambition of the SPTs <p>This reporting should be published regularly, at least annually, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the SLB and/or SLL's financial and/or structural characteristics.</p>	<p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Annual Report 2023 (Link) • SSE Sustainability Financing Framework • SSE's Green Bond Report 2023 (Annual Green Bond Report) (Link) 	<p>The reporting may include:</p> <ul style="list-style-type: none"> • Up-to-date information on the performance of the selected KPI, including the baseline where relevant • A verification assurance report relative to the KPI outlining the performance against the SPT, and/or • Any relevant information enabling investors to monitor the progress of the KPI and the SPT <p>Information may also include, when feasible and possible:</p> <ul style="list-style-type: none"> • A qualitative or quantitative explanation of the contribution of the main factors behind the evolution of the KPI or SPT on an annual basis • Illustration of the positive sustainability impact of the performance improvement, and/or • Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant. <p>It is in DNV's opinion that SSE has appropriately committed to reporting and that it is in line with the requirements of the SLBP and SLLP.</p>
4b	Second Party Opinion	Publication of any pre-issuance external review, such as a second party opinion, or if relevant a verification of baselines.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Sustainability Financing Framework 	<p>SSE has committed to conducting a Second Party Opinion on the Framework meeting the ICMA and LMA criteria. This includes an assessment of the KPIs selected, baselines and SPTs selected, and the credibility of the strategy to achieve them.</p> <p>DNV can confirm the pre-issuance of any publication is in line with the requirements of the SLBP and SLLP.</p>

5. Verification

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
5a	External Verification	Issuers should have their performance against each SPT for each KPI independently verified by a qualified external reviewer with relevant expertise, at least once a year, and for each SPT trigger event.	<p>In addition to reviewing the evidence below, we had several detailed discussions with SSE.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • SSE Sustainability Financing Framework 	<p>SSE commits to progress against the KPIs will be verified by external auditors and available on SSE's website.</p> <p>A verification assurance certificate confirming whether the performance of the KPI meets the relevant SPT will be published on SSE's website following a relevant target observation date.</p> <p>DNV can confirm SSE's commitment to verification is in line with the requirements of the SLBP and SLLP.</p>