



Sustainability | Leadership | Innovation



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SSE: Redefining the role of sustainability and strategy

Finalist: Embedding an integrated approach award

Winner: Climate leadership award

What

SSE is an energy company in the UK and Ireland that has set four 2030 goals that put sustainability at the heart of business strategy.

The goals are directly aligned with the UN's Sustainable Development Goals (SDGs).
SSE aims to:

- > Cut the carbon intensity of electricity generated by 50%¹
- > Treble renewable energy output
- > Invest in the network flexibility and infrastructure to accommodate 10 million electric vehicles in Great Britain
- > Champion Fair Tax² and the real Living Wage³

These goals will be measured quantitatively and qualitatively and are supported by business targets. SSE has also tied executive remuneration to progress against these 2030 goals.

The finance function has played a critical role in embedding the 2030 goals into business strategy and financial outcomes. The company issued its second green bond for €650 million in September 2018, and the proceeds will be used to refinance onshore wind farms and other renewable energy projects. SSE also refinanced a £1.3 billion revolving credit facility: the interest rate and fees are now linked to the company's independently measured ESG score.

With these goals front and centre, SSE intends to achieve business results while generating environmental and social benefits.

¹ This goal has subsequently been updated to a 60% reduction in SSE's carbon intensity, in line with the company's Science Based Target – www.sse.com/news-and-views/2020/06/sse-increases-low-carbon-ambition-with-new-science-based-carbon-targets/

² The Fair Tax Mark certification scheme seeks to encourage and recognise organisations that pay the right amount of corporation tax at the right time and in the right place – fairtaxmark.net

³ The real Living Wage is based on the cost of living and is voluntarily paid by UK employers who believe a hard day's work deserves a fair day's pay - www.livingwage.org.uk/

Why

Integrating social and environmental goals into its strategy supports SSE's vision of being a leading energy provider in a low-carbon world. SSE recognises that as an energy company it needs to play a key role in decarbonising the economy, and it takes that responsibility seriously. Three of the goals are therefore focused on achieving a low-carbon economy in SSE's main business areas. SSE chose its fourth goal – championing Fair Tax and a real Living Wage – to ensure that its business and environmental progress supports, and does not undermine, social value.

For SSE, the SDGs represent a globally recognised blueprint for sustainability. It believes that business and society, as well as government, can contribute to achieving these goals. By linking its strategy to the SDGs, SSE wants to become part of a bigger change – and to bring about that change faster. It is a clear and compelling narrative that has resonated with both internal and external stakeholders.



‘SSE accepts the responsibility of its sector in decarbonising the economy. It has placed the Global Goals at the centre of its strategy. This is integrated across the business with clear targets linked to remuneration and it has raised ESG-linked finance to support the achievement of its goals.’

Finance for the Future Awards judges

‘The vision of the company is to be a leading energy provider in a low-carbon world, so the economic, social and environmental sides cannot be taken apart. That’s something we’re fully behind. It’s not something outside the core business strategy – it *is* the business strategy.’

Gregor Alexander,
Finance Director, SSE

How

SSE launched its 2030 goals in March 2019, using the following approach:

- > SSE **based its approach on the SDGs**. The company had been reporting against the SDGs since 2016, and the company found them to be a useful starting point for its own review.
- > The company **conducted a comprehensive materiality assessment**, reviewing all the underlying SDG targets and how they related to SSE's work. This identified the four SDGs that were most material for SSE.
- > SSE **developed interdependent 2030 goals** based on its analysis. The goals both align with the SDGs and support each other, providing a holistic strategic framework.
- > The 2030 goals are **overarching business goals** rather than separate sustainability goals. They are supported by sub-targets, including financial targets, but the 2030 goals are the driving force for the company.
- > The goals are **intentionally ambitious**, requiring significant investment into renewable energy, cutting carbon intensity and facilitating electric vehicles. As SSE is already Living Wage accredited, it intends to pilot a **new Living Hours** standard under its fourth, social, goal.
- > SSE's is **uses partnerships to contribute to its renewable energy goal**. A significant investment is needed to build offshore wind, so SSE is forming joint ventures with partners to spread the financing and construction risk.
- > SSE has **incorporated natural capital into decision-making**. Using multi-criteria analysis, the company has considered financial, environmental and social impacts on infrastructure projects.
- > There is **strong finance involvement in sustainability**. The Finance Director oversees financial estimates for CDP submissions. Finance is heavily involved in greening SSE's financing, contributing to SSE's sustainability-focused goals and signalling SSE's environmental credentials to investors.
- > SSE issued a **€650 million green bond** in September 2019, with a good response from investors. SSE has found that using green bonds has helped to differentiate its offerings in the market, appealing to investors who are increasingly interested in sustainable finance.
- > The company **refinanced a £1.3 billion revolving credit facility**, converting it to a sustainability-linked facility. The margin and fees are now adjusted based on SSE's ESG performance, establishing a financial commitment to sustainability.
- > Sustainability is **built into executive remuneration**. The annual incentive plan for executive and senior management is now linked to SSE's 2030 goals – and so aligned with the SDGs.
- > SSE **campaigns for political change** to accelerate the shift to a low-carbon economy. The Chief Executive, together with the CEOs of other large utility companies, wrote a formal letter to the government to advocate for the UK working towards net zero by 2050.



Financial and climate leadership

Sustainability and business goals in SSE are fully intertwined. Rather than developing separate sustainability goals, SSE chose to fully integrate its environmental and social ambitions directly into its core business strategy. The company is committed to this approach, and the sustainability and finance teams work closely together to achieve success against SSE's 2030 goals.

The extent to which SSE has built its business strategy in line with the UN's SDGs shows leadership in its sector. The company is conscious of its part in a global community striving to achieve the SDGs, thoroughly researching the SDGs areas where it could create the greatest impact. This approach provides SSE with a strong and coherent message for investors when pursuing green financing.



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DISCLAIMER

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