SSE PLC NET ZERO ACCELERATION PROGRAMME

APPENDIX: SHAREHOLDER Q&A

17 November 2021

Disclaimer: Appendix should be read in conjunction with Strategic Update RNS dated 17 November 2021

SHAREHOLDER Q&A

Responding to questions around the strategic update

On 17 November 2021, SSE plc announced a **'Net Zero Acceleration Programme'** to **accelerate clean growth**, lead the energy transition and **maximise value** for all stakeholders.

This fully-funded five-year strategic capital investment plan includes:

- £12.5bn net capex investment to 2026 to deliver:
  - **~4GW net renewables capacity** additions and
  - growing **electricity networks RAV by c.10% CAGR** gross.
- Supported by further renewables partnering; and minority stake sales in both SSEN Transmission and SSEN Distribution to unlock value and optimise investment
- Attractive forecast growth in earnings and RAV to 2026 with **adjusted EPS CAGR of 5-7%**, after assumed minority interest
- Growth-enabling dividend plan **paying at least £3.50 per share** across the five years

And provides the platform for ambitious new 2031 targets:

- **Fivefold increase in renewables** output to 50TWh p.a., backed by >1GW net additions p.a.
- **8-9% gross RAV CAGR** for electricity networks
- Meeting revised **1.5 degree Celsius science-based carbon targets by 2030**

In anticipation of shareholder questions around this strategy, the following pages provide more detail of key considerations made by the SSE plc Board in concluding that this plan is the **optimal pathway** to long-term growth and value creation for the Group.

THE OPTIMAL VALUE-CREATING PLAN

Q1. Why did you choose this plan?

Board review concluded this five-year investment plan represents the optimal pathway to:

1. Drive **sustainable long-term value** for all stakeholders,
2. Deliver the **scale of its capital investment** and growth opportunities; and
3. Provide the **optimal sources of funding** to underpin this accelerated growth.

Sustainable long term value

- Clear focus on delivering long-term solutions for net zero at critical time
- ESG-aligned business mix
- Optimises risk-adjusted returns across index-linked and market-based earnings
- Growth enabling dividend, maximising long term shareholder value
- Responsible national champion

Deliver investment opportunity

- Drives accelerated growth in networks, renewables and flexible generation
- Strong growth options across net zero electricity
- Delivers integrated solutions (storage, hydrogen, offshore transmission)
- Builds on existing shared capabilities
- Realises investment opportunity, whilst retaining portfolio options for the future.

Optimise sources of funding

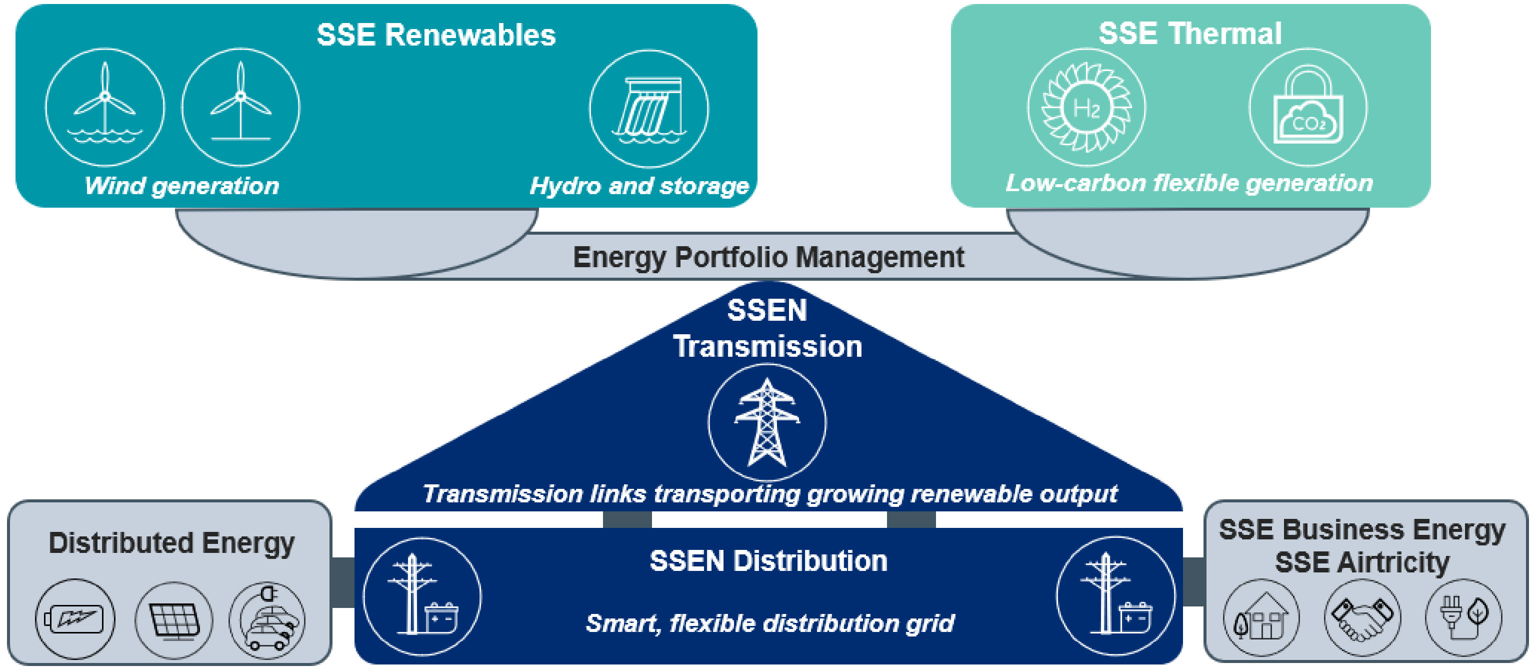
- Fully funded plan to accelerate growth
- Secures strong investment grade credit rating
- Business mix creates financial stability
- Group balance sheet enables delivery of large Offshore Wind projects
- Minority Networks partners shows premium value and funds growth

Investment plan supports renewed emission targets aligned with a science based 1.5° pathway

A RESHAPED GROUP, FOCUSED ON NET ZERO

Q2. What are the benefits of an integrated SSE ?

- ✓ Clear **ESG investor story** with core renewables and networks businesses focused on **low-carbon electricity** growth
- ✓ Valuable **linkages between businesses** (e.g. flexible generation balances wind, customers provide route to market) provide resilience of earnings (as demonstrated during recent energy market volatility)
- ✓ Provides **strong growth options** in transition to net zero across the electricity sector (networks, wind, CCS, hydrogen, storage)
- ✓ **Balances capex** across economically regulated and market-based businesses to **optimise Total Shareholder Returns**



- ✓ Utilises **common capabilities** in development, construction, financing and operation of low-carbon electricity infrastructure
- ✓ Strong corporate, operational and financial **synergies**
- ✓ Provides **financial stability** supporting strong investment credit grade rating and credit capacity. Size of group / spread of risk makes large projects viable
- ✓ **National clean energy champion** delivering integrated solutions governments and society need in transition to net zero

STRATEGIC ALTERNATIVES

Q3. Have you considered a separation of SSE Renewables?

The SSE plc Board carefully assessed a wide range of strategic alternatives with independent advice and constructive engagement with shareholders. Alternatives included an SSE Renewables 'spin-off'. SSE does not believe this is currently in the long-term interests of its stakeholders for following reasons:

UNCERTAIN IMPACTS ON TRADING VALUE	• SSE **does not believe the case for a 'pure play' achieving a higher short-term trading valuation uplift is realistic:** - Existing **'pure-play' renewable valuations are volatile / not comparable** to SSE (size, geographies, state ownership, tech mix, growth rate, financing) - Long-term value depends on **pipeline growth and delivery**, which at SSE is underpinned by **balance sheet strength and funding options** provided by a mix of economically-regulated and market-based businesses • Spin-off would create an **atypical investor story for remaining SSE Group** (Regulated networks + Thermal + DE + customers businesses)
REDUCED GROWTH OPTIONS	• **Loss of valuable adjacent growth options** (carbon capture and storage, hydrogen, distributed energy solutions) • Reduces options to **optimise capital allocation** as value shifts around the electricity sector in net zero transition
WEAKENED CAPACITY TO FUND GROWTH	• **Networks and renewables are both capital-intensive growth businesses** and require funding • **Credit capacity of separate parts weaker than the whole** – current mix of earnings supports credit rating and debt capacity • **Reduces financial resilience to shocks** (e.g. weather, commodity prices, regulatory change) • Separation would prevent SSE Renewables from **leveraging Group scale to fund large projects** (e.g. Dogger Bank)
LOSS OF SYNERGIES	• A considered, detailed assessment of quantifiable dis-synergies **estimated at approximately £95m/year of recurring value lost through a break-up** plus approximately £200m of one-off separation costs. • SSE's businesses share **common capabilities** in development, construction, financing and operation of electricity infrastructure
DISRUPTION AT CRITICAL TIME	• Creates **significant period of disruption** for investors, leadership, customers and wider stakeholders • **Limits activities to grow pipeline** (e.g. auctions, M&A) while ownership in flux – at critical time for national infrastructure

∴ SSE Renewables separation would not support accelerated growth and drive to net zero

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EQUITY PARTNERS IN NETWORKS

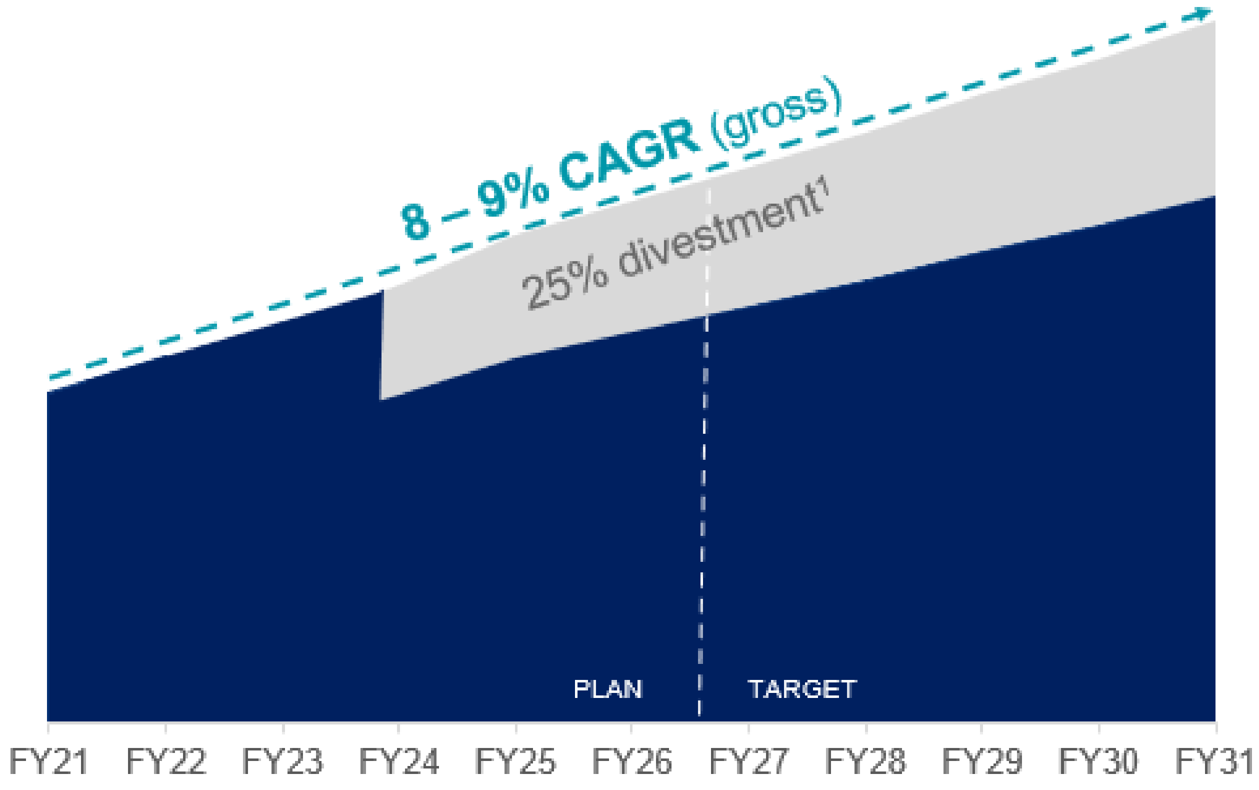
Q4. Why are you considering bringing in minority equity partners? What are the benefits?

Minority sale provides following benefits:

- ✓ **Proceeds support funding of accelerated growth** in networks, renewables and other BUs
- ✓ **Ensures capex acceleration fully funded** with investment grade rating secure
- ✓ **Demonstrates value of electricity networks** – with wide pool of buyers likely for minority stakes
- ✓ **SSE retains strategic control** and continues to add management value / responsible stewardship
- ✓ **Minority stake attractive to financial buyer** with SSE remaining as operator
- ✓ **Delivers optimum balance of capex** (40% Networks, 40% Renewables, 20% flexible generation/energy solutions)
- ✓ **Retains future options to flex investment / divestment in future** as growth outlook becomes more visible

…equity partnering is a model SSE uses in SSE Renewables and now plans to extend this approach to SSEN Transmission and SSEN Distribution

Electricity networks RAV growth (stylised)



THANK YOU

For a better
world of energy