



Supplier Diversity Strategy at SSE

September 2024



Supplier Diversity at SSE

At SSE, we believe in having an inclusive procurement process that promotes fairness and equality. This document describes SSE's strategy for promoting supplier diversity, laying out our viewpoint, underlining the significance of the issue, and fostering change within our own company and the sector. Forward-thinking companies who are dynamic and prepared to go above and beyond legal and contractual constraints are redefining the industry, and we want these companies in our supply chain. Our Supplier Diversity Strategy summarises our definition of supplier diversity, the value of supplier inclusion, our efforts to create an inclusive and varied supply chain, as well as our future plans.

Contents

1. What is Supplier Diversity?
2. Why Supplier Diversity?
3. Defining Supplier Diversity for SSE
4. SSE Engagement actions
5. Supplier Diversity Reporting
6. Future improvements
7. Summary
8. References
9. Appendix

What is Supplier Diversity?

Traditionally, Supplier diversity is an approach in ensuring all businesses, regardless of their size/location/background have the same opportunities to compete for the supply of goods and services. The goal is to create greater diversity of suppliers within SSE's supply chain.

“Supplier diversity is about providing a wide range of companies free and fair opportunities to bid for, and win, work. It's about looking for supply chain partners outside our current networks – from different cultural, ethnic and gender backgrounds.” – **Supply Chain Sustainability School** (3)

For SSE its broader than ethnicity and gender alone, SSE want reassurance that the supply chain they invest in is invested in creating an inclusive culture for all they employ and an inclusive service for all they serve.

Why Supplier Diversity?

At SSE, we want to align our procurement strategies to our inclusion and diversity principles and approach, allowing us to act as a socially responsible company that commits to sustainability within our supply chain to meet the needs of our diverse customers. There are many benefits to adopting Supplier Diversity within our supply chain, including:

1. **Drives transparency:** Supplier diversity programs can increase transparency in the supply chain by encouraging companies to diversify their suppliers, increasing the number of suppliers they interact with, and thus increasing diverse representation into their operations. This can help companies enhance diversity of thought and innovation, helping to identify new opportunities and potential risks, and ensure that they are operating in a responsible and sustainable manner.
2. **Drives competition:** By diversifying the supplier base, companies can increase competition and drive down prices, leading to a better deal for customers and improved financial performance for the company. It also allows for a wider range of suppliers to bid for contracts, leading to greater competition, which ultimately benefits the company and its customers.
3. **Generates higher ROI:** Research has shown that companies with diverse supplier bases tend to outperform those without, delivering higher returns on investment (ROI). This is because diverse suppliers often bring unique perspectives, skills, and innovations to the table, which can lead to more efficient and effective business practices, lower costs, and increased profitability. As well as research available, SSE believe that Greater DIVERSITY, brings broader DEBATE, leading to better DECISIONS and ultimately better Business DELIVERY =- SSE refer to this as the 4D's of Diversity.
4. **Supports local economy:** By working with a diverse range of suppliers, companies can support local businesses and entrepreneurs, helping to stimulate economic growth in the communities where they operate. This can also help build stronger relationships with local communities and foster a positive image for the company.
5. **Brings innovation:** Diverse suppliers can bring new ideas, technologies, and approaches to a company, leading to greater innovation and creativity. This can help companies stay ahead of the competition and better meet the needs of their customers.
6. **Boosts Market Growth:** By working with a diverse range of suppliers, companies can expand into new markets and reach new customers, leading to increased market growth. This can help companies tap into new opportunities and increase their overall market share.

7. **Enhances Brand:** Companies that embrace supplier diversity can enhance their brand reputation by demonstrating their commitment to equality, social responsibility, and sustainability. This can help attract and retain customers, employees, and investors, leading to greater long-term success for the company.

(Sourced from MSDUK & CIPS Supplier Diversity (4))

Defining what Supplier Diversity is for SSE

Our approach to supplier diversity at SSE is about both providing equal opportunities for work for diverse suppliers and supporting all our supply chain around improving their inclusion and diversity practices. At SSE we also believe supplier diversity should reflect the diversity of the local area and jurisdiction that the supplier operates in.

We plan to adopt two different approaches when it comes to Supplier Diversity to make sure that we are being inclusive of all suppliers who want to have the opportunity to work with us:

1. We engage with our supply chain to promote inclusion and diversity practices across their organisation, allowing us to identify suppliers ([MSMEs](#), [VCSEs](#), [Diverse Ownership](#) and Local) that we can help educate and also those who we can learn from.
2. We plan to capture ownership & workforce diversity data of our supply chain for our investors needs and requirements.

1. SSE Engagement actions

Our Public Commitments



Race at Work Charter

On Zero Tolerance Day, in February 2022, SSE announced its first employee-led Black and Ethnic Minority action plan and signed up to the Business in the Community (BiTC) Race At Work Charter, demonstrating its commitment to ensuring minority ethnic groups are represented at all levels of the business and our supply chain. Through the Race At Work Charter, SSE commits to seven key actions to improve equality of opportunity in the workplace. One of these actions is to include Black, Asian, Mixed Race and other ethnically diverse-led enterprise owners in supply chains within our diversity reporting. By April 2025, we expect to be collecting and reporting this data through our Supplier Diversity report and our Inclusion & Diversity Report.



Armed Forces Covenant

At SSE, we are committed to providing and fulfilling, sustainable job opportunities to all and have a strong track record in recruiting and supporting diverse candidates, our commitment has been formally acknowledged since 2019 with both bronze and silver recognition from the Armed Forces covenant. We are currently working to achieve gold status over 2025/26. As a forces friendly organisation, we champion the Armed Forces Covenant by encouraging our supply chain and partners through the Covenant signing and Employee Recognition Scheme processes and will aim to share our practices to support applicants.

Sustainable Procurement Strategy

SSE's Sustainable Procurement Strategy, underpinned by our Sustainable Procurement Code, includes expectations that suppliers will promote greater inclusion. Our Sustainable Procurement Code and Supplier Guidance will be updated over 2024/25, with additional inclusion and diversity requirements. To drive informed decision making and enhanced supplier engagement, SSEN Transmission has been trialling the use of a supply chain data capture tool, created with Action Sustainability. The tool asks suppliers about local spend with minority owned companies (including women, LGBTQI+, and Ethnic Minority-owned). The tool has subsequently been rolled out within SSE Renewables in late 2022.

SSE uses an inclusive procurement process. This is established from the beginning of the procurement process until the contract is signed. Here are some of the main measures we take to promote a diverse supply chain:

- We actively encourage new, varied suppliers to join our supply chain
 - SSE collaborates with trade associations and community organisations to discover regional, diverse suppliers.
 - We use our website to welcome diverse suppliers to our supply chain where we put specific calls for tender available: <https://www.sse.com/potential-suppliers/>
 - We partner with a variety of innovation organisations to find diverse innovative suppliers to solve problems that we are facing
- We use an end-to-end sourcing to contract procurement system, Jaggaer, to engage with our suppliers through PQQ, ITT and contract processes. This platform allows us to connect external third party PQQ providers into the system, reducing the time for our suppliers filling out PQQ questionnaires, and encouraging diverse suppliers to work with us going forward.

Powering Net Zero Pact (PNZP)

To improve collaboration within its supply chain, SSE has created the 'Powering Net Zero Pact'. This involves a number of SSE's strategic suppliers and aims to drive a Just Energy Transition to Net Zero through collaboration, agreed goals, and sharing best practice. The pact has five ambition areas, five commitments and five areas of collaboration, including recognising the importance of greater inclusion and diversity, with targets publicly disclosed by 2025.

See www.sse.com/sustainability/poweringnetzeropact for more details.

Payment Terms

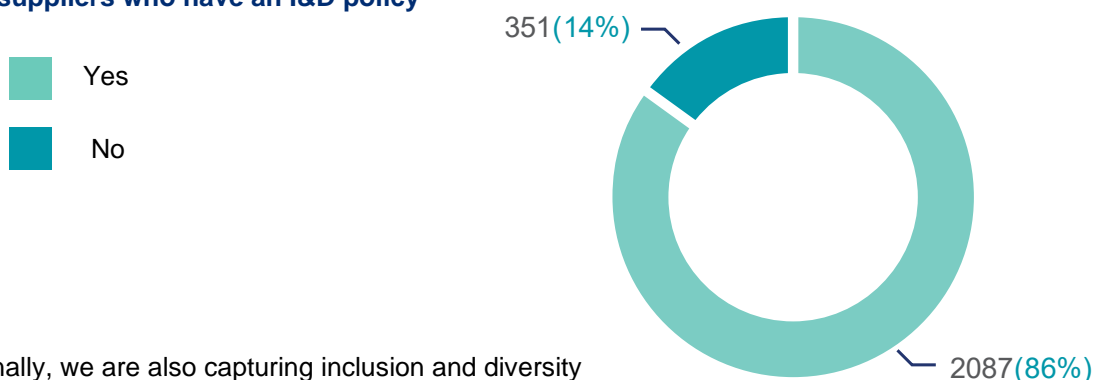
SSE recognises that not all suppliers have the same financial and cash flow model. SSE pay all our direct supply chain fast and dynamically, as per the Prompt Payment Code. We also encourage our suppliers to sign up to the Prompt Payment Code, to enable them to embed fast and fair payment terms with their own supply chain. Our strategy increases the success of a variety of subcontractors and attracts more to join our supply chain.

Data Capture

To this date, we have managed to capture information on whether our supply chain have an Inclusion & Diversity Policy.

Below is their response:

Active suppliers who have an I&D policy

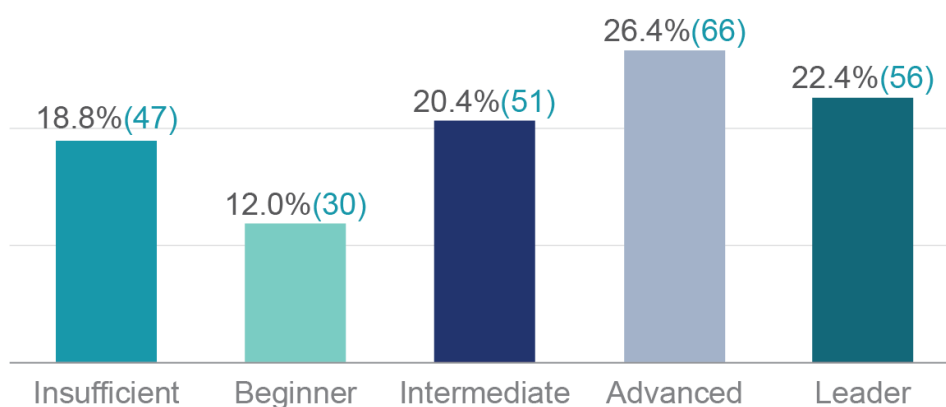


Additionally, we are also capturing inclusion and diversity data through our new sustainable performance management tool – EcoVadis.

EcoVadis provides a holistic sustainability ratings service of companies, delivered via a global cloud-based SaaS platform. The EcoVadis Rating covers a broad range of non-financial management systems including Environmental, Labor & Human Rights, Ethics and Sustainable Procurement impacts. Each company is rated on the material issues as they pertain to their company's size, location, and industry. For example, SSE, as a large energy company in the UK has a strong weighting on our environment and labour practices due to the number of employees we employ and our active role in many natural ecosystems.

From this tool, we have data and insights around maturity levels of our suppliers, who currently represent 53% of our supply chain by spend:

Partners' Diversity, Equity & Inclusion Maturity



(2023 Scorecards based on 256 suppliers)

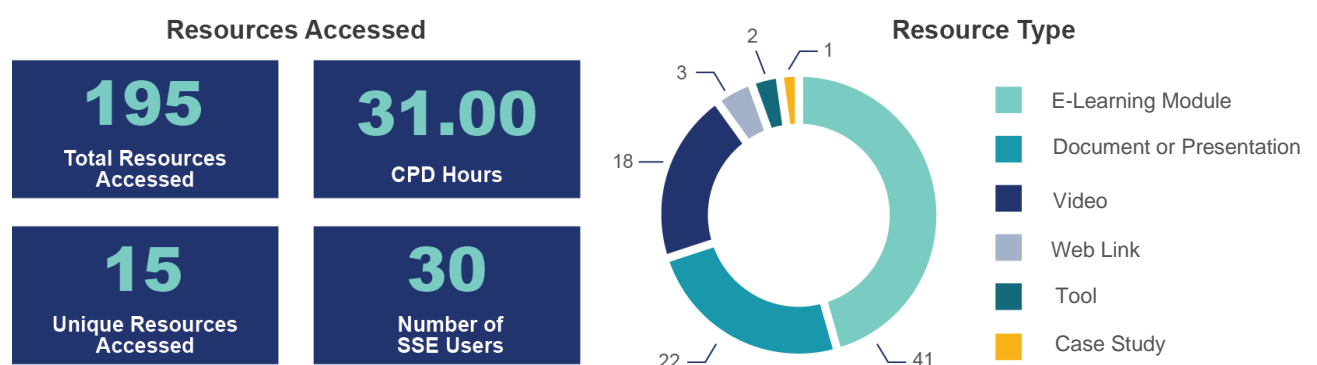
We are also able to capture data from our supply chain in relation to the following Inclusion, Diversity & Equity KPIs:

KPIs	
Policies on	diversity, equity & inclusion
Report on	diversity of management and board level, or gender pay gap diversity of whole organisation labour and human rights issues
Actions to	promote equity of minority groups and/or vulnerable workers advance diversity in the supply chain prevent & remediate discrimination and/or harassment promote gender equity and the rights of women in local communities
Working conditions	In place to support diversity & equity

Upskilling

We are proud to partner with the [Supply Chain Sustainability School \(SCSS\)](#) to provide diversity and inclusion training to our employees and our supply chain. This has yet to be fully rolled out, but here is the engagement so far with our employees and supply chain:

SSE Employee Supplier Diversity training



Supplier Inclusion & Diversity training over the last year



We encourage all our supply chain to make efforts to upskill using the resources available free through the SCSS.

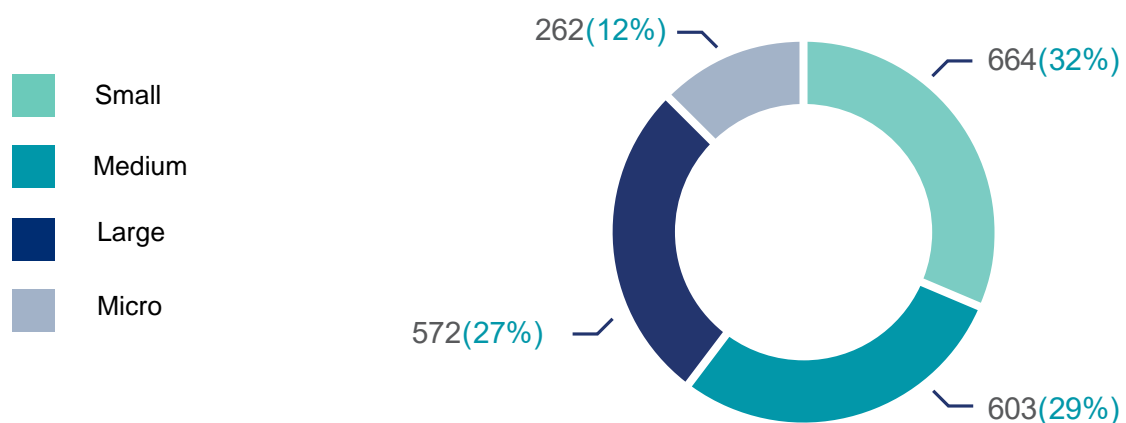
2. Supplier Diversity Reporting

As part of promoting supplier diversity, it is important to show our engagement with diverse suppliers. Organisations that we define as diverse suppliers comprise of the following:

- **Micro, Small, Medium Enterprises (MSMEs)** as defined by EU definition:
 - Fewer than 250 employees and either a turnover of up to €50 million or a balance sheet total of up to €43 million
- **Voluntary, Community, Social Enterprises (VCSEs)** defined in Appendix 1
- **Ethnic Minority-Owned Business**
 - Business that is at least 51% owned and operated by an individual or group that is part of an ethnic minority group
- **Female-Owned Business**
 - Business that is at least 51% owned and operated by an individual or group that is female
- **Disabled-Owned Business**
 - Business that is at least 51% owned and operated by an individual or group that is disabled
- **LGBTQIA+ Owned Business**
 - Business that is at least 51% owned and operated by an individual or group that is part of the LGBTQIA+ group
- **Ex-Armed Forces Owned Business**
 - Business that is at least 51% owned and operated by an individual or group that is ex-armed forces

We have started collecting data on the number of MSME's that we work with as shown below:

Active suppliers MSME



For the other supplier diversity metrics, we are developing our approach to collecting this data and plan to report on this in future.

Actions going forward

SSE is on a journey to embed a diverse and inclusive supply chain and over the next financial year 2024/25, we will be looking at embedding these actions to encourage a more diverse supply chain to meet our organisational goals:

1. Sign up to an advocacy organisation around Supplier Diversity.
2. Have a program to ensure business opportunities are matched to diverse organisations.
3. Develop a supplier diversity target that we will publicly share.
4. Capturing supply chain data around ownership and workforce diversity.
5. Changing procurement processes to embed a more diverse supply chain.
6. Creating action plans for our suppliers surrounding inclusion and diversity through EcoVadis if performance is poor.
7. Providing engagement around upskilling support to our procurement employees around supplier diversity.
8. Providing engagement around upskilling support to our supply chain around inclusion and diversity.
9. Collaborating with our peers in the PNZP to embed supplier diversity across the sector.

Summary

SSE is on a quest to integrate supplier diversity into our company. We believe we have already made good strides and have laid a solid platform upon which to continue to develop supplier diversity in the future. We are able to attract and develop varied suppliers through our commitments with Race At Work Charter, our Sustainable Procurement Code, PNZP, data gathering, procurement process and payment conditions. We have the ability to draw in various suppliers, cultivate diverse suppliers, and—most importantly—utilise varied suppliers to add value for both us and our clients.

References

1. <https://www.supplychainschool.co.uk/topics/sustainability/social-value/supplier-diversity/#:~:text=Supplier%20diversity%20is%20about%20providing,cultural%2C%20ethnic%20and%20gender%20backgrounds.>
2. <https://www.msduk.org.uk/static/CIPS-Supplier-Diversity-1.pdf>

Appendix 1

VCSE definition:

VCSE means an incorporated voluntary, community or social enterprise organisation which serves communities solely within the UK and which is either:

- (a) a charity, Community Interest Company or Community Benefit Society, registered with the relevant registry body; or
- (b) an unregulated organisation which:

- a. has a clear social mission which, in the reasonable opinion of the Fund Administrator, is analogous to a recognised charitable purpose;
- b. distributes less than 50% of post-tax profits and reinvests at least 51% surpluses into pursuing its social mission;
- c. has a constitutional or contractual lock on its social mission, its dividend and surplus distribution policy and “asset-lock”;
- d. carries out, or has ambitions to carry out, trading activities in support of and which are causally linked to its social mission;
- e. offers its products and services for general public benefit without restrictions and barriers, such as affordability;
- f. is open to undertaking an independent social impact audit;
- g. has remuneration and benefits policy which it is willing to make publicly accessible, and which is reasonable and proportionate relative to the market practice for VCSEs;
- h. in the case of a sale of the organisation, the directors make best efforts to preserve the social mission under new ownership;
- i. can demonstrate that no private benefit will arise from the Grant; and
- j. no state aid issues have been identified.

<https://www.tnlcommunityfund.org.uk/funding/thinking-of-applying-for-funding/who-can-apply/voluntary-community-and-social-enterprise-vcse-definition#:~:text=VCSE%20means%20an%20incorporated%20voluntary,the%20relevant%20registry%20body%3B%20or>