



SUSTAINABILITY STATEMENT

For the first half of financial year 2019/20

SSE's vision and purpose has hardwired into its business strategy the transition to a low-carbon economy. With its core competencies focussed on developing and operating the energy assets that will help deliver a net zero economy by 2050, SSE's future commercial success is intrinsically linked to the global imperative to prevent dangerous climate change.

This short statement reports the progress SSE has made in the first six months of the financial year 2019/20 against its 2030 Goals (see below) which are aligned to the UN's Sustainable Development Goals (SDGs) 13, 7, 9 and 8, and its most material sustainability impacts.

SSE's 2030 Goals



Cut our carbon intensity by 50%

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



Treble renewable energy output

Develop and build by 2030 enough renewable energy to treble renewable output to 30TWh a year.



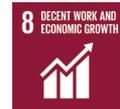
Help accommodate 10m electric vehicles

Build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in GB by 2030.



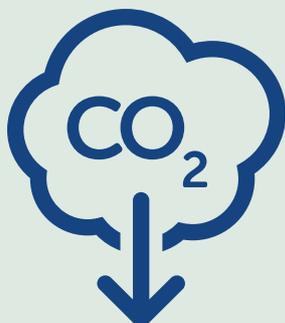
Champion Fair Tax and a real Living Wage

Be the leading company in the UK and Ireland championing Fair Tax and a real Living Wage.





CLIMATE ACTION



Cut carbon intensity by 50%

SSE will reduce the carbon intensity of electricity generated by 50% by 2030, based on 2018 levels, to around 150gCO₂e/kWh.

Carbon intensity for the first half of 2019/20: 261gCO₂e/kWh

In comparison to the first half of 2018/19, SSE's carbon intensity fell by 18% (2018/19: 319gCO₂e/kWh). SSE's carbon intensity is influenced by two factors: its total generation output and the total carbon emissions from its thermal generation activities. The fall in SSE's carbon intensity compared with the same period in 2018/19 is due to a higher proportion of electricity generated from renewable sources and a lower proportion of electricity generated from thermal sources. This also meant that SSE's total generation carbon emissions in this period fell by around 27%.

While the disclosure of SSE's half-year carbon intensity performance is important, it is not necessarily indicative of 2019/20 full-year performance. As outlined in its 2018/19 Sustainability Report, SSE does not expect the achievement of its 2030 carbon intensity target to follow a linear trajectory. Over the second half of 2019/20, SSE expects that using the remaining stocks of coal at Fiddler's Ferry to generate electricity before the station closes in March 2020 will impact SSE's 2019/20 full-year carbon intensity performance. The closure of Fiddler's Ferry will mean SSE is no longer involved in generating electricity from coal.

Coal generation coming to an end in SSE's portfolio

In June 2019, SSE announced the proposed closure of Fiddler's Ferry, its last remaining coal-fired power station, with a capacity of 1,510MW. Following completion of consultation with employees and trade unions, SSE has now confirmed the station will close by 31 March 2020.

SSE employs 158 people at the site, and following collective consultation on the proposed closure, is seeking to redeploy employees where possible. A number of existing employees will have a continuing role in managing the decommissioning of the plant and, finally, SSE will offer voluntary redundancy on enhanced terms.

Leading the industry on SF₆ free technology

SSE's regulated electricity networks business, Scottish and Southern Electricity Networks (SSEN), has become the first UK transmission owner to energise sulphur hexafluoride (SF₆) gas-free technology. The innovative circuit breakers installed at its substation in Dunbeath, north of Scotland, are the first of their kind in the UK. SSEN seeks to demonstrate this viable alternative to SF₆ across the electricity industry. Cleaning up the gases it uses to operate its critical transmission infrastructure, is a key way in which SSEN aims to reduce its GHG emissions, which is one of the five ambitious goals it has set for the next price control (RIIO-T2).

Increasing climate-related disclosure

SSE seeks to continuously improve the quality of its climate-related disclosures to allow its stakeholders to understand the impacts of climate change on its business. As well as its annual response to the CDP Climate Change Programme, SSE published the potential financial impact of climate-related risks and opportunities in its Sustainability Report in June 2019.

These disclosures contribute to SSE's commitment to meet the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in full by March 2021. SSE will also publish an analysis of its gas businesses' resilience to different warming scenarios in November 2019.



AFFORDABLE AND CLEAN ENERGY

Significant success in the 2019 CfD Auction

SSE Renewables secured Contracts for Difference (CfDs) to build 2.2GW (Seagreen (454MW, SSE share = 100%) and Dogger Bank (3,600MW, SSE share = 50%)) of new offshore wind capacity through the Allocation Round in September 2019. The wind farms will be delivered at record low strike prices, demonstrating that offshore wind is now one of the cheapest forms of electricity generation in the UK. Once completed, the wind farms as a whole will generate over 20TWh of energy annually, equivalent to nearly 7% of the UK's current electricity demand.

Following the CfD allocation, SSE announced it has plans underway to build Seagreen out to 1,075MW and remains committed to progressing Viking Wind Farm (457MW), despite the project not being awarded a CfD.

Creating value through sustainable finance

In 2018/19, SSE entered a £1.3bn Sustainable Revolving Credit Facility (RCF), linking an improved ESG performance to the pricing mechanism. SSE's target was to achieve a 5-point improvement through ESG ratings provider Vigeo Eiris. Its score improved by 11 points from 2018, from 51 to 62, which means the cost of debt on the RCF will be reduced.

In September 2019, SSEN's Transmission business issued its inaugural green bond worth £350m. This follows SSE's previous two green bonds of a combined €1.25bn issued in 2017 and

2018, and affirms SSE as the largest issuer of green bonds in the UK corporate sector. These green bonds help SSEN Transmission and the SSE group as a whole take a leading role in supporting the transition towards a low-carbon future through continued investment in renewable energy generation and the infrastructure needed to transport it to homes and businesses across the country.

Leading partnership with Citizens Advice Scotland

In June 2019, Scottish and Southern Electricity Networks (SSEN) and Citizens Advice Scotland announced a first-of-its-kind partnership to launch a new energy advisor programme which supports vulnerable households in some of the most fuel poor regions of Scotland.

Funding was provided by SSEN's Distribution business for four specialist energy advisors located in Shetland, the Western Isles, Aberdeenshire and Sutherland, where fuel poverty levels are around double the Scottish national average. Whilst the main aim of this partnership is to help people out of fuel poverty, there are also wider societal benefits, with the advisors able to offer a whole package of care and support through the Citizens Advice Bureaux network that will improve energy efficiency and wider welfare too. In the first three months of operation, the advisers supported 156 households and reduced payments by around £14,000 as a result of savings and refunds.



Treble renewable energy output

SSE will develop and build by 2030 enough renewable energy to treble renewable output to 30TWh a year.

Renewable energy generation in the first half of 2019/20: 4,045GWh

SSE's renewable generation output for the first half of 2019/20 increased by 23% compared to the same period the previous year (2018/19: 3,278GWh). SSE benefited from wetter and windier weather conditions and this increase was also due to the completion of Stronelairst onshore wind farm (222MW, SSE share 50.1%) and Beatrice offshore wind farm (588MW, SSE share 40%). Beatrice offshore wind farm reached full operation in May 2019.



INDUSTRY, INNOVATION AND INFRASTRUCTURE

A Network for Net Zero

SSEN's Transmission business has developed its Business Plan for the future of the north of Scotland electricity transmission system in 2021-2026. 'A Network for Net Zero' sets out a pathway for the north of Scotland to play its role in limiting global temperature increases to 1.5 degrees. The plan commits to five clear goals: transport the renewable energy that powers 10m homes; 100% network reliability for homes and businesses; every connection delivered on time; one third reduction in Transmission's own GHG emissions; and delivering £100m in efficiency savings from innovation.

In the first half of 2019/20, SSEN Transmission published its draft plan and has been formally engaging with stakeholders on the plan development. A final plan will be submitted to Ofgem in December 2019.

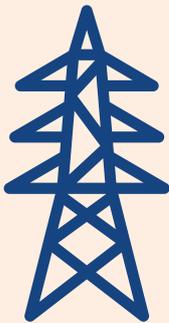
Committing to EV100 and EP100

In July 2019, SSE took a major step to reduce its operational carbon emissions by joining The Climate Group's global EV100 initiative and committing to electrify its vehicle fleet. SSE operates the 7th largest fleet in the UK and by 2030 will switch 3,500 of its vehicles to electric and install charging points for its employees to use. SSE has already installed over 50 charging points across 20 of its national locations.

As well as signing up to EV100, through The Climate Group's EP100 initiative, SSE committed to double its energy productivity by 2030 from a 2010/11 baseline. SSE has invested £12.3m on energy efficiency measures in its buildings and depots, leading to annual operational savings of around £3m which goes back into the projects. These include increased digitalisation and transitioning to cloud-based computing, which resulted in energy use at SSE's data centre sites drop by 22% since 2016.

Digital solutions to the low-carbon transition

SSE Enterprise's Distributed Energy business has teamed up with Smarter Grid Solutions (SGS), a clean energy software company, to develop a new 'energy as a service' digital platform. The system will bring together SGS's distributed energy resource management system software and SSE Enterprise's capabilities in distributed energy generation, EV infrastructure, private electricity networks and heat networks under one platform. This will allow real time control of local energy generation and consumption, which is playing an increasingly vital role in the UK's journey to a low-carbon economy. As energy demand increases through the electrification of services, such as transport and heat, the need for responsive energy asset control to manage the growth in variable renewables.



Help accommodate 10m electric vehicles

SSE will build electricity network flexibility and infrastructure that helps accommodate 10 million electric vehicles in Great Britain by 2030.

Ensuring SSEN is ready to accommodate its share of the 10m EVs expected on GB roads in 2030 requires the development of policy, technology, price charging signals, amongst many other preparations. In the first six months of 2019/2020, the following progress was made:

- A strategic partnership was formed by SSEN with the Scottish Government, Transport Scotland and SP Energy Networks to trial projects which widen access to EV charging networks;
- To ensure that future charging regimes for EV customers accessing the electricity network are both efficient and fair across to all customers, SSEN is an active participant in the industry 'Charging Futures Forum'. This group helps to steer charging reforms and are expected to lead to significant changes to the ways customers interact with the energy system.
- SSEN commenced a review of EV user data from the latest innovation projects in preparation for engaging EV users on their views on governance needed for any DNO-led demand side response.



Champion Fair Tax and a real Living Wage

SSE will be the leading company in the UK and Ireland championing fair tax and a real Living Wage.

Fair Tax: SSE continued to champion fair tax in the first half of 2019/20. Advocacy has included: sponsorship of the Fair Tax conference, where SSE's Head of Tax spoke about the importance of corporations being proud to say what they pay; and supporting the Fair Tax Parliamentary Reception, at which SSE's Finance Director spoke about SSE's support for the fair tax movement. SSE expects to be reaccruited with the independent Fair Tax Mark for the sixth consecutive year before the end of 2019, when it will also publish its fourth Talking Tax booklet outlining in detail what taxes SSE's pay and where.

Real Living Wage: SSE celebrated six years of Living Wage accreditation in the UK in the first half of 2019/20. It continued to demonstrate its commitment to the Living Wage, sitting on the Living Wage Scotland Leadership Group with plans to support activities for the 2019 Living Wage Week. In addition to this, SSE announced its commitment to become one of the first Living Hours accredited employers in the UK, which sets the standards on responsible working hour practices. SSE's HR Director spoke at the official launch of Living Hours and SSE continued to sit on the Living Hours Steering Group.

Investing in local communities

SSE's community investment funds play a key role in funding transformative local and regional projects. In August 2019, SSE published its sixth Community Investment Annual Review. This report provides best-in-class disclosure and detail on the 413 projects supported by the £6.6m of community funds granted by SSE Renewables over 2018/19. SSE also achieved a number of community fund milestones in the first half of 2019/20, including £1m awarded by the Clyde Wind Farm Sustainable Development Fund and the launch of the £9.6m Clyde Extension Fund.

A more inclusive and diverse SSE

In the first half of 2019/20, SSE continued to focus on the three areas it believes will drive more diversity:

1. **Flexible working** – SSE's flexible working campaign was relaunched. 61% of employees now say they can work differently (2018: 44%).
2. **Challenge traditional thinking** – work is ongoing to move from recruiting for skills (can be developed) to innate strengths (something people do well and enjoy) for the 2020 engineering apprentice intake.
3. **Opportunities open to all** – over 85% of roles were openly advertised.

Over the second half of 2019/20, SSE will publish a new report focused on social mobility, run its annual 'return on inclusion' analysis and further promote its new intranet site dedicated to inclusion and diversity for all employees.

Understanding employee engagement

Employee engagement is a good indicator of how committed employees feel to achieving business goals. In September 2019, 76% of SSE's employees (excluding SSE Energy Services, which is held for sale) participated in the Great Place to Work employee survey. SSE's headline employee engagement score was a credible 76%, which indicates that its employees are adopting and adapting well to SSE's new operating model which has been implemented over the last year. SSE will publish a short report with detail on these results later in 2019/20.

DO NO HARM

Underpinning SSE's sustainability approach is its uncompromising commitment to 'do no harm' to people, places and planet by focusing on health and safety, protecting human rights and protecting, restoring and enhancing the natural environment.

Continued strong safety performance

SSE continued to make significant progress in meeting its '50by20' safety target to halve its combined employee and contractor total recordable injury rate (TRIR) per 100,000 hours worked by 2020/21 compared to 2016/17. SSE's rolling combined TRIR per 100,000 hours worked was significantly lower in the first half of 2019/20 compared to the same period last year, at 0.13 compared to 0.20, meaning SSE is ahead of its 2019/20 target of achieving a combined TRIR of <0.15. Most importantly, 16 more people went home safely than in the same period last year and there were zero life-changing injuries in this period.

Strengthened approach to modern slavery

In the first half of 2019/20, SSE published its fourth annual Modern Slavery Statement which details actions taken to help mitigate the risk of modern slavery and human rights abuses within its direct operations and its supply chain. Actions taken include: the introduction of modern slavery checklists for on-site audits; a desk-based risk assessment

of all expenditure; a detailed risk assessment of strategic suppliers; robust human resources processes including right to work checks; a commitment to paying the real Living Wage; supplier registration systems which explicitly include human rights considerations; a Modern Slavery Clause in all contracts; human rights training; and an independent whistleblowing channel.

Driving environmental improvements

SSE has continued to develop its new Group Environment Strategy. Group-wide goals are now underpinned by business unit-specific plans that focus on the three key areas of: climate action, responsible consumption and production and the natural environment. Each of the SSE business units are implementing their own specific plans to improve environmental performance. For example, SSEN's Transmission business is making excellent progress on setting a science-based target and has published an innovative approach to deliver its biodiversity net gain targets.

PRIORITIES FOR SECOND HALF OF 2019/20

Net zero emissions

With momentum building within the UK for the practical implementation of policies that will deliver the new Net Zero Carbon target for 2050, SSE seeks to positively contribute to that policy development process. An important milestone will be the finalisation of SSE's own science-based target in 2020, and the publication of a net zero transition path.

Living Hours

SSE is a founding supporter of a 'Living Hours' accreditation scheme established by the Living Wage Foundation. Living Hours is the antidote to the problem of exploitative zero-hour contracts and SSE seeks to use its weight as a leading UK company, with a significant supply chain, to bring about socially desirable outcomes that contribute to the sustainability of the wider economy. It is hoped that a methodology for wider accreditation will be complete in the first half of 2020.

The Future of the Corporation

SSE is a corporate partner in The Future of the Corporation research project and programme that is organised by the UK's national body for humanities and social sciences, the British Academy. It seeks to solve the problem of the erosion of public trust in big business. The findings so far challenge conventional wisdom and propose that purpose needs to come ahead of profit and that the purpose of business should provide profitable solutions to the problems of people and planet. The second phase of research is expected late 2019 and SSE will continue to support the project through its public engagement phase.

COP26

Up to 30,000 people will converge on the UN climate change summit COP26 in November 2020, with Glasgow nominated to host the main summit and Italy to host the prep events. SSE is offering its full support to the UK Government's preparations and will be focused over the second half of 2019/20 on working collaboratively to showcase how private investment, coupled with an ambitious policy framework, is making real inroads to solving one of the UK's biggest challenges.