

PRINCIPAL PARTNER
**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**
IN PARTNERSHIP WITH ITALY

POWERING CHANGE

SUSTAINABILITY SUMMARY FOR
THE YEAR TO 31 MARCH 2021



PROVIDING SOLUTIONS FOR PEOPLE AND PLANET

SSE understands that a purpose-led business is one that offers profitable solutions to the world's problems; and in fulfilling its purpose, it is more likely to be a sustainable business in the long run. In building a better world of energy for tomorrow, SSE seeks to create value simultaneously for both shareholders and society.

The UN's Sustainable Development Goals (SDGs) are the blueprint for addressing global challenges, including climate change, and therefore SSE's four 2030 business goals are aligned to the UN's SDGs most material to its business.


This short report provides a summary of SSE's sustainability impacts over 2020/21. More information about SSE's sustainability performance can be found at sse.com/sustainability and in its Annual Report 2021 and Sustainability Report 2021, which will be published on 18 June 2021.

SSE welcomes and encourages feedback on this statement and its approach to sustainability. You can get in touch with feedback and comments by emailing sustainability@sse.com.




SSE'S BUSINESS GOALS FOR 2030

Cut carbon intensity by 60%




Reduce the carbon intensity of electricity generated by 60% by 2030, compared to 2017/18 levels.




Treble renewable energy output




Develop and build by 2030 more renewable energy to contribute renewable output of 30TWh a year.



Help accommodate 10m electric vehicles



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



Champion Fair Tax and a real Living Wage



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



TAKING MEANINGFUL CLIMATE ACTION

SSE's 2050 net zero ambition

In October 2020, the SSE plc Board agreed the long-term ambition of achieving net zero carbon emissions across all its operations by 2050 at the latest, covering both SSE's direct and indirect emissions (also known as scope 1, 2 and 3 GHG emissions). At the same time, SSE joined 'Race to Zero', a global campaign which aims to rally leadership from businesses, cities, regions and investors to achieve net zero emissions by 2050 at the latest.

A Principal Partner of COP26

In November 2020, SSE was confirmed as a Principal Partner of the UK Government for COP26, due to take place in November 2021, in Glasgow. SSE's objective is to support the UK Government's ambitions for a successful climate conference and to use its decade-long experience of the transition to net zero as a practical example in support of further, accelerated international action.



Science-based carbon targets

In April 2020, SSE set medium-term carbon targets, approved by the Science Based Targets Initiative (SBTi), aligned to the Paris Agreement and a 'well below two-degree' pathway, the most ambitious pathway available at the time. A review will be undertaken within five years of the targets being set.



SSE's SBTi-approved targets are to:

- Reduce the carbon intensity of electricity generation by 60% by 2030, from 2017/18 base year;
- Reduce absolute scope 1 and 2 GHG emissions by 40% 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.

Progress on all four targets can be found in SSE's Sustainability Report 2021.

SSEN Transmission had its own series of carbon targets approved by the SBTi in August 2020, making it the first electricity networks company globally to receive external accreditation for a science-based target in line with a 1.5°C pathway. In addition, in January 2021, SSEN Distribution became the first UK Distribution Network Operator to commit publicly to setting science-based targets, which will be announced as part of its upcoming draft business plan for RIIO-ED2 in July 2021.

Carbon intensity performance

The carbon intensity of SSE's generated electricity decreased in 2020/21 and was the lowest since SSE's records began. It reduced by 11% to 255gCO₂e/kWh in comparison to 288gCO₂e/kWh the previous year. Overall, this represents a 16% reduction from the 2017/18 baseline of 305gCO₂e/kWh. The reduction in carbon intensity was largely due to the change in generation output mix, with the closure of SSE's last remaining coal-fired power station in March 2020. 2020/21 represented the first year since 2005 that SSE's generation fleet contained no electricity output from coal.

255gCO₂e/kWh

Carbon intensity of generated electricity in 2020/21, a 16% reduction from the 2017/18 baseline



Cut our carbon intensity by 60%



The carbon intensity of electricity generated by SSE decreased by 11% between 2019/20 and 2020/21.

Absolute carbon emissions performance

SSE's total carbon emissions (scope 1, 2 and 3) decreased by around 12% between 2019/20 and 2020/21, from 12.49MtCO₂e to 11.03MtCO₂e. While carbon emissions reduced across all three scopes, the most material contributing factor to this decrease was the change in the generation mix of SSE's thermal generation plant with the closure SSE's last remaining coal-fired power station in March 2020.

12%

Reduction in SSE's total carbon emissions between 2019/20 and 2020/21

This means that SSE made good progress towards one of its key science-based targets to reduce absolute scope 1 and 2 GHG emissions by 40% by 2030 from a 2017/18 base year. Between 2017/18 and 2020/21 those emissions have fallen by over 3MtCO₂e, or 31%, from 11.07MtCO₂e to 7.64MtCO₂e.

PROVIDING AFFORDABLE AND CLEAN ENERGY

SSE's renewable generation output

Despite the challenges of the coronavirus crisis, SSE reached final investment decisions on key renewables projects and, as a result, is constructing more offshore wind than any other company in the world. Mainly due to unfavourable weather conditions across both wind and hydro, renewable energy output decreased between 2019/20 and 2020/21, from 11,442GWh to 10,242GWh*. Despite this, renewable energy output in 2020/21 represented an increase of 4% compared to the 2017/18 baseline.

10.2TWh*

Total renewable generation output in 2020/21

Investing in onshore and offshore wind

In 2020/21, SSE Renewables reached a final investment decision (FID) on offshore wind projects: Dogger Bank A and B offshore wind farms (each 1,200MW, SSE Renewables share 40%), with Dogger Bank C aiming to reach financial close later this calendar year; and Seagreen 1 (1,075MW, SSE Renewables share 49%). These projects will be, respectively, the largest offshore wind farm in the world and the largest offshore wind farm in Scotland. Construction also began on the onshore Viking wind farm in Shetland, which will be one of the highest-yielding onshore wind farms in Europe.

5.8GW**

Total renewables in construction and operation

Financing the net zero transition

SSE is the largest issuer of green bonds in the UK corporate sector. In March 2021, SSE issued its fourth green bond as part of its strategy of issuing green bonds to finance its investment plans. Furthermore, SSE published a new framework through which it can issue its first sustainability-linked bond. For more information, see [sse.com/investors](https://www.sse.com/investors).

Supporting customers throughout the coronavirus crisis

Over 2020/21, SSEN Distribution worked to maintain customers' power supply, with additional efforts focused on supporting those most vulnerable and isolated. Efforts have included the continued promotion and extension of its existing Priority Services Register to include those at increased risk who have been instructed to self-isolate for a 12-week period based on public health guidance. The frontline healthcare response was also prioritised, with connections accelerated for temporary hospitals and research centres, and a dedicated phone line set up for hospitals, health centres and care homes to ensure optimisation of incident response.

Over 6,000

welfare calls made to SSEN Distribution's most vulnerable customers

SSE Airtricity suspended disconnection activity for domestic customers and provided extra support for customers to help ease worries about energy bills. Despite a recent price increase due to increased external costs, SSE Airtricity customers continue to pay less for their energy than before the pandemic outbreak as a result of a summer price decrease and winter price freeze in 2020.



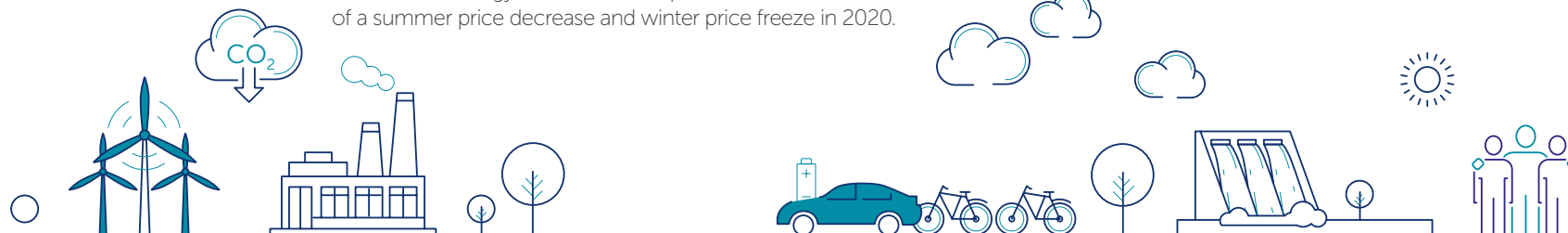
Treble renewable energy output



Progress made in 2020/21 gives SSE the confidence that it will exceed its target of trebling renewable energy output by 2030 compared to a 2017/18 baseline.

* SSE's total renewable generation for the Group in 2020/21 includes SSE Renewables total generation output of 10,171GWh (inc. pumped storage (244GWh) and constrained off wind in GB (593GWh)) and a further 71GWh of output from biomass (which sits within SSE Enterprise).

** Based on SSE equity stake



INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

Committed to investing in net zero

SSE's £7.5bn capex plan across the five years to March 2025 is on track, with construction well under way at flagship SSE Renewables projects (see page 3). SSE remains committed to delivering this investment plan and in 2020/21, its investment and capital expenditure totalled £909.4m. SSE's net zero aligned assets and pipeline have considerable potential for future growth above and beyond this plan and details of potential opportunities are outlined in SSE's Full-year Results Statement 2020/21, available at [sse.com/investors](https://www.sse.com/investors).

£909.4m

SSE's investment and capital expenditure in 2020/21

Network for Net Zero

With a wealth of renewable resources in the north of Scotland, SSE's Transmission network has a vital role to play in transporting this electricity to demand centres further south. Its business plan reached a final settlement of nearly £2.2bn of approved infrastructure investment between 2021 and 2026. In addition, Ofgem has also approved the construction of the Shetland HVDC link that connects new renewable generation and secures Shetland's supply. Construction has begun and the project remains on track for completion in 2024. The project is currently expected to entail around £650m of investment.

£650m

Shetland HVDC link under construction

Repurposing thermal generation for a net zero world

In 2020/21, the carbon intensity of the electricity generated by SSE reached its lowest level since records began. SSE Thermal is committed to decarbonising its fleet and repurposing it for the net zero world. Achieving net zero cost-effectively will require a transition from unabated to ultra low-carbon gas-fired generation. This is expected to involve carbon capture and storage (CCS) and, in the longer term, widespread use of hydrogen as an alternative fuel to hydrocarbons. In April 2021, SSE Thermal announced a new partnership with Equinor to jointly develop two first-of-a-kind power stations in North Lincolnshire: Keadby CCS and Keadby Hydrogen, which could be the world's first 100% hydrogen-fuelled power station.

Designing smarter and fairer distribution networks for net zero

Achieving the UK's net zero ambitions will require extensive electrification of heat and transport. Local electricity distribution networks must act as an enabler, not a constraint, to this significant change. Updated Distribution Future Energy Scenario reports were published in December 2020, forecasting that the upper range of the net zero scenarios for 2050 in SSEN Distribution's license areas would require 5 million electric vehicles (EVs), 2.5 million heat pumps and 18GW of local renewable capacity. This analysis is informing SSEN Distribution's RIIO-ED2 business plan which will be published in draft form in early July, with the final plan submitted to Ofgem in December.

5 million EVs

forecast to be connected to SSEN's distribution networks in 2050 under a high-range net zero scenario



Help accommodate
10m electric vehicles



SSEN Distribution progressed with key innovation projects to support flexible markets and future infrastructure provision for the mass adoption of EVs.



COMMITTING TO DECENT WORK AND ECONOMIC GROWTH

Generating prosperity: adding value, supporting jobs and paying tax

The payment of taxes, supporting good jobs and contributing to GDP continue to be the foundation of SSE's social impact. 2020/21 is the 10th year of SSE calculating its economic contribution to the UK and Ireland, with PwC analysis showing that it has contributed around £100bn (in current prices) across these economies over the last decade.

2020/21 UK and Irish GDP and tax contribution

IRELAND CONTRIBUTION TO GDP

€439m

2019/20: €650m

IRELAND JOBS SUPPORTED

2,160

2019/20: 3,740

TAX PAID IN IRELAND

€20.4m

2019/20: €18.1m

UK CONTRIBUTION TO GDP

£5.2bn

2019/20: £5.7bn

UK JOBS SUPPORTED

41,400

2019/20: 56,810

TAX PAID IN THE UK

£379m

2019/20: £421.6m



Principles for a just transition

In November 2020, SSE was the first company to publish a Just Transition Strategy. A framework of 20 principles will guide SSE on how it can influence greater fairness for those impacted by the decline of high carbon economic activity and through greater access to the opportunities of climate action. A priority for action included close working with suppliers and government to deliver increased UK-manufactured content in the offshore wind supply chain. In March 2021, GE Renewable Energy announced plans to open a new blade manufacturing plant on Teesside. The blade factory is expected to create up to 750 direct and up to 1,500 indirect jobs in the region.



Champion Fair Tax and a real Living Wage



SSE retained its Fair Tax Mark and Living Wage accreditations, and achieved the new Living Hours accreditation.

750 direct jobs

Direct jobs created at the GE Renewable Energy factory on Teesside, with the first order going to Dogger Bank offshore wind farm.

Two ways to reduce in-work poverty: Living Wage and Living Hours

SSE has been a committed real Living Wage employer since 2013. Implementing this standard, for contracted employees as well as its direct workers too, supports other sectors of the economy pay decent wages. The same principle applies with 'Living Hours'. A right to a minimum 16-hour a week contract and greater notice of shift patterns are practical, real-world actions that improve lives. SSE became one of the UK's first Living Hours employers in March 2021 and now, following implementation for its direct workforce, will work with its suppliers to ensure contracted employees receive the same guarantee.



Gender equality in SSE

SSE firmly believes it will be more successful in future if it can attract and retain more diversity into its workforce. A comprehensive Inclusion Strategy to tackle the root causes of gender inequality has resulted in some year-on-year progress being made, though there remains more to do. Since 2019/20, the proportion of women employed by SSE has increased (from 25.1% to 26.4%) and the proportion of women at GEC and direct report level increased (from 20% to 25%). SSE's UK median gender pay gap narrowed slightly (from 18.4% to 18.3%). However, with two of SSE's Hampton-Alexander inspired gender targets for 2021 not being reached, progress being made is not as fast as SSE would like. A refocused strategy, which monitors and measures all aspects of progress more frequently, will be implemented in 2021/22 to support improved gender balance at every level of the organisation.