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SUPPORTING A **JUST TRANSITION**

November 2020



“SSE believes that it is in everyone’s interests that the transition to net zero should be just, and believes a just transition is one in which the necessary investment in decarbonisation is secured and: current and future employees in energy are regarded with respect and given decent work; communities in which energy assets are located or planned are regarded as key stakeholders with comprehensive engagement on all key issues; and energy consumers are provided with affordable energy and accessible energy services.”

– SSE Sustainability Report 2020

ABOUT THIS STATEMENT

Preventing the most dangerous climate change will require achievement of global net zero carbon emissions within the next three decades. The transition to net zero will result in systematic environmental, economic and social transformations.

The purpose of this statement is to outline SSE’s strategy for supporting that transition in a socially just and fair way. It aims to:

- Provide an early analysis of the impact SSE might make on key stakeholder groups, specifically, employees, consumers and communities;
- Define the principles that will underpin the choices, decisions and influences it can make as a basis for ongoing engagement with the people and organisations who have a stake in SSE’s business activities;
- Summarise actions SSE has taken to date to transition to a low-carbon – and ultimately net zero – company in a responsible way with social equity factors considered.

The structure of the document is framed around the notion that the transition is a process of exiting from activities associated with high-carbon emissions, whilst entering new or reformed activities with low and reducing carbon emissions. This concept of **‘transitioning into’** and **‘transitioning out of’** forms the structure of this statement, with the main stakeholders impacted by a Just Transition are as described in SSE’s Sustainability Report 2020 – employees, communities and consumers – with the addition of a fourth group: the suppliers who are key to execution of SSE’s net zero strategy.

Finally, this statement provides the basis from which SSE will report against the progress it makes. SSE’s annual Sustainability Report will disclose, in detail, the policies and practices it will employ to support a just transition and its performance against them each year.

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.



|| FOREWORD

The world of energy is in the midst of a momentous transformation. The way in which energy is captured, generated, stored, transported and consumed in the 21st century will be unrecognisable from the 20th century. Driven by the threat of climate change and supported by smart and digital systems, there is an abundance of opportunities for increased efficiency and economic prosperity.

Change of this scale and nature brings with it social consequence. At one level, net zero is likely to mean that energy is sourced and generated domestically, relying to a lesser extent on global commodity markets. Innovation and smart technology should, overall, bring about lower costs and better services. We can already see the social value of record low costs for offshore wind, making it currently the cheapest way to generate electricity.

However, history also tells us that economic growth, innovation, digitalisation and 'smart' are not necessarily natural partners of social fairness. The risk is that the rapid transformation leaves some people behind – perhaps those without opportunity to reskill into the low-carbon industries or those unable to access the benefits of the new energy system.

Without active intervention by regulators, governments, companies and others, I am concerned that the benefits of a smarter, greener and sustainable energy market are likely to be more concentrated in some groups than others, with the potential to unfairly impact those most vulnerable in society.

While I believe it is in everyone's interests that the low-carbon transition is fair, I am equally clear that there is a business imperative to SSE in supporting a fair and just transition.

The prize of a fair and just transition to net zero is that the actions and investments required to decarbonise energy systems attract long-term public support and legitimacy.

Given that SSE is at the forefront, leading the low-carbon transition in the UK and Ireland, our aim is to secure the public mandate to develop, operate and own low-carbon electricity infrastructure for many decades to come whilst ensuring we maintain the highest standards of safety and reliability for energy consumers.

In support of that objective, SSE must remain competitive with the ability to invest for the long-term and to fulfill its purpose on behalf of both its stakeholders and investors.

Therefore, SSE is actively seeking to understand the way in which future injustices may arise. Helping to pre-empt and mitigate against them with policy and practical actions through partnerships and advocacy will support a just transition.






This statement and its 20 principles for a just transition represent our first attempt to engage with stakeholders who can give feedback, guidance and advice on our approach. I believe this is simply the beginning of a dialogue and actions in a partnership that, I hope, will help deliver fairness in the shared endeavour of achieving a net-zero carbon world.



Alistair Phillips-Davies
SSE Chief Executive



SSE'S 20 PRINCIPLES FOR A JUST TRANSITION

TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
 SSE'S PRINCIPLES FOR GOOD, GREEN JOBS (page 9)	 SSE'S PRINCIPLES FOR CONSUMER FAIRNESS (page 12)	 SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS (page 13)	 SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS (page 15)	 SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES (page 18)
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INTRODUCTION

INCREASING MOMENTUM FOR A JUST TRANSITION

For over 10 years, SSE has been transitioning from an energy company with a mix of electricity generation technologies with a high proportion of unabated fossil fuels, to one increasingly dominated by renewable energy growth. With the last of its coal-fired power stations closing in March 2020, the transition is accelerating through a combination of increased renewables investment and attention being turned to technologies that will decarbonise thermal electricity generation in the future. In the next decade and beyond, SSE's remaining high-carbon activities will either come to the end of their natural life or will be repurposed for a net zero world.

With the imperative for accelerated climate action secured through both the UK and Irish Governments' net zero legislative frameworks, attention is rightly becoming focused on the social implications of that transformation. The notions of social fairness and a just transition are not new, however momentum is increasing, and stakeholder expectations are rising. In considering its own role in supporting a just transition, SSE has taken 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"*.

- Over **150 institutions from the investor community** with more than \$10 trillion assets under management have committed to support a Just Transition, which entails embedding into decarbonisation plans, considerations of its social impact. *"Without adequate considerations of social impacts, there is a risk of lack of societal buy-in in the decarbonisation process and policy stalling due to fear of political push-back. This risk can reduce sector opportunities for delivering low-carbon growth"*.
- The **Investing in a Just Transition Initiative** is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (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.
- Finally, the creation of the **COP26 Energy Transition Council** in September aims to bring together leaders of the global power sector to accelerate the transition from coal to clean power. Achieving a 'just transition' is highlighted within the announcement and represents an increasing priority for the council.



THE BUSINESS CASE FOR ACTION

SSE's business strategy states that it seeks to create value for both shareholders and society.

Along with key stakeholders, including investors and shareholders, the Company recognises the energy system transition is at risk of creating injustice and, as a result, is at risk of losing public support for the actions and investments required to deliver a net-zero electricity system in the UK and Ireland.

It also believes that with considered intervention through advocacy, partnership action and thoughtful policies and practice, SSE can be an agent of influence in bringing about positive social consequences, therefore, contributing to a just transition to net zero.

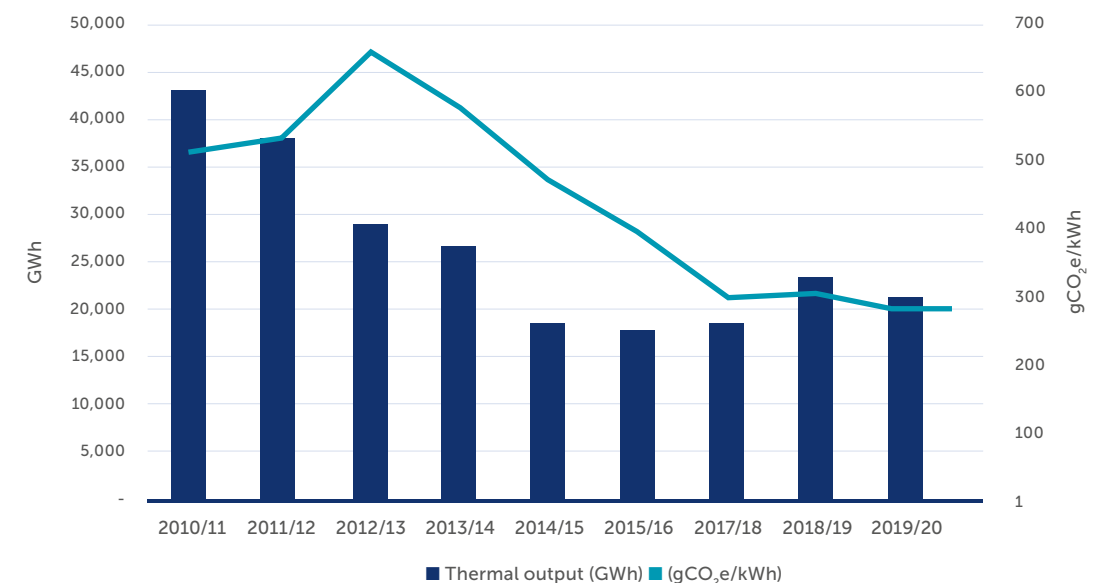
THE NATURE OF SSE'S TRANSITION TO NET ZERO

SSE's vision, purpose and strategy have placed the transition to a net-zero world at their core. SSE seeks to play a leading role in enabling a net-zero electricity system and – given the importance of decarbonised electricity – this enables the wider decarbonisation of the energy sector as well as other sectors like heat and transport. SSE has committed to being operationally net zero by 2050 and has set interim carbon reduction targets approved by the Science Based Target initiative.

The first decade of transition

For over 10 years, SSE has been transitioning from an energy company with a mix of electricity generation technologies with a high proportion of unabated fossil fuels, to one increasingly dominated by renewable energy growth. The transition is accelerating through a combination of increased renewables investment and attention being turned to technologies that will decarbonise thermal electricity generation in the future. In the next decade and beyond, SSE's remaining high-carbon activities will either come to the end of their natural life or will be repurposed for a net-zero world.

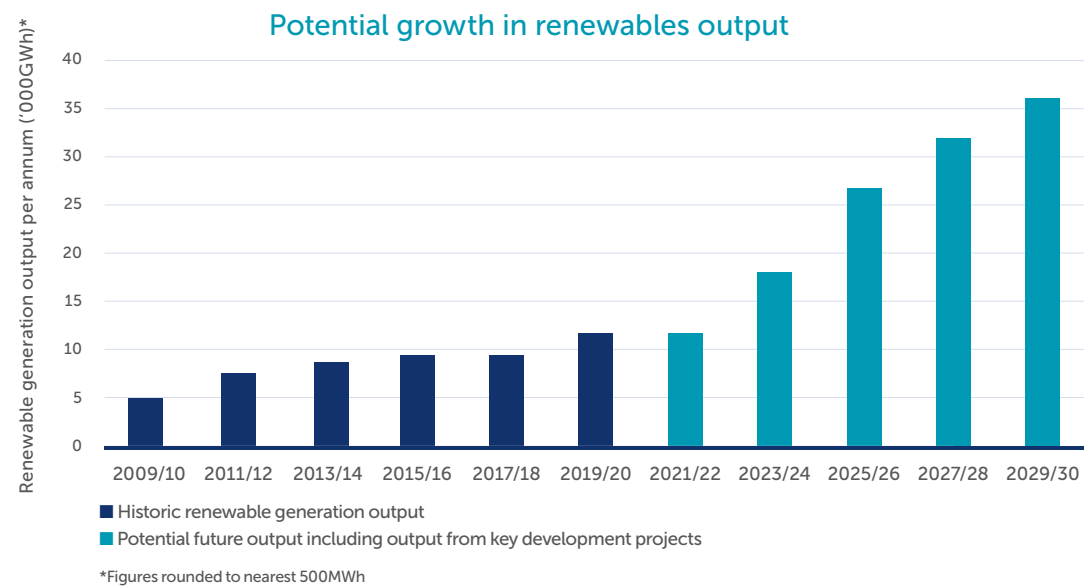
SSE Thermal output and carbon intensity



Accelerating renewables growth

SSE is growing its renewable electricity portfolio at scale across the UK and Ireland with both new onshore wind and offshore wind farms, playing a critical role in creating a net zero electricity system. With its hydro-electric renewable foundation, onshore wind development increased rapidly through the 2010s, followed by key early developments in offshore wind in the 2010s. The 2020s will bring about accelerated, large-scale growth of offshore wind in the seas surrounding the UK and Ireland.

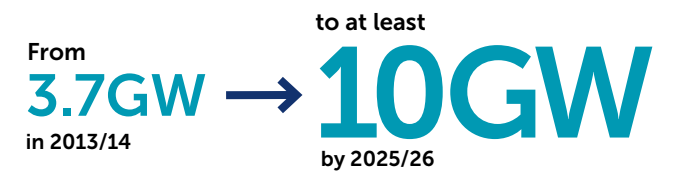
The graph below shows SSE's generation output from renewables over the last ten years, along with potential future renewables output growth over the next decade. Future growth includes renewables projects of which SSE has commenced construction as well as early stage development projects, and is based on assumed SSE ownership of these projects. See SSE's Interim Results HY20/21 for more detail.



A transmission network for net zero

SSE's transmission business has an ambitious investment plan expanding the network in the north of Scotland that supports further expansion of renewable energy generation, transporting it throughout GB to the centres of electricity demand. SSEN Transmission expects the total renewables capacity connected in the north of Scotland to increase to between 10GW (certain view¹) and 12.4GW (likely outturn²) by the end of next price control, from around 6.5GW today and 3.7GW since the start of the last price control in 2013/14. Its RIIO-T2 Business Plan for the period 2021 to 2026 is co-created with stakeholders and represents the minimum network development required to support the

Renewables connected to SSEN Transmission's network:



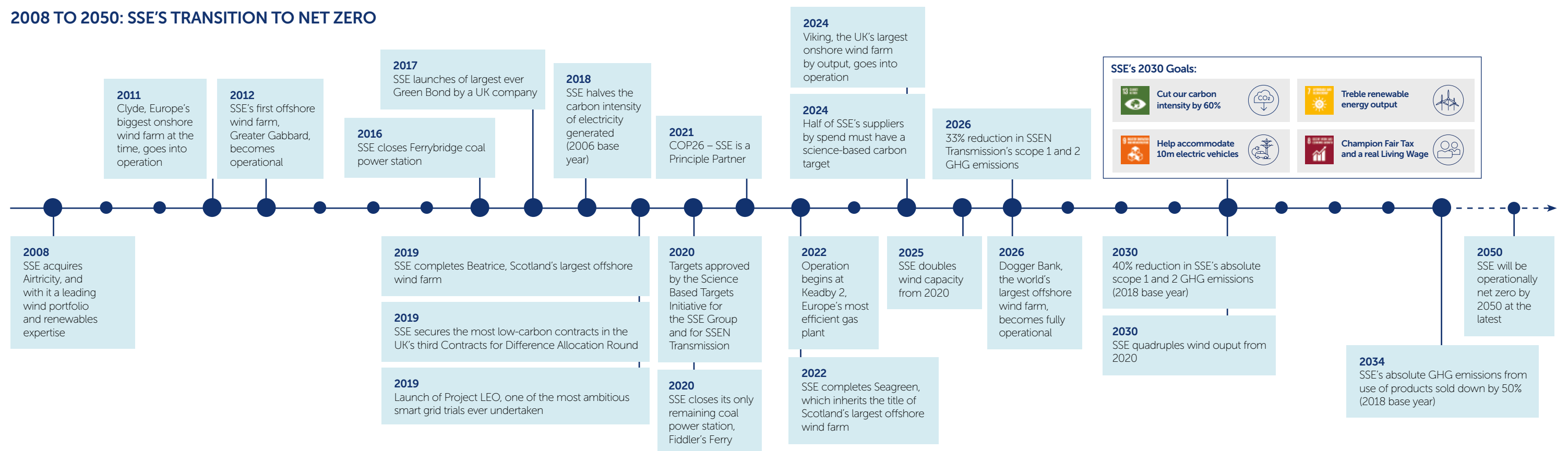
UK's achievement of net zero. SSEN Transmission's RIIO-T2 Business Plan shows that investment in the network is expected to total at least £2.4bn in the north of Scotland, as a minimum, subject to Ofgem's final determinations.

Smart distribution networks key to unlock net zero locally

Finally, this transformation of energy is not confined simply to large scale electricity generation. SSE's electricity distribution networks must undergo, arguably, the most radical transformation. Transitioning from a simple network provider distributing electricity to meet demand, to one that enables dynamic local markets, actively managing increased demand from power hungry devices such as electric vehicles and heat pumps, alongside far more small-scale, locally generated electricity. These smart and flexible distribution networks are the key to the delivery of net zero carbon economies at a local level. SSEN Distribution is currently planning for the next price control period (2023 to 2028), ensuring proposals are developed with significant stakeholder engagement throughout and with social equity built in from the start.

1 The 'certain view' being all of the investments and activities were there is strong evidence of need and the best option can be identified now. This includes the ongoing safe operation of the network, investments in the existing asset base and for security of supply, and some investments to grow the network.
2 Using uncertainty mechanisms, the 'likely outturn' is forecast additional investment to achieve net zero pathways.

2008 TO 2050: SSE'S TRANSITION TO NET ZERO



TRANSITIONING INTO A NET-ZERO WORLD

THE JOBS OPPORTUNITY OF NET ZERO

Transitioning to a net-zero world means new industries being created, with opportunities for both the existing workforce and new entrants. To support its business growth ambitions, SSE must continually attract new talent. It also faces the threat of skills shortages, with many existing employees reaching retirement age and new skills requirements resulting from new technologies. Future green jobs should therefore take the positive elements of the traditional energy sector, such as job security, productivity and pride, but focus on removing the inequalities and injustices that have also existed within these workforces. It must be more inclusive of difference, employing people from all kinds of backgrounds to better reflect the communities served. These jobs in the transition to a low-carbon economy must be fair and 'decent'. This means they must provide adequate incomes and social protection, safe working conditions and the opportunity for progression.



SSE's principles for good, green jobs

1. Guarantee fair and decent work

SSE is firmly committed to creating a workplace that offers meaningful, long-term careers, with all employees treated with fairness and respect. Its responsible employer ethos is underpinned by fundamental principles defined by the International Labour Organisation (ILO) and the 10 principles of the UN Global Compact. Voluntarily-enhanced social standards for employees, alongside mature employee relations and trade union recognition, set the foundation for fair and decent work at SSE. First and foremost, SSE has an uncompromising commitment to employee physical and mental health, safety and wellbeing. SSE also guarantees fair reward for all employees and has been Living Wage accredited in the UK since 2013 and paid the Irish Living Wage in Ireland since 2016. It has also committed to gaining the Living Wage Foundation's new Living Hours accreditation in the UK in 2021.

2. Attract and grow talent

The ability to grow a career within SSE, and to develop and progress, is key to decent work. SSE's policy is to create sustainable long-term employment in support of its business objectives, providing the opportunity for ongoing development and training. SSE will continue to invest in its current workforce to ensure that its people maintain the skills needed in a changing energy sector.

Ensuring SSE is able to fill all of its skills requirements as its business grows is a key challenge for the future. SSE seeks to attract talent from other industries, including the declining 'brown' industries, and reach people with STEM skills and knowledge who are ready to make the transition to the green electricity sector. Its early career programmes of Barnardo's Works, Career Ready, apprenticeships, technical skills traineeships and graduates attract people at the beginning of their careers and invest in their skills and knowledge for the future.

3. Value employee voice

Employee engagement is taken very seriously at SSE, with all relevant feedback and analysis shared and discussed regularly both with the Board and Group Executive Committee. SSE actively creates methods to gather and act on employee feedback, including through regular and detailed employee surveys, employee focus groups which provide feedback directly

to SSE's most senior levels, 'Shadow Boards' for non-directors which provide employees an opportunity to input into business decisions, interactive feedback sessions with senior leaders and virtual employee-led communities.

SSE has long-standing and mature frameworks to facilitate partnership working with trade unions and recognises the critical role trade unions play, particularly in times of change, for ensuring that employee voice is factored into decision-making. The appointment of a non-executive director with responsibility for employee matters has also elevated the strategic nature of the employee perspective to SSE's Board.

Listening to, and acting on, employee voices in the green transition will inform SSE's decision-making at a strategic and workforce level.

4. Boost inclusion and diversity

The energy industry's workforce has for too long been unrepresentative of the society it exists to serve. The energy transition provides an opportunity to actively deliver a diverse mix of people from every kind of background working in the energy sector and support an inclusive working environment where they can thrive. This greater diversity, from early career programmes to the most senior levels, will in turn be key to forming the pathway to net zero, with different views bringing broader debate, improved decisions and ultimately better business delivery and value.

SSE's strategy for more inclusion and diversity is called 'IN, ON, UP'. It focuses on: bringing all kinds of different people 'IN'; creating the conditions where they want to stay 'ON' with the company; and supporting them to progress 'UP' to the highest levels. SSE will continue to create workplaces which facilitate and encourage agile working, connecting teams and using technology to allow people to work in a way that enables them to balance modern home and working lives. Importantly, this will involve providing both the appropriate assets and good training to employees to ensure they can benefit fully from new technologies and working differently, and enable them to take advantage of the skills and learning opportunities which arise from decarbonisation. SSE will continue to track and openly report on the diversity of its workforce to monitor progress and ensure action is targeted and effective.

PRINCIPLES IN PRACTICE

Creating inclusive jobs to deliver net zero

- SSE will create over **1,000 new direct, contractor and supply chain jobs** linked to the £3bn Seagreen offshore wind farm near Angus, the £580m Viking onshore wind farm on Shetland and the £630m subsea power cable connecting the island to the Scottish mainland.
- SSEN Transmission's RIIO-T2 business plan will provide a minimum of **250 new jobs and 1,600 supply chain jobs**.
- SSE's intake of graduates increased from around 20 people in previous years to 65 in 2020. **37% of this graduate intake are women and 12% are of BAME background**.
- SSE has a large apprenticeship programme and is moving from qualification entry requirements to **strength-based assessment**, making the programme much more inclusive to those who've faced barriers to learning.
- SSE has launched a pilot '**STEM returners**' programme to recruit people who have taken a break from a STEM career.
- In October 2020, SSE published '**Social Mobility and Opportunity for all in a Time of Crisis**', a report detailing its social mobility initiatives and plans for driving further social mobility to support an inclusive green recovery from the coronavirus pandemic.
- Working closely with organisations like Skills Development Scotland, SSE is developing guidance for people looking to **transition into renewable energy**.
- SSE has launched a new **STEM Education Programme** across Scotland, forming strategic and local partnerships with schools and colleges near its sites. The Company has more than 200 employees who volunteer as STEM Ambassadors across all disciplines and geographic locations.
- In November 2020, SSE signed up to the Scottish Government's **Young Persons Guarantee**, committing to provide meaningful work experience and opportunities for young people through its apprenticeship and early career programmes.
- There are directly transferable skills between the offshore oil and gas industry and the offshore renewables industry. For example, in the Beatrice offshore wind farm control room where **two thirds of operators have been attracted from oil and gas**.





NOT 'JUST' ABOUT JOBS

It is important that companies, regulators and policy-makers recognise that delivering a just transition will require more effort than simply ensuring that the workforces can transition from high-carbon activity to low-carbon activity. Factors such as how the transition is paid for, who benefits and how communities and supply chains are considered when developing new 'green' assets which will deliver net zero are equally important. At the highest level, society can mitigate the distributional challenge of attributing the costs associated of net zero through a progressive tax system. SSE's commitment to the principles of fair tax is well documented, and achieved in 2020 its seventh consecutive Fair Tax Mark accreditation. Beyond this system-level contribution to public finances, there are further principles SSE is adopting to support greater consumer fairness.



SSE's principles for consumer fairness

5. Co-create with stakeholders

High quality engagement is important to electricity utilities in normal times, and through the net-zero transition, it is imperative. The co-creation of business plans for electricity distribution and transmission give legitimacy to business investments, helping to ensure that the distribution of costs and benefits of those investments are properly accounted for. In tricky, finely balanced decisions, stakeholders support the accurate identification of trade-offs and help ensure SSE can make the right balanced judgements.

6. Factor in whole-system costs and benefits

There is an imperative to reduce the potential for fuel poverty, where the price of energy is one of the key determining factors, alongside energy efficiency and income. With electricity becoming decarbonised relatively quickly, the opportunity to decarbonise other sectors, particularly transport and heat, becomes apparent. This, however, has the potential to increase costs associated with providing electricity network services to electricity consumers.

While 'cost to consumer' calculation of networks investments would traditionally be considered on an electricity sector basis only, whole-system analysis will become increasingly important. 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.

7. Make transparent, evidence-based decisions

Decisions about the way the transition happens should consider the complex trade-offs that can exist between environmental, social and economic benefits, and the consequential impacts on consumers. Evidence and high-quality impact evaluations must inform choices that make the transition faster, fairer and more successful in a transparent way.

Furthermore, evidence and experience won't come from one source; it requires close working with public agencies, consumer advocates and other industry participants. SSE will work openly with these groups and forming meaningful partnerships.

8. Advocate for fairness

With focus in the 2020s on the decarbonisation of heat and transport, an opportunity for injustice between those who pay for the low-carbon transition and those who benefit from it is considerable and a source of concern for SSE.

The key to delivering social justice between those who pay and those who benefit will be in the impact evaluation of policy. SSE, through industry bodies and its interactions with governments and regulators, will share the insight it gains from its service experiences, thus enabling the adaptation of policy in a way that supports greater fairness. Likewise, it will be important to minimise the costs of public support by focusing on de-risking private investment into low-carbon infrastructure. Any public support for industry should only transitional with the aim of developing low carbon supply chains or driving cost reductions in emerging technologies.

PRINCIPLES IN PRACTICE

Smart and fair

SSE's electricity distribution business, SSEN Distribution, commissioned, alongside others, a report from the Centre for Sustainable Energy exploring social justice in the future energy system. The Phase One Report, published in September 2020, outlines the analytical framework to examine how the transition to a net zero energy system can be both smart and fair. While the report makes recommendations to Ofgem, the UK Government and consumer advocates, there are also recommendations for energy practitioners (network companies and suppliers) too.

Currently access to smart services such as flexibility payments, time-of-use tariffs and electric vehicle tariffs, is limited to a relatively small group of early technology-adopters and while systems are still emerging, there is protection from risk for those in vulnerable situations.

This Phase One Report is comprehensive and represents new thinking in an emerging market. It is clear that there is considerable complexity and interventions will be required as the smart 'distribution system operator' role emerges and evolves. This early insight into the potential issues, however, is valuable and highly instructive. SSEN Distribution will now consult widely on the findings of the report and use its recommendations to help support its next business plan for the period 2023-2028. It has also committed to work closely with the Centre for Sustainable Energy on the Phase Two Report.

CREATING LASTING, LOCAL VALUE FROM NET-ZERO

Through the successful development, efficient operation and responsible ownership of low-carbon assets and infrastructure, SSE can create long-lasting economic benefit at local and national level. While SSE can create opportunity, there is a role for government too in providing the right policy environment for UK manufacturing capability to be strengthened to meet the challenges of net zero. ness.



SSE's principles for building new assets

9. Support competitive domestic supply chains

SSE firmly believes that greater domestic involvement in the supply chain opportunities associated with low-carbon electricity infrastructure, whether large or small, is key to enabling a just transition. This is equally true across the three business at its low-carbon electricity core: SSE Renewables; SSEN Distribution; and, SSEN Transmission.

SSE is committed to promoting economic opportunities to local and national suppliers through strategic supplier engagement and local 'meet the buyer' events. It is disappointed however, that the domestic supply chain in renewables and electricity network components is not stronger. SSE would benefit greatly from the emergence of specialism and expertise in a competitive home-grown electricity supply chain.

However, SSE alone cannot bring about this outcome: developers invest in the creation of good, economic project options, creating contract opportunities for the supply chain; tier one suppliers must make investments and place orders in UK and Irish manufacturing facilities; and timely government decisions should be designed to enable supply chain investments.

That is why SSE is working very closely with governments, suppliers and across the industry to create the conditions for investment in supply chain goods and services. SSE has pro-actively proposed to the UK Government the following interventions that will help stimulate a stronger domestic supply chain, particularly for offshore wind development:

- the UK Government to create dedicated task force to bring about urgency and pace in maximising UK content in the growing low-carbon electricity sector
- governments to actively explore incentives (e.g. tax breaks) to bolster manufacturing capability
- governments to work with industry to develop carbon footprint methodologies to better understand where supply chain carbon content can be reduced. This would enable 'whole carbon accounting', creating the opportunity to prescribe specific requirements on low-carbon content are needed before a price control or auction.

Finally, as a UK-headquartered company, SSE supports a more activist industrial policy but recognises there must be a level playing field. Without it, SSE will be competitively disadvantaged to the companies undercutting it on the basis of lowest cost, rather than greatest value.

10. Set social safeguards

SSE will continue to use its position as a leading renewable and thermal energy developer and network operator to advocate for the embedding of social standards into mechanisms for green investment, rather than a race to the bottom on price at the expense of human rights and social safeguards. Both the ILO and UN Global Compact provide frameworks that guide SSE's principles for securing enhanced social safeguards, particularly in the supply chain.

SSE's annual Modern Slavery Statement outlines its objective to bring about continuous improvement in the policies and practices it employs to ensure human rights abuses and modern slavery is eradicated from its business operations and its supply chain. SSE acknowledges that the transitional technologies needed to deliver net zero may have increased human rights risk 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.

11. Share value with communities

The principle of sharing the economic value of renewables projects with local communities is one SSE has been committed to since 2008. SSE currently has 46 community benefit funds across the UK and Ireland, providing annual funds for the lifetime of its wind farms. The total community payments between 2008 and 2050 is expected to be at least £250m, adjusted for inflation. These funds are crucial in supporting the people and places that host this critical renewable energy infrastructure and, given their scale, have the potential to transform the social capital of local places.

SSE Renewables (this can't be applied within SSE's networks businesses) has also sought to innovate around different models of community support, including the notion of shared ownership. While there are a small number of shared ownership arrangements already in existence, it will seek to work with communities and local and national agencies to devise the option of a simple shared ownership structure in which future communities might want to engage in.

12. Implement responsible developer standards

SSE seeks to go beyond its legal obligations when developing, constructing and operating assets to understand and address stakeholder interests. All major projects have Liaison Officers who work with local stakeholders, responsible for going above and beyond statutory requirements for consultation and engagement for new projects and establishing community Liaison Groups for projects in construction, into operation and through to deconstruction.

PRINCIPLES IN PRACTICE

Learning lessons in the offshore supply chain

SSE has taken responsibility in the renewables industry to support a supply chain that maximises the wider economic benefits for Scotland and the UK. With the Beatrice wind farm off the coast of Wick operational, the Seagreen wind farm in the Firth of Forth under construction, and Dogger Bank off the Yorkshire coast close to financial close, many economic opportunities that have arisen from these investments have been successfully seized by Scottish and UK firms. For example, Beatrice will create £1bn of economic value to Scotland over its lifetime, with £20m invested directly by SSE in Wick harbour. For Seagreen, and amongst other services and works contracts awarded to indigenous suppliers, Montrose Port was selected as the operations and maintenance base for the 114-turbine development. These large-scale investments are creating thousands of Scottish and UK jobs and billions of pounds of value to the UK and Scottish economies.

While there is a growing supply chain throughout the UK, it has been disappointing to SSE that, despite its direct investment of tens-of-millions of pounds and efforts to provide support to firms that manufacture wind towers components, SSE has not yet been able to award key contracts to manufacture turbine towers, blades or foundations in the Scotland or the UK.

Despite the lack of success of indigenous manufacturing so far, SSE firmly believes that there remain highly significant future opportunities. The scale of offshore wind growth in the next 20 years is awe-inspiring and the Company is actively working with both its very large scale suppliers and government to create the conditions where the right investment is made to build the capacity for high-quality manufacturing facilities that will be able to compete in this global industry, not just on the basis of cost, but on quality and reliability too.

SSE acutely understands that the creation of economic opportunities from the boom in offshore wind will help deliver a just transition. It cannot deliver it single-handedly, but it will do everything it can to help create the conditions for a vibrant, indigenous offshore wind industry supply chain in Scotland and the UK.



TRANSITIONING OUT OF A HIGH-CARBON WORLD

RESPECTING EMPLOYEES IN HIGH-CARBON INDUSTRIES

SSE is acutely aware that its higher carbon electricity generation plant makes an important contribution to the security of the energy supply which society depends on. Decisions regarding the future of these generators therefore must be taken while considering many factors, not least the social contribution these plants make to security of electricity supplies for homes and businesses in the UK and Ireland. Nevertheless, it is possible to make commitments to existing employees on the principles and values that will govern both the decisions and their implementation.

SSE's principles for people in high-carbon jobs

13. Re-purposing thermal generators for a net-zero world

The UK's Climate Change Committee outlines an important role for gas generation with carbon capture and storage (CCS) and hydrogen powered generation to 2050. SSE's existing fleet of generators are located in places of strategic industrial importance in both the UK and Ireland. While SSE believes there is no role for unabated gas generation in the long run, it believes that there will be economic opportunities to provide flexible, decarbonised electricity by deploying shared CO2 transport and storage infrastructure and hydrogen networks within industrial clusters.

The skills and knowledge of the people who currently work in its existing assets, will be of significant value as it seeks to transform itself into a low-carbon thermal generator. SSE's objective is to innovate with suppliers and partners to create an economic future for low-carbon thermal generation.

14. Establish and maintain trust

In periods of industrial change, trust between employer and employee is important to deliver a smooth transition and reduce the risk of negative social impact. Key to that trust relationship is transparency and openness from the employer and the ability for employees to engage in a meaningful way. Trade union representatives have a very important role to play too.

SSE commits to continuous communication with its workforces in its existing high-carbon activities, working with them on the strategies and innovations required to build a future for decarbonised thermal generation in the future. This process of openness will also support the development of employees, enabling them to adapt and develop their skills for future potential opportunities.

15. Provide forward notice of change

SSE has a track record of engaging early with employees and their representative at times of change. The Company will seek to give its employees as much advance notice of change as 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.

16. Prioritise retraining and redeployment

Retraining and redeployment will be the first options available to employees affected by business change. The wider SSE Group has successful and growing businesses which will play an important part in delivering a net-zero world in both the UK and

Ireland. People working in higher-carbon activities often have valuable skills that are transferable to the low-carbon ones.

In some circumstances, it is not always possible to offer employees retraining or deploy them to other sites. SSE has a long-standing commitment to avoid compulsory redundancy if possible. If redundancy is unavoidable, SSE will work with its employees and trade union partners to ensure it is able to offer a package of terms which support onward transition.

PRINCIPLES IN PRACTICE

The transition out of coal generation

SSE closed its last coal-fired power station, Fiddler's Ferry, near Warrington, at the end of March 2020. While it is well understood that there is no role beyond 2025 for generating electricity from coal unabated, Fiddler's Ferry power station represents a hugely important industrial contribution for over 50 years. Generations of working people have built their livelihoods at Fiddler's Ferry and its cooling towers are a feature of the local landscape.

Bringing operations to a close carefully and sensitively was SSE Thermal's priority and now the focus is to ensure that the legacy site is decommissioned and deconstructed in such a way that future economic development can occur, and environmental improvements can be made.

SSE Thermal is working closely with both Warrington and Halton Borough Councils, having established a specialist task force working group. The group, which is chaired by the Chief Executive at Warrington Borough Council, includes representatives from SSE Thermal along with officers from both local authorities. The group will collaborate and share information to ensure, through a locally co-ordinated approach, that opportunities for the future of the site are considered and key stakeholders are engaged in the process.

With the closure of Fiddler's Ferry, 39 employees transitioned to work on the station's decommissioning programme, five were redeployed to other roles within SSE, one retired and 95 redundancies were completed following collective consultation with employees and unions. Several training courses were delivered ahead of station closure, which included support for redeployment in alternative roles in new sectors.





RECOGNISING THE IMPACT ON LOCAL COMMUNITIES

SSE recognises the important role that large-scale, single-site employment plays within local communities. Often, assets such as power plants can be the anchor employer in an area on which many individuals, families and communities depend, not just for work, but for identity, heritage, social connections, ancillary services and supply chain goods and services too. In recognition of this wider impact, SSE is committed to taking action which promotes thriving and resilient communities during the energy transition.

SSE's principles for supporting communities during the transition

17. Provide robust stakeholder consultation

Adequate, informed and ongoing consultation will take place with stakeholders, recognising that the impact of change goes well beyond the gate of SSE's operational activity. SSE commits to undertake consultation and information sharing engagement with its local stakeholders during periods of change.

SSE depends upon a vibrant and varied supply chain in its business activities. While these suppliers exist in a much larger market place, their ability to adapt and change their own business models depends upon a high degree of market understanding. SSE seeks to be open and transparent with its supply chain on its long-term strategy and the influences on it. That will enable its supply chain to respond to market changes in an informed way.

18. Form partnerships across sectors

SSE is involved in a number of cluster partnerships in the vicinity of its thermal sites, to help design the CO₂ transport and storage and hydrogen networks to support Carbon Capture, Use and Storage (CCUS) and hydrogen powered generation. This infrastructure will enable SSE and other power generators to construct decarbonised stations, and will also facilitate the decarbonisation of wider industry. By doing so, the industrial heritage and employment benefits of the regions can be preserved and enhanced through a new low-carbon offering. SSE will work with government and other stakeholders on the design of policy measures to deliver this infrastructure and to support the roll-out of projects this decade.

19. Promote further industrial development

SSE recognises that the sites hosting its industrial assets have current and future economic value that support vibrant local economies and their communities. SSE recognises that in the transition to net zero, our ability to re-develop sites as low-carbon thermal generation will depend on the rollout of CO₂ and hydrogen infrastructure as well as market signals. On this basis, sites may have potential for re-powering in the short- or medium-term, and in this case SSE will evaluate future electricity generation opportunities and the land needed for future development options. The remaining portion of sites may see their primary use change and can provide opportunity for further economic development. Conscious that potential changes may affect many stakeholders, SSE will consider the potential future value for the both the Company and the wider community, engaging with local economic development agencies' strategies and local authorities' land use plans.

20. Respect and record cultural heritage

Recognising the important social history of energy, SSE has an in-house heritage team which looks after SSE's historical archives dating back to the early 1940s. It also owns and operates the Pitlochry Dam Visitor Centre where exhibitions showcase the social and industrial history of hydro-electricity.

Where appropriate, and in collaboration with local stakeholders, 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.

PRINCIPLES IN PRACTICE

Focus on the Humber

SSE Thermal believes strongly in the potential of pre- and post-combustion CCUS and hydrogen to decarbonise flexible thermal generation, which will support a renewables-led transition by ensuring security of supply. SSE Thermal is a member of a number of low-carbon clusters partnerships in Scotland and England, and through UK Government's Industrial Decarbonisation Challenge Fund, two of these projects are applying for funding in the Humber region:

- **The Humber Cluster Plan:** working with partners to develop a comprehensive plan that will illustrate how the Humber region can achieve net-zero carbon emissions by 2040, potentially making it the first industrial cluster in the world to do so. If successful, the plan will act as a roadmap for the large-scale decarbonisation of the Humber, prioritising near-term deliverable investments, and mapping out how CCUS and hydrogen infrastructure can be scaled up over time.
- **The Zero Carbon Humber:** partnering with leading organisations across the Humber on a £75m bid to accelerate the development of commercial-scale CCUS and hydrogen infrastructure. The proposal, which also includes significant private investment from partner organisations, seeks to advance studies on shared carbon capture and hydrogen pipelines to facilitate decarbonisation projects at electricity generation and industrial installations.

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