

SSE plc

Modern Slavery Statement 2018

SSE has zero tolerance of modern slavery in all its different forms, both in its business and in its supply chain. This is SSE's third Modern Slavery Statement responding to the requirements of the Modern Slavery Act 2015. This statement sets out the steps taken by SSE since April 2017 to prevent modern slavery and human trafficking existing within its business and supply chains.

SSE plc's Modern Slavery Statement 2018 covers all of SSE's wholly-owned subsidiaries. The full list of SSE's wholly-owned subsidiaries can be found on pages 210 to 212 of SSE's Annual Report 2018. All companies with an annual turnover of over £36m are obliged to produce a modern slavery statement and several of SSE's joint venture companies are also covered by this statement: Clyde Windfarm (Scotland) Limited, Greater Gabbard Offshore Winds Limited, Multifuel Energy Limited and Beatrice Offshore Windfarm Limited. The Boards of these joint ventures have confirmed that they are either undertaking the key actions outlined within this statement or have set plans in place to implement these actions within a reasonable timescale.

1. Introduction to modern slavery

The definition of modern slavery is broad and includes forced labour, servitude, slavery, human trafficking, debt bondage, forced or servile marriage, descent based slavery or child labour. It is a global and growing problem. SSE understands that no sector or industry is exempt from the potential of modern slavery.

SSE applies zero tolerance of modern slavery in all its forms and has a responsibility to understand the risks in its business and supply chain and manage those risks accordingly.

This is SSE's third modern slavery statement following the introduction of the Modern Slavery Act 2015 ('the Act'). This statement is made pursuant to section 54(6) of the Act and constitutes SSE's slavery and human trafficking statement for the financial year ending on 31 March 2018. SSE aims to be increasingly transparent about its approach to modern slavery and this statement outlines its approach to tackling slavery and human trafficking so far.

2. SSE's businesses and supply chain

Summary of key employee and supply chain data 2017/18

Number of employees in the UK and Ireland ¹	20,785
Contingent labour force size in the UK and Ireland ²	4,851
Number of active suppliers	c.9,000
Total procurement spend	c.£2.9bn

¹ Headcount at 31 Mar 2018 – figure includes all SSE UK and ROI employees, excludes contingent workers.

² A contingent worker describes external personnel where the business determines that it cannot fulfil the requirement internally. A contingent worker can be a Consultant, Contractor or Temporary Agency Worker.

SSE owns and operates a diverse range of energy businesses and is involved in the generation, transmission, distribution and supply of electricity, the production, storage, distribution and supply of gas and other energy services. SSE is a FTSE100 company that operates and invests only in the UK and Ireland.

SSE has three principal business activities outline below. However, on 8 November 2017, the Board of Directors of SSE plc announced it had entered into an agreement with innogy SE in respect of a proposed demerger of SSE's household energy and services business in Great Britain (now named SSE Energy Services) and immediate combination of that business with innogy SE's subsidiary npower to form a new independent UK-based group.

This transaction is subject to necessary shareholder and regulatory approvals. Following completion of the proposed demerger and formation of an independent energy supply and service business, expected to be in 2018/19, SSE will retain Networks, Enterprise and Wholesale businesses, in addition to corporate functions. This transition is being overseen by an Integration Committee comprising SSE and impacted stakeholders.

- 1. Wholesale:** uses turbines to convert energy from gas, oil, coal, water and wind to generate electricity in Great Britain and the island of Ireland; trading in wholesale energy markets; and managing energy contracts. SSE has 11,160MW of total generation capacity and total output was 33,098GWh in 2017/18.
- 2. Networks:** transmits and distributes electricity and gas to homes and businesses in Great Britain. This involves electricity transmission in the north of Scotland, electricity distribution in the north of Scotland, electricity distribution in central southern England, and gas distribution in Scotland and southern England. SSE's Networks business operates five economically-regulated energy networks, comprising over 130,000km of overhead lines and underground cables and 106,000 substations.
- 3. Retail and Enterprise:** supplies electricity and gas and other services to households and businesses in Great Britain and the island of Ireland. SSE supplies electricity and gas to around 7.5 million household and business accounts, and provides other related products and services, including telephone broadband and boiler care, to 0.45 million household customers. SSE Enterprise provides energy and telecoms services to industrial, commercial and public sector customers across the UK. It has over 9,400 heat network customer accounts and is responsible for over 13,700km of telecoms network in the UK.

Further detail of SSE's structure and the businesses it operates can be found at sse.com/whatwedo.

At 31 March 2018, SSE had 20,785 direct employees who work across offices, depots, operational sites and construction sites in the UK and Ireland. In addition, it has a contingent labour force of 4,851. These are people who are not directly employed by the company but carry out work using SSE's IT systems and/ or premises as consultants, temporary agency workers and contractors.

In 2017/18, SSE spent around £2.9bn through its supply chain. The nature of SSE's business means that it is involved in several capital projects as well as operations at different stages during a given year – from pre-planning and design, to development, planning, construction and operation. This means that SSE's supply chain and the types and volumes of goods and services it purchases will vary annually, from on-site civils works to the purchase of wind turbines and the contracting of sea vessels for laying submarine cables. Due to the nature of SSE's supply chain, the number of workers within its supply chain can vary substantially from day to day throughout the year. Although it is not possible to directly monitor worker numbers throughout our supply chain, SSE has undertaken economic analysis of its activities since financial year 2011/12 to better understand the impact it has directly and throughout its supply chain.

3. Governance framework

Over the past year, SSE has strengthened the governance of its efforts to ensure modern slavery does not exist within its business or its supply chain. In 2017/18, SSE expanded the membership of the Human Rights Steering Group to include quality, risk, human resource, procurement and sustainability professionals. This Steering Group is accountable to the Group Governance, Culture and Controls Committee, which is a subcommittee of the SSE Executive Committee. Once a year, the SSE plc Board reviews and considers the annual Modern Slavery Statement.

4. Modern slavery policy framework

SSE has a comprehensive framework of policies that provide the values base from which SSE's approach to human rights, inclusion and diversity, the real Living Wage, employee well-being and employee consultation and engagement is governed. These include:

- SSE's code of business conduct [Doing the right thing – a guide to ethical business conduct for SSE employees](#) sets out the behaviours and principles of behaviour at SSE.
- SSE's [Human Rights Policy](#) describes the company's approach to being responsible to its employees and people employed in its supply chain.
- SSE's Speak Up (Whistleblowing) Policy supports its employees to speak up and report any wrongdoing.
- SSE's [Responsible Procurement Charter](#) describes the approach it takes to managing modern slavery in its supply chain and sets out its expectations of its supply chain partners.

5. Due diligence

To ensure that modern slavery cannot exist within SSE's own direct operations, SSE undertakes a robust approach in its recruitment processes. The UK Government's right to work checklist outlines the documented right to work evidence that can be accepted when SSE employs a recruit and in what circumstance. In ensuring that employees are indeed earning the real Living Wage monthly electronic checks are run to ensure that all employees are receiving the enhanced, voluntary Living Wage rate. Rates are reviewed annually in line with SSE's obligation as an accredited Living Wage employer.

In terms of managing the risk of modern slavery existing within its supply chain, SSE continues to implement the measures adopted in 2016/17. In 2017/18 suppliers who have signed on to SSE's Supplier Registration System (SRS) have been made aware of SSE's standards in relation to modern slavery. For those that progress on to the Utilities Vendor Data Services (UVDB), a portal for suppliers in the utilities industry, and within SSE's specific sourcing templates as a matter of policy, a question set has been implemented that enables SSE (as well as other utilities for the UVDB questionnaire) to assess the procedures a supplier has on modern slavery in its own organisation and supply chain. And for those companies that SSE contracts with, there is a clause in its standard forms for new contracts that covers modern slavery.

6. Risk assessment

SSE continues to review its risk exposure through analysis of 2017/18 Tier one spend. This has led SSE to understand that less than 1% of its supply chain expenditure is in a combination of high risk industries and product/service groups. Given the continued limited geographic focus of SSE's operations (in the UK and Ireland) this proportion remains to be small, nevertheless, SSE recognises that instances of modern slavery are rising globally and ongoing vigilance is necessary.

7. Managing risk at SSE

The pilot modern slavery training to selected Procurement professionals in 2016/17 was extended to the entire department throughout 2017/18. The objective of this face-to-face training was to raise awareness of the Modern Slavery Act, highlight the obligations that procurement managers must meet and to explore the areas of expenditure of higher risk. At the end of March 2018, 99% of procurement professions had received this focussed training.

Furthermore, where SSE has established strategic supplier relationships, mainly within its Large Capital Projects governance, engagement has commenced to understand strategic suppliers' responses to the shared risk, with the aim in the longer term to develop solutions and remediate issues that are found bilaterally.

An example of an area identified as requiring more detailed consideration and focus in 2017/18 was within Scottish and Southern Electricity Networks (SSEN) distribution business. In this case, subsea electricity cable replacement framework contacts were placed with suppliers, ensuring vital subsea links continue to deliver power to island communities in the north of Scotland. With 'hire sea going vessels with crew' identified as an industrial category where a higher risk of modern slavery exists, it was acknowledged early in the procurement process that further due diligence was necessary. SSEN worked with the framework suppliers to ensure its expectations concerning the management of any trafficking and modern slavery risk is both understood through continued engagement and expressly accepted through contractual commitments. SSEN will continue to take a robust approach as call off contracts commence through the form of independent vessel audits using experts from procurement and risk.

8. Assessment of the effectiveness of preventing modern slavery in SSE's supply chain

SSE understands that it has a responsibility to continue to assess and mitigate the risk of modern slavery in the long-term. In 2017/18, SSE continued to review the nature of that risk and implemented controls to manage. SSE has also made reasonable progress to improve focus and structure by expanding its internal governance and engaging with its strategic suppliers.

To understand how effective its efforts are to ensure modern slavery does not exist within any of its business activities, in 2018/19 SSE aims to:

- Review its risk assessment methodology;
- Continue to develop key performance indicators including employee training levels and audit activities;
- Investigate modern slavery risks and put in place corrective actions in response to these risks in its business or supply chain as appropriate;
- Extend training to include relevant employees beyond procurement;
- Develop the reporting and remediation of issues so it is clear how to respond if an issue is found.

Governance

This statement was approved by the SSE plc Board of Directors on 23 May 2018.

A handwritten signature in black ink, appearing to read 'Gregor Alexander', written in a cursive style.

Signed by
Gregor Alexander
Finance Director, SSE Plc