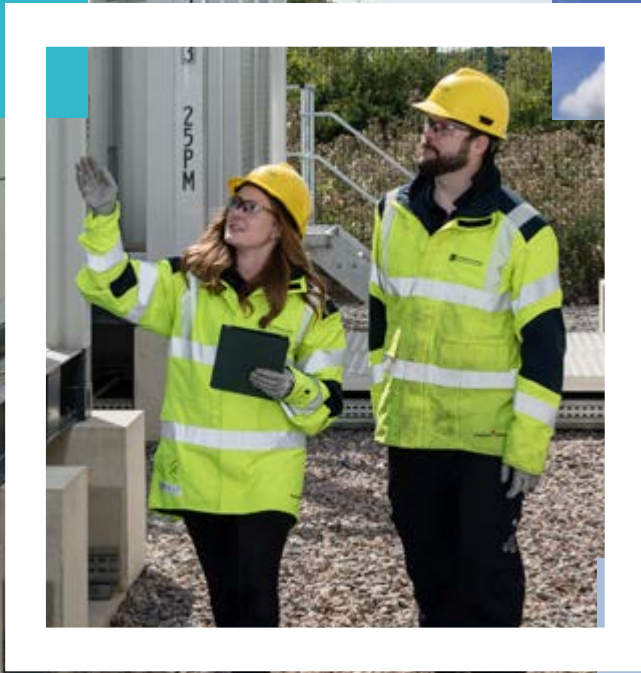


Embedding a Just Transition

Strategy update June 2024



For a better world of energy

About this strategy

This is SSE's revised Just Transition Strategy. It follows a review and update of the original one which was published in 2020.

About SSE

SSE plc is a UK-listed energy company that operates throughout the UK and Ireland. It is involved principally in the generation, transmission and distribution of electricity; and, in the supply of energy and related services to customers.

SSE's purpose is to provide energy needed today while building a better world of energy for tomorrow, and its vision is to be a leading energy company in a net zero world. In order to achieve this, SSE's strategy is to create value for shareholders and society in a sustainable way through the successful development, efficient operation and responsible ownership of energy infrastructure and businesses.

SSE's core businesses of economically-regulated electricity networks and provision of electricity from renewable sources, complemented by provision of electricity from thermal sources, have crucial roles to play in the transition to net zero emissions. SSE's investment in net zero drives climate action while contributing to the economy and creating skilled, sustainable jobs right across UK and Ireland.

The nature of SSE's investments and operations means that the jobs it supports are often in some of the places that need them the most, such as rural areas and the former industrial heartlands of the UK and Ireland.

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A revised strategy with performance at its centre

We all know that achieving net zero greenhouse gas emissions from human activity is our best chance of preventing the most dangerous levels of climate change.

At SSE, we've put accelerating progress towards net zero at the heart of our strategy.

But achieving net zero is not solely a carbon counting exercise. It is primarily about people. It's about how we live and work, now and in the future. To not consider the social consequences of this enormous industrial and economic transition risks pitting people against planet. That is a lose-lose scenario we should all seek to avoid.

With the imperative for accelerated climate action secured some years ago through both the UK and Irish governments' legislative frameworks, attention has more recently rightly focussed on the social implications of that transformation.

In 2020, SSE became the first company globally to publish a just transition strategy. At its core is a framework of 20 principles designed to guide SSE's decision-making to support greater fairness for those impacted by the changes the transition to net zero entails.

The strategy is based on the concept of a process of 'transitioning out of' high-carbon activities and 'transitioning into' new or reformed activities with lower or reducing emissions.

This was followed by a 2021 report focussed on the worker transition, with 20 commitments from SSE. It also set out 10 recommendations for industry and a further 10 for government: the just transition requires a collaborative approach across private and public sectors.

In the spirit of transparency, the measuring progress report was published in 2023 as an honest account of where SSE was three years on from the initial

strategy. That report takes each of the 20 principles and considers quantitative and qualitative evidence as well as the actions and outcomes affecting the core stakeholders: working people, consumers, and communities.

Through that exercise it became clear that determining quantitative evidence was not easy to do and there was an opportunity to set clearly defined Key Performance Indicators (KPIs) which progress could be measured against.

Establishing those KPIs as well considering wider developments has led to this updated Just Transition Strategy.

Importantly, we have now committed to embedding 'place'. This reflects the importance of people – workers, consumers, and communities – and their perspective. Initial work will focus on understanding SSE's impact on place as a basis for developing a place-based approach.

It is that focus on people – how they live and how they work – and ensuring just transition considerations are embedded in climate action, that will deliver the transformation we know is needed.

Alistair Phillips-Davies
Chief Executive



Introduction

SSE's Just Transition Strategy is a framework of principles designed to guide decisions and actions as SSE transitions from high-carbon activity to net zero.

It deliberately seeks to manage the social impacts of the transition in a way that is fair to working people, communities, and consumers. 20 principles sit under five pillars: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs and supporting communities.

The strategy is the product of multi stakeholder feedback. SSE is grateful to the many organisations and individuals who have engaged so constructively.

Originally co-designed with ESG-focussed shareholders (RLAM and Friend Provident Foundation), SSE is recognised as world-leading by the World Benchmarking Alliance as well as having established strong relationships with the London School of Economics and Political Science (LSE) Just Transition Finance Lab and the UN Global Compact. Both the ILO and the Institute of Human Rights and Business have showcased SSE's work at various COPs and other international forums.

While this reaction is welcome, the core objective of the strategy was designed to support SSE's investments. Since the publication of the original strategy, SSE has continued to engage extensively with stakeholders and has reported regularly on the impacts of its activities to reduce high-carbon activity; and its low-carbon developments.

Refreshing SSE's Just Transition Strategy

In early 2024, SSE undertook a high-level review of the Just Transition Strategy, driven by three main factors:

i) Shareholder focus

At the SSE AGM, a representative from the Local Authority Pension Fund Forum asked whether, in the process of reviewing its implementation of Just Transition, there were any principles that SSE believed needed to be rethought. In his response, the Chair committed to reviewing the principles and in seeking stakeholder views in the coming months.

ii) Nearly four years have passed

In 2020, SSE was the first company globally to publish a Just Transition Strategy. Since then, the dialogue on just transition at both the sector and national levels has progressed rapidly. It is recognised that there is now a need for a more focused 'place-based' approach to ensure that the just transition is grounded in the communities in which it will happen, informed by the local insight of the people who will be most affected. In light of these changes, it is important to ensure that the principles remain relevant and fit for purpose.

iii) Identifying quantitative KPIs

Most of the information that SSE currently discloses on just transition activity is qualitative, describing initiatives or actions rather than quantitative metrics. Putting in place defined KPIs will create greater transparency and accountability by enabling progress to be tracked over time. We know from experience that finding KPIs that encapsulate the spirit of just transition outcomes is difficult, so we have deliberately proposed a basket of KPIs to support broad understanding.



National and Global Frameworks

In developing the 2020 just transition strategy, SSE took inspiration and guidance from the following:

- The Paris Agreement in 2015 recognised the impact of ending high carbon activities on workforces and stated that the parties to the agreement should be: "Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities".
- The Scottish Government created a Just Transition Commission in 2018, with its interim report broadening the scope of the groups potentially impacted, specifically calling out the just transition imperative as "ensuring the benefits of climate change action are shared widely, while the costs do not unfairly burden those least able to pay, or whose livelihoods are directly or indirectly at risk as the economy shifts and changes".
- The Transition Plan Taskforce detailed analysis of the just transition metrics and indicators for 12 existing disclosure frameworks.
- Climate Action 100+ have established with their benchmark Just Transition indicators.
- The Investing in a Just Transition Initiative is led by the Grantham Research Institute on Climate Change and the Environment at the LSE and the Initiative for Responsible Investment at the Harvard Kennedy School. Launched in February 2018, the initiative is working to identify the role that institutional investors can play in connecting their action on climate change with inclusive development pathways.





The Review Process

A high-level review of the principles was undertaken to identify any immediately apparent opportunities to update, streamline and strengthen the language used:



Peer review

Analysis of just transition related publications from 12 organisations in the utilities and oil and gas sectors was conducted and the scope of commitments published was measured against SSE's Just Transition Strategy. Of the 12 organisations analysed, none were found to have a strategy as well developed and embedded as SSE, with three companies having strategies and the remaining nine companies documenting their action on just transition within a plan or as part of a wider sustainability report.



Sustainability Reporting Frameworks

The sustainability regulatory landscape is fast-evolving, and a separate project is underway to prepare for a number of new frameworks which will come into force in the next few years. An analysis of existing reporting standards and disclosures required under these new frameworks, relevant to the just transition, was undertaken to inform the KPIs SSE will report against.

These frameworks include the Business Responsibility and Sustainability Reporting framework (BRSR), the Corporate Sustainability Due Diligence Directive (CSDDD), the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the World Benchmarking Alliance benchmarks, the Global Reporting Initiative (GRI), the International Financial Reporting Standards (IFRS), the European Sustainability Reporting Standards (ESRS), the Taskforce on Nature Related Financial Disclosures (TNFD) and the Sustainable Financial Disclosure Regulation (SFDR).



Multi stakeholder engagement






As well as internal engagement with each of SSE's Business Units, there were regular updates to the JNCC and Unions who engaged and influenced throughout the process. Discussions took place with key policy influencers and Scottish Government.

The strategy has the highest level of governance within SSE with the Group Executive Committee and Board reviewing and approving this updated strategy.

Findings

Principals and place

The review found that the 20 existing principles remain relevant, albeit with minor amendments to the wording of one of the pillars and four of the principles, with further clarity added in the definitions which sit below them.

SSE's 20 Principles for a Just Transition				
Transitioning into net zero places			Transitioning out of high-carbon places	
 SSE's principles for good, green jobs	 SSE's principles for consumer fairness	 SSE's principles for building and operating assets	 SSE's principles for people in high-carbon jobs	 SSE's principles for supporting communities
<ol style="list-style-type: none"> 1. Guarantee fair and decent work 2. Attract and grow talent 3. Value employee voice 4. Deliver transformation through inclusion and diversity 	<ol style="list-style-type: none"> 5. Consult and co-create with stakeholders 6. Factor-in whole-system costs and benefits 7. Make transparent, evidence-based decisions 8. Advocate for fairness 	<ol style="list-style-type: none"> 9. Set and monitor social safeguards 10. Support competitive national and local supply chains 11. Share value with communities 12. Implement responsible developer standards 	<ol style="list-style-type: none"> 13. Re-purpose thermal generators for a net zero world 14. Establish and maintain trust 15. Provide forward notice of change 16. Prioritise retraining and redeployment 	<ol style="list-style-type: none"> 17. Deliver robust stakeholder consultation 18. Form partnerships across sectors 19. Promote further industrial development 20. Respect and record cultural heritage

The importance of place

SSE did, however, conclude on one important strategic consideration: the importance of place (rather than company) in the transition to net zero.

Effective place-based strategy development requires an understanding of how regions operate at different scales and an appreciation of assets and capabilities and how these elements are interconnected. It is an acknowledgement of the context of a place.

The legacy issues, and the opportunities distinct to the place. The best way of describing this concept is to consider the case of Warrington and Wick. Fiddlers' Ferry closed in 2020, shortly after Beatrice opened. In theory, relocating employees from Warrington to Wick for a new low-carbon job might appear like justice but, obviously, would not be. In these instances, understanding the contextual place-based nature of a transition from the outset is imperative. Therefore, we should consider our role in ensuring the governance mechanisms, policies and practices support a just transition in these places.

SSE will take the following actions:



1. Identify the most material places in the UK and Ireland relating to SSE's business activities.



2. Quantify the socio-economic impacts SSE makes, including the number of people employed, apprenticeship programmes and investment.



3. Measure direct investment in social infrastructure including, for example, investment by SSEN Transmission in housing.



4. Measure the value of community benefit funds.



5. Provide case studies of supplier initiatives.

These actions will provide a good basis for SSE to build understanding of its impact on places. The findings will be used for internal reporting purposes in the first instance, with a view to publishing them externally in future.

Principle definitions



SSE's principles for good, green jobs

Principle 1. Guarantee fair and decent work

SSE adheres at all times to the fundamental principles defined by the International Labor Organization (ILO) and the Principles of the UN Global Compact. Enhanced social standards for working people, alongside freedom of association and the right to collective bargaining, set the foundation for fair and decent work at SSE.

Principle 2. Attract and grow talent

Long-term sustainable employment, providing the opportunity for ongoing training, development and upskilling. SSE deliberately seeks to attract talent with sunset skills and reach people with STEM skills and knowledge who are ready to make the transition to the green electricity sector, increasingly adopting a 'place based' approach.

Principle 3. Value employee voice

SSE actively seeks to gather and act on employee feedback, including through regular and detailed employee surveys and employee focus groups which provide feedback directly to SSE's most senior levels.

Principle 4. Deliver innovation through inclusion and diversity

The energy transition provides an opportunity to increase the diverse mix of people at SSE. SSE works hard to create an inclusive workplace so that everyone is encouraged to join IN, stay ON and progress UP. Greater diversity brings the creativity and innovation that is needed to achieve net zero.



SSE's principles for consumer fairness

Principle 5. Consult and co-create with stakeholders

While SSE seeks to engage, consult and partner with stakeholders on all of its activities, there are specific actions that require co-creation with critical stakeholders. SSE commits to continued high quality co-creation of business plans for electricity distribution and transmission ensuring the right balanced judgments regarding the distribution of costs and benefits of investments are made.

Principle 6. Factor-in whole system costs and benefits

SSE will, openly and transparently, undertake whole-system assessments of investments, particularly for electricity transmission and distribution plans, that properly reflect both the costs and benefits to energy consumers. This will support identification of trade-offs and the ability to take decisions that support a more equitable allocation of costs amongst energy consumers.

Principle 7. Make transparent, evidence-based decisions

SSE will work openly with public agencies, consumer advocates and other industry participants to inform high quality impact evaluations that consider the complex trade-offs that can exist between environmental, social and economic benefits, and the consequential impacts on consumers.

Principle 8. Advocate for fairness

SSE will share the insights gained from service experiences through industry bodies and its interactions with governments and regulators, and will advocate for policy that delivers universal access to the benefits of smart grids.



SSE's principles for building and operating assets

Principle 9. Set and monitor enhanced social safeguards

SSE recognises that the transitional technologies needed to deliver net zero can have human rights risks due to the rare minerals required and the global workforce involved in manufacturing. SSE will therefore target this as a key area for enhanced due diligence in its approach to mitigating modern slavery risk from its supply chain.

Principle 10. Support competitive national and local supply chains

SSE is committed to working closely with governments and suppliers across the industry to create the conditions for investment in supply chain goods and services, promoting economic opportunities to local and national suppliers through strategic supplier engagement and local 'meet the buyer' events.

Principle 11. Share value with communities

SSE will share economic value through community investment funds – at the same time as innovating models of community partnership, including the notion of shared ownership where appropriate.

Principle 12. Implement responsible developer standards

SSE seeks to go beyond its legal obligations when developing, constructing and operating assets, developing processes to incorporate sustainability impacts into governance frameworks, while engaging stakeholders to understand and address their interests.



SSE's principles for people in high-carbon jobs

Principle 13. Re-purpose thermal generators for a net zero world

SSE will continue to seek out and progress economic opportunities to provide flexible, decarbonised electricity by deploying shared CO₂ transport and storage infrastructure and hydrogen networks within industrial clusters innovating with suppliers and partners to achieve this.

Principle 14. Establish and maintain trust

In times of industrial change, SSE commits to process of transparency and openness that will support the development of employees, enabling them to adapt and develop their skills for future potential opportunities.

Principle 15. Provide forward notice of change

In times of change, SSE will seek to give its employees advance notice of change wherever possible and will actively engage with its employees as well as trade union representatives, public authorities, training agencies and enterprise agencies as early as possible, whilst recognising the market rules on power plant availability.

Principle 16. Prioritise retraining and redeployment

SSE commits to, wherever possible, retraining and redeployment being the first options available to employees affected by business change. Where this is not possible SSE will work with its employees and trade union partners to ensure fair consultation and reasonable terms are provided which support onward transition.



SSE's principles for supporting communities

Principle 17. Deliver robust stakeholder consultation

SSE commits to undertake consultation and information sharing engagement with its local stakeholders during periods of change including SSE's supply chain enabling them to respond to market changes in an informed way.

Principle 18. Form partnerships across sectors

SSE will seek to establish partnerships that will enable SSE and other power generators to construct decarbonised stations and will also facilitate the decarbonisation of wider industry.

Principle 19. Promote further industrial development

SSE will continue to identify sites hosting its industrial assets and evaluate their current and future economic value that support vibrant local economies and their communities and the ability to re-develop these sites as low carbon thermal generators.

Principle 20. Respect and record cultural heritage


SSE will seek to identify and collate archive material relating to the energy transition to net zero which is of high cultural value, to ensure it is retained for historical record.

A place-based approach underpins SSE's Principles for a Just Transition



SSE's Just Transition KPIs

Ten KPIs have been identified, spanning all five pillars of the Just Transition Strategy. These KPIs will develop over time as we explore new ways to monitor and measure our impacts. For example, KPI 6 sets out a commitment to calculate and disclose the cost to consumers of each unit of electricity transported by SSEN Transmission. This is an important new metric and is in development with the support of independent consultants. The data will therefore be available from financial year 2024/25 and will be subsequently disclosed annually.

Principle	KPI	2023/24	2022/23	Unit
 PILLAR 1: Principles for good, green jobs	1. Monitor trends in employee satisfaction across a range of measures through the Great Place to Work Survey including, wellbeing, reward, safety, and inclusion ¹	Sustainable engagement index: 85 Work-life balance: 87 Reward: 64 Safety: 92 Inclusion and Diversity: 89	Sustainable engagement index: 84 Work-life balance: 85 Reward: 60 Safety: 92 Inclusion and Diversity: 91	%
	2. Monitor annual increase in total SSE employee headcount ²	1,711	1,426	Number
	3. Employee diversity profile and 2030 targets: Gender (33%), ethnicity (15%), disability (8%), and LGBTQIA+ (8%)	Gender: 31 Ethnicity: 10.1 Disability: 11.6 LGBTQIA+: 4.1	Gender: 30 Ethnicity: 8.1 Disability: .9 LGBTQIA+: 3.8	%
 PILLAR 2: Principles for consumer fairness	4. Transmission and Distribution only: achieve the advanced stage of the Accountability Stakeholder Engagement Maturity Ladder (AA1000SES)	Transmission: Advanced rating achieved Distribution: Advanced rating achieved	Transmission: Advanced rating achieved Distribution: Advanced rating achieved	Rating
	5. Distribution only: onboard 100% Onboard 100% of local authorities who express an interest in Local Energy Net Zero (LENZA) tool, supporting them to develop and deliver effective whole system and net zero initiatives	41	N/A	%
	6. Transmission only: cost to consumers of MWh transported	Data will be available from financial year 2024/25	N/A	£/MWh
 PILLAR 3: Principles for building and operating assets	7. Monitor trends by spend in % of tier 1 suppliers categorised as medium/ high/very high risk for human rights ³	Medium: 55.6 High: 0.72 Very high: 0.32	Medium: 35.0 high: 0.2 Very high: 0.1	%
	8. Monitor trends in total supply chain spend	5.5bn	3.7bn	£
 PILLAR 4: Principles for people in high carbon roles	9. Monitor trends in the proportion of new recruits who have transitioned from high- to low-carbon roles.	35	N/A	%
 PILLAR 5: Principles for supporting communities	10. Invest at least £10m per year into local and regional projects through community investment activities	12.1m	11.8m	£

¹ Metrics for work-life balance, reward, safety and inclusion and diversity are based on scores for specific survey questions which do not change from year to year: Work-life balance: I am able to balance my work and my personal responsibilities; Reward: Regarding my total compensation (fixed pay, bonus/incentive, benefits), I think I am paid fairly for the work I do; Safety: My manager sets the right example when it comes to safety, health and environment (SHE); Inclusion and Diversity: I can be myself at work without worrying about how I will be accepted by colleagues.

² SSE's 2022/23 and 2023/24 total headcount data includes a small number of employees outside of the UK and Ireland. Data excludes contingent and agency workers.

³ Figures for 2023/24 were calculated using a revised methodology that increased the accuracy of SSE's Joint Venture spend allocation. Therefore, the 2023/24 figures are not directly comparable to the 2022/23 figures.

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Published: June 2024

Front cover artwork © Shaun Smyth