Reporting in turbulent times: How to build trust

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Introductions

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How to build trust through corporate communications

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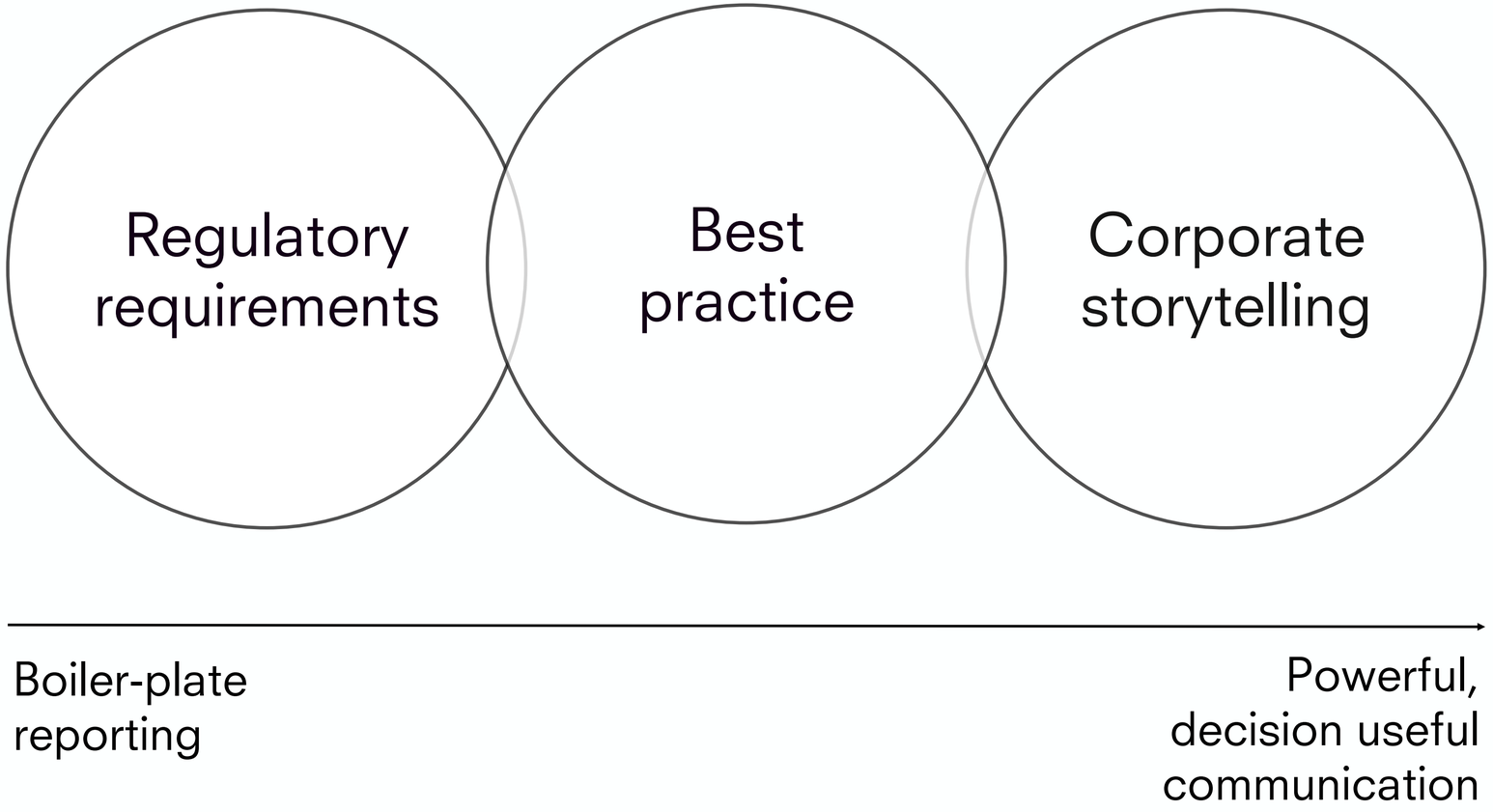
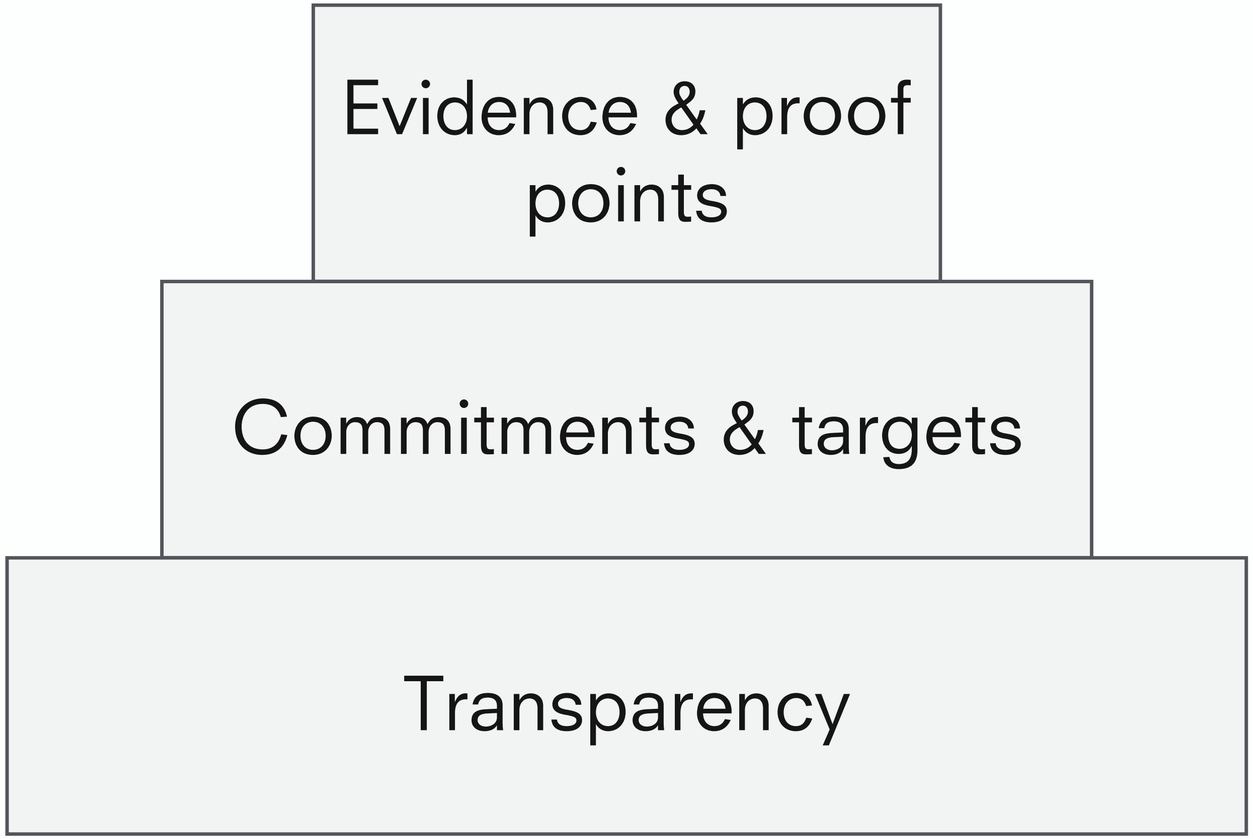
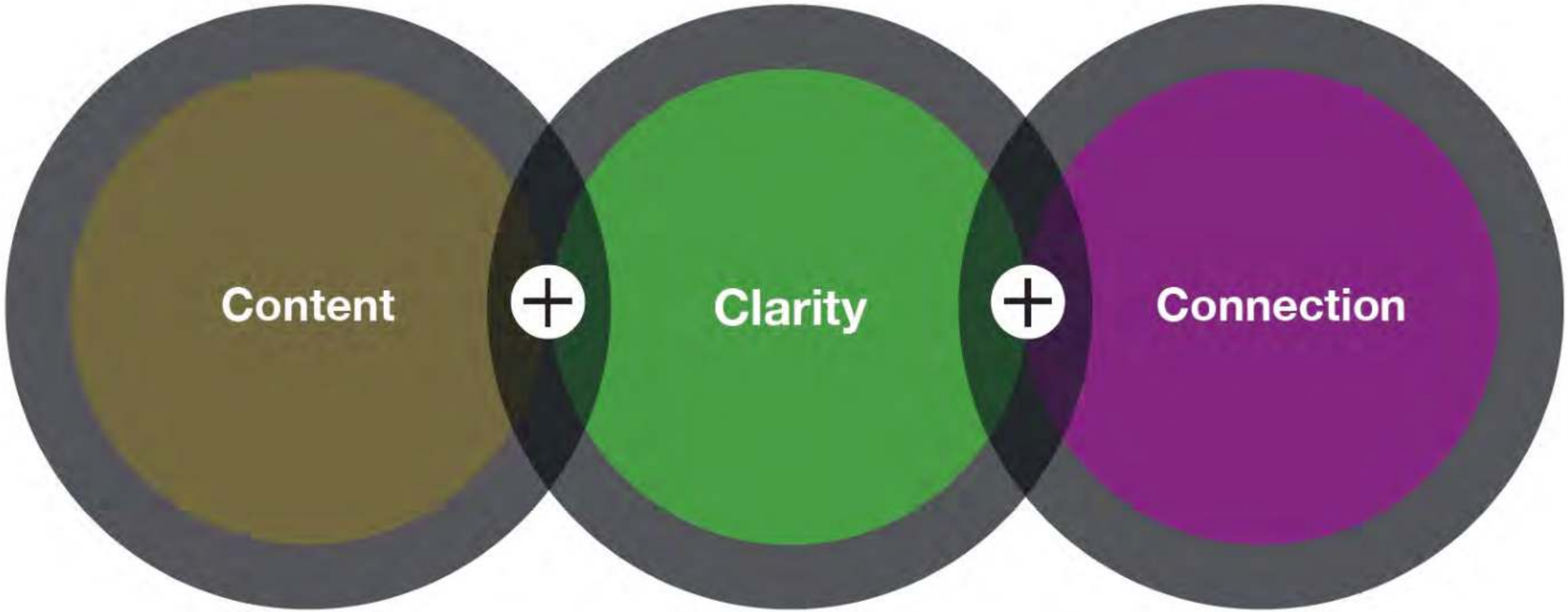
The journey from reporting to communication



How to build trust

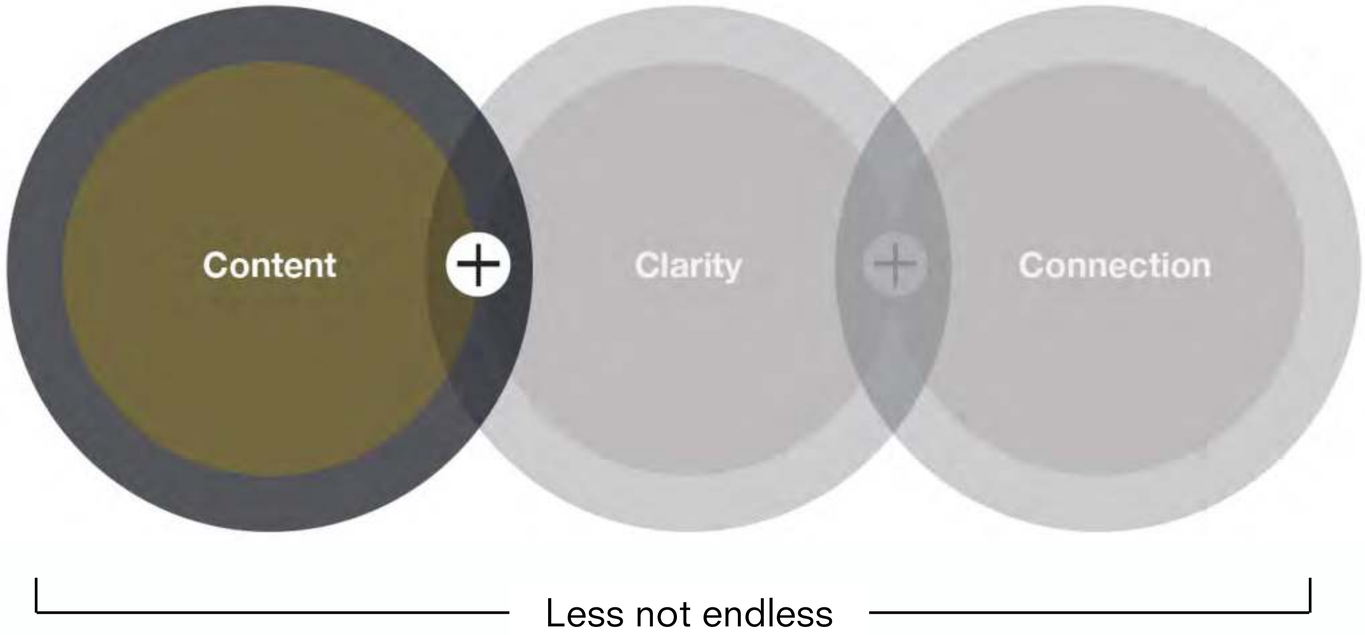


Our approach



Less not endless

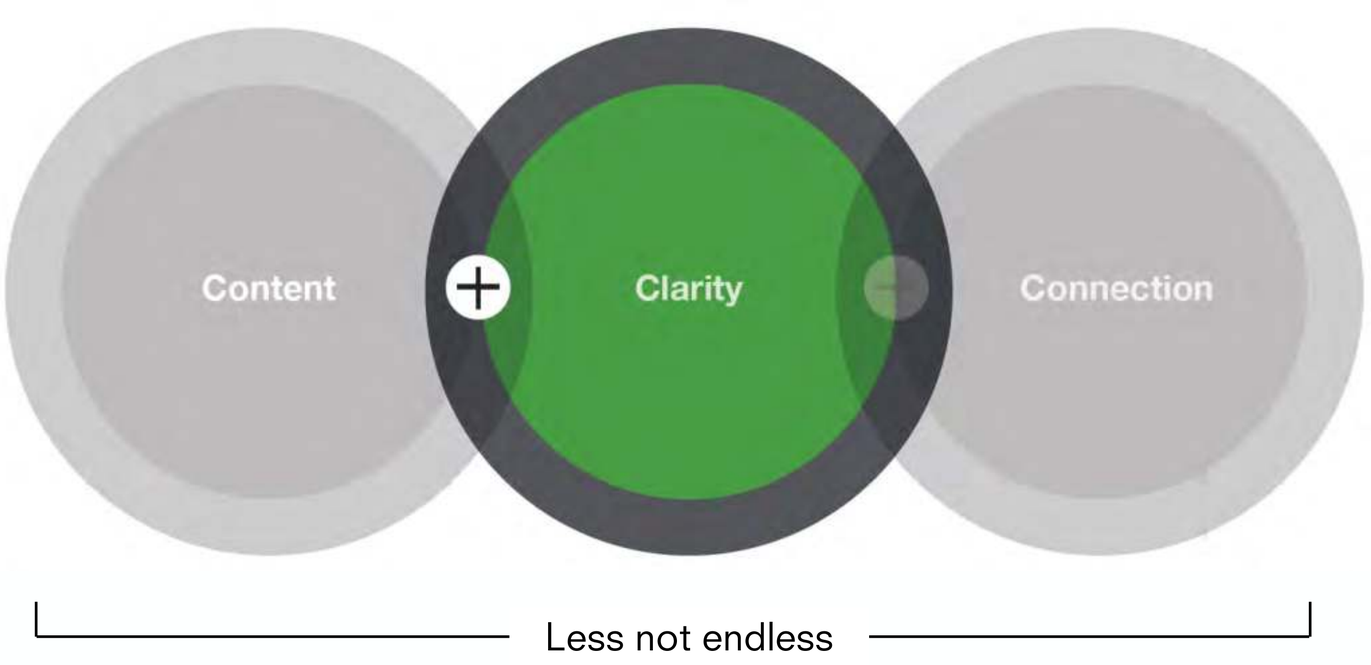
Our approach



Content

- Regulatory disclosures
- Key messages
- Commitments and targets
- Evidence and proof points

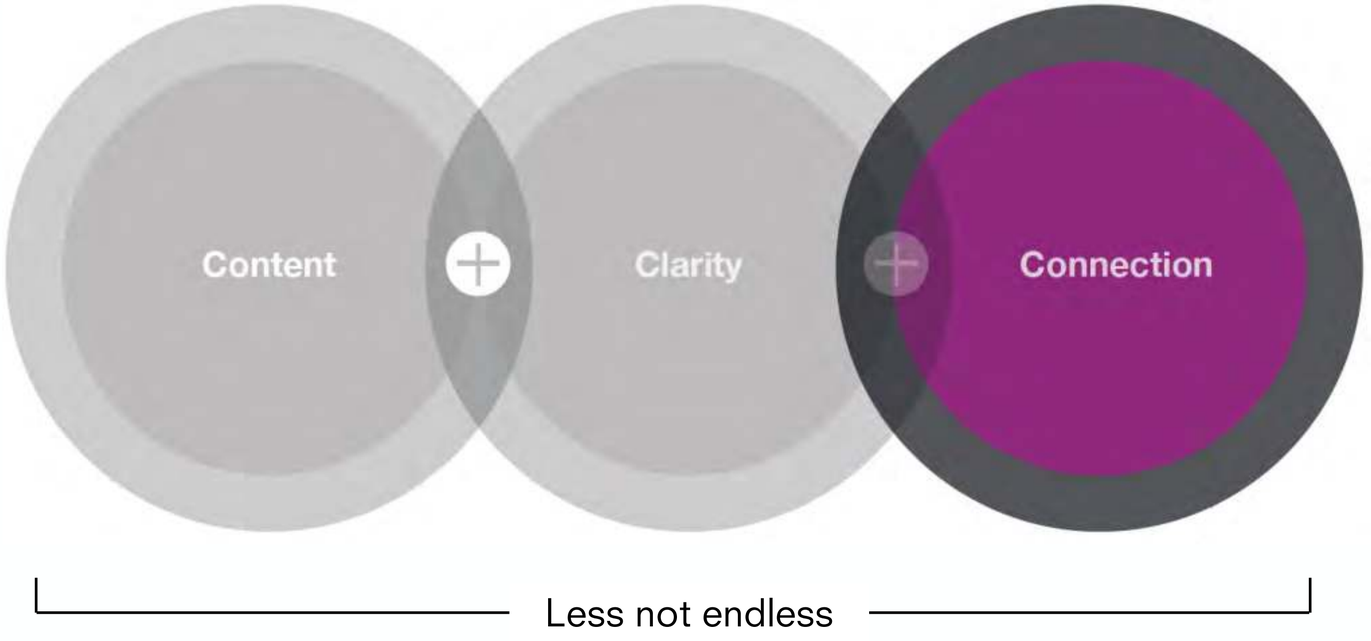
Our approach



Clarity

- Be transparent
- Keep it simple
- Less not endless

Our approach



Connection

- Golden thread – corporate story
- Audience and channel specific

Key trends in reporting

Key trends in reporting

ESG continues to grow in importance

By 2025, ESG assets are expected to account for one third of all assets under management, exceeding $53 trillion

Bloomberg: https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/

Key trends in reporting

Focus on stakeholders, decisions, and outcomes

"Companies that seek to build long-term value for their stakeholders will help deliver long-term returns to shareholders"

- Larry Fink

Blackrock: 2021 letter to CEOs

Key trends in reporting

Digital transformation accelerates

In 2020, Microsoft recorded 2 years of digital transformation in 2 months

Microsoft: https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/30/2-years-digital-transformation-2-months/

A strategy for a changing world
Our corporate strategy and our sector priorities are clearly linked to our Purpose, to use our Smart science to improve lives™. They are enabled by our business model and powered by our people and strong relationships across our entire stakeholder ecosystem. This long-established strategy delivers value for shareholders, even in years of change and challenge worldwide.

Group strategic objective	We achieve this through	What we have done in 2020	Our priorities in 2021	KPIs	Risks
Growth	• Sharing a clear Purpose • Applying a strong and resilient business model (p12) • Using our unrivalled local selling capability, with local, direct and digital selling • Creating a balanced global manufacturing footprint	• Acquired Avanti Polar Lipids LLC, a US-based business creating delivery systems for pharmaceutical products, expanding our portfolio in Life Sciences (p26) • Acquired Iberchem, a global Fragrances and Flavours business, strengthening our presence in consumer care markets (p24) • Delivered increased sales despite the … driven by second half recovery … ions … er £120m in further … ing capability, in … cipients, and o … e Avanti's expe	• Increase capability in sales, marketing, R&D, digital expertise and skills in Asia • Realise the value of a new full-service offering for Personal Care and Home Care through our new Consumer Care sector • Continue to scale our …	• Core Business sales growth % • Return on sales % • Adjusted basic earnings per share (EPS) • Operating profit, earnings per share growth as well as relative Total Shareholder Return are metrics used for … tive … neration (p80)	• Revenue generation in established and emerging markets • Our people — culture, wellbeing, talent development and retention
Innovation The lifeblood of our business, we seek to increase the proportion of NPP (New & Protected Products) that we sell.	• Working with Open Innovation partners	• … r R&D teams to … safely during C … protecting our … pipeline … prietary lipid technology to our … in drug delivery systems … acquisition of Avanti … innovation centres in Shanghai, the UK and USA enabling us to work more closely with local and global customers • Continued to invest in our digital programme across the create, make and sell areas of our business model (p12)	• … partnership to scale up, in line with sector and sustainability goals • Continue to build our digital capability in knowledge management	• … nd Protected … cts (NPP) % of … sales • … PP metric is used for executive remuneration (p80)	• Product and technology innovation and protection • Digital technology innovation • Our people — culture, wellbeing, talent development and retention
Sustainability Aligning our business with our Purpose and accelerating our customers' transition to sustainable ingredients	• Creating ingredients that provide a benefit in use with reduced environmental impact • Aligning our business with the United Nations Sustainable Development Goals (SDGs) • Identifying the short, medium, and long-term time horizons and specific climate-related risks and opportunities which could have a material financial impact on us	• Established interim goals against which we are measuring our progress towards meeting our 2030 sustainability Commitment • Developed decarbonisation roadmaps for our top ten carbon-emitting sites • Continued to increase the positive impact of our actions and deliver benefits for our customers and consumers • Started to replace traditional petrochemical surfactants with our ECO range of bio-based products • Identified impacts to products and our supply/value chain under various climate-related scenarios. Identified adaptation and mitigation activities and invested in R&D and operations to increase resilience	• Continue assessment of the carbon benefits of Croda's products in use • Begin implementation of decarbonisation roadmaps for our top ten sites • Develop decarbonisation roadmaps for our other sites • Continue to monitor where our strategies may be affected by climate-related risks and opportunities, extending work already done for recent acquisitions	• Total Recordable Injury Rate • Absolute scope 1 and 2 emissions and scope 1 and 2 emissions intensity • Land area saved • Number of lives improved (through the use of Croda ingredients) • KPIs aligned to the delivery of our Climate and Land Positive Commitments are used for executive remuneration (p80)	• Delivering sustainable solutions — Climate Positive • Product quality/liability claims • Loss of significant manufacturing site • Suppliers and raw material security • Product stewardship and chemical regulatory compliance • Ethics and compliance

Strategic priorities

By sectors: Strengthen to Grow; Life Sciences — With its growing margin and exciting technologies aligned to global health and crop sustainability trends, we continue to build our Life Sciences brand as a high value-add solution provider to our pharmaceutical and crop customers. See page 26; Refine to Grow Performance Technologies — We are refining Performance Technologies to focus on high-tech markets and reduce exposure to cyclical business. See page 26

Across sectors: More proactive M&A; Build our digital capability; Robust global supply chain; Employer of choice

Strategic report

Sustainability integrated into strategy
If a strategy is to align to a sustainable purpose, ESG matters should be considered as a part of strategy.

Commitments for next year
Build confidence in strategic ambition with clear priorities for the future.

Tracking progress, mitigating risks
Answers key investor questions: how is the strategy measured, and what factors might affect it.

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STRATEGIC REPORT

OUR STAKEHOLDERS

WORKING FOR AND **WITH STAKEHOLDERS**

Constructive engagement with stakeholders underpins SSE's ability to create value for shareholders and society in a sustainable way through the fulfilment of its purpose and delivery of its strategy.

Set the story
Contextual headline that advances the narrative.

The role of stakeholder engagement

SSE recognises that a sustainable strategy is one which is reflective of stakeholder views and input.

It therefore promotes an open and transparent approach to stakeholder engagement, which is supported by accountability at both Group and Business Unit level for demonstrating how stakeholder interests have been considered in long-term plans and day-to-day decision making.

This approach derives from the following definition of stakeholder engagement in SSE:

The purpose of stakeholder engagement in SSE is to ensure that the perspectives, insights and opinions of stakeholders are understood and taken account of when key operational, investment or business decisions are being taken, so that those decisions:

- are more robust and sustainable in themselves; and
- support SSE's strategic approach of creating value for shareholders and society.

SSE's key stakeholder groups

A long-understood social contract informs SSE's view that its stakeholders are **people, communities and organisations with an interest in its purpose, strategy, operations and actions and who may be affected by them**. The relationship with key stakeholders is two-way, with SSE relying on a range of inputs, in return for which value is generated. An overview of the reciprocal nature of SSE's relationship with its stakeholders is illustrated by the business model framework on pages 10 to 11 and set out in detail on the following pages.

Employees

We engage to attract, retain and develop a diverse and talented workforce now and for the future.

Input to SSE:
Talent, skills, values and output.

Value created:
Inclusive, fulfilling and high-performing workplace.

Shareholders and debt providers

We engage to ensure confidence and support from those that invest in and lend to SSE.

Input to SSE:
Provision of finance, strategic direction and stewardship.

Value created:
Sustainable return on investment.

Energy customers

We engage to support an accessible low-carbon energy system that represents value for customers' money.

Input to SSE:
Customer priorities and expectations.

Value created:
Reliable and inclusive provision of services.

Government and regulators

We engage to ensure fair energy sector frameworks for energy customers and investors that support progress to net zero at the required pace.

Input to SSE:
Public policy and regulatory frameworks.

Value created:
Considered and expert sector views; delivery of policy and regulatory aims.

NGOs, communities and civil society

We engage to support the achievement of shared goals with social benefit.

Input to SSE:
Distinctive social, environmental and energy-related perspectives.

Value created:
Robust social contract through which value is shared.

Suppliers, contractors and partners

We engage to support the greatest all-round value from our investments.

Input to SSE:
Quality goods and services and investment.

Value created:
Sustainable relationships, value creation and partnership expertise.

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Explain importance
Who stakeholders are, and their importance to the business.

Range of evidence
Cross-referenced 'proof points' on strategic relevance, engagement processes, and crucially <u>decisions</u> and <u>outcomes</u>.

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STRATEGIC REPORT

OUR STAKEHOLDERS CONTINUED

Stakeholder group

Employees

Shareholders and debt providers

Energy customers

Government and regulators

NGOs, communities and civil society

Suppliers, contractors and partners

Engagement methods in 2020/21

Group engagement

- Virtual multi-channel approach for two-way conversations on strategy, culture and pandemic ways of working.
- Two Group-wide employee surveys to understand sentiment and lockdown impact.
- Data from exit surveys when employees leave SSE.
- Management-led engagement and business-specific updates including MD 'town hall' events.
- Formal methods for trade unions engagement and negotiation.

Board engagement (see pages 114 to 116)

- Involvement in SSE's multi-channel Group approach and business-specific events.
- Complementary and focused work of SSE's Non-Executive Director for Employee Engagement.
- Continuous feedback on employee sentiment and the support being provided.

Measuring value created

- Engagement survey results (see page 48)
- Retention rate (see page 46)
- Workforce diversity (see pages 46 and 49)
- SHE performance (see page 45)
- Learning and development (see page 46)

How it's measured
Targets the business uses to track progress on engagement, connected via cross-referencing to additional content.

How we do it
Clarity on engagement processes themselves, and distinction between Group and Board activity.

- Safe continuation of critical national infrastructure construction projects through coronavirus.
- Cost-effective delivery of low-carbon infrastructure.
- Fair treatment of energy customers.
- Security of supply and critical infrastructure provision.
- The RIIO-T2 and RIIO-ED2 business plans.
- Flexible networks and the transition to Distribution System Operator (DSO).
- Increasing UK offshore wind supply chain content.
- Carbon pricing and support mechanisms for net zero.
- The UK's future relationship with the EU.

What's important to them?
The issues raised by stakeholders

Engaging with government on a green recovery (see page 18)

Evidencing engagement
Case studies signposted to show how engagement works in action.

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Surface key messages
A digital approach can allow for key messages and themes of the year to be clearly communicated as they scroll through the report.

Bring content to life through interactivity
Interactive digital features can communicate priorities, targets, and other disclosures in a more engaging way.

Showcasing proof points
Online reports can enhance the presentation of case studies with targeted stories, filterable libraries and rich media like video and podcasts.

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Any questions?

Thank you

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