

POWERING NET ZERO PACT

COLLABORATION FOR A JUST
ENERGY TRANSITION TO NET ZERO

POWERING NET ZERO PACT YEAR 2 ANNUAL REPORT

ABOUT THE PACT

The Powering Net Zero Pact ('the Pact') is an initiative created by SSE with 10 other founding partners as a legacy of COP26. It brings together different companies across all tiers of the power sector – including civils, shipping, renewables, electrical engineering and others – that are committed to a fair and just transition to net zero carbon emissions.

The Pact welcomed nine member organisations over its first year and seven new organisations in its second year. Together, all signatories of the Pact operate across more than 120 countries, had a combined annual turnover of more than £185bn in 2023, are responsible for the livelihoods of over 850,000 employees, and work with more than 250,000 suppliers globally.

The Pact focuses on five areas of ambition: achieving net zero carbon emissions; protecting and enhancing the natural environment; transitioning to a circular economy; guaranteeing fair work and sustainable jobs; and adding value to local communities.

This second Annual Report for the period to 30 April 2024 aims to provide disclosure on the progress of the Pact, its members' status against the commitments, progress against the working group KPI's, and outline key priorities for year three.

5 AREAS OF AMBITION	5 SHARED COMMITMENTS	5 TOPICS FOR COLLABORATION
Net Zero	Work towards science-based carbon targets, aligned to 1.5 degrees by 2025*	Develop understanding of and quantify of scope 3 carbon emissions
Natural Environment	By 2025, publicly disclose wider environment metrics, including water use, air quality and biodiversity, recognising the importance of the wider natural environment in getting to net zero	Share approaches to managing, protecting and enhancing biodiversity, with the aim of developing a framework for achieving Biodiversity Net Gain
Circular Economy	By 2025, set a waste reduction target through the incorporation of circularity	Develop innovative products and construction methods to increase resource efficiency and design out waste
Human Rights and Labour Standards	Uphold ILO-recognized human rights and labour standards. Ensure fair wages, reasonable working hours, and a safe, inclusive workplace.	Develop a targeted modern slavery and human rights abuse risk-based approach across global supply chains
Social Value	Create a roadmap for Net Zero Skills and identify shared responsible developer, constructor and operator principles by 2025	Develop and nurture competitive, local supply chains close to assets and build on action for creating social value
UNDERPINNED BY A SHARED STRATEGIC APPROACH		
Business strategies aligned to the UN Sustainable Development Goals	Sustainability questions included in tenders and sustainability requirements rolled out through supply chains	Annual meeting of signatories to review commitments and continue ambitious progress



*Where companies face significant technological and methodological challenges for setting SBTs, a commitment to working towards setting SBTs with an annual update on progress will be accepted.

FOUNDING PARTNERS AND EXISTING MEMBERS



NEW MEMBERS



TOGETHER PACT COMPANIES:

Employee >850,000 people globally	Work with >250,000 suppliers	Have operations in >100 countries	Have a combined annual turnover last year of >£185BN
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Find out more at: www.sse.com/pnzp

POWERING NET ZERO PACT COMMITMENTS

	PACT MEMBER										
5 SHARED COMMITMENTS	Balfour Beatty	BAM	Black & Veatch UK	Capgemini	COWI	DEME	Fugro	GE Vernova Offshore Wind	Hitachi Energy	Jacobs	James Fisher
Work towards science-based carbon targets, aligned to 1.5 degrees by 2025.	Amber	Amber	Purple	Green	Green	Purple	Green	Amber	Amber	Green	Green
By 2025, publicly disclose wider environment metrics, including water use, air quality and biodiversity, recognising the importance of the wider natural environment in getting to net zero.	Amber	Red	Green	Green	Green	Red	Green	Amber	Green	Green	Amber
By 2025, set a waste reduction target through the incorporation of circularity.	Amber	Amber	Amber	Green	Green	Red	Green	Amber	Amber	Green	Amber
By 2025 Uphold ILO-recognized human rights and labour standards. Ensure fair wages, reasonable working hours, and a safe, inclusive workplace.	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Create a roadmap for Net Zero Skills and identify shared responsible developer, constructor, and operator principles by 2025.	Amber	Red	Amber	Green	Green	Red	Amber	Amber	Amber	Amber	Amber

Governance and operating structure of the Pact Steering Committee and Working Groups

The Steering Committee is formed on the 11 founding companies which include Balfour Beatty, DEME, GE Vernova Offshore Wind, Hitachi Energy, NKT, RJ McLeod, Siemens Energy, Siemens Gamesa, SSE, Subsea 7 and Vestas. The purpose of the Steering Group is to set and deliver on the strategic objectives of the Pact and to grow Pact membership.

The key objectives of the Steering Group include:

- Undertaking the annual review and reporting of progress against the commitments and areas of collaboration of the Pact.
- Assess progress of the Pact and strategic direction.
- Facilitate discussions to share examples of best practice.
- Understand tangible opportunities to drive change through innovation and partnership with Pact signatories.
- Ensure there is a clear programme for delivering and engaging with stakeholders as appropriate.

Key:

- Green** = Target set and on track to deliver or delivered.
- Amber** = Some way towards achieving this, target set, and work undertaken to achieve it.
- Red** = No disclosure/no action undertaken.
- Purple** = Committed to set future science-based target, but is not yet permitted to submit to SBTi.
- Grey** = Undergoing company structural changes.

	PACT MEMBER															
	Jan De Nul	Lixon	National Grid	Nexans	NKT	Ramboll	RJ McLeod	Saipem	Scottish Power	Siemens Energy	Siemens Gamesa	Smulders	SSE	Subsea 7	Altitec	Vestas
Work towards science-based carbon targets, aligned to 1.5 degrees by 2025.	Amber	Amber	Green	Green	Amber	Green	Green	Purple	Green	Amber	Green	Amber	Green	Purple	Grey	Green
By 2025, publicly disclose wider environment metrics, including water use, air quality and biodiversity, recognising the importance of the wider natural environment in getting to net zero.	Amber	Amber	Green	Amber	Amber	Green	Amber	Green	Green	Amber	Green	Amber	Green	Amber	Grey	Green
By 2025, set a waste reduction target through the incorporation of circularity.	Red	Amber	Amber	Amber	Amber	Green	Green	Green	Green	Amber	Green	Amber	Green	Amber	Grey	Green
By 2025 Uphold ILO-recognized human rights and labour standards. Ensure fair wages, reasonable working hours, and a safe, inclusive workplace.	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Green
Create a roadmap for Net Zero Skills and identify shared responsible developer, constructor, and operator principles by 2025.	Red	Red	Amber	Red	Red	Amber	Amber	Red	Amber	Amber	Amber	Amber	Amber	Amber	Grey	Amber

The Steering Group meets at least twice per year, with additional optional meetings. The five Working Groups of the Pact provide an update on activities, progress and deliverables to the Steering Group on an annual basis, following their March meetings.

The Working Groups are open to and include all Pact companies. The purpose of the Working Groups is to facilitate the discussions needed to understand tangible opportunities to deliver on the identified area of collaboration.

The key objectives of the Working Groups include:

- Facilitate discussions to share examples of best practice.
- Find opportunities to deliver tangible actions which address the area of collaboration outlined, including through sub-groups if appropriate.
- Understand tangible opportunities to drive change through innovation and partnership with Pact signatories.
- Agree common approach to supply chain requirements where possible.
- Ensure there is a clear programme for delivering and engaging with stakeholders as appropriate.

NET ZERO WORKING GROUP

“As a founding signatory to the Powering Net Zero Pact (PNZP) it has been exciting to see momentum building for the initiative as more businesses join. The commitment from businesses to work together to deliver a fair and just transition to net zero carbon emissions is the right thing to do. In the second year, the Scope 3 working group has made progress against our agreed priorities, but with such a broad number of companies involved, it has been challenging to identify the next steps to allow everyone to be engaged. The working group will continue to deliver on our projects, and it will be interesting to see how the Powering Net Zero Pact evolves to extend the impact that we can have collectively in addressing engagement in our supply chains.”

Sarah Handley, Head of Sustainability and Environmental Governance, Siemens Energy, and Chair of the PNZP Net Zero Working Group



NUMBER OF MEETINGS HELD

4

PLUS 8 MEETINGS OF THE SUB-WORKING GROUPS

NUMBER OF PARTICIPANTS

45

NUMBER OF COMPANIES

21

COMPANIES IN THE NET ZERO WORKING GROUP



AGREED PRIORITIES

The priorities agreed in the Net Zero Working Group aim to make it easier to engage Small Medium Enterprises (SMEs) in measuring and reporting carbon emissions. In Year 2 the Working Group has continued to support the development of resources to support SMEs in meeting the following objectives:

- Define the scope and purpose of supplier assessments and their intended outcomes (for example, Tender/PPQ or an Annual Survey).
- Agree a 'minimum data set' for surveys.
- Standardise the language used in key data by developing a glossary of terms
- Develop a simple guide on how to calculate emissions.
- Include a description of accreditations, certifications, and standards with guidance on scope and purpose.
- Develop a 'Net Zero Supply Chain' training route using external partners to address carbon literacy in Procurement teams so that they can support SMEs.

Year 2 achievements

Year two focused on getting the scope and content agreed for the training resources and getting feedback from suppliers and procurement teams. For Scope 3 supply chain reporting, the overall goal is to improve reporting in the supply chain to enable measurable KPIs.

The first working group developed a carbon literacy training approach to support SMEs which is currently being trialed with suppliers to get feedback to ensure that it addresses the key challenges. The training will include reference to a glossary of terminology. The Working Group are investigating methods to establish a 'minimum data set' for surveys, using AI and further research.

A second Working Group has focused on the development of a 'Net Zero Supply Chain' training route to address carbon literacy in Procurement teams. Consideration has been given to the scope and type of training that would best support Procurements teams. The Pact members are seeking feedback from their teams to inform the solution.

CASE STUDY

NEW TECHNOLOGY

Linxon are currently designing the GIS hall for the new substation at Bengeworth Road (LPT2) for National Grid using the UK's first cement-free ultra-low carbon dense concrete block and low carbon masonry mortar.

This new technology called Greenbloc enabled them to reduce the CO₂e by 73% compared against conventional OPC blocks¹. Other benefits include:

- Reduced resource depletion by substituting cement with an industrial by-product.
- Improved durability.
- Strengths achieved comparable to conventional concrete.

Linxon for the GIS hall of a 322 m² area, using the Greenbloc technology saved 3,216kgCO₂e.



1. Greenbloc state a 73% reduction of CO₂e to CEM I - <https://ccp.ltd/greenbloc-low-carbon/>

BIODIVERSITY WORKING GROUP

“The focus of the Biodiversity Working Group over the last year has been identifying common challenges and opportunities amongst the organisations involved. We recognise that participants are at differing levels of maturity with regards to biodiversity and so the aim of the group is to ensure the discussions and outputs remain relevant to all organisations. Policy and regulation regarding biodiversity continues to develop at pace and it has been hugely encouraging to hear from all participants that we continue to share the collective goal of delivering value for biodiversity through our activities.”

Andy Allan, Lead Environment Manager (Onshore), SSE Renewables, and Chair of the Biodiversity Working Group



NUMBER OF MEETINGS HELD

4

NUMBER OF PARTICIPANTS

18

NUMBER OF COMPANIES

12

COMPANIES IN THE BIODIVERSITY WORKING GROUP



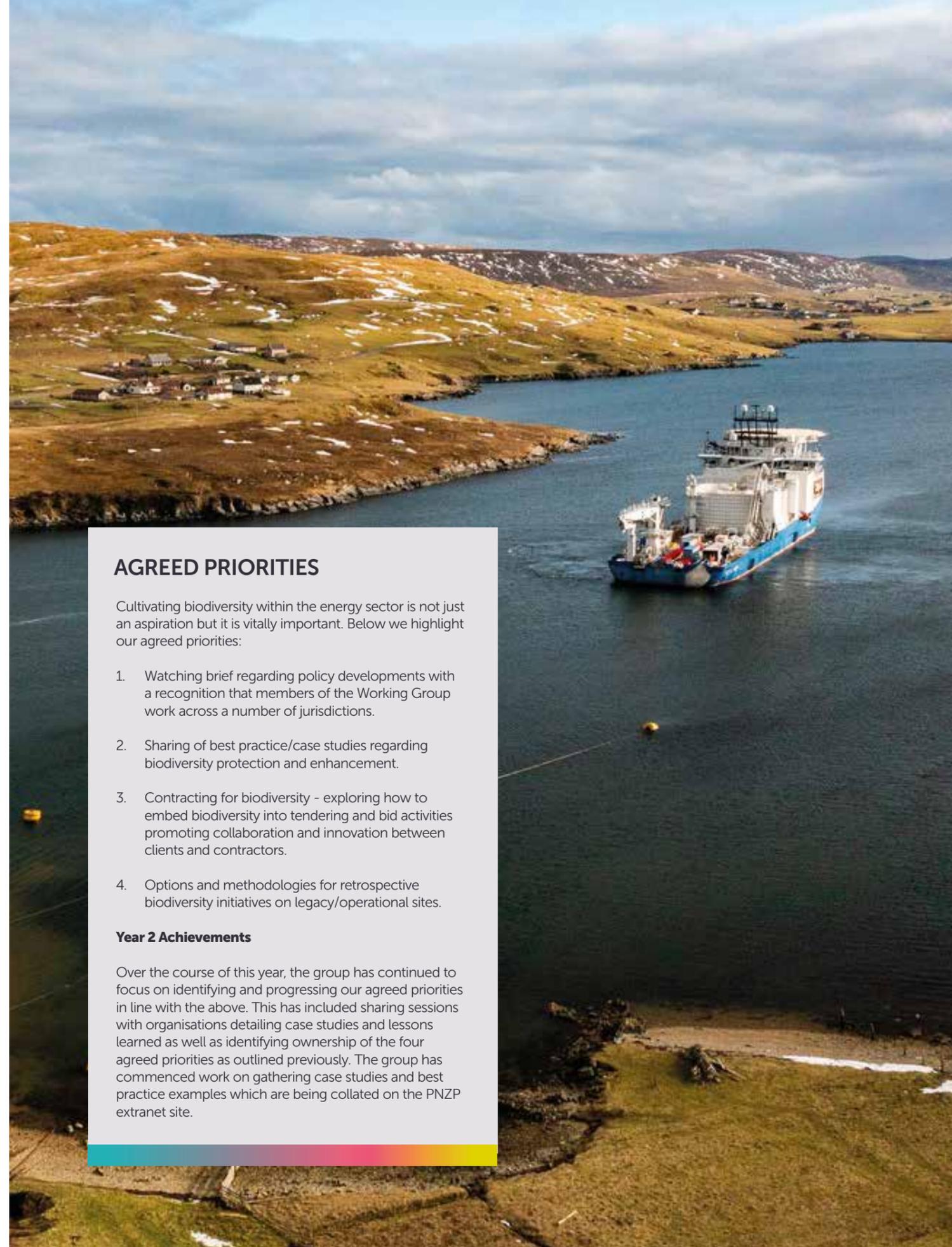
AGREED PRIORITIES

Cultivating biodiversity within the energy sector is not just an aspiration but it is vitally important. Below we highlight our agreed priorities:

1. Watching brief regarding policy developments with a recognition that members of the Working Group work across a number of jurisdictions.
2. Sharing of best practice/case studies regarding biodiversity protection and enhancement.
3. Contracting for biodiversity - exploring how to embed biodiversity into tendering and bid activities promoting collaboration and innovation between clients and contractors.
4. Options and methodologies for retrospective biodiversity initiatives on legacy/operational sites.

Year 2 Achievements

Over the course of this year, the group has continued to focus on identifying and progressing our agreed priorities in line with the above. This has included sharing sessions with organisations detailing case studies and lessons learned as well as identifying ownership of the four agreed priorities as outlined previously. The group has commenced work on gathering case studies and best practice examples which are being collated on the PNZP extranet site.



CIRCULARITY WORKING GROUP

“COP28 saw the launch of the ‘Global renewables and Energy Efficiency pledge’, an addition to existing net zero legislation and a commitment to further increase the pace of the energy transition. With this pledge comes another gear change to the already fast pace of our industry, and validation that circularity plays a pivotal role in ensuring that stocks of the essential raw materials needed to facilitate the infrastructure required to deliver this transition are sustainably accessed and used. This year, our working group has focussed on key high-volume waste streams, creating an open dialogue around strategic challenges, and collaborating to share holistic best practice delivery.”

Michelle De Waele, Sustainability Manager, Balfour Beatty, and Chair of the Circularity Working Group



NUMBER OF MEETINGS HELD

3

NUMBER OF PARTICIPANTS

34

NUMBER OF COMPANIES

15

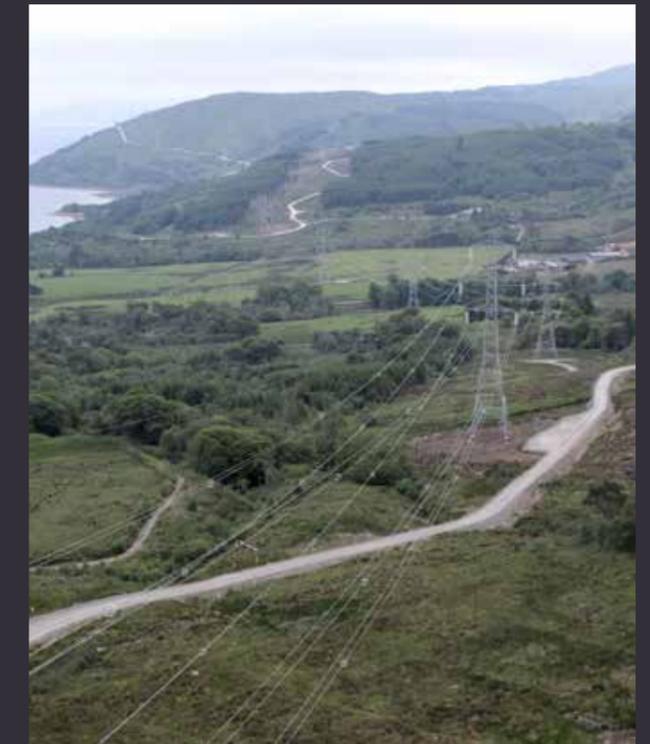
COMPANIES IN THE CIRCULARITY WORKING GROUP



CASE STUDY

TRANSMISSION LINE INSTALLATION

Balfour Beatty working with SSEN Transmission (a business unit of SSE) on the 45km Argyll Port Ann to Crossaig Transmission Line installed 29,500 metres of post and wire fencing, with 18,000 metres recovered to be used on phase two of the project. Additionally, 90% of silt fencing posts were also recovered for phase two and 86,000 tonnes of quarried aggregate from access tracks are being re-used by Scottish Forestry.



AGREED PRIORITIES

We took the five areas of ambition set out by the Pact and viewed them through the lens of the Circular Economy, with the agreed priority of turning theory into action. We subsequently set the following goals:

1. Creating an accessible directory of subject matter experts to support wider collaboration on key issues.
2. Setting standards for best practices at all stages of the delivery life cycle.
3. Establishing common strengths and weaknesses related to embedding circularity and setting up communication channels within Pact members to offer support and information exchange.

Year 2 Achievements

We now have a collated library of 35 case studies from across the Working Group members, including topics such as reuse/redistribution of assets and material, education and training, trialling new systems of work, and products as a service.

To address the common challenge of a key high-volume waste stream, we were also able to secure subject matter expertise from the lead author of the newest CIRIA guidance for the sustainable management of surplus soil and aggregates from construction.

This guest speaker session in turn facilitated a discussion on environmental permitting, geo-environmental projects, designing out of waste, and materials management within major infrastructure projects.



HUMAN RIGHTS WORKING GROUP

“As the power sector advances to build a net zero energy system we need to work together as a collective to ensure that there is no harm to people during or as a result of this journey. All the Powering Net Zero Pact members prioritise the mitigation of human rights abuses throughout their supply chains, and sharing knowledge around risk areas and best practice due diligence helps us increase the standards of our human rights management plans.”

Katie Metcalf, Sustainability Manager, SSE PLC, Chair of the Human Rights Working Group



NUMBER OF MEETINGS HELD

4

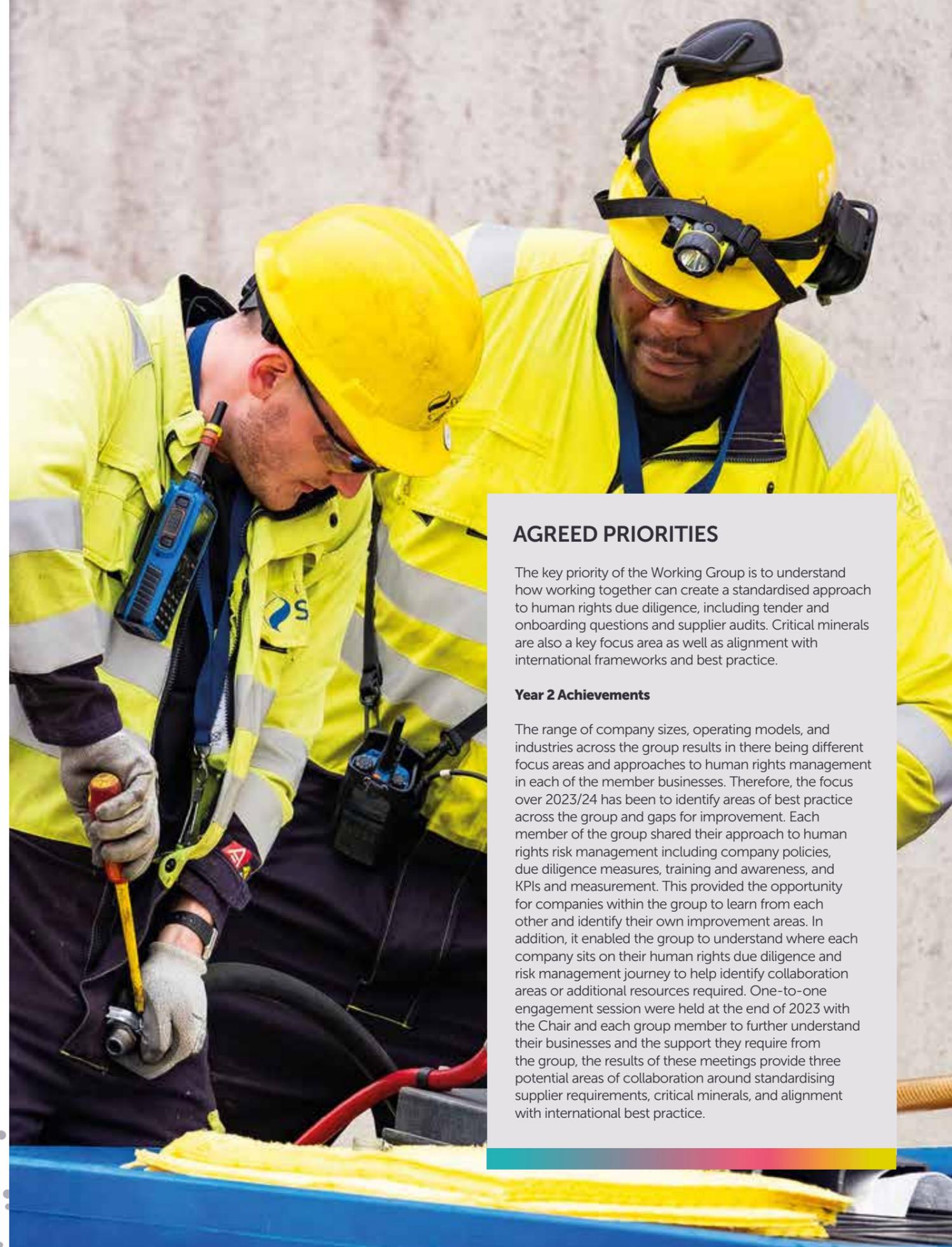
NUMBER OF PARTICIPANTS

10

NUMBER OF COMPANIES

10

COMPANIES IN THE HUMAN RIGHTS WORKING GROUP



AGREED PRIORITIES

The key priority of the Working Group is to understand how working together can create a standardised approach to human rights due diligence, including tender and onboarding questions and supplier audits. Critical minerals are also a key focus area as well as alignment with international frameworks and best practice.

Year 2 Achievements

The range of company sizes, operating models, and industries across the group results in there being different focus areas and approaches to human rights management in each of the member businesses. Therefore, the focus over 2023/24 has been to identify areas of best practice across the group and gaps for improvement. Each member of the group shared their approach to human rights risk management including company policies, due diligence measures, training and awareness, and KPIs and measurement. This provided the opportunity for companies within the group to learn from each other and identify their own improvement areas. In addition, it enabled the group to understand where each company sits on their human rights due diligence and risk management journey to help identify collaboration areas or additional resources required. One-to-one engagement sessions were held at the end of 2023 with the Chair and each group member to further understand their businesses and the support they require from the group, the results of these meetings provide three potential areas of collaboration around standardising supplier requirements, critical minerals, and alignment with international best practice.

LOCAL SUPPLY CHAINS WORKING GROUP

“The focus of year two has now shifted to the creation of an outreach strategy, leveraging our engagement toolkit. This has freed up some time for part of the Working Group to kick off 2024 with an initiative aimed at a standardised social value approach for the energy sector. Together with our new members our group is looking to leverage existing best practice to create a strategy for embedding social value through procurement activity.”

Francoise Schorosch, Global Offshore Wind External Engagement and Policy Manager, GE Renewable Energy, and Chair of the Local Supply Chains Working Group



NUMBER OF MEETINGS HELD

11

NUMBER OF PARTICIPANTS

29

NUMBER OF COMPANIES

14

COMPANIES IN THE LOCAL SUPPLY CHAINS WORKING GROUP



AGREED PRIORITIES

There were two agreed priorities within our group:

1. Strategising the incorporation of social value into procurement processes: This initiative involves devising a comprehensive strategy aimed at embedding considerations of social impact and value within our procurement activities. By prioritising this, we aim to ensure that our procurement practices not only meet environmental objectives but also contribute positively to social well-being.
2. Enhancing outreach efforts through targeted engagement with young people: Recognising the pivotal role of youth in shaping the future of sustainability, we have developed an outreach strategy specifically tailored to resonate with this demographic. Through our Engagement Toolkit, we aim to empower and mobilise young individuals to actively participate in our collective efforts towards achieving net zero objectives.

Year 2 Achievements

Development of an Engagement Toolkit: We've successfully crafted a versatile toolkit designed to foster robust engagement with diverse stakeholders. This resource empowers our community to actively participate in our sustainability endeavors, enhancing awareness and involvement across various demographics.

Advancement of a Social Value Model for the Energy Sector: Substantial strides have been taken in formulating a pioneering model that integrates social value principles into energy sector practices. This initiative underscores our commitment to holistic sustainability, aiming to create positive societal impacts alongside environmental progress.

CASE STUDY

SUPPORTING LOCAL SUPPLY CHAIN

RJ McLeod working with SSE on Viking Wind Farm up in the Shetland Islands have supported local supply chain opportunities by working with local individuals who purchased their own excavators and were provided with stable long-term contracts. This local excavator supply chain did not exist until RJ McLeod and SSE supported the local communities through guaranteed work and fair compensation.



STRATEGIC CHANGE AND THE **PNZP GOING FORWARD**

In January the Steering Group discussed the future direction of the Pact at a face-to-face strategy session in London. This discussion highlighted that the Pact increasing in size over the last year and changes in focus in the sustainability landscape has led to the some working groups no longer being aligned to deliver value. Therefore, the Steering Group evaluated the current structure and what could be introduced to support a new invigorated approach to target value-add areas that are still aligned to the ambitions and commitments of the Pact.

From this strategy session in January, the Steering Group agreed to review the status of all five working groups, with each Chair presenting a summary in April 2024 that would highlight the success they are having to date, their value to members and if they would like to continue or be dissolved.

Working Groups that proposed to continue were:

- Net Zero Working Group
- Circular Economy Working Group
- Local Supply Chains Working Group
- Biodiversity Working Group

Working Groups that proposed dissolution:

- Human Rights Working Group

The Human Rights Working Group dissolving does not signify that this topic is not important, but rather that there is a particular focus on effort for the Pact members on other sustainability areas. Additionally, the Human Rights Working Group may be picked up at a later date when more Pact members are able to collaborate across the key challenges.

Moving forward, the PNZP will focus on being an action-led community:

1. Focussing on two or three specific actions and topics that we can collaborate on to solve sustainability challenges we are collectively facing.
2. Establish a learning hub for us to build/adopt to enable our organisation to support their sustainable development.
3. Create a sustainable innovation hub to capture innovations across our organisations and supply chains to facilitate the use of new sustainable technologies and products.
4. Collectively influence governments, regulation and sustainability memberships to positively shape the energy industry.
5. Align to sustainability standards for the industry and our supply chains.

Interested in signing up to the Pact?

If your organisation wants to be involved in driving forward a just energy transition to net zero, then there are just a few simple requirements for Powering Net Zero Pact signatories:

- You are involved in some part of the power sector (it doesn't matter which part!);
- You meet all five of the shared commitments; and
- You are willing to participate in an action-focused working group for at least one of the four collaboration topics.

To get involved contact poweringnetzeropact@sse.com.



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