

TRADE ASSOCIATIONS **CLIMATE REVIEW**

2020/21



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ABOUT THIS REPORT

Customers, shareholders and wider stakeholders seek transparency of an organisation's policies and advocacy on climate change. Specifically, some of SSE's stakeholders want to understand whether SSE's strategy and principles on climate change align with those of the trade associations of which it is a member. This helps to demonstrate to stakeholders that there is integrity in a company's approach to climate change.

SSE has undertaken a thorough review of its trade association memberships to ensure that the policy positions of the organisations it is part of are aligned with its own on climate change. This first Trade Association Review covers 2020/21 and establishes the method and a baseline from which annual reviews will take place.

SSE welcomes and encourages feedback on the result and the approach it has taken for this review. Feedback and comments can be provided by emailing sustainability@sse.com.

ABOUT SSE

SSE plc is a UK-listed energy company that operates throughout the UK and Ireland, with plans to expand internationally. 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 core businesses of economically regulated electricity networks and provision of electricity from renewable sources, complemented by provision of electricity from flexible sources, have crucial roles to play in the transition to net zero emissions. Underpinning this transition are SSE's 2030 Goals, which focus the company on addressing the challenge of climate change in a just and sustainable way.



PROUD PRINCIPAL PARTNER

SSE was a proud Principal Partner of the UK Government's presidency of the COP26 UN climate summit, which was held in Glasgow in November 2021. The conference made clear the urgency of the climate emergency - the window of opportunity to prevent temperature rise above 1.5°C is closing. As a Principal Partner, SSE believes that decarbonisation of the energy system could go further and faster and has a key role to play in enabling the decarbonisation of other sectors of the economy including heat, transport and industry. At COP26, SSE provided a practical real-world example of accelerated climate action and engaged with global decision-makers, to encourage urgent and ambitious international action on climate change.

|| INTRODUCTION

SSE recognises that investors and other stakeholders are seeking increasing information around its trade association membership. SSE works closely with trade associations and seeks to ensure that its principles on climate change align with those of the trade associations of which it is a member.

The objective of this review is to provide investors and stakeholders with evidence of SSE's consistency in its climate change advocacy work across its trade association activity.

This initial review forms a baseline from which to continuously monitor the alignment between the advocacy activity undertaken by these trade associations and SSE's net zero ambitions and the goals of the Paris Agreement.

THE IMPERATIVE TO LIMIT GLOBAL WARMING TO 1.5°C

The Paris Agreement of 2015 marked a turning point in global climate ambition, with a central aim to keep global temperature rise to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. More recently, the Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report delivered the starkest warning yet – that limiting warming to well below 2°C will not be enough to avoid the worst impacts of climate change, increasing the urgency to work towards limiting to 1.5°C warming.

SSE'S COMMITMENT TO NET ZERO

SSE recognises the serious threat of climate change and the urgency with which it must be addressed. Its business strategy is wholly focused on developing, building, operating, and investing in activities which support the transition to net zero.

SSE has its own long-term ambition to achieve net zero carbon emissions across all its operations by 2050 at the latest, covering both SSE's direct and indirect emissions, or its scope 1, 2 and 3 greenhouse gas (GHG) emissions. In support of this goal, SSE has set medium-term science-based targets, aligned to the power sector 1.5°C trajectory and approved by the Science Based Targets Initiative (SBTi).

SSE's Net Zero Acceleration Programme is designed to accelerate clean growth, lead the energy transition and maximise value for all stakeholders. It includes a £12.5bn strategic capital investment plan to 2026 alongside carbon reduction targets, aligned with net zero and 1.5°C.

CLIMATE ADVOCACY THROUGH TRADE ASSOCIATIONS

As the UK and Ireland's clean energy champion, SSE actively and positively advocates for more ambitious climate change policy to achieve net zero and, with it, a more favourable climate for investments in renewable and low-carbon generation and investment in electricity networks. SSE only conducts lobbying and advocacy activity that is in line with the goals of the Paris Agreement and its own net zero strategy and ambitions.

Being a member of trade associations is an important way in which SSE collaborates with its industry peers and advocates for a green recovery and accelerated progress towards net zero. Trade associations act as a representative body for industries, by putting forward the collective view and position of their members to government, regulators, and the media. They also provide their members with products and services, including training and educational materials, technical advice, and the opportunity to shape standards and guidance for their industry.

SSE seeks to ensure that the trade associations of which it is a member also undertake advocacy that aligns with the goals of the Paris Agreement. It works closely with these trade associations, engaging with them on a continuous basis, and as a result, they are usually well aligned.





DEFINING CLIMATE CHANGE STANDARDS

In order to assess the alignment of trade associations with the goals of the Paris Agreement and SSE's net zero strategy, SSE established five key principles on climate change. These principles were drawn from SSE's Climate Change Policy, which aligns with the goals of the Paris Agreement, and further public statements of principle. SSE, itself, upholds these measures and advocates for others to embed them too. All trade associations included in the scope of the review were assessed against these five key principles.

FIVE KEY PRINCIPLES ON CLIMATE CHANGE



1. Acknowledges the serious threat of climate change

SSE recognises the serious threat that climate change poses to the natural world and, therefore, to people and the economy. Physical impacts, such as increased extreme weather, could have an adverse impact on SSE's operations and interrupt the supply of energy to its customers. SSE expects the organisations of which it is a member to recognise the serious threat that a climate-changed world presents.



2. Net zero ambitions by 2050 at the latest

In November 2020, SSE announced its 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, or its scope 1, 2 and 3 GHG emissions. Achieving net zero emissions is a pre-requisite for preventing global temperature rises above 1.5°C, therefore SSE would expect its trade associations to be wholly aligned with the goal of achieving it by 2050.



3. Supports a strong carbon price

SSE has long advocated for robust carbon pricing, believing it is one of the most effective tools to support the decarbonisation of the UK and Irish economies. SSE has publicly urged the UK Government to commit to a carbon pricing trajectory that will incentivise negative emissions. Given the critical role for a price on carbon in enabling climate action, SSE expects relevant trade associations to advocate for a strong carbon price.



4. Promotes innovation

The scale of SSE's investment in net zero requires continuous innovation, and its approach is to partner with others to develop the technologies, experience and skills that it needs to accelerate projects in support of net zero. SSE is involved in a number of key innovation projects that are helping to trial new technologies and demonstrate their potential business applicability, including smart grid demonstrations and zero-carbon clusters. Trade Associations play a very important role in fostering innovative practices at an industry level and, as a result, SSE expects its trade associations to play an active part.



5. Seeks a just transition to net zero

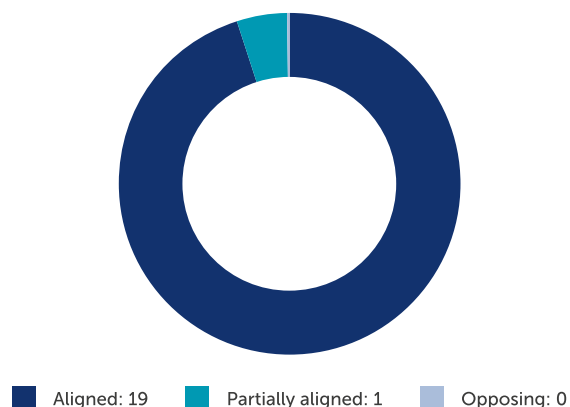
SSE actively considers the social consequences of the transition to net zero. In November 2020, SSE published its Just Transition Strategy – 20 principles to support the transition to net zero in a socially just and fair way, focused on its key stakeholders: employees, energy consumers, suppliers and communities. While the significance of a fair and just transition is still being understood, this is an area of importance to SSE and it believes trade associations provide an excellent forum in which industries can collaborate to bring about fair social outcomes for consumers, working people and communities.

FINDINGS

SSE considered 20 of its trade associations to be within scope for this review. Trade associations were included if SSE was a member within the 2020/21 reporting year and if their annual membership fee exceeded £5,000. Trade associations with fees below this threshold were assumed to hold a lesser influence when lobbying for climate change policy in line with SSE's principles on climate change. Exceptions were made for trade associations that played a material role in advocating for issue specific or geography specific climate change policy.

Figure 1 shows the results of the assessment of overall alignment of its trade association to SSE's five key principles on climate change. Based on the methodology outlined in the *Trade association climate review – scope and methodology document* (found at [sse.com/sustainability/reporting](https://www.sse.com/sustainability/reporting)), SSE considered 19 of its trade associations to be aligned overall. Only one trade association was considered partially aligned and no trade associations were found to hold opposing views against SSE's five principles. A full list of trade associations of which SSE is a member, and whether they were included in the review, can be found in Appendix A. Results of the trade associations alignment with individual principles on climate

FIGURE 1
Overall alignment of trade associations to SSE's key principles on climate change



change are summarised in Figure 2. For transparency, the annual costs for SSE's trade association memberships are presented in Figure 3.

Almost all trade associations demonstrated explicit alignment with SSE's position on climate change. All 20 trade associations supported a net zero goal by 2050 and advocated for innovative means to realise this objective. Most also endorsed a carbon price mechanism to accelerate decarbonisation and understood the importance of a transition to net zero which is delivered in a socially just and fair way.

A few trade associations' were found to be lacking explicit alignment against some of SSE's five principles on climate change. In such cases, a judgement was made as to whether there was enough to consider an implicit alignment between SSE and the trade association. Implicit alignment was determined based on a lack of explicit evidence; those holding views contrary to SSE principles on climate change were considered to be opposing.

FIGURE 2
Alignment to individual climate change principles

Key principle	Aligned	Implicitly aligned	Opposing
Threat of climate change	19	1	0
Net zero by 2050	20	0	0
Carbon price	17	3	0
Just transition	18	2	0
Innovation	20	0	0

Implicit alignment was more common among smaller trade associations that did not hold a clear published position on supporting a carbon tax or a just transition. Implicit alignment against one of the aforementioned principles was deemed acceptable for overall alignment. However, implicit alignment on SSE's acknowledgement of the threat of climate change or support for net zero was determined to be incompatible with SSE's position on climate change. One trade association did not explicitly acknowledge the threat of climate change and was therefore deemed partially aligned overall. For full details of the methodology, see the *Trade association climate review – scope and methodology document* (found at sse.com/sustainability/reporting).

FIGURE 3
Trade association membership costs

Membership cost (£)	Trade association
250,000 - < 500,000	Energy Networks Association
100,000 - < 250,000	Energy UK
50,000 - < 100,000	n/a
30,000 - < 50,000	Energy Transitions Commission; Global Wind Energy Council; RenewableUK
15,000 - < 30,000	Business in the Community Ireland; Carbon Capture and Storage Association; Electricity Association of Ireland; Solar Energy UK; UK100; Wind Energy Ireland; Association of Decentralised Energy; WindEurope
5,000 - < 15,000	Irish Business and Employers Confederation; Scottish Renewables
0 - < 5,000	British Vehicle Rental and Leasing Association; Confederation of British Industry; Renewable NI; UK District Energy Association; Zemo Partnership



ACTION TAKEN ON RESULTS OF THE REVIEW

SSE will continue to engage with all trade associations that were found to be aligned overall with the five key principles and support advocacy for an accelerated transition to net zero.

For the trade associations that were found to have implicit alignment on any of SSE's five principles, SSE will undertake a process to seek increased engagement on the specific issues where partial alignment was identified, ahead of the next review. SSE will continue to monitor the publications and policies of its trade associations to ensure that their advocacy activities do not oppose the goals in the Paris Agreement or SSE's net zero ambitions.

CONCLUSION AND NEXT STEPS

Among the economic sectors undertaking a transition from high-carbon to low-carbon impact, it is well understood that the electricity sector is well advanced. Within the UK the electricity sector has reduced its carbon impact by 68% since 1990. In SSE's case, it has reduced absolute carbon emissions from electricity generation by 73% since its peak in 2006/07.

However, much remains to be done to bring both the electricity sector's and SSE's emissions down to net zero. Within that context it would be inappropriate to assume that all aspects of the industry are aligned. Some points of difference are healthy, for example, varying perspectives on the relative role of different low-carbon technologies in the future energy mix. However, from SSE's perspective, there are positions that would be in conflict with its business purpose and business strategy, and it is appropriate to undertake a formal assessment to ensure they do not exist.

This process to explicitly review the climate policies of all the key organisations it is a member of has been instructive. SSE can now confidently confirm that there is nothing in the advocacy positions taken by its trade associations which is misaligned with the core climate principles that guide SSE. However, the process has established a platform for enhanced engagement and paves the way for collaboration on developing policy areas. The principles and actions that would result in a just transition to net zero, where trade associations have been less engaged thus far, is a very good example.

Finally, SSE will undertake subsequent reviews on an annual basis that will be published following the close of each financial year. Each iteration will consider any updates to the climate change positions of the trade associations that were included in the base year and expand the scope to include any new trade association memberships that commenced during the financial year and meet the criteria for inclusion in this review.



APPENDIX A

SSE'S TRADE ASSOCIATIONS MEMBERSHIP

Trade association	Overall alignment to SSE's key principles on climate change	Included in scope?
Association for Decentralised Energy	Aligned	Included
British Vehicle Rental and Leasing Association	Partially aligned	Included
Business in the Community Ireland	Aligned	Included
Carbon Capture and Storage Association	Aligned	Included
Confederation of British Industry	Aligned	Included
Electricity Association of Ireland	Aligned	Included
Energy Networks Association	Aligned	Included
Energy Transitions Commission	Aligned	Included
Energy UK	Aligned	Included
Global Wind Energy Council	Aligned	Included
Irish Business and Employers Confederation	Aligned	Included
Renewable NI	Aligned	Included
RenewableUK	Aligned	Included
Scottish Renewables	Aligned	Included
Solar Energy UK	Aligned	Included
UK District Energy Association	Aligned	Included
UK100	Aligned	Included
Wind Energy Ireland	Aligned	Included
WindEurope	Aligned	Included
Zemo Partnership	Aligned	Included
American Clean Power Association	n/a	Excluded
Women In Transport	n/a	Excluded

