

A Just Transition. We're on it.

Join us on a faster journey **to a greener future.**



SCOTTISHPOWER



PRINCIPAL PARTNER
**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

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OUR COMMITMENT TO A JUST TRANSITION

The journey to a greener future. We're on it.

Tackling climate change is the defining mission of our time. At ScottishPower, we're proud to be at the forefront of driving the green energy revolution which will underpin the UK's transition to a net zero economy.

From our pioneering renewables developments more than twenty years ago to becoming the first integrated energy company in the UK to generate 100% green electricity, speeding up the journey to net zero is at the heart of everything we do.

But we know that we can't do it on our own. For there to be a just transition to a greener future, we need to work in partnership with local communities, consumers, employees, supply chains and policy makers to realise our shared net zero ambitions. We're committed to ensuring that the energy transition is fair, and that the people we serve have a stake in shaping it.

In September, the Scottish Government set out its initial response to the final report of the Just Transition Commission. As thinking evolves on the development of future Just Transition Plans, we'll play an active role in advocating action on climate change in ways that optimise the skills and economic benefits of decarbonisation and that ensure no community is left behind on the journey to net zero.

That's why we're publishing our Just Transition Strategy, setting out our track record of supporting communities,

consumers and employees, and our commitment to a fair and equitable transition.

Our approach is underpinned by four key principles: being a purposeful business; working with our communities; sharing expertise and opportunity; and being fair for our customers.

You can be sure that this won't be our last word on the subject as the pace picks up towards net zero. In the meantime, we'll continue to bring as many people as possible on that journey with us.



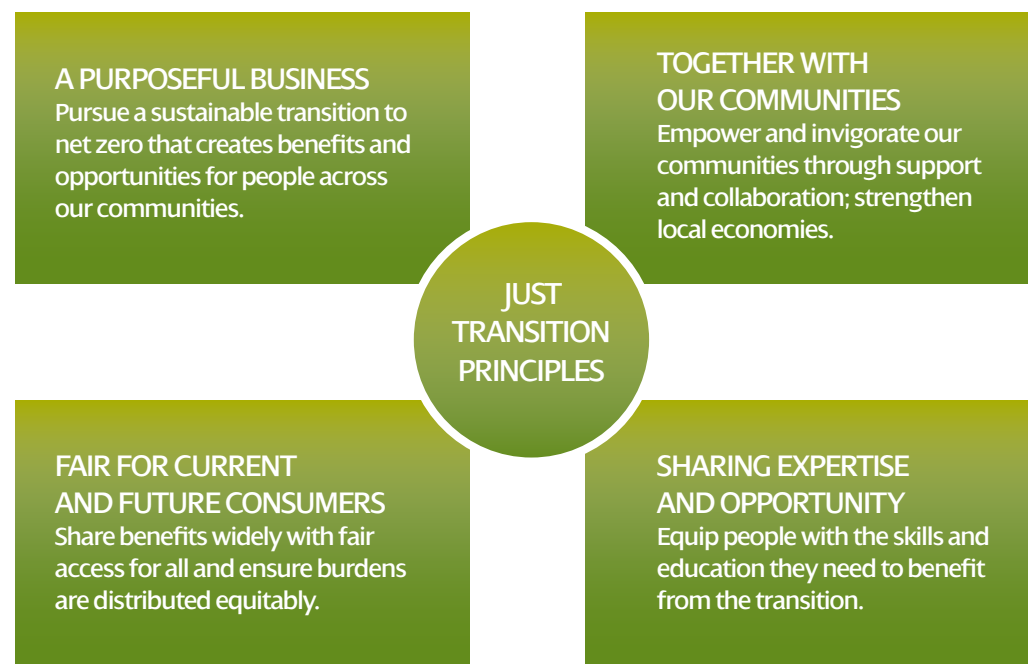
Keith Anderson
CEO, ScottishPower

OUR JUST TRANSITION PRINCIPLES

The energy transition is the shift from a fossil fuel reliant world to a green, low carbon future where efforts to mitigate climate change have been successful. Building on global frameworks to address climate change, human rights and inclusive growth, the concept of a just transition focuses on the need to anticipate the social implications of the shift to a low-carbon economy and the increasing impacts of climate change.

It's about ensuring that social issues are considered in addressing what, on the face of it, is an environmental issue - by driving high social standards in the growing low-carbon economy, responding to concerns about potentially "stranded" workers and communities in carbon intensive sectors, and protecting people and assets from intensifying climate impacts.

One of the ways to accelerate climate action – and optimise its benefits – is to ensure that it is inclusive. This means taking account of the risks, opportunities and impacts for different groups and communities, so that no-one is left behind.



ABOUT US

ScottishPower Renewables is a leading player in the development of the renewables industry through pioneering ideas, forward thinking and outstanding innovation. With more than 40 operational sites producing over 2,500MW of green energy – enough to power nearly 2 million homes – our Renewables business has ambitious growth plans to speed up the UK's shift to a net zero economy.

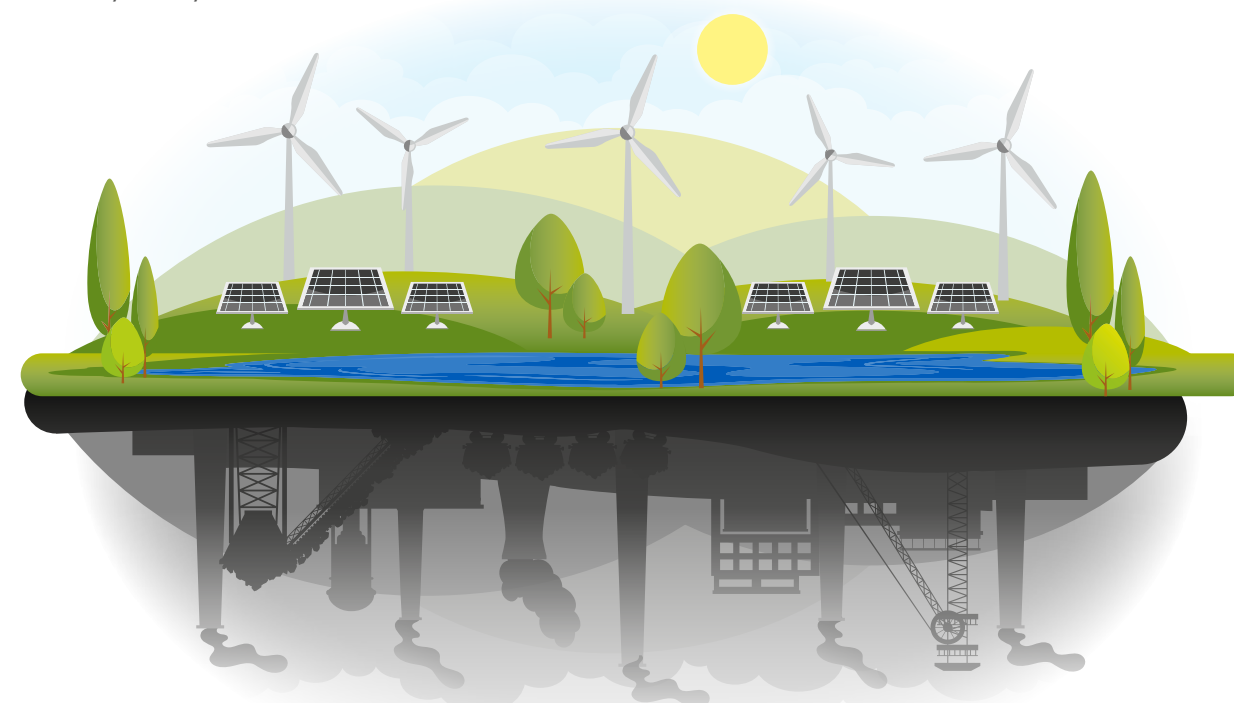


ScottishPower Energy Retail provides the energy used by 4.5 million domestic and business customers throughout the UK. From the provision of 100% green electricity tariffs to the roll-out of energy efficient smart meters, Energy Retail is at the forefront of ensuring a better deal for customers and making sure they can all go on their own journey to net zero.

Distribution and Transmission Network Operator **SP Energy Networks (SPEN)** keeps electricity flowing to homes and businesses throughout Central and Southern Scotland, North Wales, Merseyside, Cheshire and North Shropshire. As the backbone of reaching net zero, facilitating sources of renewable power onto the grid and preparing for the increasing electrification of transport and heat, SPEN serves 3.5 million homes and businesses, 24 hours a day, every day of the year.

"Across ScottishPower's networks, retail and renewables generation businesses, we want to work as closely as possible with each of our communities, helping to ensure that no one is left behind and local zero carbon targets are met."

Zero Carbon Communities report, October 2019



JUST TRANSITION PRINCIPLE #1: A PURPOSEFUL BUSINESS

From anticipating the energy transition to actively delivering it, we've been at the forefront of building a healthier, greener economy for two decades. As the first integrated energy company in the UK to ditch coal and gas and go 100% green, transforming to a cleaner electric future is central to our strategy and purpose. Everything we do now is determined through the prism of net zero, giving us a unique perspective on our future energy needs as a country.

Our focus on prioritising sustainable green growth has never been more important. The dramatic expansion of renewables; the rapid decarbonisation of whole sectors of the economy, like transport, heavy industry and domestic heating; the roll-out of new infrastructure, skills and jobs to literally every part of the UK: all of these need to happen at an unprecedented pace and scale.

Decarbonisation represents one of the UK's most ambitious infrastructure and technology programmes in living memory, and the economic and environmental case for pursuing this is now aligned as never before.

A green recovery that spurs investment, creates jobs, strengthens the UK domestic supply chain and supports communities through change – that's not only the right thing to do. Faced with the extent of our climate responsibilities, it's the only thing to do.

We believe in a sustainable transition to net zero that creates benefits and opportunities for our communities, customers, employees and supply chain, as well as ensuring that the local and national impacts of change are a key part of our decision-making processes.

Our approach puts into practice our support for national, industry and global standards of ethics and conduct, not only in our own business operations but in supporting our supply chains to achieve high standards as well.

OUR NEXT STEPS

We've already set out our plans to invest nearly £10 billion in the UK in the years to 2025. These plans are our route map for a faster journey to a greener future, and help us to open up a dialogue with all our stakeholders on how best to achieve an energy transition that is also a just transition. By investing £6 million every working day in a more sustainable future for all, our plans will:

- ✓ Double the amount of renewable energy we produce
- ✓ Modernise our electricity networks to support green transport and heating
- ✓ Help our customers make the change to smarter energy use.



OUR PRINCIPLES IN PRACTICE: SCIENCE BASED TARGETS

As the UK's only 100% renewable integrated utility, we can act as a real driver of change in our industry and across our supply chain. Arising from the 2015 UN Climate Change Conference, the Science Based Targets initiative introduced a global framework to show companies how quickly they need to reduce emissions in order to play a full role in climate mitigation.

We've worked with the Carbon Trust to set targets aligned to 1.5 degrees across our entire value chain. We're committed to reducing our footprint by more than 50% in less than a decade, and the work has now begun in earnest to look across all our operations and understand how we can intervene to cut fossil fuels.

As a signatory of the EV100 initiative, we'll also transition to a fully electric car and van fleet by 2030. And we're working with our suppliers to gain a better understanding of how we can reduce the carbon footprint arising from the products we buy.

Ultimately, of course, we know that success depends on bringing our people with us on the journey. That's why we've completed a comprehensive programme of climate literacy for all of our employees, and why we regularly engage with our domestic and business customers on how to support them with energy efficiency and low-carbon solutions.



OUR PRINCIPLES IN PRACTICE: BUILDING AN EAST ANGLIAN OFFSHORE WIND POWERHOUSE

Our ongoing development of one of the largest offshore wind projects in the UK showcases our commitment to both managing the energy transition and creating opportunities and benefits for those involved.

Our East Anglia ONE offshore windfarm – with a capacity of 714 MW – is now fully operational and producing enough clean renewable energy to power the equivalent of more than 630,000 homes every year. Throughout its development, we've proven our commitment to working with local communities and delivering local economic, skills and employment opportunities:

- ✓ £25 million invested in a state-of-the-art operations and maintenance base at Lowestoft Port, delivering 100 long-term skilled jobs
- ✓ £70 million committed to suppliers delivering works across the East of England, creating jobs and investment in local communities

- ✓ More than half of the project's supply chain provided by the UK market
- ✓ Sponsorship of 10 Engineering Masters degrees at the University of East Anglia and the development of a new apprenticeship programme
- ✓ 1000 female students participating in engineering diversity events
- ✓ 3200 children participating in workshops.

Building on our experience with East Anglia ONE, we now have advanced plans for the East Anglia Hub project, which combines three further windfarms in a single programme to deliver an additional 3,100 MW – enough to provide the annual power for 2.7 million homes. We plan to invest £6.5 billion in the East Anglia Hub, further developing our commitment to local communities, creating new opportunities for the domestic supply chain and broadening skills and educational attainment in the region.

JUST TRANSITION PRINCIPLE #2: TOGETHER WITH OUR COMMUNITIES

Rooted in the communities we serve, our businesses give us a unique perspective on future energy needs at a local level, and the impact on customers, supply chains and communities. In everything we do, we work in tandem with the people we serve, consulting and regularly engaging with them. Our approach to a just transition is no different.

We believe that the energy transition, and the transition to a net zero economy more broadly, must be done in collaboration with communities. Talking with our customers and communities through town hall events, virtual consultations and direct communication to understand their evolving priorities informs our approach to a range of projects – from the development of new wind farms to the divestment of former power station sites and surplus assets, from SP Energy Networks' coordinated programme of stakeholder engagement to the energy tariffs provided by our retail business.

While the Scottish and UK Governments have set respective net zero targets of 2045 and 2050, we recognise that there is no 'one size fits all' approach. That's why we're working in partnership with local communities to facilitate achievement of these targets at a local level, helping them to navigate the journey through our knowledge, experience and expertise.



OUR NEXT STEPS

The full, detailed roadmap to get to net zero is not yet clear and will differ at a local level. As energy devolution becomes more and more common, and as innovations like electric transport become more widespread, the risk to some communities is that they are left behind.

A good example of how we are supporting communities with a just transition can be found in SP Energy Networks' draft ED-2 Business Plan (published July 2021), which consults on proposals for investment in our distribution networks over the year 2023-28. The draft Plan sets out the central importance of a just transition to the overall proposals, backed up by a range of strategies and commitments that include:

- ✓ SP Energy Networks' most ambitious and innovative Vulnerability Strategy to date
- ✓ A Sustainable Business Strategy with a broader focus on social responsibility
- ✓ A Community Energy Strategy to support community-level action
- ✓ A Workforce Resilience Strategy that emphasises fair work and upskilling for the energy transition
- ✓ A Digitalisation Strategy which aims to increase digital inclusivity.

Ahead of the submission of the final ED-2 Business Plan in December 2021, SP Energy Networks is continuing to develop its thinking on how to embed fully the just transition in its proposals.



OUR PRINCIPLES IN PRACTICE: **WORKING WITH COMMUNITIES TO REPURPOSE FORMER INDUSTRIAL SITES**

As the first energy company in the UK to generate 100% green electricity, we recognise an obligation to our communities to work with them on the new use of land previously used in carbon-intensive activity, such as power stations. These sites often represented hubs of local employment and we believe we have a role in ensuring that they can be repurposed to facilitate local plans, developed in consultation with local authorities and community groups.

Once sites are deemed surplus to operational requirements, alternative uses are promoted through the planning process, influenced by community engagement and in line with planning policy. SP Estates will look to bring empty, ageing assets back into use through proactive marketing and working with external partners to understand market activity and appropriate strategy.



Inverkip Marina

INVERKIP, BRUEACRE VILLAGE, SCOTLAND:

The 100-acre site that was home to a former power station is being developed in consultation with local people and community groups. The Application for Planning Permission in Principle is to develop up to 650 new homes with community amenities. The proposals include a new village centre with retail and community facilities, high quality open spaces like a public park and a network of foot and cycle paths, and the upgrading of the existing road network.

OUR PRINCIPLES IN PRACTICE: **PARTNERING WITH DUMFRIES AND GALLOWAY COMMUNITIES**

Dumfries and Galloway in South West Scotland has an ambitious net zero target and we're excited to be partnering with local communities on their journey. With multiple touchpoints across our businesses, we're helping to support several local low carbon initiatives that include providing community funds from ScottishPower Renewables' windfarms and SP Energy Networks funding to help electrify bin lorries.

Across the area, ScottishPower Renewables has contributed £9.8 million in community benefit schemes, with our windfarms making more than 500 awards to local initiatives in the region. ScottishPower Renewables is encouraging communities to bring forward net zero initiatives that will help them to reduce the amount of carbon they produce, which could include installing electric vehicle charging points, purchasing electric vehicles for community or shared use, or improving the energy efficiency of community buildings.

Additionally, through the Harestanes Windfarm Partnership Fund, ScottishPower Renewables provides £50,000 for every year of the operational life of the windfarm for Forestry and Land Scotland to promote and support recreational, educational and environmental initiatives in the forest estate of south west Scotland, creating and sustaining jobs and tourism across the region.

Separately, SP Energy Networks' Green Economy Fund has provided financial support for a number of initiatives to decarbonise transport and safeguard the well-being of communities, including funding for the Food Train charity to replace and maintain delivery vans providing meals and shopping for elderly residents across Annandale & Eskdale and Nithsdale, and c.£1 million for Dumfries and Galloway Council to pilot two electric refuse collection vehicles, replacing ageing diesel collection trucks.



JUST TRANSITION PRINCIPLE #3: SHARING EXPERTISE AND OPPORTUNITY

The journey to a decarbonised energy system presents significant opportunities right across the energy industry. As we set out in our Zero Carbon Communities report (October 2019), which was the first of its kind in setting out a roadmap of the steps local communities needed to take to reach net zero goals, research by the independent consultancy Capital Economics has shown that the UK's journey to net zero could support over 100,000 jobs each year between now and 2025, and over 200,000 each year between 2026 and 2030.

In August 2021, SP Energy Networks launched its largest recruitment drive this century, offering 152 green jobs that will be critical to enhancing the electricity network in order to enable the rapid uptake of renewables and low carbon technologies needed to help meet our national net zero targets. We'll always need engineering and technical roles as part of the energy transition, but big data, digitalisation and innovation mean we need a diverse mix of skill sets – and the opportunities SP Energy Networks has identified range from Planning Engineers and Project Managers to Programme Analysts, offering long-term, green jobs that will be right at the heart of the transition to net zero.

We know that ensuring there is a diverse population to fill these future roles starts in schools. Our commitment to education is shown through wide-ranging programmes that engage young children through to teenagers, providing opportunities for them to engage with the energy sector and promoting opportunities for future careers through long standing partnerships with respected, skilled educational practitioners.

We believe that different backgrounds and experiences make us stronger. We are committed to developing our Diversity Equity and Inclusion actions and policies alongside our employees, the workers in our supply chains and customers. Examples of this approach include our employee-led networks, where life experiences are shared and perspectives are provided to our management team, as well as our partnerships with external organisations to help shape the way we do our business.

OUR NEXT STEPS

Addressing a deepening skills shortage in the energy sector is necessary if the UK is to meet its statutory climate targets, and we need to work collectively to equip the future workforce with the skills required to meet the challenges of decarbonisation and net zero. We're committed to working with the UK and devolved governments, regulator, business forums, and other non-governmental bodies to pursue strong policies and funding for training and support to place the UK in a leading position to deliver the UK's net zero ambitions.

We'll continue to support work programmes to help young people gain essential skills, targeting those who may find traditional routes more challenging, including the pre-apprenticeship programme closing the skills gap to full apprenticeships. As partners with Enable's Breaking Barriers programme, we'll continue to provide work experience, support and network opportunities to young people with learning disabilities earning university accredited qualifications.

OUR PRINCIPLES IN PRACTICE: CREATING OPPORTUNITIES FOR ALL

Right across our business, we're creating good green jobs with opportunities for all. We're committed to making engineering and technical roles available to the most diverse group possible, with entry at pre-apprenticeship, craft apprenticeship and traineeship, degree apprenticeship and graduate levels.

As well as those at the start of their career, we're actively seeking out recruits from sectors such as the oil and gas industry and people who have taken a career break. Our STEM Returners programme provides candidates who have taken a break of two years or more with opportunities to re-enter industry. The programme helps applicants refresh their existing skills and knowledge while building

their confidence in a working environment through a structured pathway. The programme provides a paid placement for 9-12 months and an opportunity to work on some of our most innovative projects, as well as the benefits of mentoring, workshops and help in securing permanent employment.

We provide our employees with flexible family-friendly policies, in addition to excellent benefits and rewards. And during our transition from carbon-intensive generation we're proud to have been able to support employees who wished to remain with ScottishPower to move into new roles and avoid compulsory redundancies.



JUST TRANSITION PRINCIPLE #4: FAIR FOR CUSTOMERS

Delivering a clean, secure, reliable and affordable energy system now and as we transition to net-zero is at the core of our business. We have a long history of working with our distinct sets of customers and stakeholders in the energy supply and electricity networks sectors to deliver on this principle.

As we transition to a low carbon energy system, we recognise that we have a mission-critical role in helping domestic and non-domestic customers on their own journey to net zero. In a few short years, electric vehicles will dominate our roads and the way we heat our homes will change dramatically. Customers are looking to our businesses for education, support and guidance on how the energy transition will impact them, how they can adapt, and how we can provide targeted support to the vulnerable individuals and communities who need the most help.

SP Energy Networks provides support to improve the experiences of the vulnerable customers within the communities it serves as an essential part of its role, aiming to identify those who require continuity of supply and offering various routes for customers to register their priority status, and working with government bodies and industry groups proactively to identify these customers.

With fuel poverty affecting many families across the UK, our Energy Retail business understands the importance of offering a fair price to our customers and maintaining high standards of reliability and service. To help lower customer bills, this part of our business is committed to helping customers reduce their energy use, by providing energy saving toolkits backed up with the technology and tariffs to help make this easier.

ScottishPower Energy Retail is also an active participant in government schemes to provide customers with support for the cost of energy and to support energy saving measures. To tackle endemic fuel poverty we also work through community programmes, where our support can provide wider access to energy saving technology, low-carbon transport and community-based solutions.

As consumer concerns about 'greenwashing' become more salient as part of the energy transition, we're champions of the need for suppliers to be fully transparent with customers about how renewable their energy really is. Our commitment to 100% green energy means that all new customers on fixed price tariffs are supplied with renewable electricity from ScottishPower sites.



OUR NEXT STEPS

The electrification of transport and heat are the next two big areas of decarbonisation, and we need to ensure that all customers are informed and supported in the choices they make on the journey to net zero.

We believe more needs to be done to ensure fair access to electric vehicle (EV) charging for all customers and communities, so that no one and no area is left behind. The challenge is particularly acute for the one-third of households without private driveways, or the homes in rural or socially deprived areas that the public charging market is less likely, left to its own devices, to serve.

When it comes to decarbonising domestic heating, the scale of the challenge is clear: more than 80% of homes are heated by gas today. Working with our customers and communities, we are committed to understanding their requirements and challenges in transitioning to low carbon heating, and we're fully engaged in policy debates on the market mechanisms needed to make the transition as easy and as affordable as possible.

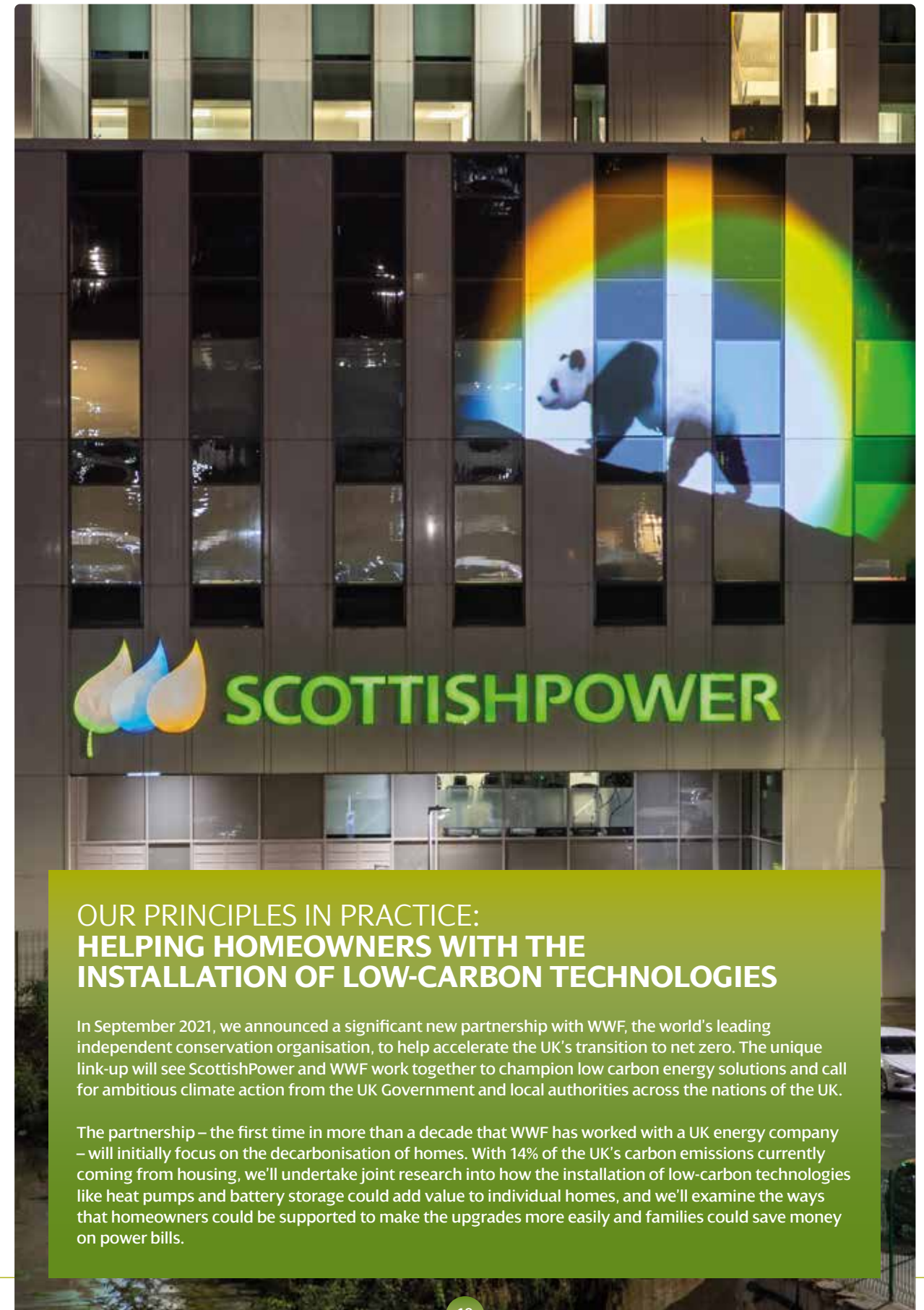
OUR PRINCIPLES IN PRACTICE: ENSURING FAIR ACCESS FOR ALL TO ELECTRIC VEHICLE CHARGING

As electric vehicles (EVs) account for a rapidly growing share of new car sales, focus is sharpening on the need to provide public charging infrastructure that ensures fair access for all.

Independent research we commissioned for our Zero Carbon Communities campaign forecasts that the UK will need more than 25 million private and public EV charging points as part of the path to net zero – and it's essential that chargers are available not just in private driveways, wealthy high streets and motorway service stations, but in remote, rural and socially disadvantaged areas too.

That's why SP Energy Networks has been working with the Scottish Government and two local authorities in Lanarkshire to demonstrate the strategic benefits of an alternative public EV charger delivery model. This joint approach can reduce significantly installation costs and speed up the roll-out of public access charging points.

It's a model that could be adopted more widely across the UK. By working directly with local authorities we can help to facilitate universal access to public EV charging infrastructure, ensuring no community is left behind in the net zero transition.



OUR PRINCIPLES IN PRACTICE: HELPING HOMEOWNERS WITH THE INSTALLATION OF LOW-CARBON TECHNOLOGIES

In September 2021, we announced a significant new partnership with WWF, the world's leading independent conservation organisation, to help accelerate the UK's transition to net zero. The unique link-up will see ScottishPower and WWF work together to champion low carbon energy solutions and call for ambitious climate action from the UK Government and local authorities across the nations of the UK.

The partnership – the first time in more than a decade that WWF has worked with a UK energy company – will initially focus on the decarbonisation of homes. With 14% of the UK's carbon emissions currently coming from housing, we'll undertake joint research into how the installation of low-carbon technologies like heat pumps and battery storage could add value to individual homes, and we'll examine the ways that homeowners could be supported to make the upgrades more easily and families could save money on power bills.



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