

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

POWERING CHANGE **TOGETHER**

Sustainability summary for
the year to 31 March 2022



PROVIDING SOLUTIONS FOR PEOPLE AND PLANET

SSE manages its sustainability outcomes through careful decision making to ensure social, environmental and economic impacts are balanced and value is enhanced. It seeks to offer 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.

Since 2019, SSE has aligned its business strategy to the UN's Sustainable Development Goals (SDGs), which provide the framework to guide the creation of shared value. Within this framework SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core 2030 Goals.

This short report provides a summary of SSE's sustainability impacts over 2021/22. More information about SSE's sustainability performance can be found at sse.com/sustainability and in its Annual Report 2022 and Sustainability Report 2022, which will be published on 17 June 2022.

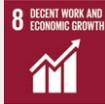
SSE welcomes and encourages feedback on this statement and its approach to sustainability. You can get in touch with feedback and comments by emailing sustainability@sse.com.

Refreshed 2030 Goals

SSE's four core business goals for 2030 provide important milestones on the journey to net zero and place sustainability firmly at the heart of its business strategy. In February 2022, SSE refreshed its 2030 Goals to reflect its increased net zero ambitions, outlined below.

Progress against the Goals for 2021/22 disclosed throughout the rest of this document is measured against the original 2030 Goals. 2021/22 is the last year progress will be measured against the original Goals. Progress from 2022/23 onwards will be measured against the new 2030 Goals.

SSE's refreshed 2030 Goals

 <p>Cut carbon intensity by 80%</p>	 <p>Increase Renewable energy output fivefold</p>	 <p>Enable low-carbon generation and demand</p>	 <p>Champion a fair and just energy transition</p>
<p>Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels to 61gCO₂e/kWh</p> 	<p>Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.</p> 	<p>Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030.</p> 	<p>Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.</p> 



ACCELERATING CLIMATE ACTION

Accelerating SSE's decarbonisation pathways

In 2021/22 SSE set more stretching climate targets, ensuring its ambitions continue to align to developing climate science. SSE is now targeting net zero GHG emissions across its scope 1 and scope 2 emissions by 2040 (subject to security of supply requirements) and for remaining scope 3 emissions by 2050. These net zero ambitions are supported by a series of carbon targets approved by the Science Based Targets Initiative (SBTi). Originally set in April 2020, these SBTi-approved targets were aligned to a 'well below 2°C' pathway which was the most stretching pathway for the power sector available at the time. Since then, the SBTi published a new pathway for the power sector, allowing electric utilities to set science-based targets in line with a 1.5°C pathway. In November 2021, SSE announced updated targets aligned to this new 1.5°C pathway and approved by the SBTi. Detail of SSE's SBTi-approved targets are outlined in the graphic on this page.

Net Zero Transition Report

In March 2022, SSE published its Net Zero Transition Plan. The Plan sets out clearly for stakeholders the key actions SSE will take to drive progress towards its net zero ambitions and its

interim science-based targets aligned to a 1.5°C pathway. SSE will disclose annual progress against this plan through its Net Zero Transition Report in June each year, ahead of its Annual General Meeting. Progress in 2021/22 will be disclosed across SSE's Annual and Sustainability Reports, with a standalone summary Net Zero Transition Report to be published at the same time to aid stakeholder engagement, which can be found at sse.com/sustainability.

Scope 1 GHG intensity performance

SSE's scope 1 GHG intensity increased slightly in 2021/22 by 1%, to 259gCO₂e/kWh from 256gCO₂e/kWh the previous year. While SSE's thermal generation output fell between 2020/21 and 2021/22, this did not result in a corresponding fall in the GHG emissions intensity. This was because there was increased demand for more carbon intensive oil-fuelled peaking plant in Ireland that arose as a result of the need to balance the grid and provide security of supply in periods of constraint. SSE remains on track to achieve its science-based target to reduce scope 1 GHG emissions intensity by 80% between 2017/18 and 2030, with a 16% reduction since the 2017/18 base year.

16%
Reduction in scope 1 GHG intensity from 2017/18 baseline



Cut carbon intensity by 60%



Despite GHG emissions from electricity generation falling by 19% between 2020/21 and 2021/22, and being the lowest since SSE's records began, the carbon intensity of electricity generated by SSE increased slightly by 1.2%.

Absolute carbon emissions performance

SSE's total GHG emissions (scope 1, 2 and 3) decreased by around 10% between 2020/21 and 2021/22, from 11.03MtCO₂e to 9.93 MtCO₂e. The most material contributing factor to this decrease was the reduction in SSE's scope 1 emissions, predominantly due to a 26% reduction in output from thermal generation plan in 2021/22 compared to the previous year, due to planned and unplanned outages and market conditions. GHG emissions from electricity generation were the lowest since SSE's records began, at 5.7MtCO₂e. This means that SSE made good progress towards its science-based target to reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year, with emissions having fallen by 44%, or 4.8MtCO₂e, between 2017/18 and 2021/22.



PROVIDING AFFORDABLE AND CLEAN ENERGY

SSE's renewable generation output

SSE's renewable generation output (inc. pumped storage, biomass and constrained off wind in GB) fell by 7% between 2020/21 and 2021/22, from 10.2TWh to 9.5TWh. This is different to the renewable generation output metric on page 2 as it includes constrained off wind in GB, which contributes towards SSE's 2030 Goal. The reduction in output for renewables was driven by unfavourable weather conditions over the summer, which was one of the least windy across most of the UK and Ireland and one of the driest in SSE's hydro catchment areas in the last 70 years.

9.5TWh

Total renewable generation output in 2021/22*

Progressing key offshore wind projects

SSE Renewables made good progress on key offshore projects in 2021/22, including reaching financial close on Dogger Bank C and construction progressing at Seagreen and Dogger Bank A and B. At 31 March 2022, SSE had 2.4GW of renewable energy capacity in construction (based on equity share). SSE Renewables, along with partners, also won rights in January to develop what will become one of the world's largest floating offshore wind farms in the ScotWind leasing round. With the acquisition of renewables development platforms in Japan and southern Europe, SSE is also building pipeline options in carefully chosen international markets.

2.4GW

Renewable energy capacity in construction**

SSE Renewables partnering to drive growth overseas

Plans to export SSE's significant capabilities to overseas markets gained momentum over 2021/22. Spain, Portugal and Denmark are already markets where SSE Renewables is actively looking to develop offshore wind projects, and in 2021/22 it added more countries to this list through a number of strategic partnerships. In July 2021, SSE Renewables announced the creation of a 50/50 joint venture with ACCIONA Energía to develop offshore wind

opportunities in the Polish energy market, with an application having been made for offshore development rights in the Baltic Sea. In addition, in September 2021, SSE Renewables signed an agreement to create a joint ownership company with Pacifico Energy, one of Japan's largest developers of renewable energy, that will pursue the development of offshore wind projects in Japan. The creation of this joint ownership offshore wind company also involved the acquisition of an 80% interest in 10GW of early-stage development opportunities across Japan.

Most recently, in April 2022, it acquired Siemens Gamesa Renewable Energy's (SGRE) Southern Europe wind, solar and batteries development platform. The SGRE portfolio includes c.3.9GW of onshore wind development projects – across Spain, France, Italy and Greece – with scope for up to 1GW of additional co-located solar development opportunities. These partnerships and acquisitions will help support the further expansion and diversification of SSE Renewables' longer-term growth pipeline and make an important contribution to SSE's new 2030 Goal of increasing renewables output fivefold.

Responding to a new affordability challenge for customers

SSE recognises the huge challenges faced by its customers during the current affordability crisis. Over winter 2021/22, SSE Airtricity announced up to €500,000 of funding for customers requiring additional support and established a dedicated affordability project to target short-term issues that customers are experiencing alongside longer-term fuel poverty.

€2.5m

Made available by SSE Airtricity to directly support households with costs of living and energy bills

In addition to this, SSE Airtricity has established a €1m all-island customer support fund for customers who may be struggling to pay their bills and donated a further €1m to a trusted all-island charity partner to support hard to reach customers struggling with the cost of living. In May 2022 a price promise was announced by



Treble renewable energy output



Despite a fall in renewable generation output between 2020/21 and 2021/22, SSE made good progress on key renewables projects.

SSE Airtricity to hold energy tariffs for existing financially vulnerable domestic customers in the Republic of Ireland for the remainder of the 2022 calendar year.

Helping homes and businesses go green

In March 2022, SSE Airtricity became the first nationally accredited one-stop-shop for home energy upgrades with the Sustainable Energy Authority of Ireland (SEAI). SSE has been delivering large-scale energy efficiency retrofit projects for homes across Ireland and from April 2022, as part of this initiative SSE Airtricity committed to delivering home energy upgrades to up to 600 homes experiencing fuel poverty free of charge.

During 2021/22, SSE Business Energy customers on green products grew from 6% to almost 30%. Over the year SSE worked to ensure customers joining or rolling onto new fixed contracts were provided with independently verified and assured 100% renewable electricity. In May 2021, a simplified Corporate Power Purchase Agreement (CPPA) approach was announced to enable a wider range of customers to purchase fully traceable energy directly from SSE's renewable assets. In addition, in September 2021, SSE launched the Green EV tariff which supports businesses to charge fleets with 100% renewable electricity.

800

Customers supported to retrofit their homes and improve energy efficiency

* Includes pumped storage, biomass and constrained off wind in GB

** Based on SSE equity stake at 31 March 2022

INVESTING IN INDUSTRY, INNOVATION AND INFRASTRUCTURE

Net Zero Acceleration Programme

To support the delivery of its net zero ambition, SSE published its 'Net Zero Acceleration Programme' in November 2021. The Programme seeks to accelerate clean growth, lead the energy transition and maximise value for all stakeholders. It includes a significantly enhanced, fully-funded £12.5bn strategic capital investment plan to 2026 alongside ambitious 2031 targets, aligned with net zero and a 1.5°C pathway. The Programme represents the optimal pathway for SSE to build on its position as the UK's clean energy champion, enabling the contribution of around 20% of the UK's revised 50GW offshore wind target and over 20% of the required investment in GB electricity networks, whilst deploying flexibility solutions to secure electricity supplies and exporting SSE's renewables capabilities overseas.

£12.5bn

Planned capital investment to 2026 through SSE's Net Zero Acceleration Programme

Connecting renewable generation in the north of Scotland

With a wealth of renewable resources in the north of Scotland, SSEN Transmission's network has a vital role to play in transporting this electricity to demand centres further south. SSEN Transmission's planned activity for the RIIO-T2 price control period is expected to deliver significant growth in the capacity of renewables connected to its network, from under 7GW at the start of RIIO-T2 to around 13GW by March 2026. In 2021/22, the total installed renewable capacity connected to the north

of Scotland transmission network was just under 8GW. SSEN Transmission is well on its way to delivering its RIIO-T2 goal to transport the renewable electricity that powers 10 million homes, which will be met once the installed capacity of renewables reaches 10GW.

c. 8GW

Installed renewable capacity connected to SSEN Transmission's electricity network in the north of Scotland

Building thermal assets for a net zero world

With flexible thermal generation continuing to be relied upon to meet electricity system demand, SSE Thermal is committed to the responsible phased reduction of unabated gas output at the same time as repurposing key assets for the net zero world. SSE Thermal is developing carbon capture and storage projects with Equinor at Keadby and Peterhead. In January 2022, both Keadby and Peterhead Carbon Capture and Storage projects were submitted into Phase 2 of the UK Government's Cluster Sequencing Process, with outcomes expected to be announced in mid-2022. SSE Thermal and Equinor are also announced collaboration on two further projects in the Humber over the course of 2021/22: Keadby Hydrogen, which would be the world's first 100% hydrogen-fuelled power station; and, Aldbrough, located in East Yorkshire, which could be one of the world's largest hydrogen storage facilities. SSE Thermal is also involved in Project Cavendish, an initiative to promote the Isle of



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.

Grain as a location for a low-carbon hydrogen economy. This could provide the opportunity to bring low-carbon hydrogen to SSE's Medway site.

New global smart grid partnership

In November 2021, SSEN Distribution announced it was one of the founding partners of a new global smart grid partnership called International Community for Local Smart Grids (ICLSG). Launched at COP26, the ICLSG consists of electricity distribution companies from the UK, Australia, Italy and Japan, with SSEN, Ausgrid and Enel as founding partners. The new project will see community energy groups and electricity networks share key learnings from innovation projects, facilitate discussions around challenges and support a collaborative transition to a decarbonised future.



DELIVERING DECENT WORK AND ECONOMIC GROWTH

Creating and sharing economic value

The payment of taxes, supporting good jobs and contributing to GDP continue to be the foundation of SSE's social impact. In 2021/22, independent analysis showed that SSE contributed £6.2bn to the UK and Irish economies. The results of this analysis show therefore that for every £1 earned by SSE in adjusted operating profit, it made an economic contribution of £4 to the combined UK and Irish economies. SSE supported 47,130 jobs across the UK and Ireland in 2021/22, meaning that for

2021/22 UK and Irish GDP contribution, jobs supported and taxes paid*

UK Contribution to GDP

£5.8bn

2020/21: £5.2bn

UK jobs supported

45,290

2020/21: 41,400

UK taxes Paid

£335m

2020/21: £379m

Ireland Contribution to GDP

€438m

2020/21: €439m

Ireland jobs supported

1,840

2020/21: 2,160

Ireland taxes Paid

€46.4m

2020/21: €20.4m

every one person directly employed by SSE, more than three additional jobs were supported across these countries. Over 2021/22, SSE's total tax contribution was £944m, split between £375m in taxes paid (including £70m paid in corporation tax) and £569m in taxes collected. SSE has been Fair Tax Mark accredited since 2014 and believes that paying a fair share of tax is one of the key ways in which companies can give back to the communities and societies they rely on to operate. More information will be available in the Annual Report 2022, to be published in June 2022, and SSE's Talking Tax Report, due to be published in late 2022.

Putting principles into action for a just transition

SSE published its second report on promoting a fair and just transition to net zero in September 2021. This new report looks specifically at actions to support workers move from high- to low-carbon careers and follows SSE's publication of its world-first business Just Transition Strategy in November 2020. After almost a year of consultation with a wide range of stakeholders – including its employees, policy makers, trade union partners, investors, academics, suppliers, and industry and skills bodies – the new report uses these insights to outline 20 commitments from SSE and 20 recommendations for industry and government which all aim to promote a smooth, fair and just transition to net zero for workers. As part of this engagement activity, SSE undertook primary research with its employees and found that 1 in 5 of its entire workforce have already made this



Champion Fair Tax and a real Living Wage



SSE retained the Fair Tax Mark for the eighth consecutive year and published its Talking Tax booklet. It maintained Living Wage accreditation for the ninth year in a row and completed its first year of Living Hours accreditation.

transition from a high- to low-carbon career. Full details can be found in SSE's From principles to action report, available at sse.com/sustainability/just-transition.

1 in 5

SSE employees have already transitioned from a high- to low-carbon career

Powering Net Zero Pact: driving action 6 months on from COP26

Over 2021/22, the groundwork was undertaken to create the Powering Net Zero Pact, an initiative created by SSE with 10 other founding partners as a legacy of COP26. The Pact, which was launched in Glasgow in May 2022, six months on from COP26, brings together different companies across all tiers of the power sector and identifies five key areas for future collaboration to a fair and just transition to net zero carbon emissions. Together, signatories of the Pact operate across more than 100 countries, had a combined annual turnover in 2021 of more than £55bn, are responsible for the livelihoods of over 240,000 employees, and work with more than 120,000 suppliers globally. More information can be found at sse.com/sustainability/poweringnetzeropact.

SSE's most comprehensive stand-alone Inclusion and Diversity report to be released

Over 2021/22, SSE has refreshed its strategic approach to inclusion and diversity, recognising that this is an essential driver to deliver net zero in a way that is fair and affordable. Reflecting its increased strategic focus to drive greater inclusion and diversity across the business, SSE has committed to publish a new comprehensive stand-alone Inclusion and Diversity Report 2022, along with its Sustainability Report 2022 in June, providing detailed information on SSE's updated Inclusion and Diversity Strategy, progress made, Gender Pay Gap disclosure, and a range of key performance indicators for 2021/22. Transparency on its inclusion and diversity approach allows SSE to share successes and learnings, as well as gain feedback from key stakeholders. The report will be published on sse.com/sustainability in June 2022.



*Contribution to GDP and jobs supported information from PwC analysis, which can be found at sse.com/sustainability.