Together, as a Group, SSE’s businesses are well positioned to capture the substantial growth opportunities generated by driving and accelerating the net zero agenda through electricity infrastructure.

**Financial highlights**

In the face of exceptional macro-economic conditions, SSE saw strong financial performance in 2022/23 thanks to its resilient business model, solid operational delivery and good progress on its strategy. Below-plan renewables output was offset in the year by thermal, flexible hydro and gas storage assets which were rewarded for providing timely system backup.

**Non-financial highlights**

The Total Recordable Injury Rate safety measure increased in the year due to a rise in contractor hours worked on construction. SSE continues to make a significant contribution to the economies it operates in as it delivers on its ambitious investment programme.

**Balance between market-exposed and stable, economically-regulated earnings.**

SSE at a glance

Together, as a Group, SSE’s businesses are well positioned to capture the substantial growth opportunities generated by driving and accelerating the net zero agenda through electricity infrastructure.

**Financial Statements**

**Directors’ Report**

**Strategic Report**

**SSE plc Annual Report 2023**
Chair’s statement

None of our objectives or outcomes are possible without the dedication and hard work of our workforce. The executive team and our highly capable and committed employees and contractors have delivered strong operational and financial performance in a challenging year, and on behalf of the Board I thank them all for their efforts.

Right action right now.

A year of unprecedented challenge in the global energy markets has cemented the role that SSE and other energy providers must play in providing long-term solutions to the challenges of national energy security, affordability and climate change.

The actions SSE is taking now will be part of the foundation of a transformed energy system aligned to the sectors 1.5°C global warming pathway – one that is cleaner, more affordable and more secure. In support of those goals we are accelerating renewables, transforming electricity networks, providing vital flexible generation back up, and working hard to ensure no-one is left behind along the way.

Responding to uncertainty

The war in Ukraine exposed Western Europe’s dependency on imported gas. The resulting market volatility and energy price spikes have rightly made policy makers and energy providers the subject of intense scrutiny and public discourse.

Our response has been unambiguous, focusing our efforts on where we can make the biggest difference. By investing record amounts – in excess of profits – in critical national infrastructure we are helping to address the causes rather than the symptoms of the energy crisis.

As this Strategic Report shows, we have successfully navigated the challenges that came with turbulent markets and unfavourable weather, and engaged constructively with policy makers to ensure that we can continue to fulfil our purpose, and generate value for our share holders and society more widely.

The people driving our delivery

None of our objectives or outcomes are possible without the dedication and hard work of our people. The executive team and our highly capable and committed employees and contractors have delivered strong operational and financial performance in a challenging year, and on behalf of the Board I thank them all for their efforts.

I’d also like to express my personal gratitude to our outgoing Finance Director, Gregor Alexander, who leaves us in December after more than 20 years’ excellent financial stewardship of the Company. He should be very proud – not only of what he has achieved during his time at SSE – but of the strong position in which he leaves us.

We are losing one of the FTSE’s finest FDs but after a rigorous selection process we have a highly capable successor in Barry O’Regan. Barry has been integral to SSE’s growth story for many years now, particularly in terms of the reshaping of the Group, and we all look forward to working with him through the transition.

Engagement with SSE colleagues was a feature of the 2022/23 Board agenda and I was particularly pleased that we were able to use the time after the main business of the AGM to meet a number of employees face-to-face and more than 3,500 in a virtual townhall setting to discuss the Board’s commitment to ensuring SSE offers a truly safe and inclusive workplace.

Getting everyone who works for SSE home safe at the end of each working day has always been our top priority, but it has been a difficult year. The devastating death in June of Liam Macdonald, a young contractor working on Shetland, has caused us to refocus our efforts.

A new contractor safety team has been established to ensure our partners are supported and performance is closely monitored across all our large capital projects (See pages 63 and 162).

Right strategy at the right time

With support for growth defined by the imperative to decarbonise power sectors at home and abroad, our Net Zero Transition Plan spells out how we will remove greenhouse gas emissions from our own operations, supported by a process for accountability with an annual shareholder ‘say on climate’ resolution.

We welcomed the overwhelming support given to our first AGM vote on SSE’s Net Zero Transition Plan in July 2022.

Since then, record levels of investment and the sale of a minority stake in our transmission business have provided the platform for us to push ahead with large capital projects, grow our development pipeline both at home and abroad, and implement ambitious business plans in our regulated networks businesses.

However, we have always been clear that our Net Zero Acceleration Programme (NZAP) was just the start of our ambition.

The opportunities and options for SSE to deploy its capabilities and resources have grown substantially since the programme launch in November 2021. We have since refreshed the programme with the launch of a more stretching NZAP Plus which includes plans for £18bn of investment out to 2027.

These revised plans, in the context of SSE’s Net Zero Transition Plan, reflect the continuing strength of our business model and balance sheet, the urgency of climate action and the wealth of opportunities presented to us by the transition to net zero and the encouraging economic and policy tailwinds we see for the sector.

Going further, and faster

We are proud of the progress we are making with a strategy that, over the medium term, will help to address the symptoms of affordability, environment and security of energy provision.

We are working with governments to create policy frameworks which will accelerate investment into much needed infrastructure, and bring forward long-term solutions for energy users, the environment, and society generally.

As a long-standing Fair Tax-accredited company, we are committed to paying the right amount of tax in the right place, at the right time. And we recognise that taking extraordinary profits is reasonable where those profits are actually realised. But the bigger prize will be the fruits of large-scale investment in clean energy, so the overall investment climate remains important.

The UK has enjoyed a leading position in the flows of green capital over the past decade as a result of world-leading policy making and a stable investment climate. Others are now seeking to overtake, with the US Inflation Reduction Act and the EU’s Net Zero Industrial Plan.

The UK Review of Electricity Markets Arrangement (REMA) and other policy interventions offer an opportunity to put the UK back at the leading edge and ensure investment can be accelerated throughout the value chain. SSE stands ready to assist in that development.

Leaving no-one behind

A truly just transition to net zero will leave no-one behind and that means bringing our stakeholders with us. SSE was an early adopter of the principles of a just transition and we recognise that continued consensus in favour of net zero will, in part, depend on the fairness, perceived and experienced, of the way in which the costs and benefits of climate action are distributed.

It will require actions as well as words and we will continue to take tangible steps, for example, by recruiting people from high-carbon industries as part of the expected intake of the 1,000-plus new jobs we expect to create each year.

Businesses like SSE do not operate in isolation. We create value for society and provide the critical infrastructure needed for a prosperous economy. And by doing this in a sustainable way, we secure the right to earn a profit.

It forms a social contract that underpins a culture of ‘doing the right thing’ and inspires a leadership position on transparency and disclosure that makes us accountable to all of our stakeholders for our decision-making and actions.

A key objective of this Strategic Report and the associated Section 172 Statement (See page 28) is to build on disclosures we have provided in recent years and reflect on the work being done to promote SSE’s long-term success. Both reports are approved by the Board in accordance with the Companies Act 2006 and we welcome comments on the matters covered within the following pages.

Sir John Manzoni
Chair, SSE plc
23 May 2023
Over the past year we have continued to create value for our shareholders and society by investing more than we make in profits in the crucial renewables, networks and flexible energy assets needed to unlock a cleaner, more secure and more affordable energy system. We delivered record capital investment, exceeding £2.8bn including acquisitions. I am proud of what has been achieved in a shifting and uncertain energy landscape. As our operational activity and our balanced business mix and the quality of our people and assets shining through.

There is no doubt that the year also brought its challenges. But progress made in the face of exceptional macro-economic conditions, government intervention in energy markets and the continued impact of the war in Ukraine gives us immense confidence in our strategic direction and optimism about meeting our ambitious 2030 Goals. (See pages 63 and 162)

Clean, secure, affordable energy

In 2019, we took the decision to align with the UK’s Sustainable Development Goals (SDGs) with four core associated 2030 Goals. The NZAP Plus sets the pathway for SSE to meet those broad goals in 2030. Recognising that decarbonisation represents a radical economic transformation affecting all sectors of society, we continue to advance the case for a just energy transition.

As events of the last year have shown, accelerating the energy transition is not only a moral imperative in the context of the climate emergency, but is also central to securing a reliable and affordable energy supply. For the electricity system, there is no trade-off between our climate ambitions and securing that security of supply. And, by investing in energy independence, SSE is simultaneously tackling the crises of energy affordability and security, as well as climate change.

As a business, we remain committed to further reducing the system’s reliance on imported fossil fuels by reinvesting additional profits in the accelerated deployment of crucial renewable, flexibility and network infrastructure. By doing so, we are creating lasting value for SSE’s stakeholders, and society as a whole.

Delivering record investment

The NZAP Plus platform to achieve these aims, giving us a pathway to invest £3.8bn in GB and Ireland by the end of the decade. SSE is on course to deliver 20% of both the electricity networks and offshore wind needed to meet the UK’s net zero targets for 2030. And opportunities associated with net zero continue to accelerate across the value chain, not least in SSE’s networks businesses.

Olignon’s Accelerated Strategic Transmission Investment (ASTI) framework announcement clears the way for SSE Transmission to build the assets required to support 50GW of offshore wind by 2030 and SSE Distribution to implement a £3.6bn RIIO-ED2 business plan agreed with Ofgem.

The final RIO-ED2 determination sees baseline allowances for SSE Distribution increasing by £30m from draft determinations, representing a 22% increase in allowed expenditure compared to an equivalent period in RIO-ED1.

While the original NZAP assumed a 25% minority stake sale in SSE Distribution we consistently review our options and direction and the NZAP Plus plan now reflects the decision that retaining 100% of the business is the right strategy at this time.

A year of milestones

The first full year of the NZAP was packed full of milestones on our flagship projects whilst the size and diversity of our development pipeline continues to grow.

SSE Renewables achieved first power at the 1,075MW Seagreen offshore wind project and made significant progress on Dogger Bank, the world’s largest offshore wind farm, including the opening of the O&M base in Tyneside. The UK’s most productive onshore wind farm by output, Viking, remains on track for operation in 2024. The pipeline grew and further diversified too, with the acquisition of SGRE’s onshore development portfolio in Southern Europe.

It was also a particularly strong year for our thermal business, which officially welcomed Neabody 2 into the fleet with commercial operations at Europe’s most efficient CCGT commencement in March 2023. SSE Thermal’s portfolio was further bolstered by the acquisition of 1.5GW Triton Power with Equinor, which holds significant CCS and hydrogen potential and has already created value for the Group.

In networks, SSE Transmission oversaw the laying of the Shetland HVDC link, which is on course to connect the islands to the GB energy system for the first time in 2024, while our distribution business delivered against a vast range of projects in both the north and south network regions during the final year of RIO-ED1.

SSEN Distribution continued to embed learnings from our Storm Arwen review and action plan, rolling out new processes and procedures in the Shetland island storm in December 2022 and Storm Otto in February 2023. An improvement in storm responses, and consistent ‘above and beyond’ levels of service, received plaudits from the government, customers and other stakeholders.

Options for strategic growth

Enabled by record levels of investment in 2022/23 and the sale of a minority stake in our transmission business, we have confidence in our ability to go even further, faster. With renewables opportunities such as Coire Glas, Berwick Bank and Ossian (Scotland), Regulated Asset Value growth in our networks businesses, alongside developments in CCS, hydrogen, solar and battery technologies, we are creating substantial growth options in the near and medium term.

And as we explore opportunities to grow at home, we are also building our capabilities abroad, by exporting our renewables expertise to Southern Europe and Japan. Completion of the Southern European development acquisition this year helped drive SSE’s secured pipeline up from 10GW to nearly 14GW with significant future prospects even before upcoming auction processes.

An optimistic future

To close, our strategy looks even better one year on than it did at the end of 2021/22. It is our platform for delivery and growth, underpinned by a socially responsible purpose and a value-creating strategy, investing record amounts in clean, green energy infrastructure.

Having navigated the choppy waters of market and policy uncertainty this year, SSE has emerged with an even clearer vision of the role we must continue to play in developing and building the energy system of the future.

For there is no doubt that, in our people, businesses and assets, we hold an important part of the long-term solution to the energy crisis in our hands. And, as we enter 2023/24, we do so embedded in our pursuit of an energy system that is cleaner, more secure and more affordable.

Alistair Phillips-Davies
Chief Executive, SSE plc
23 May 2023

The first full year of SSE’s Net Zero Acceleration Programme will be remembered as a period of strategic gains and financial and operational progress in a shifting and uncertain energy landscape.
Our strategy

**OUR PURPOSE**
To provide energy needed today while building a better world of energy for tomorrow.

**OUR VISION**
To be a leading energy company in a net zero world.

**OUR STRATEGY**
To create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero.

**OUR GOALS**
SSE’s 2030 Goals, aligned to the UN’s SDGs, provide important milestones on the journey to net zero.

- **Cut carbon intensity by 80%**
  Reduce scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO₂e/kWh.

- **Increase renewable energy output fivefold**
  Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

- **Enable low-carbon generation and demand**
  Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN’s electricity networks by 2030.

- **Champion a fair and just energy transition**
  Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.

**OUR VALUES**
All of this is underpinned by a set of core values designed to guide decisions and actions in SSE.

- **Safety**
  If it’s not safe, we don’t do it.

- **Service**
  We are a company that customers can rely on.

- **Efficiency**
  We focus on what matters.

- **Sustainability**
  We do things responsibly to add long-term value.

- **Excellence**
  We continually improve the way we do things.

- **Teamwork**
  We work together, respect each other and make a difference.

More about our progress on page 22.

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**Net Zero**

**Acceleration Programme Plus**

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More about our progress on page 22.
Our business model

Key stakeholder groups

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<thead>
<tr>
<th>Stakeholder Group</th>
<th>Details</th>
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<tr>
<td>Employees</td>
<td>SSE’s strategy and success are dependent on</td>
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<td>the shared talent, diversity, innovation</td>
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<td>and values of the people it employs.</td>
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<td>Shareholders and debt providers</td>
<td>SSE must be well-financed, with the ability</td>
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<td>to remunerate shareholders for their</td>
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<td>rates and grow the business.</td>
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<td>Energy customers</td>
<td>Consumers create demand for the energy</td>
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<td>and services SSE provides and sets the</td>
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<td>tone for our purpose.</td>
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<td>Government and regulators</td>
<td>SSE relies on policy frameworks and</td>
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<td>public services that support investment in</td>
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<td>critical national infrastructure, are fair</td>
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<td>Suppliers, contractors and partners</td>
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<td>works with partners whose capabilities</td>
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<td>offer synergies for innovative project</td>
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Develop

SSE identifies opportunities in domestic and overseas markets where it can best use its capability in providing the clean, affordable energy infrastructure needed to decarbonise the economy. It works with partners with relevant technical and geographic expertise in the deployment of proven and innovative technologies to grow a development pipeline that creates lasting value and benefits all stakeholders.

Build

SSE consistently delivers highly complex electricity infrastructure in a timely manner and within budget. It draws on a proud heritage of construction and utilises modern technologies in the building of assets that are critical to a cleaner, cheaper, more secure energy system.

Operate

SSE operates its assets in a responsive and responsible way. It promotes a culture of continuous improvement and stakeholder engagement to provide quality customer service. It invests in asset resilience to meet consumer demand and drives to ensure the safety and wellbeing of the people and places impacted by its activities.

Invest

SSE invests in low-carbon infrastructure as part of its net zero-focused strategy. Its investments are fully funded and underpinned by partnering which unlocks value, and debt secured at efficient rates. In May 2023, SSE announced it would be enhancing its investment programme as part of an updated ‘NZAP’ plan amounting to £1 billion of capital expenditure.

Natural environment

From wind and water used to produce energy, to materials used to build energy infrastructure, natural resources are essential to SSE’s value creation.

WHY WE DO IT

Energy customers

As a national clean energy champion, SSE takes seriously the role it has to play in decarbonising the energy system and has published the world’s first business strategy for a just transition to net zero. It is providing the renewables, the enabling networks and the flexible thermal generation that will be needed in a smooth transition.

SSE also seeks to fulfil its social contract with communities by working with local supply chains, supporting their commitments to decarbonisation and addressing the impact that change is having on the sector.

The developer premium that comes with SSE’s reputation for delivering world-class assets enables it to realise value at key stages of projects through timely sell-downs.

By extracting value in this way, SSE does not always wholly own projects on completion but it does retain stakes and a solid asset base to support future earnings.

SSE’s experience in managing large capital projects and navigating regulatory and planning processes offers a competitive advantage when it comes to securing quality development sites and required permissions.

As a critical service provider, SSE works to ensure the generation of plant availability and networks resilience needed to support security of supply in the UK and Ireland. It also operates its assets efficiently through the implementation of innovation, learning and technology to maximise shareholder return and optimise customer value.

While SSE is primarily focused on providing and running large infrastructure, it is keenly aware of the cost pressures felt by energy users. It is committed to the supply of affordable energy and the operation of resilient electricity networks for the benefit of customers.

SSE invests to fully meet its core purpose and support the Board’s endeavours to promote the long-term success of the Company. It invests to create lasting value for shareholders and society, exercising financial discipline that commits only to projects that are expected to offer returns that are greater than the cost of capital.

And it invests to help meet its social obligations by contributing to GDP growth through payment of tax and creating quality jobs and supporting the supply chain through growth of the Company. At a Business Unit-level, SSE also invests in innovation and R&D that is furthering the cause of decarbonisation. More detail on this can be found in the SSE Sustainability Report 2023.

WHY WE DO IT

Natural environment

Scope 1 and 2 GHG emissions up 4.5%

While SSE’s total carbon emissions increased in 2022/23, emissions intensity has remained relatively constant as investment delivers increasing levels of renewable energy.

Employees

Jobs advertised

3,732

Internal and external roles. SSE expects to create 1,000 new jobs a year up to 2026.

Shareholders and debt providers

Dividend

96.7p

SSE has a clear dividend policy and growth opportunities to support long-term shareholder value.

Energy customers

SSE Antricity customer support

£25m

Most comprehensive customer support package offered on the island of Ireland.

Government and regulators

Taxes paid UK/ROI

£502m/€53.8m

PwC analysis of SSE’s contribution to GDP.

NGOs, communities, society

Economic contribution UK/ROI

£6.04bn/€429m

Community projects supported

1,160

Covering renewables and networks projects.

Suppliers, contractors, partners

£6.04bn/€429m

PwC analysis of SSE’s contribution to GDP.
Navigating through instability

2022/23 saw deepening economic uncertainty around the world as the post-pandemic energy crisis was exacerbated by Russia’s invasion of Ukraine. Soaring energy prices principally driven by the cost of international gas contributed to high inflation in economies throughout the world. The following pages set out how SSE has responded to the opportunities and risks emerging from a rapidly shifting energy sector landscape.

Households squeezed as impact of war reverberates across Europe

The cost of living crisis in 2022/23 further underlined the importance of continued investment in homegrown sources of energy to reduce national exposure to external global forces. Simultaneously, governments across Europe and the world looked to recalibrate and expedite their renewable energy ambitions. In tandem with government policy, SSE continues to take direct aim at the long-term causes of the current crisis by investing billions in domestic low-carbon infrastructure.

A prudent approach to hedging throughout the year also helped insulate the Group from the worst short-term commercial impacts of the market volatility.

The cost of living directly linked to SSE’s exposure to the Principal Risk of Energy Affordability – details of how this is mitigated are on page 75 of this document.

Energy security tops the political agenda

The year saw bold targets and aggressive policy action to bolster domestic energy security as governments set their sights on tackling the energy crisis. The last 12 months put on stark display the importance of clean, affordable, homegrown energy as the solution to countries’ reliance on volatile and expensive international gas markets. Wholesale prices at times in 2022 were up to ten times higher than they were in 2021.

Cross-party political consensus crystallised around the importance of rapidly rolling out low-carbon technologies such as wind, CCS, hydrogen, solar, battery and hydro, while urgently accelerating the buildout of enabling networks. Ofgem’s Accelerated Strategic Transmission Investment framework announcement in December 2022 saw SSEN Transmission given the green light to take forward four further subsea HVDC links; a number of new 400kV reinforcement projects and a 400kV upgrade to the existing Beauly–Denny line to unlock the rapid growth of power generation in the North of Scotland.

Concurrently, the year saw political attention in the UK and further afield focus even more acutely on the need to accelerate low-carbon infrastructure deployment; not only to increase energy security, but as a force for social and economic good to bring jobs, skills, and growth to regional heartlands that need it most.

Analysis from SSE Thermal shows its Keardby Carbon Capture project, which in December 2022 became the first and only consented CCS plant in the UK, has the potential to bring £470m regional Cross Value Added and 7,300 years of combined work by all employees over the lifetime of the asset.

Energy Infrastructure Failure is one of SSE’s Group Principal Risks, for further details on how this is managed please see page 74 of this document.

Market intervention in unprecedented times

With the cost of electricity rising substantially in 2022/23, governments faced exceptional fiscal pressures to address high energy bills and the impact of the broader cost of living crisis. In response to the crisis, a raft of proposals to intervene in energy markets were considered with the aim of tackling bills in the immediate term. Throughout the year industry worked constructively with policymakers to navigate the crisis and engage on the range of potential options under consideration.

As a Fair Tax Mark accredited company, SSE supported the principle of the Electricity Generator Levy (EGL) in the UK and the wholesale electricity revenue cap in the EU to ensure that an appropriate amount of additional tax is paid where extraordinary earnings are realised in the midst of a crisis. Collectively, the industry worked closely with UK, Irish and EU officials through the consultative process with a view to ensuring that the design of the mechanisms achieved these aims whilst protecting against unintended consequences for security of supply and investor confidence.

Ongoing dialogue continues to focus on the need to ensure the impacts of intervention do not interfere with the industry’s ability to deliver record levels of investment to address the underlying causes of the energy crisis. The European Union’s strong signal on the time-limited nature of the revenue cap was therefore welcomed by industry, while the UK Government has recognised the future of the EGL must be considered in the context of protecting investor confidence.

SSE’s Principal Risks of Energy Affordability and Political and Regulatory Change are interconnected. See pages 73 and 76 of this document for details of how SSE’s manages its exposure to these risks.
International competition heats up

The momentum behind efforts to decarbonise is fueling international competition for flows of green capital. Governments around the world have joined the race to attract inward green investment, including the US’s Inflation Reduction Act (IRA). Passed by Congress in 2022, it introduces generous and unlimited tax credits for clean energy investments. The scope and scale of the legislation is beyond anything seen before, amounting to over $250bn in public support for new energy projects in the coming years.

In response, other jurisdictions raced to send unambiguously positive messages to investors, with the European Commission instituting a wide-ranging scheme of its own. The REPowerEU programme seeks to ramp up the bloc’s domestic renewable energy generation capacity to 1.25GW by 2030. This was positive news for SSE’s recently acquired Southern European development platform which already offers a secured pipeline of 2.2GW with additional future prospects.

Greater choice for investors, combined with attractive support packages around the world, put the onus on the UK to respond, keep capital flowing and retain its leadership position on low-carbon energy. March’s Powering up Britain plan set out an initial slew of policy pledges and green funding, with the Chancellor earmarking a further announcement in the Autumn Statement to maintain the country’s economic opportunity in all regions.

For more details on how SSE mitigates its exposures to its Principal Risks of Climate Change and Speed of Change please see pages 72 and 77.

Global opportunities emerge as net zero resolve hardens

COP27 may have concluded with the target of 1.5°C in critical condition, but the global commitment to renewable energy is stronger than ever.

The message from Sharm el Sheikh was clear: the energy sector must lead the way this decade to keep 1.5°C alive. As it did in Glasgow, SSE played its part on the world stage, once again making the case for the decarbonisation of the energy system to go further, faster.

Meeting the objectives of the Paris Agreement calls for us to halve global greenhouse gas emissions by 2030 – just seven years to replace swathes of high-emission technologies with low-carbon alternatives. In terms of energy, this means leaving behind a traditional system designed around fossil fuels and installing a new one - as fast as we can.

Aiming for 61% of total electricity generation to come from renewables by 2030, the International Energy Agency (IEA) estimates that renewable energy capacity will have to triple, with a huge chunk of this growth to come from wind, solar and hydro.

Beyond the installation of renewable power, this also means installing transmission lines, building local smart grids and electricity storage, and rolling out technologies that enable system flexibility.

Climate Change remains a Principal Risk for SSE. For further details on how this is managed, see page 72.

Adapting to extreme weather events

As the world adapts to more extreme weather patterns associated with climate change, the energy sector finds itself on the front line. Changes in rainfall and wind patterns are felt right across the SSE Group, with lower levels of wind impacting SSE Renewables’ output for the second year running in 2022/23.

Prolonged spells of still, dry weather conditions in winter tested the resilience of Europe’s energy system to the full, while several extreme events this year caused significant damage to parts of SSE’s network in the North of Scotland. SSE has established crisis management measures to mitigate against the impact of severe weather events on critical national infrastructure and employs meteorological expertise to forecast weather events.

SSE’s forecasting allows it to mobilise operational teams in advance of major events, while informing trading positions taken by the Energy Portfolio Management business and purchasing decisions made by SSE’s Procurement team. Climate adaptation strategies have become an increasingly important aspect of government and business decision-making. For SSE, boosting weather resilience and assessing climate adaptation requirements are essential to the ongoing resilience of all its operational businesses.

Supply chains tested as costs climb

As global demand for low-carbon projects exponentially grows, so too must the supply chain to deliver it. In the next seven years, the UK alone is targeting more than 10GW of renewables capacity. Like other industries that have experienced high growth, the massive expansion of projects to date is already putting pressure on supply chains – with significant demand growth still to come.

Over the last 12 months, capital costs for low-carbon generation projects have risen on average between 20% and 30%, with asset costs in some cases exceeding 50%. These cost increases are due to several factors linked to the supply chain as well as inflation in construction costs, commodity price increases and interest rate hikes.

After decades of driving down costs, in the case of offshore wind from £40/MWh to less than £40/MWh, a clear inflection point was reached in 2022/23. Industry and government are beginning to think differently about procuring renewables with a focus on value and deliverability, not simply cost. The UK, like other countries, will need to build all its projects if it is to meet its energy security and net zero targets; a race to the bottom on costs risks projects not being built and supply chain investments going elsewhere.

At the same time, history shows that the costs and benefits of such radical transitions are not distributed fairly without careful planning and there is an important role for government working alongside the private sector.

A joined-up, collaborative approach between government, industry and society is required in 2023/24 and beyond to build sustainable homegrown supply chains to service growth in demand and unlock economic opportunity in all regions.

Supply chain pressures influence SSE’s exposure to its Principal Risk of Large Capital Projects Management. See page 75.
**Optimal pathway to growth**

SSE made clear that the Net Zero Acceleration Programme (NZAP) it launched in November 2021 was a floor, not a ceiling to its ambitions.

**NZAP Plus is a platform to maximise stakeholder value into the 2030s**

The demand for what SSE has to offer in building a cleaner, more secure and more affordable energy system is growing steadily.

In May 2023, 18 months on from its initial launch, the NZAP was revised to reflect SSE’s increasing investment and earnings, and the wealth of opportunities created as the world pursues net zero.

The new NZAP Plus includes investment of £18bn over the five years to 2027 and a balanced allocation of investment across the Group.

The added investment means SSE’s total capital expenditure equates to around £10m a day spent on critical national infrastructure. The plan also features revised growth targets to 2027 for SSE Renewables, SSEN Transmission and SSEN Distribution.

The NZAP Plus means more value for shareholders and society, more financial strength, more investment, more jobs, and more growth to come over the next decade.

Further details on SSE’s NZAP Plus can be found in the Financial Review on page 83 and on sse.com.

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**Medium-term targets**

- **Renewables**
  - Net capacity: >9GW
  - Pipeline: >15GW
  - Net installed renewables capacity: >16GW
  - Gross RAV CAGR: ~14%
- **Electricity networks**
  - Net networks RAV: >£20bn
  - Adjusted EPS CAGR: 13-16%
  - Net debt/EBITDA: 3.5-4.0x

**Long-term targets**

- **Renewables**
  - Science-based carbon targets aligned to 1.5°C
- **Electricity networks**
  - Net low-carbon flexible thermal: >2GW
  - Pipeline: >15GW
  - Net networks RAV: ≥£20bn
- **Balanced capital investment in upgraded, fully-funded plan...**
- **New NZAP Plus highlights**
  - Updated dividend plan: Dividend rebase to 60p from 2024 continues to balance income to shareholders with funding and a strong investment grade credit rating.
  - Updated targets: Medium-term and long-term targets.

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**Optimal pathway to growth**

- **Renewables**
  - ~40%
- **Electricity networks**
  - ~50%

**Balanced capital investment in upgraded, fully-funded plan...**

**Sharper focus on climate solutions**

Supporting SSE’s 2030 Goals with around 90% expected to be invested in renewables and networks, the substantial majority of the NZAP Plus is focused on climate solutions that are aligned to a 1.5°C pathway and also aligned to the Technical Screening Criteria of the EU Taxonomy.

**Updated dividend plan**

Dividend rebase to 60p from 2024 continues to balance income to shareholders with funding and a strong investment grade credit rating. NZAP Plus also targets dividend growth of 5%-10% from 2024 to 2027.
A year of strategic progress

Delivering on net zero

SSE has a clear strategy that is aligned to net zero, but delivery of it is best seen through the progress made, and milestones marked over the course of the year, by the Group’s individual Business Units.

Building for clean, secure, affordable energy

The complexity of building large energy infrastructure assets, often in harsh physical environments, poses risks to delivery timelines but, working with its construction partners, SSE managed to make significant progress on flagship projects across its renewables and low-carbon thermal portfolio in 2022/23.

The first offshore platform was installed at Dogger Bank (3,600MW, 40% SSE stake), the world’s largest wind farm currently under construction, in April 2022 and it is on schedule to deliver first power in summer 2023, assuming normal weather is on schedule to deliver first power in August 2022 and is due for completion in summer 2023.

Offshore, Viking wind farm (443MW) on Shetland passed a number of milestones in the past year, with 70km of access tracks completed, all 103 bases installed and the first of the turbines installed in April 2023.

Flexible thermal generation plant like SSE’s Keadby 2 power combined-cycle gas turbine (CCGT) station in North Lincolnshire will also be needed to meet net zero ambitions. After four-and-a-half years in construction, Keadby 2 entered commercial operation in March 2023. Fitted with a Siemens Energy 9000HL 50Hz turbine, Keadby 2 is the most efficient CCGT plant of its type in Europe and work is already under way exploring the potential for hydrogen blending at the plant.

The wellbeing of those working on SSE’s large capital projects continues to be a key focus, with measures taken at Group level in early 2023 to improve the support given to contracting partners and monitor safety on construction sites.

Pursuing opportunities at home and abroad

The UK is currently one of the world’s leading offshore wind markets, but international momentum behind net zero means favourable policy environments exist in other jurisdictions where SSE Renewables can deploy its developer capability.

The acquisition of a Southern European development platform in 2022 increased SSE’s secured pipeline from 1GW to around 14GW.

The platform has 3.8GW of onshore wind pipeline and prospects and a further 1.4GW of hybridisation potential in co-located solar across Spain, France, Italy and Greece. Around 2.4GW is secured pipeline in Southern Europe, with material land or permitting rights and construction scheduled to get under way on projects in France and Spain in Summer 2023.

A framework for transmission growth

SSEN Transmission operates one of the fastest growing regulated electricity networks in Europe. The second year of RIIO-T2 saw delivery milestones on the Shetland HVDC link (see separate case study) and SF6-free Kintore substation projects.

Progress was also made through Ofgem’s Uncertainty Mechanism on additional investments in an East Coast HVDC link, Argyll reinforcement works and a Skye link.

Looking further out, and subject to the right generator commitments and planning and Ofgem approvals, the business expects gross Regulated Asset Value to exceed £15bn by FY31.

The ASTI announcement in December 2022 means SSEN Transmission can now take forward four further subsea HVDC links; a number of new 400kV reinforcement projects and a 400kV upgrade to the existing Beauly-Denny line.

At the same time, it is vital to recognise the importance of effective engagement with communities as this transformational infrastructure roll-out progresses.

SSEN Transmission is therefore working closely with impacted communities and other local stakeholders to ensure their views are heard and factored into decision making.

This growth trajectory is underpinned by the proceeds of a minority 25% stake sale in SSEN Transmission in November 2022, which unlocked the premium value in the business and helped rebalance SSE’s mix of regulated and market-based revenue streams.
Directors’ Report

Connecting Scotland’s islands

Scotland’s three main island groups hold untapped reserves of renewable energy and unlocking that potential moved closer in 2023/24 thanks to progress made on SSE’s Transmission’s HVDC link to Shetland and Ofgem’s minded to decision on a subsea connection to Orkney. The £660m Shetland HVDC link involves around 260km of cabling, all but 10km of which will be in the sea. The project also requires a 320/132kV substation and HVDC convertor station at Upper Kergord and an HVDC switching station at Noss Head in Caithness to connect to the mainland. The first 100km of cable was successfully installed in July 2022 by a specialist vessel, the NKT Victoria. A further 60km was laid in March 2023 and the remainder will be in place in the North Sea later this year, completing the full subsea link.

On track for completion by Summer 2024, the link will enable 600MW of clean, renewable electricity generation to connect – including Villing Energy Wind Farm.

The proposal for Orkney would enable Scotland’s islands

Powering communities through RIIO-ED2

The RIIO-ED2 regulatory price control for 2023-2028 is an important step on the road to net zero and throughout the past year SSE Distribution worked to reach a settlement that balances the needs of customers and the environment.

The Final Determination published by Ofgem on 30 November 2022 quantified the outputs that need to be delivered and the funding (allowances) SSE Distribution is provided to do so.

The resulting £3.6bn RIIO-ED2 business plan sees baseline allowances increasing by £300m from the Draft Determinations, representing a 22% increase in allowed expenditure compared to an equivalent period in RIIO-ED1.

The business plan was stakeholder-led, with more than 25,000 people having a say in its development. It opens the way for significant investment in the local network infrastructure that will accelerate decarbonisation of streets and homes; improve reliability and services for customers; and build the smart, flexible network of the future.

While the original plan contained 64 outputs, the Final Determination reduced the funding in the core plan by around 12%. This required a recalibration of what the business can deliver and further extensive engagement with affected stakeholders on the likely impacts.

This follow-up engagement included detail of Uncertainty Mechanisms (UMs) that will enable SSE Distribution to further invest in the network to facilitate growing net zero ambitions.

A year of strategic progress continued

Back up the energy system of tomorrow

SSE recognises that more than just renewables will be needed in the transition to net zero. It is pursuing carbon capture and storage, hydrogen and battery technologies to provide much-needed system flexibility.

SSE Thermal is working with partners in low-carbon industrial clusters in the Humber and the northeast of Scotland to bring forward a range of projects that can provide crucial system back up.

Keady 3 Carbon Capture Power Station in the Humber was the first CCS power plant project in the country to receive planning permission. At the same site, development work is under way on Keadby Hydrogen Power Station, the world’s first major 100% hydrogen-fired power station.

The neighbouring Aldbrough Hydrogen Pathfinder project will unite hydrogen production, storage and power generation in one location by the middle of the decade. The project moved a step closer to fruition when it secured UK Government backing through its Net Zero Hydrogen Fund.

And the proposed Aldbrough Hydrogen Storage Facility, one of the largest of its kind, could be in operation by early 2028. In Aberdeenshire, SSE Thermal is working with Equinor to develop the low-carbon power station at Peterhead, with the plant potentially becoming Scotland’s first flexible power station equipped with carbon capture technology.

Although no power CCS projects in the Humber or Scotland were taken forward in the first phase of the UK’s cluster sequencing process, in March the Government launched processes for both a track one expansion and track two, meaning there will be further opportunities ahead.

SSE will also energise its first 50MW battery storage facility at Salisbury in September 2023 with construction also due to commence in July at its first 30MW solar project at Littletown.

Both projects in England are part of a near-2GW pipeline of solar and battery projects. This also includes a 150MW battery storage site getting under way at SSE’s former coal-fired plant at Ferrybridge, in Yorkshire, which is expected to be operational in late 2024.

For more information on SSE’s progress against its net zero-focused strategy go to sse.com/news-and-views/3/.
2030 Goals

SSE’s core business goals for 2030, aligned to four UN Sustainable Development Goals (SDGs) most material to its business activities, provide important milestones on the journey to net zero and place sustainability firmly at the heart of SSE’s business strategy.

Accelerating business ambition
SSE’s 2030 Goals are focused on addressing the challenge of climate change, while ensuring this is done in a just and fair way that creates and shares value with stakeholders. The imperative to accelerate action to deliver net zero was further heightened in 2023, as the Intergovernmental Panel on Climate Change (IPCC) published its ‘final warning’ on the climate crisis and the urgent action that needs to be taken in order to avoid irreversible damage from climate change.

With updated 2030 Goals in early 2022 reflecting an accelerated decarbonisation pathway, financial year 2022/23 was marked as a year of delivery. SSE continued to deliver on its net zero ambitions at pace, investing a record £2.8bn in the full year of its original 2021 to 2026 £12.5bn Net Zero Acceleration Programme (NZAP).

Measures of progress
Reinforcing SSE’s commitment to the achievement of its 2030 Goals, performance against them is linked to the long-term incentive element of executive remuneration. 2022/23 is the first year progress is measured against SSE’s new, more stretching 2030 Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration

Progress in action

Cut carbon intensity by 80%
Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO₂e/kWh.

The scope 1 GHG intensity of electricity generated remained relatively stable, falling by 7% between 2021/22 and 2022/23. Progress was made in renewable generation and in developing lower-carbon thermal generation options.

While SSE, Treasury’s Keadby 3 Carbon Capture Power Station project was not progressed to the final stages of the UK Government’s Cluster Sequencing Process, a similar development at Peterhead attracted the Government’s Tier 2 status. Keadby 3 began commercial operation in March 2023, which is Europe’s most efficient CCGT. SSE thermal also secured 10-year capacity contracts – subject to planning permission and final investment decisions – for two new low-carbon power stations fuelled by sustainable biomass in Ireland.

Increase renewable energy output fivefold
Build a renewable energy portfolio that generates at least 50TWh of renewable electricity by 2050.

Having experienced exceptionally still and dry conditions in the prior year, SSE’s renewable generation volumes in 2022/23 rose by 7% but were 13% behind plan due to generation project delays and unfavourable weather. SSE Renewables made progress with its key flagship projects. First power was achieved at the 0.7GW Dogger Bank offshore wind project (40% SSE stake) and progress is made on Drigg Bank offshore wind farm (50% SSE stake) and Grangemouth offshore wind farm (40%, SSE stake).

Onshore, the 443MW Viking wind farm was successful in securing a Contract for Difference (CfD) in July 2022 and construction has progressed well, with the first turbines successfully installed in April 2023.

Enable low-carbon generation and demand
Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 5.1 million heat pumps on SSE’s electricity networks by 2030.

At the end of 2022/23, there was just over 9GW of renewable capacity connected to SSEN Transmission’s network, up from 7.9GW the previous year. In the same period, SSEN Distribution had around 52,500 heat pumps connected to its networks. SSE Renewables made progress with its key flagship projects. First power was achieved at the 0.7GW Dogger Bank offshore wind project (40% SSE stake) and progress is made on Drigg Bank offshore wind farm (50% SSE stake) and Grangemouth offshore wind farm (40%, SSE stake). Onshore, the 443MW Viking wind farm was successful in securing a Contract for Difference (CfD) in July 2022 and construction has progressed well, with the first turbines successfully installed in April 2023.

Champion a fair and just energy transition
Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.

Over 2022/23, SSE continued to drive action towards a just transition, publishing two new reports detailing its progress and thought leadership around the topic. SSE’s commitment to fair tax was reaffirmed as it became the first company to transition from the Fair Tax Foundation’s UK HQ Multinational accrediation to the Foundation’s new Global Multinational Business Standard. SSE implemented the annual increase in the real Living Wage, which was brought forward by two months in recognition of the cost of living crisis, and continued to work towards rolling out its Living Hours commitment across its supply chain.

Lastly, the 443MW Viking wind farm was successful in securing a Contract for Difference (CfD) in July 2022 and construction has progressed well, with the first turbines successfully installed in April 2023.

Sustainable Development Goals

More on page 35
Key Performance Indicators

Resilience and growth

SSE uses a number of financial and non-financial measures to track progress against its strategy to create value by developing, building, operating and investing in electricity infrastructure and businesses needed for net zero.

Financial KPIs

<table>
<thead>
<tr>
<th>KPI Description</th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIVIDEND PER SHARE (PENCE)</td>
<td>51.7</td>
<td>86.7</td>
<td>81.0</td>
</tr>
<tr>
<td>ADJUSTED AND REPORTED EARNINGS/LOSSES PER SHARE (PENCE)</td>
<td>94.7</td>
<td>94.8</td>
<td>240.2</td>
</tr>
<tr>
<td>ADJUSTED AND REPORTED PROFIT/LOSS BEFORE TAX (£M)</td>
<td>1,095.6</td>
<td>1,158.1</td>
<td>3,470.3</td>
</tr>
<tr>
<td>ADJUSTED AND REPORTED EBITDA (£M)</td>
<td>2,405.1</td>
<td>2,261.3</td>
<td>1,906.3</td>
</tr>
<tr>
<td>ADJUSTED AND REPORTED OPERATING PROFIT BY BUSINESS (£M)</td>
<td>7,423</td>
<td>9,556</td>
<td>254</td>
</tr>
<tr>
<td>COMBINED NETWORKS REGULATED ASSET VALUE (£M)</td>
<td>5,516</td>
<td>8,209</td>
<td>7,433</td>
</tr>
<tr>
<td>ADJUSTED INVESTMENT, CAPITAL AND ACQUISITIONS (£M)</td>
<td>2,003.5</td>
<td>2,607.8</td>
<td>920.0</td>
</tr>
<tr>
<td>JOBS SUPPORTED IN UK AND IRELAND</td>
<td>43,370</td>
<td>47,130</td>
<td>45,300</td>
</tr>
<tr>
<td>TOTAL RECEIVABLE INJURY RATE PER 100,000 HOURS WORKED (EMPLOYEES AND CONTRACTORS COMBINED)</td>
<td>0.19</td>
<td>0.17</td>
<td>0.15</td>
</tr>
<tr>
<td>ECONOMIC CONTRIBUTION IN UK/Ireland*</td>
<td>£1.02bn</td>
<td>£1.00bn</td>
<td>£992m</td>
</tr>
</tbody>
</table>

Strategic relevance: SSE has a growth-enabling dividend plan that remunerates shareholders for their investment in the Company.

Performance: The recommended full-year dividend for 2022/23 is in line with SSE’s five-year dividend plan to 2023.

Strategic relevance: Adjusted EPS gives a meaningful measure of financial performance over the medium term.

Performance: The reported figure for 2022/23 reflects a significant adverse fair value movement on derivatives in the year.

Strategic relevance: SSE’s objective is to earn a sustainable level of profit over the medium term.

Performance: EBITDA in 2022/23 reflects the strong operational performance achieved by SSE’s balanced mix of businesses.

Strategic relevance: SSE’s ownership of three economically-regulated electricity networks gives the Group steady, index-linked revenue.

Performance: Inflation in 2022/23, combined with acceleration of network build-out and reinforcement, contributed to higher RAV values in the year.

Strategic relevance: SSE applies strict financial discipline that supports investment in assets that are expected to provide returns that are greater than the cost of capital.

Performance: The good progress made in execution of the Net Zero Acceleration Programme resulted in a record investment year for the Group in 2022/23.

Non-financial KPIs

<table>
<thead>
<tr>
<th>KPI Description</th>
<th>2023</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>NON-FINANCIAL KPIS</td>
<td>0.17</td>
<td>0.19</td>
<td>0.15</td>
</tr>
<tr>
<td>SCOPE 1 GHG INTENSITY (GCO2E/KWH)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Performance: SSE’s scope 1 GHG intensity reduced slightly by 2% between 2021/22 and 2022/23. SSE remains on track to achieve its target to reduce intensity by 80% between 2017/18 and 2030.

Strategic relevance: SSE’s ownership of three electricity businesses and assets that work for it in order to operate, with its activities supporting jobs in both urban and rural areas.

Performance: Through its operations in the UK and Ireland, SSE supported 39,940 and 2,418 jobs respectively.

Strategic relevance: SSE’s GDP contribution in its core business is centred around the net zero transition.

Performance: SSE’s GDP contribution in its core business is centred around the net zero transition.

Strategic relevance: SSE’s scope 1 GHG intensity reduced slightly by 2% between 2021/22 and 2022/23. SSE remains on track to achieve its target to reduce intensity by 80% between 2017/18 and 2030.

Strategic relevance: SSE’s scope 1 GHG intensity reduced slightly by 2% between 2021/22 and 2022/23. SSE remains on track to achieve its target to reduce intensity by 80% between 2017/18 and 2030.

Strategic relevance: SSE’s scope 1 GHG intensity reduced slightly by 2% between 2021/22 and 2022/23. SSE remains on track to achieve its target to reduce intensity by 80% between 2017/18 and 2030.

Strategic relevance: SSE’s dependency on a healthy and thriving economy to enable its business success, which is why it calculates the value it adds to UK and Irish GDP each year.

Performance: SSE’s GDP contribution in its core business is centred around the net zero transition.
Our stakeholders

Creating lasting societal value

Section 172 statement

A sustainable strategy is one that serves the interests of people and planet. Through delivery of its strategy SSE fulfils an unwritten social contract, under which society provides human capital and the right to earn a profit and in return the Company safely and reliably provides energy. Investments in critical infrastructure, creates jobs and contributes to GDP.

Central to this contract are SSE’s key stakeholders: identified as the 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 and an overview of the reciprocal nature is set out in SSE’s business model and across the pages 28 to 33.

Strategic stakeholder engagement underpins the understanding of issues material to each group and includes a combination of business-led and Board-level interaction. This approach is reflective of legislative and regulatory requirements and is designed to ensure all views are heard. The result is stakeholder influence within, and validity of, business plans and supporting objectives. Situations will exist where not every stakeholder interest can be addressed in full; however stakeholder regard continues to the greatest extent possible in decision-making at every level. The framework set by the Board in which decision-making takes place is explained on page 126.

This statement, and the following stakeholder pages, summarise how the Board has upheld SSE’s social contract through the discharge of its duties under Section 172 of the Companies Act 2006. In doing so, it promotes the long-term success of the Company for the benefit of SSE’s six key stakeholder groups by considering:

(a) The likely consequences of any decision in the long term.
(b) The interests of the Company’s employees.
(c) The need to foster the Company’s business relationships with suppliers, customers and others.
(d) The impact of the Company’s operations on the community and the environment.
(e) The desirability of the Company maintaining a reputation for high standards of business conduct.
(f) The need to act fairly between members of the Company.

Considering long-term consequences

s172 link (a)

As a long-term business, SSE’s actions have far-reaching impact which is recognised in SSE’s strategic approach of creating value for shareholders and society. Four 2030 Goals and a clear net zero-focused strategy frame decision-making, and provide important interim milestones to 2050. These parameters, set by the Board, are reflected within strategy work and objectives, which extends to capital investment, the Group budget; dividend plans; and future resourcing requirements. SSE’s Risk Management Framework, including the Group’s Principal Risks, the identification of emerging risks and the Group’s Risk Appetite statement further shape long-term perspectives.

Relevant s172(a) disclosures

Pages 8 to 9 Board-agreed purpose, vision and strategy.
Pages 126 to 129 Board strategy work and decisions 2022/23.
Pages 68 to 77 Approach to risk-informed decision-making.

Protecting communities and environment

s172 link (d)

SSE recognises the serious threat that climate change poses to the natural world, and therefore to communities and the economy. Climate change features across all areas of the Board agenda, and SSE commits to open and transparent disclosure to allow proper assessment of its environmental performance and the potential impact of various climate scenarios on future financial performance.

Relevant s172(d) disclosures

Pages 36 to 55 Accelerating climate action and Protecting the natural environment.
Page 130 to 133 Board-level oversight of sustainability and climate.
Page 156 Audit Committee and TCFD.
Pages 162 to 165 SSE’s SSHEAC.

Fostering stakeholder relationships

s172 links (b, c)

Constructive two-way dialogue with SSE’s key stakeholders, including employees, suppliers, customers and communities, tracks priorities and identification of issues as they arise. Supporting conversations and strategic engagement reflect an operating model based on autonomous Business Units with decision-making autonomy. The Board creates the correct conditions for this approach by setting SSE’s long-term direction, overarching decision-making framework and culture. This is in line with the Board’s own understanding of stakeholder needs, as advocated through SSE’s Just Transition Strategy and engagement surrounding the future of the energy system.

Relevant s172(b, c) disclosures

Pages 124 SSE’s decision-making framework.
Pages 28 to 33 Stakeholder engagement and actions.
Pages 56 to 66 Ensuring a just transition.

Setting culture and conduct

s172 link (e, f)

The Board leads and monitors SSE’s culture, by setting the tone and framework within which agreed values and accepted behaviours can be embraced by employees. This includes a safe and inclusive working environment that encourages doing the right thing, through responsible Business conduct and making a positive difference for stakeholders.

Relevant s172(e, f) disclosures

Pages 137 to 139 Board focus on culture.
Pages 58 to 63 SSE’s approach to fair and decent work, inclusion and diversity, and health, safety and wellbeing.

Our key stakeholder groups

Employees
SSE’s strategy and success are dependent on the shared talent, diversity, innovation and values of the people it employs.

Shareholders and debt providers
SSE must be well-financed, with the ability to remunerate shareholders for their investment, secure debt at competitive rates and grow the business.

Energy customers
Consumers create demand for the energy and services SSE provides and the environment.

Government and regulators
SSE relies on policy frameworks and public services that support investment in critical national infrastructure, are fair on customers and maintain the momentum behind net zero.

NGOs, communities and civil society
SSE needs the support of the communities it works in and the backing of civil society in pursuit of a just transition to net zero.

Suppliers, contractors and partners
SSE relies on a healthy supply chain and works with partners whose capabilities offer synergies for innovative project development and efficient ownership structures.

Detail of how s172 and stakeholder factors have influenced Board decision-making in the year can be found on pages 127 to 129.
Our stakeholders continued

Employees

Why we engage
Engagement helps SSE attract, retain and develop a talented workforce now and for the future.

Input to SSE
Talent, skills, values and human capital.

Value created
Inclusive, fulfilling and high-performing workplace.

How we engage
Group engagement
- Multi-channel Leader-led Engagement Programme with in-person and virtual interactions.
- Employee voice soundings through annual survey of all colleagues.
- Assessment of employee sentiment and engagement with strategy through post-communication polling.
- Analysis of data from exit surveys.
- Engagement with trade unions.
- SSE’s employee offering: reward, benefits, inclusivity, flexibility in context of rising cost of living.

Board engagement
- Participation in Leader-led Engagement Programme.
- Active support of SSE’s IR and strategy through involvement in awareness activities with SSE’s Belonging Groups.
- Employee-focused work by the non-Executive Director for Employee Engagement and subsequent feedback to the Board.
- SSE visit and hosting of employees at Board events.

Material issues in 2022/23
- SSE’s employee offering: reward, benefits, inclusivity, flexibility in context of rising cost of living.
- Ways of working in the post-pandemic workplace.
- Agreement with trade union partners on pay progression.
- Employee wellbeing, support and resilience.
- Giving all employees a voice and taking action in response to key issues identified in the Great Place to Work survey.
- Engagement with SSE’s Inclusion and Diversity strategy.
- Engagement with SSE’s approach to a just transition to net zero.

Priorities for 2023/24
- Ensuring a safe, inclusive and flexible workplace.
- Attraction and retention of talent.
- Maintaining culture in a rapid growth phase and amidst international expansion.

More on pages 58 to 63

Shareholders and debt providers

Why we engage
To enable informed decisions from those that invest in and lend to SSE through open communication.

Input to SSE
Ensure financial stability, provide stewardship perspectives and feedback on strategic priorities.

Value created
Sustainable return on long-term investment through capital growth and dividends and achieving 2030 Goals.

How we engage
Group engagement
- Responding to queries from shareholders and debt providers and holding meetings with all types of investors on an ongoing basis.
- Engagement with environmental, social and governance (ESG) ratings agencies, used by many investors and debt providers to gauge sustainability credentials.

Board engagement
- A programme of Director-investor meetings covering key financial announcements, long-term priorities and specific issues at investors’ request.
- Participation in virtual and physical investor conferences.
- Dedicated ESG webinars and conference participation and an annual review of SSE’s performance in a dozen investor-led ESG reviews and ratings.
- Monthly Board updates on investor and financial market sentiment.
- Detailed reporting of shareholder feedback during and after Half-Year and Full-year Results roadshows.
- Bi-annual updates from SSE’s brokers.
- Executive Director engagement with credit ratings agencies used by debt providers.
- Engagement with shareholders at SSE’s Annual General Meeting.

More on pages 132 to 133

Material issues in 2022/23
- Financial and ESG performance compared to market expectations.
- Benefits and detriments of a balanced business mix including the merits of flexible generation and gas storage.
- Optimising capital allocation across SSE’s Business Units including the sale of a minority stake in SSEN Transmission.
- High and turbulent gas and power prices, their impact on SSE and government policy, including the Electricity Generator Levy.
- Progress against, and alignment to, a 1.5°C climate pathway.
- The effect of competition, cost pressures and supply chain constraints on returns in renewables investment.
- The level of protection SSE has against rising inflation and interest rates.
- SSE’s refinancing requirements and liquidity availability.

Priorities for 2023/24
- Timely engagement on the progression of SSE’s ongoing investment programme and financial and investment targets.
- Continued evolution and refinement of SSE’s strategy, governance and policies.
- Alignment of green and hybrid bond strategy, debt terms, maturity and covenants to NZAP Plus targets.
- Responding to changing shareholder perceptions and market environment, sharing feedback internally.
- Positive shareholder vote on the annual Net Zero Transition Report.

More on page 132

More on page 135

2021 82% 2022 82% 2023 84%

43,000 employees attended

92%

2022/23 Actions

• In response to the cost of living crisis, an interim salary increase of 5% for all eligible employees was agreed from 1 October 2022 (see page 179).• To maximise the opportunity presented by full Board attendance at the AGM, an all-employee Q&A session followed the main business of the day (see page 135).• Following relaxation of covid restrictions, the Board resumed a full programme of engagement across sites (see pages 135 and 163).

2022/23

2023

Dividend Per Share
96.7p
94.8p
85.7p
81.2p

Earnings Per Share
166.0p
182

One-to-one investor sessions 2020/21
179

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Our stakeholders continued

**Energy customers**

**Why we engage**
Dialogue aims to support the transition to a decarbonised energy system in a fair and affordable way.

**Input to SSE**
Customer priorities, expectations and ultimate remuneration.

**Value created**
Reliable and inclusive provision of service.

**Material issues in 2022/23**

**Networks customers**
- Benefits and costs of RIIO-ED2 settlement.
- Increased resilience and greater support for all household customers in vulnerable situations.
- Improved customer service/connections processes in Distribution.
- Impact of extreme storms with a particular focus on investment, communications and support for vulnerable customers.
- Impact of potential rota load disconnections (FLUD).

**Energy supply customers**
- Affordable and accessible energy in the context of ongoing market volatility and increasing international instability.
- Energy efficiency and the cost of energy for business customers.
- Continued focus on the best way for businesses to decarbonise, highlighting the cost-reduction benefits with energy costs on the rise.
- Providing clarity to businesses on how to access energy bill support.
- Decisions relating to prices and profits.

**Priorities for 2023/24**
- Safe, reliable and efficient delivery of service to networks customers.
- Cost of living pressures on direct retail customers.
- GB domestic retail brand separation finalisation.

**2022/23 Actions**
- SSE Arkclty announced measures in response to the cost of living crisis, and made no profit, ensuring £35 to every customer in April 2023 (see pages 64, 62 and 197).
- SSE Distribution responded to two storms which impacted its network, working to restore power to customers swiftly (see page 91).
- SSE Distribution led the creation of a new Priority Services Register website to better support customers (see page 65).

**How we engage**
SSE directly serves energy customers in the domestic (all-island Ireland) and business-to-business (UK and Ireland) energy supply markets and provides grid connection to non-direct networks.

**Group engagement**
- Dedicated panels to ensure the perspectives of vulnerable customers are considered and forums to engage with large business customers.
- Monitoring a wide range of indicators of performance and customer sentiment.
- Working with third parties to actively identify and make provision for customer vulnerability, including through encouraging eligible customers to be added to the Priority Services Register.

**Board engagement**
- Updates from SSE’s customer facing Business Units on the influence of customer factors driving business direction and propositions.
- Monitoring of customer performance to ensure delivery of an appropriate level of service and investment.

More on pages 64 to 65.

<table>
<thead>
<tr>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>770,944</td>
<td>768,104</td>
<td>813,416</td>
</tr>
</tbody>
</table>

**SSE’s support scheme on the island of Ireland was worth up to**

**Value created**

| €25m |

**Government and regulators**

**Why we engage**
Constructive engagement aims to ensure fair and effective energy sector frameworks for energy customers and investors.

**Input to SSE**
Public policy and regulatory frameworks.

**Value created**
Considered and expert sector views; investment in delivery of government priorities.

**Material issues in 2022/23**

**Group engagement**
- Primarily through SSE’s Political Engagement Policy under which it makes representations to the institutions of government in a politically-neutral way consistent with the Company’s core purpose and strategy.
- Ongoing dialogue with the industry regulator Ofgem on networks price controls, market design and carbon pricing, and support for low-carbon energy technologies.
- Participation in UK trade delegations abroad.
- Events, panel discussions, round tables and thought-leadership publications to engage policy-makers and regulators with energy issues.

**Board engagement**
- Oversight of the implementation of SSE’s Political Engagement Policy and corresponding advocacy priorities.
- Monitoring of engagement activity and responses to regulators to ensure that strategic, financial, investment and operating frameworks align to the external landscape.

**Priorities for 2023/24**
- Engagement with all parties on SSE’s net zero-focused advocacy priorities.
- Engagement with governments and regulators in the emerging overseas markets in which SSE has an interest.
- Ensuring electricity market design reforms being considered in the UK and EU support cost-effective renewables and network investments.
- Policy support for flexible energy solutions including long duration energy storage and CCS and hydrogen technologies.
- Consenting and progression of low-carbon investment programmes.

**2022/23 Actions**
- Direct engagement with the UK Government on formulation of the temporary Energy Generator Levy in an effort to secure the best short-term outcomes for SSE’s stakeholders (see page 39).
- Engagement with UK Government on its Review of Electricity Market Arrangements to ensure the best long-term outcomes for SSE’s stakeholders and net zero.
- Working with the Irish Government on the provision of Emergency Generation capacity at Tarbert to 2028 and implementation of the EU revenue cap (see page 105).

**More on page 13.**

| 81 | 65 | 34 |
NGOs, communities and civil society

Why we engage
Working openly and progressively seeks to support the achievement of shared goals with both social and environmental benefit.

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

Value created
Robust social contract through which value is shared.

Material issues in 2022/23
- Net zero transition planning, considering both social and nature interdependencies.
- The cost of energy, particularly in the context of the cost of living crisis.
- Socio-economic and environmental impact of SSE’s investments in communities that host low-carbon infrastructure.
- Policies and practices that support a just and fair transition to net zero.
- Employment standards, including Living Wage, safe workplaces and inclusion and diversity.
- Responsible behaviour on tax policies and tax transparency.
- The allocation and impact of SSE’s community investments.
- Impacts on the natural environment.

Priorities for 2023/24
- Creation of quality green jobs in support of a just transition.
- Response to storms, network resilience.
- Community support schemes that address vulnerability.
- Constructive dialogue on the development of large capital projects.
- The impact of SSE’s activities on nature and eco-systems.

More on page 57

Suppliers, contractors and partners

Why we engage
Fostering healthy reciprocal relationships helps SSE to ensure it achieves the greatest all-round value from its investments and activities.

Input to SSE
Quality goods and services and investment.

Value created
Sustainable relationships, value creation and partnership expertise.

Material issues in 2022/23
- Leadership on net zero, circular economy, human rights, social and environmental impacts.
- Collaborative working with supply chain partners to support strategic delivery and supply chain capacity in areas such as SSEN Transmission growth, RIIO-ED2, ScotWind and hydrogen production.
- Inward investment and local content opportunities across the supply chain.
- Alignment of supply chain partners and other sector leaders to minimise resource gaps.
- Positioning SSE as a ‘customer of choice’ within the energy sector.
- Mitigation of potential human rights risk.

Priorities for 2023/24
- Implementation of new contractor safety strategy.
- UK supply chain resilience.
- Ongoing interaction through Supplier Relationship Management programme.
- Promotion of Powering Net Zero Pact and circular economy.
- Continued focus on industry understanding of Scope 3 emissions.
- Driving cross-sector collaboration on net zero delivery and mitigation of human rights risks.
- Monitoring supply chain risk areas such as human rights and modern slavery.

More on page 66
A sustainable approach

Embedding sustainability

“It is impossible to be sustainable without taking action to tackle climate change. But it is possible to tackle climate change in a way that is unsustainable for people and nature. That is why, while SSE is wholly focused on finding the profitable solutions to the problem of climate change, it is seeking to do so in a way that adds value to communities and the wider environment too.”

Rachel McEwen
Chief Sustainability Officer

SSE’s approach to sustainability

SSE integrates the principles of long term sustainability within its business strategy. Factoring in environmental and social considerations to business activities is central to creating and sharing value with stakeholders, and for ensuring the continued success of the Company. Stakeholders are vested in SSE’s sustainability impacts, and SSE is committed to providing comprehensive and transparent non-financial disclosures.

SSE’s most material environmental and social disclosures, including climate-related issues – specifically, reporting against Task Force on Climate-related Financial Disclosures (TCFD) recommendations – nature and ensuring a fair and just energy transition, are integrated into this Annual Report. SSE’s Sustainability Report 2023 is the sister document to the Annual Report 2023, providing enhanced disclosure of SSE’s policies, practices and performance against key economic, social and environmental impacts and goals.

Further disclosures can be found at sse.com/sustainability CS.
A sustainable approach continued

Accelerating climate action

The climate emergency requires urgent action. That is why SSE’s net zero ambitions place climate action front and centre of its strategy. SSE aims to support the transition to a decarbonised power system and align with a 1.5°C global warming pathway.

Climate-related financial disclosures

Climate change represents both a risk and an opportunity to the energy sector. That is why, since 2018, SSE structures its climate disclosures against the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Climate disclosures provide a channel to elevate climate change informing decisions and driving change to deliver a net zero economy.

Mandated climate-related financial disclosure in the UK

The financial Conduct Authority (FCA) listing rule LR 9.8.6 (R11) requires organisations to report against the TCFD recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports.

SSE believes that whilst it is compliant with the listing rule there is still opportunity for increasing maturity across all TCFD disclosure requirements. SSE continues to actively seek feedback from shareholders and stakeholders on best practice on TCFD disclosures.

SSE has considered climate change in the preparation of the financial statements as at 31 March 23 on pages 192 to 347 and further information has been included in note 4.1 Impact of climate change and transition to net zero – financial judgement and estimation uncertainty on pages 213 to 214.

SSE has a set of 19 Group Policies applicable across its entire organisation, of which Climate Change and Sustainability are two. Policies are reviewed and endorsed by the Group Executive Committee and approved by the Board annually.

Governing climate-related risks and opportunities

Board oversight of climate issues

Responding to the challenge of climate change is central to SSE’s strategy and, as a result, the SSE Board considers climate change as it establishes SSE’s purpose, vision and strategy.

Throughout 2022/23 climate matters were assessed in dedicated strategy sessions and during Board meetings. Board sessions considered both transitional and physical climate-related opportunities and risks and took this into account in the decisions it made (see page 131).

The Board is supported by a series of Board-level and Executive-level governance committees in carrying out its role to oversee climate-related opportunities and risks. This is set out in the governance pathways below.

SSE has a set of 19 Group Policies applicable across its entire organisation, of which Climate Change and Sustainability are two. Policies are reviewed and endorsed by the Group Executive Committee and approved by the Board annually.

Compliance with Group policies is also considered as part of the annual review of the effectiveness of the System of Internal Control (see page 159).

The Board’s Schedule of Reserved Matters, the Terms of Reference of the Board Committees and the Group Executive Committee, and the role profiles for key Board roles present the division of responsibilities across SSE relating to climate issues (see page 159) and pages 114 to 141.

SSE has a set of 19 Group Policies applicable across its entire organisation, of which Climate Change and Sustainability are two. Policies are reviewed and endorsed by the Group Executive Committee and approved by the Board annually.

SSE has considered climate change in the preparation of the financial statements as at 31 March 23 on pages 192 to 347 and further information has been included in note 4.1 Impact of climate change and transition to net zero – financial judgement and estimation uncertainty on pages 213 to 214.

The skills matrix details the individual non-Executive Directors who support these attributes. The Executive Directors are deemed to meet all of the criteria in the skills matrix and lead the delivery of SSE’s strategy, science-based targets and a set of 2030 Goals, which is supported by extensive engagement on climate-related issues with SSE’s stakeholders.
A strategy to support net zero
Providing profitable solutions to climate change
SSE’s purpose is to build a better world of energy for tomorrow and, by doing this, SSE is helping directly to address the energy transition to net zero. It achieves this through its strategy of developing, building, operating and investing in the electricity infrastructure and businesses needed to decarbonise the power sector.

SSE’s goal is to achieve net zero GHG emissions across its scope 1 and scope 2 by 2040 (subject to security of supply requirements) and for remaining scope 3 emissions by 2050. These long-term net zero ambitions are supported by interim science-based targets aligned to a 1.5°C pathway.

A plan for a net zero transition
SSE’s Net Zero Transition Plan, available at sse.com/sustainability, sets out for stakeholders: the key actions SSE will take to drive progress towards its net zero ambition and its interim science-based targets aligned to a 1.5°C pathway. SSE’s first Net Zero Transition Report, published June 2022, presented SSE’s progress against its plan and was received by shareholders through its climate resolution at its Annual General Meeting with 98.92% of votes in favour.

The Plan was updated in November 2022 to take account of feedback from shareholders and other stakeholders. Changes involved the inclusion of SSE’s joint acquisition of Triton Power (see more information on pages 103 to 105), the addition of cross-cutting issues to recognise the importance that climate adaptation and resilience and the just transition play in the transition to net zero; and, an enhanced definition of net zero to SSE and further explanations on the role of neutralisation technologies in achieving net zero.

To ensure its Plan remains relevant and comprehensive, SSE develops and iterates its content and its active involvement in the UK’s Transition Plan Taskforce, ensuring it can both influence and learn from emerging best practice.

With climate-related disclosure provided within SSE’s Annual Report and Sustainability Report, its annual Net Zero Transition Report provides a summary and navigation tool within SSE’s Annual Report and Sustainability Reports.

Climate governance activity in 2022/23
Some of the key governance-based decisions taken in the year are presented in the timeline below. Further detail of net zero-linked strategic decisions made during the year can be found on pages 126 to 129.

<table>
<thead>
<tr>
<th>Board-level</th>
<th>Executive-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2022</td>
<td>Audit Committee approval of SSE’s approach to climate-related financial disclosures and associated assurance arrangements.</td>
</tr>
<tr>
<td>Oct 2022</td>
<td>Board approval of the updated Net Zero Transition Plan.</td>
</tr>
<tr>
<td>Feb 2023</td>
<td>SSEHEAC review of climate adaptation plans.</td>
</tr>
<tr>
<td>Mar 2023</td>
<td>Board approval of SSE’s updated Net Zero Transition Plan.</td>
</tr>
<tr>
<td></td>
<td>SSE Board approval of SSE’s Joint Transition priorities for 2023/24.</td>
</tr>
<tr>
<td></td>
<td>Group Risk Committee approval of SSE’s TCFD disclosures.</td>
</tr>
<tr>
<td></td>
<td>Recommended Board approval of SSE’s updated Net Zero Transition Plan.</td>
</tr>
</tbody>
</table>

Engagement in action
Government and regulators
Throughout the year SSE worked constructively with policymakers to navigate the energy crisis and engage on the range of potential political interventions under consideration.

As a responsible business, SSE believes that electricity generators have a role to play in bringing down energy prices, but in a way that protects investor confidence in the energy sector and energy security more broadly. As a Fair Tax Mark accredited company SSE also believes in paying its fair share of tax.

SSE supported the principle of the Electricity Generator Levy (SGL) in the UK and the wholesale electricity revenue cap in the EU to ensure that an appropriate amount of additional tax on extraordinary earnings, where they materialise – are paid at a time when consumers are experiencing abnormally high prices.

Alongside other industry participants and stakeholders, SSE worked closely with the UK and Irish government official through its consultative process with a view to ensuring that the design of the mechanisms achieved these aims whilst protecting against unintended consequences for security of supply or investor confidence.

Engagement was well received and helped inform practical implementation of the policy in a number of important aspects.

SSE will continue to work constructively with all parties to respond to the energy crisis, without impacting industry’s ability and appetite to deliver the unprecedented levels of private capital needed to address the main cause of the energy crisis – our dependence on imported fossil fuels. Addressing the causes of this crisis, rather than the short-term symptoms, will ultimately require policy frameworks that support long-term investment.
Advocating for climate action

SSE actively and positively advocates for accelerating climate action in line with the goals of the Paris Agreement and its own net zero strategy. In 2022/23 SSE’s climate advocacy was focused on the acceleration of renewables deployment to deliver net zero and avoid future cost-of-living crises. The importance of progress on decarbonising thermal generation, heat, and transport has also been an advocacy priority for the Group in 2022/23.

To maintain momentum towards achieving net zero ambitions in the UK, SSE engaged the UK’s Department for Environment and Rural Affairs on matters relating to climate adaptation and resilience planning, and responded to UK government consultations on the Electricity Networks Strategic Framework and the Review of Electricity Market Arrangements (REMA). In Ireland, SSE successfully advocated for an increase to the 2030 offshore wind target from 7GW to 70GW and responded to the Government’s hydrogen strategy for Ireland.

SSE also supported the Transition Plan Taskforce preppers and users working group to develop guidance on Transition Plans and is now a member of the TPT’s Delivery Group after involvement with the TPT sandbox (testing) exercise.

Detail of advocacy activities undertaken across 2022/23 can be found throughout SSE’s Sustainability Report 2023, available at sse.com/sustainability.

Aligning capital deployment to a 1.5°C pathway

SSE supports the integration of standardised and robust sustainability considerations into all of its investment decisions. This is achieved through internal investment criteria which test capital investment decisions against SSE’s commitment to its core 2030 Goals, including the targeted reductions in GHG emissions consistent with a 1.5°C Paris-aligned pathway as verified by the Science Based Targets initiative.

In November 2021, SSE announced its Net Zero Acceleration Programme which committed to enhanced investment in renewables, networks and flexibility, whilst beginning to export SSE’s renewables capabilities overseas. With rising ambitions in key markets, combined with an increasing focus on energy security, SSE has upgraded this strategic programme for the period 2022 to 2027, referred to as ‘NZAP Plus’, to invest more capital into the low-carbon electricity infrastructure needed by society.

With around 90% of the NZAP Plus expected to be invested in either renewables or networks, the substantial majority of the investment plan is directly focussed on climate solutions to achieve SSE’s 2030 Goals, the four material UN Sustainable Development Goals (SDGs) which underpin them and is aligned to the Technical Screening Criteria of the EU Taxonomy. The remaining 10% includes investment in low-carbon flexible service technologies, such as the two recently announced Biofuel projects in Ireland, as well as other capital investment such as maintenance spend and investment in Group IT infrastructure.

Financing climate strategies

SSE understands that investors seek robust mechanisms through which they can ensure their investments are sustainable and take account of climate-related risks. To support both its own developments and the growth of green finance, SSE also has pursued a strategy of raising green bonds when appropriate, to fund its investments.

In July 2022, SSE issued a €650m seven-year Green Bond, the proceeds of which were allocated toward fund SSE Renewables’ flagship onshore and offshore wind projects which are currently under construction or recently completed. This marks SSE’s fifth Green Bond in six years and reaffirms its status as one of the largest issuer of Green Bonds from the UK corporate sector. It remains the only UK corporate to offer multiple Green Bonds and this latest issuance brings SSE’s total outstanding green bonds to over €2.5bn. More information can be found at sse.com/greenbond.

Material climate impacts

The most material climate-related opportunities and risks are described in detail on pages 42 to 45 and have the potential to significantly impact SSE’s business activities. To calculate the potential financial impact a combination of data sources were used involving historical internal business data, external independent climate-related scenario data alongside current and approved forecast financial data.

Transition risk scenario frameworks: to quantify the potential financial impact of the climate transition opportunities or risks two external independent climate-related scenarios were drawn from to inform scenario analysis.

1. International Energy Association’s (IEA) Net Zero Emissions by 2050 scenario shows a pathway to limit global temperature to 1.5°C and aligns with the International Panel on Climate Change (IPCC) sixth assessment report, and IEA’s Stated Policies Scenario (STEPS) which reflects current policy settings based on ‘sector by sector’ and ‘country by country’ assessments of the specific policies that are in place, as well as those that have been announced by governments around the world and is consistent with the IPCC RCP 2.6 pathway.

2. National Grid Future Energy Scenarios which involve four different, credible pathways for the future of energy between now and 2050. SSE uses the ‘Leading the Way’ and ‘Consumer transformation’ pathways, which are aligned to the UK Net Zero emissions by 2050 target that aims to keep global temperature rise below 1.5°C, for its 1.5°C scenario. SSE uses the National Grid Future Energy Scenario’s ‘falling short’ pathway for its 2.5°C scenario, this does not achieve the UK net zero emissions by 2050 target and is therefore assumed to represent a pathway that leads to a warmer global temperature outcome of 2.5°C.

Physical risk scenario frameworks: to quantify the potential financial impact of the physical risk of climate change, SSE used the UK Met Office’s climate projections (UKCP18) tool. The UK CP18 data aligns to the International Panel on Climate Change’s (IPCC) Sixth Assessment Report Representative Concentration Pathways (RCPs). For the 1.5°C scenario, SSE used the Met Office Climate Projections 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws from the UK Met Office 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.

General climate change trends project an increased chance of warmer, wetter winters and hotter, drier summers along with an increase in the frequency and intensity of extremes. These trends are projected to occur from the middle of the century onwards. As a result, SSE has modelled the physical risks of climate change in 2050 and 2080 to reflect the longer term nature of changes in climate. In addition, for these physical risks SSE has used climate projection data associated with a 1.5°C and 4°C temperature change to assess the impact of a more extreme warming scenario.
Understanding climate-related opportunities and risks

The purpose of TCFD disclosures is to demonstrate the resilience of a company to climate change. An important way to consider that resilience, is to define climate-related opportunities and risks and subject them to different climate outcomes. The next four pages are dedicated to helping stakeholders understand SSE’s resilience under varying scenarios and timeframes. This analysis does not represent a prediction of the future, simply a tool to understand a plausible spectrum of outcomes.

Potential financial impact of assessed climate opportunities

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>2030 (EBIT £bn)</th>
<th>2050 (EBIT £bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Accelerated wind investment¹</td>
<td>0.48 – 0.66</td>
<td>0.35 – 0.41</td>
</tr>
<tr>
<td>2. Accelerated transmission growth²</td>
<td>0.46 – 0.62</td>
<td>0.21 – 0.28</td>
</tr>
<tr>
<td>3. Valuable flexible hydro³</td>
<td>0.00 – 0.01</td>
<td>0.00 – 0.01</td>
</tr>
<tr>
<td>4. Valuable flexible thermal⁴</td>
<td>0.14 – 0.20</td>
<td>0.66 – 0.99</td>
</tr>
<tr>
<td>5. Driving distribution transformation⁵</td>
<td>0.09 – 0.12</td>
<td>0.04 – 0.06</td>
</tr>
</tbody>
</table>

¹ The 1.5°C scenario draws from the IEA Net Zero Emissions by 2050 pathway and from the IEA STEPS pathway for the 2.5°C scenario.
² The 1.5°C scenario draws from the National Grid Future Energy Scenario ‘Leading the way’ pathway and from the National Grid Future Energy Scenario ‘Falling short’ pathway for the 2.5°C scenario.
³ The 1.5°C scenario draws from the National Grid Future Energy Scenario ‘Consumer transformation’ pathway and from the National Grid Future Energy Scenario ‘Falling short’ pathway for the 2.5°C scenario.

Resilience after scenario analysis

Climate change scenarios present different possible futures and are based on independent projections from external scenario providers including the International Energy Agency (IEA), National Grid Future Energy Scenarios and the Intergovernmental Panel on Climate Change (IPCC). Scenarios are not forecasts and should not be relied upon for decision making. The scenarios are designed for SSE to test its resilience against a range of different future states and inform strategic decision-making.

The scenario analysis completed by SSE on its material climate opportunities indicates that SSE’s strategy and financial plans are resilient within a range of climate-related scenarios, including a 1.5°C and 2.5°C temperature pathway. Due to SSE’s strategy to focus on the transition to a net zero world, opportunities under a 1.5°C scenario represent greater growth than those under a 2.5°C temperature pathway.

Climate opportunity impacts

With five relevant material climate opportunities identified, each is defined with its impact on strategy described below:

1. Accelerated wind investment

**Context**

UK and international binding net zero targets supported by renewable capacity growth plans and targets provide an opportunity to invest in the growth of SSE’s installed onshore and offshore wind generation capacity.

**Key assumptions**

The wind capacity projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios, SSE’s current and pipeline wind investment projections and internal wind capital price factors.

**Impact to SSE**

As part of the scenario analysis, SSE assessed its current and pipeline wind portfolio to understand the potential opportunity of accelerated wind investment to the business in 2030 and 2050. The 1.5°C scenario indicated a significantly greater opportunity in 2030, with a range of £0.48bn to £0.66bn and an opportunity of more than double that in 2050 with a range of £1.09bn to £1.50bn, when compared to a warmer 2.5°C scenario for the same timeframe.

**Strategic alignment**

Under the NAP2 Plus, SSE anticipates that around 5GW of additional net capacity will be added across the five-year plan, with net installed capacity exceeding 9GW by March 2027. This investment strategy aligns to the opportunities arising from a 1.5°C scenario.

2. Accelerated transmission growth

**Context**

All net zero pathways for the UK require new sources of renewable wind generation, at scale, in the north of Scotland. This energy must be transported to the regions of demand, requiring significant expansion of the north of Scotland electricity transmission network.

**Projected renewables generation capacity for Scotland from the National Grid Future Energy Scenarios ‘Leading the way’ and ‘Falling short’ and SSE’s investment in the north of Scotland electricity transmission network.**

**Impact to SSE**

As part of the scenario analysis, SSE assessed the current and future capital investment plans for its SSE Transmission business. The National Grid ‘Leading the way’ Future Energy Scenarios indicated a significantly greater opportunity in 2030 and 2050, with ranges of £0.46bn to £0.62bn and £1.10bn to £1.50bn respectively, when compared to the ‘Falling short’ scenario.

3. Valuable flexible hydro

**Context**

A renewables-led electricity system will require support from flexible generators that provide system services, such as short-term reserve, frequency and long-duration storage services. The opportunity exists to use low-carbon flexible hydro capacity and invest in pumped storage capacity to support the GB electricity system. Key assumptions included the projected hydro generation capacity from the IEA Net Zero Emissions and STEPS scenarios, SSE’s renewable investment projections and internal price factors to take account of market volatility.

**Impact to SSE**

The scenario analysis assessed the optimisation of SSE’s existing hydro assets and the development of Coire Giaa as a large scale, long-duration pumped storage project. The 1.5°C scenario indicated a greater opportunity for SSE’s hydro assets in 2050 reflecting the impact of investing in Coire Giaa.

4. Valuable flexible thermal

**Context**

A renewables-led electricity system requires support from flexible generators that provide system services, such as short-term reserve, frequency, security of supply and price stability.

There is the opportunity to repurpose SSE’s existing gas-powered electricity generators, as well as invest in new-low carbon thermal generation assets.

**Impact to SSE**

SSE seeks to invest in its existing 1.5GW of hydro capacity as well as develop pumped storage capacity at Coire Giaa as part of its current five-year investment programme. This investment strategy is therefore aligned to the opportunities arising from a 1.5°C scenario.

5. Driving distribution transformation

**Context**

To deliver net zero targets across all sectors and countries requires a shift to zero emission vehicles and electric heating. In the UK this requires the transformation of the distribution system to the system is fit to manage the potential for to fund increased in annual load expected between now and 2038.

**Projected electricity consumer demand from the National Grid Future Energy Scenarios ‘Consumer transformation’ and ‘Falling short’ and SSE’s Distribution’s investment plans to support the electrification of the energy system have been used in the scenario analysis.**

**Impact to SSE**

As part of the scenario analysis, SSE assessed the current capital investment plans for its SSE Distribution business. The National Grid ‘Consumer transformation’ Future Energy Scenarios indicated a significantly greater opportunity in 2030 to 2050, with ranges of £0.15bn to £0.20bn and £0.31bn to £0.42bn respectively, when compared to the ‘Falling short’ scenario.

**Strategic alignment**

SSE seeks to invest in its existing 1.5GW of hydro capacity as well as develop pumped storage capacity at Coire Giaa as part of its current five-year investment programme. This investment strategy is therefore aligned to the opportunities arising from a 1.5°C scenario.

**Strategic alignment**

SSE Transmission has completed the first year of its five-year RIIO-T2 investment plan, making progress with key strategic investments under the Ofgem uncertainty mechanism, the scale of growth to 2030 has become clear. Ofgem’s ‘Pathway to 2030’ identified £0.1bn of further investment required in the north of Scotland establishing confidence that both national climate targets can be met, and that SSE Transmission’s growth will more closely align with the ‘Leading the way’ climate scenario.
A sustainable approach continued

Accelerating climate action continued

Potential financial impact of assessed physical risks of climate change

To SSE, climate-related risk expresses itself in two ways: through the physical risk associated with a climate changed world, and through the transition risks associated with policy or market change. The tables presented on pages 44 and 45 present SSE’s material climate-related risks alongside the potential financial impact against a series of climate scenarios. The impacts described are designed to aid understanding of SSE’s climate risks and are not intended to be forward looking guidance.

Physical climate risks from a changed climate

1. Variable renewable generation risk
2. Storm, wind and heat damage to networks risk

Impact to SSE

Impact from a changed climate can impact SSE’s generation assets, networks assets and associated earnings. Changes in climate variables such as wind are expected over time, with a reduced adjusted operating profit through the summer period and impacted financial plans for the year. For the future, with a five-fold increase in average wind speed over time horizons.

Strategic alignment

The technical and geographical nature of SSE’s variable renewable generation capacity and potential future earnings. Due to SSE’s strategy and the key controls that it employs to manage and mitigate the physical climate risks, SSE is positioned well to respond to the risks presented in both a 1.5°C pathway and 4°C pathway.

Impact to SSE

This is a general risk that impacts SSE. For instance, in the first half of 2021/22 SSE experienced one of the driest and coldest summer periods (April to September) on record which reduced adjusted operating profit through the summer period and impacted financial plans for the year. For the future, with a five-fold increase in average wind speed and a higher temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws the National Grid Future Energy Scenario ‘Falling short’ pathway and the UK Met Office CSIPR-4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.

Resilience after scenario analysis

The scenario analysis completed by SSE on its material climate-related risks indicates that SSE is reasonably resilient to identified climate-related scenarios including 1.5°C and 4°C pathways. For SSE, the potential financial impact at a 1.5°C pathway presents a lower risk than the 2.5°C pathway in these climate scenarios. This reflects the potential impact of climate policy in the 1.5°C scenario which may bring forward the closure of unabated thermal generation to 2030 or earlier and potentially impact future earnings. Whilst the wind capture market risk has the potential in the 1.5°C scenario to impact SSE’s material climate-related risks and potential future earnings. Due to SSE’s strategy and the key controls that SSE employs to manage and mitigate the climate risks, SSE is positioned well to respond to the risks presented in both a 1.5°C pathway and 2.5°C pathway.

Climate transition risk impacts

3. Accelerated gas closure

Context

More aggressive climate change policy may bring forward the closure of unabated gas generation from 2030. Key assumptions included the National Grid Future Energy Scenarios ‘Leading the way’ and ‘Falling short’ for installed unabated natural gas generation capacity projections in 2030 and 2050 and the net present value of existing gas-fired power stations with a life expectancy past 2030.

Impact to SSE

SSE’s existing 5.3GW fleet of installed gas- and oil-fired generation will be nearing the end of its expected life by the end of the 2020s. However, 2.5GW of Combined Cycle Gas Turbine (CCGT) capacity will still be in operation in 2050. The climate scenario analysis assessed the impact of this capacity not being able to generate beyond 2030 without low-carbon abatement technology. Under the 1.5°C scenario all remaining gas-fired capacity is closed by renewables and some gas-fired power stations are still able to operate beyond 2030 but expects any remaining power stations to close by 2035. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.34bn and £0.51bn when compared to a warmer 2.5°C scenario for the same time horizon.

Strategic alignment

To mitigate this risk, SSE is in the process of repurposing existing thermal assets and developing low-carbon thermal technologies and in addition has a strong pipeline of new renewable capacity that provides a natural hedge against this risk.

4. Wind capture market

Context

All credible pathways to net zero in the UK and beyond assume the dramatic scaling up of wind (especially offshore) generated electricity. As wind generation capacity increases, it is expected that the average electricity price wind power (wind capture price) will be lower than the average price of electricity (base load price). There is a risk that this lower average price for wind output is more extreme than expected by the market or SSE.

Key assumptions included wind capacity projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios, internal non-subsidised wind output and internal wind capture price factors.

Impact to SSE

The wind capture market risk has the potential to be greater in a 1.5°C scenario than in the 2.5°C scenario due to the expectation that the 1.5°C scenario expects new renewable capacity to be built at a greater pace to meet the net zero by 2050 goal. The climate scenario assessed SSE’s current and future renewables capacity against the future IEA projections for both pathways. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.38bn and £0.53bn compared to a warmer 2.5°C scenario for the same time horizon.

Strategic alignment

SSE is embedded with a portfolio of generation capacity, power hedging strategies and the fact that SSE factors wind capture price into its long term price forecasts are some of the ways that SSE manages and mitigates its business against this risk.

Transition risks arising from policy and market change

Risk 1. Accelerated gas closure
Risk 2. Storm, wind and heat damage to networks assets
Risk 3. Accelerated gas closure
Risk 4. Wind capture market
A sustainable approach continued

Accelerating climate action continued

Classifying sustainable investments

Progressing towards a UK Green Taxonomy

SSE is an advocate of the development of sustainable finance beyond green and sustainable debt markets. SSE supports the integration of standardised sustainability criteria into investment decisions. Its own internal investment criteria ensures alignment of capital investment plans to its core 2030 Goals which includes targeted reductions in GHG emissions consistent with a 1.5°C Paris Agreement pathway.

The announcement by the UK Government in March 2023 that it would consult on a UK Green Taxonomy in Autumn 2023 was therefore a welcome step, and SSE looks forward to engaging in the consultation process. SSE continues to make the case that a UK-appropriate taxonomy – consistent with the broad principles established by the EU Taxonomy but with a focus on being simpler, more transparent and auditable – would help support the quality of standards, labels and disclosures required to define green finance activity. SSE’s Sustainability Report 2023 discusses the opportunities to enhance the UK Green Taxonomy, available at sse.com/sustainability.

Assessing SSE’s eligible activities

To provide stakeholders with an indication of the scale of SSE’s green economic activities, SSE has taken a best efforts approach to consider its alignment to the EU Taxonomy. Key strategic activities (ie onshore wind, offshore wind generation, hydro (run of river and pumped storage) as well as its networks transmission and distribution activities. In 2022/23, the proportion of SSE’s taxonomy-eligible activities across the different measures were: adjusted operating profit, 55%; adjusted investment and capital expenditure, 81%; and, revenue, 26%.

The reason that SSE’s taxonomy-eligible revenue appears low in relation to its total revenue is primarily due to Energy Portfolio Management (EPM) trading activity and the sale of power to end customers, both of which are high volumes, with pass-through costs and lower margins than in larger businesses such as renewable generation and networks. SSE believes that revenue is a poor measure in assessing its economic activity and the true energy appropriate measures of its taxonomy-eligible economic activity are in relation to its capital investment and its operating profit.

The taxonomy non-eligible activities are associated with SSE’s thermal generation and gas storage businesses. As these businesses continue their decarbonisation pathways, it is expected that emerging activities such as low-carbon flexible generation or hydrogen storage will qualify in the future.

Finally, activities that have not been identified in the taxonomy as they either do not significantly contribute to climate change mitigation or could yet be integrated into the Taxonomy at a later date comprise SSE’s Business Energy, Artictricity, Distributed Energy, EPM and Corporate businesses. These activities either operate as customer focussed businesses, a route to market for generation, or do not contain material activities at this time.

Providing the UK Green Taxonomy does not deviate significantly from the EU model, SSE expects its assessment of its taxonomy eligible activities disclosed on page 47 to be consistent with a future UK framework.

Taxonomy eligible activities at a glance

Assumptions

SSE’s accounting policies for these calculations are based on the current EU Taxonomy Regulation 2020/852, and delegated acts.

Linkage principle

In calculating each taxonomy-eligible proportion, a ‘linkage principle’ has been applied, stipulating that any revenue, operating profit/loss or capital expenditure that can be justifiably linked to an identified taxonomy economic activity can be classified as taxonomy-eligible. Using this principle, revenue and operating profits from SSE’s balancing activities, hedging, and trading can be linked to the EU taxonomy eligible activities when the activity is undertaken to directly support the eligible activities.

Proxies

Where financial results are not appropriately split into Taxonomy eligible activities (namely Energy Portfolio Management trading and power sale activities), revenue has been allocated based on purchased power volumes from renewable versus non-renewable assets, and operating profit/loss has been apportioned based on internal contractual trading agreements.

Materiality

The analysis has been prepared by applying a top-down review of SSE’s activities and the alignment with existing segmental reporting within taxonomy eligible activities. There are some activities that fall below specified thresholds which are not taxonomy eligible. As SSE’s reporting processes and controls will be refined ahead of implementation of the UK Green Taxonomy, it is expected that some reclassification of activities may occur due to changes in materiality thresholds or clarification on eligible activity criteria.

Table 1: Assessment of SSE’s taxonomy aligned activities

<table>
<thead>
<tr>
<th>SSE’s reported segments</th>
<th>Taxonomy eligible activity</th>
<th>Revenue (£m)</th>
<th>Adjusted operating profit (£m)</th>
<th>Adjusted investment and capital expenditure (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE Energy</td>
<td>Thermal generation</td>
<td>1,397.4</td>
<td>491</td>
<td>160.7</td>
</tr>
<tr>
<td></td>
<td>Transmission</td>
<td>2,529.2</td>
<td>100.0</td>
<td>2,160.6</td>
</tr>
<tr>
<td></td>
<td>Generation</td>
<td>3,243.8</td>
<td>49.1</td>
<td>38.7</td>
</tr>
<tr>
<td></td>
<td>Wind</td>
<td>2,333.5</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>Solar</td>
<td>1,776.9</td>
<td>14.2</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>EPM</td>
<td>1,088.6</td>
<td>25.6</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>Corporate unallocated</td>
<td>66.2</td>
<td>0.5</td>
<td>126.8</td>
</tr>
<tr>
<td></td>
<td>Total continuing operations</td>
<td>12,490.7</td>
<td>100.0</td>
<td>2,529.2</td>
</tr>
</tbody>
</table>

Notes:

a) Alignment is based on segmental reporting in SSE’s financial year end statements.

b) Revenue: derived from the disaggregation of revenue from contracts by customers, in line with the requirements of IFRS 15 ‘Revenue from Contracts with Customers’ (see note 5.1.1).

c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see note 5.1.2).

d) Adjusted investment and capital expenditure: calculated as adjusted capital expenditure related to assets or processes associated with taxonomy-eligible economic activities that is accounted for based on IAS 16, IAS 38 and IFRS 16 and thereby included within adjusted capital expenditure (see note 5.1.3).
Climate opportunity and risk management

SSE’s System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate. The system includes the critical controls that are in place to manage risk including climate risk. Controls include business continuity plans, crisis management and incident response, large capital project governance and internal and external assurance.

The climate-related opportunities and risks (pages 42 to 45), combined with SSE’s Sustainability Report 2022 and CDP Climate Change response provides further information on these actions and controls.

In 2022/23, the assessment process reconfirmed that the material climate-related opportunities and risks are (pages 50 to 53) of SSE’s Annual Report 2022 remained relevant to SSE with some minor amendments.

Managing climate opportunities and risks

SSE’s System of Internal Control defines the policy, standards and governance for the management of all risks, including those relating to climate. The system includes the critical controls that are in place to manage risk including climate risk. Controls include business continuity plans, crisis management and incident response, large capital project governance and internal and external assurance.

The climate-related opportunities and risks (pages 42 to 45), combined with SSE’s Sustainability Report 2022 and CDP Climate Change response provides further information on these actions and controls.

Integrated climate-related risk assessment

SSE’s Group Risk Management Framework (pages 156 and 157) manages risks that can threaten the achievement of SSE’s strategic objectives, including climate change.

Climate change is a Group Principal Risk to SSE and has the ability to affect the achievement of agreed strategic objectives and the long-term success of SSE (see page 72). Scenarios related to physical and transition risks are reviewed on an ongoing basis (see page 71). Climate-related influencing factors and key developments are also considered against all relevant Group Principal Risks (pages 68 to 77).

Climate metrics and targets

GHG emissions preparation


For more information on SSE’s GHG emissions data and how it is produced, see SSE’s GHG and Water reporting criteria available at sse.com/sustainability/c3.

GHG emissions inventory

Table 2, in combination with the energy use data outlined in Table 6 on page 54, represents SSE’s disclosures in line with the UK Government Streamlined Energy and Carbon Intensity (SECI) requirements. SSE takes an operational control consolidation approach to account for its GHG emissions. Under the operational control approach, SSE includes all joint arrangements that it has operational control in its scope 1 and 2 inventory. For activities SSE does not have operational control, the GHG emissions from completed material joint arrangements (where SSE holds an equity share equal to or greater than 50%) are included in SSE’s scope 3 inventory.

SSE’s inventory details its direct and indirect GHG emissions (scopes 1, 2 and 3) performance (measured in million tonnes of carbon dioxide equivalent – MtCO2e) provided as total emissions as well as split out by UK and Irish activity. It also provides a carbon intensity measure based on direct GHG emissions released for each unit of electricity SSE produced.

More on sse.com/sustainability/c3

(a) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report and SSE’s GHG and Water Reporting Criteria 2023 on sse.com/sustainability/c3.

(b) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report in SSE’s Sustainability Report 2022 and SSE’s GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability/c3.

Table 2: SSE’s GHG inventory

<table>
<thead>
<tr>
<th>Unit</th>
<th>GHG emissions (MtCO2e)</th>
<th>Scope 1 (MtCO2e)</th>
<th>Scope 2 (MtCO2e)</th>
<th>Scope 3 (MtCO2e)</th>
<th>Total (MtCO2e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022/23</td>
<td>11.35</td>
<td>0.44</td>
<td>4.80</td>
<td>6.09</td>
<td>19.49</td>
</tr>
<tr>
<td>2021/22</td>
<td>9.95</td>
<td>0.49</td>
<td>3.60</td>
<td>5.29</td>
<td>18.23</td>
</tr>
</tbody>
</table>

1 Excludes immaterial GHG emissions from Reading 2 gas-fired power station, which was in the final stages of testing from September 2022 and was handed over to SSE on 15 March 2023.

2 Includes pumped storage and biomass output and excludes constrained-off wind in Great Britain.

3 Includes 50% output from Saltend power station and Indian Queens power station from the date of SSE’s acquisition of Triton Power on 1 September 2021.

4 Includes 50% output from SSE’s 50% ownership share from October 2021 onwards. Also includes 50% of testing from September 2022 and was handed over to SSE on 15 March 2023.

5 Includes GHG emissions associated with gas generation through Joint Venture holdings according to equity share. They are Saltend gas-fired power station and Triton Power (which includes Saltend gas-fired power station, Indian Queens gas-fired power station and the decommissioned Didcot D Power station). This reflects the fact that under SSE’s operational control method of reporting GHG emissions, Joint Venture equity share of GHG emissions is classed under the scope 3 ‘investment’ category in accordance with the GHG Protocol.

(a) Includes GHG emissions from SSE’s 50% share in the Didcot D power station and the decommissioned Didcot D Power station.

(b) Includes GHG emissions from the SSE 50% share in Saltend power station and Indian Queens power station from the date of SSE’s acquisition of Triton Power on 1 September 2021.

(c) Includes GHG emissions from the SSE 50% share in Sullom Voe oil terminal.

More on sse.com/sustainability/c3

(a) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report and SSE’s GHG and Water Reporting Criteria 2023 on sse.com/sustainability/c3.

(b) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report in SSE’s Sustainability Report 2022 and SSE’s GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability/c3.
**A sustainable approach continued**

**Accelerating climate action continued**

### Absolute GHG emissions in 2022/23
To understand the GHG emission trends between reporting periods the GHG emission inventory is broken down by scope and a description of material contributing factors presented. In 2022/23, SSE’s total GHG emissions consisted of 54% scope 1 emissions, 4% scope 2 emissions and 42% scope 3 emissions. Overall, SSE’s total GHG emissions increased by 14% between 2021/22 and 2022/23.

Between 2021/22 and 2022/23, GHG emissions arising from electricity generation, consisting 99% of SSE’s scope 1 emissions, increased by 6%. This was predominantly a result of a rise in output from SSE’s thermal generation plant by 7% compared to the previous year due to market conditions and the reinstatement of operations following planned and unplanned outages the previous year. The impact of weather, demand and availability of plant creates variation in the pathway of emissions reduction.

SSE’s scope 2 GHG emissions were 0.44MtCO2e in 2022/23, representing an 11% reduction from the previous year. This reduction in scope 2 emissions is largely a result of a fall in the greenhouse gas emissions associated with losses on the electricity network, which is a result as a fall in the grid electricity factor by 9% over the same period.

Total scope 3 emissions increased by 50% between 2021/22 and 2022/23. The two material contributing factors include:
- The inclusion of 0.6MtCO2e GHG emissions from Saltend gas-fired power station from September 2022 onwards. This reflects SSE’s 50% purchase of Triton which completed in September 2022. The emissions from Triton are defined as scope 3 emissions according to SSE’s 50% ownership share.
- 12 months of GHG emissions data from Seabank (50% equity share) contributing 0.9MtCO2e following the end of SSE’s power purchase agreement in September 2021. It should be noted that, prior to September 2021, 100% of Seabank GHG emissions were accounted in SSE’s scope 1 emissions according to the GHG Protocol.

The increase in scope 3 emissions is partly offset by a reduction of 5.1% in gas sold GHG emissions between 2021/22 and 2022/23.

With scope 3 emissions increasing becoming a greater proportion of SSE’s GHG emission inventory as a result of the approach it is taking to delivering its strategy, SSE is working with its Joint Venture partners to ensure each has in place their own Net Zero Transition Plans. SSE’s scope 3 emissions represent 42% of its total GHG emissions inventory and the emissions associated with Joint Venture thermal generation contributes to 52% of the scope 3 GHG inventory.

### Scope 1 GHG intensity in 2022/23
SSE’s scope 1 GHG emissions intensity fell by 2% to 254gCO2e/kWh from 259gCO2e/kWh the previous year, which is a fall of 17% since the 2017/18 base year of 307gCO2e/kWh.

SSE’s intensity performance is calculated based on two elements – total generation output, comprising thermal and renewables generation sources and total scope 1 GHG emissions (99% of which is from thermal generation).

Output from SSE’s renewable generation portfolio (inc. pumped storage and biomass) increased to 9.7TWh in 2022/23, from 8.8TWh the previous year, a rise of 10% between the same periods. This was driven by increased output having experienced an exceptionally still and dry weather conditions the previous year and output from the operational turbines at Seagreen offshore wind farm.

Output from SSE’s thermal generation also increased, however this was by a lesser extent than for renewables output. This meant that the proportion of total generation output contributed to by renewable generation continued to represent 41% of the total portfolio in 2022/23.

Overall, SSE’s scope 1 GHG intensity was slightly lower than the previous year due to a reduction in output from the most carbon intensive generating plant in SSE’s portfolio, including from carbon intensive peaking plant in Ireland.

### Performance against targets
To support improved performance, SSE measures and reports progress against interim science-based targets on a 1.5°C pathway. This performance is outlined in Table 3.

SSE remains on track to achieve its SBTi-approved target to reduce scope 1 GHG emissions intensity by 80% between 2017/18 and 2030. It is expected that SSE’s NZAP Plus will develop and connect the renewables capacity which will contribute to a reduction in the scope 1 GHG intensity by 2030.

#### Table 3: SSE’s performance against its science-based carbon targets

<table>
<thead>
<tr>
<th>Target</th>
<th>Unit</th>
<th>2017/18</th>
<th>2021/22</th>
<th>2022/23</th>
<th>Target</th>
<th>Progress against target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the GHG intensity of scope 1 GHG emissions by 80% by 2030, from a 2017/18 base year</td>
<td>gCO2e/kWh</td>
<td>257</td>
<td>259</td>
<td>254</td>
<td>61</td>
<td>17% reduction in GHG intensity since 2017/18</td>
</tr>
<tr>
<td>Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year</td>
<td>tCO2e</td>
<td>11.06</td>
<td>6.24</td>
<td>6.52</td>
<td>3.04</td>
<td>41% reduction in absolute scope 1 and 2 GHG emissions since 2017/18</td>
</tr>
<tr>
<td>Reduce absolute GHG emissions, from use of products sold by 50% by 2034 from a 2017/18 base year</td>
<td>tCO2e</td>
<td>2.53</td>
<td>2.29</td>
<td>2.16</td>
<td>1.27</td>
<td>15% reduction in GHG emissions from gas sold since 2017/18</td>
</tr>
<tr>
<td>Engage with 50% of suppliers by spend to set an SBT by 2024</td>
<td>%</td>
<td>0</td>
<td>48</td>
<td>51</td>
<td>50</td>
<td>52% of SSE’s suppliers (by value) that set or committed to set their own science-based targets through the SBTI</td>
</tr>
</tbody>
</table>

#### Working with supply chain partners to drive climate action
To support the reduction of emissions associated with the goods and services SSE purchases, SSE seeks to engage with 50% of suppliers (according to financial expenditure) to set their own science-based targets by 2024. SSE continued to engage with its supply chain on climate matters through its partnership with the Supply Chain Sustainability School with nearly 27% of suppliers by spend using the resources and training available. In addition, a carbon working group was set up through the Powering Net Zero Pact, that aims to collaborate on a fair and just transition to net zero carbon emissions, with the aim of improving scope 3 emissions reporting.

At 31 March 2022, 34% of SSE’s suppliers by value had set their own science-based targets through the SBTI, with a further 17% committed to setting one. In 2022/23, SSE and CDP Supply Chain collaborated to deliver supplier webinars that aimed at increasing the climate change questionnaire response rate from its suppliers, the engagement led to 237 key suppliers responding to the questionnaire and a supplier response rate of 56%.

#### Carbon pricing
As a generator of electricity, SSE is subject to policies that impact the price of carbon, which means the price of carbon is an explicit consideration in many investment decisions.

SSE’s generation activities in the GB are subject to the UK Emissions Trading Scheme (UK ETS), which is a cap-and-trade emissions scheme. In addition, SSE’s generation assets in GB are subject to the Carbon Price Support mechanism which sets a price per tonne of carbon emitted and combined with the UK ETS allowance price, makes up the total Carbon Price paid by electricity generators. In Ireland SSE’s generation assets are subject to the EU Emissions Trading Scheme (EU ETS). At the time of reporting, SSE used carbon prices of £78/tCO2 in GB and €86/tCO2 in the EU. Our future plans include assumptions on low, central and high carbon range forecasts.

SSE is required to report its GHG emissions and energy consumption and this is presented on page 54. For further details on SSE’s approach to carbon pricing see SSE’s Sustainability Report 2023 alongside SSE’s CDP climate change submission sse.com/sustainability C3.
A sustainable approach continued

Protecting the natural environment

Nature has a central role in supporting the achievement of net zero and adapting to a climate changed world, and the nature and climate crises must be addressed hand-in-hand. SSE’s Environment Strategy provides a framework for SSE to manage and mitigate impacts to terrestrial, freshwater and marine ecosystems, and build a business that uses resources efficiently and embraces the principles of a circular economy.

Emerging nature frameworks 2022/23 saw a continued international focus on nature and biodiversity and some significant developments. These frameworks were made, including the landmark deal made at the UN Convention on Biological Diversity (COP15) in Canada in December 2022, to protect a third of the planet for nature by 2030. While frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the EU Corporate Sustainability Reporting Directive (EU CSRD) are emerging, there remains room for greater clarity on best practice measurement and disclosure of nature-related information. Increasing meaningful disclosures around nature-related impacts is a key focus for SSE, and it will monitor how these frameworks and standards develop and work to improve its own disclosures, including against its biodiversity net gain metrics.

Governing environmental performance

SSE’s Chief Executive has overall lead responsibility for environmental performance, including at board-level. The Safety, Health and Environment Committee (SHEC) advises the Board on matters relating to safety, health and environment (SHE). The work of the SHEC is designed around SSE’s Enduring Goals, one of which is ensuring improvements in environmental performance.

The SHEC reports to the Sustainability, Safety, Environment Advisory Committee (SSEAC) which is a Board level committee that has specific oversight of environment matters.

At business level, Managing Directors are accountable for environmental performance and for managing environmental impacts by applying SSE’s SHE Management System. SSE’s Environment Strategy provides the framework by which SSE considers these wider environmental impacts. It is centred around three UN Sustainable Development Goals (SDGs) focused on the environment: SDG14 Life Below Water; SDG15 Life Above Land; and, SDG12 Responsible Consumption and Production. The Strategy is supported by policies and procedures to guide SSE’s day-to-day operations and interactions with the environment.

To ensure effective environmental management, SSE operates an environmental management system which sets the controls, processes and procedures. In 2022/23, a number of SSE’s business units achieved ISO14001 certification – SSE Distribution, SSE Energy Customer Solutions and SSE Enterprise. All of SSE’s businesses are now certified to ISO14001.

Further detail around SSE’s approach to managing environmental impacts, including information on its ISO14001 certification, can be found in SSE’s Sustainability Report 2023.

A strategic approach to environmental protection

While SSE’s GHG emissions are its most material environmental impact, it also has wider impacts on the natural world that must be carefully managed. Halting the impact of nature loss and providing opportunities to enhance ecosystems and biodiversity will support SSE to meet its net zero ambitions.

SSE’s Environment Strategy provides the framework by which SSE considers these wider environmental impacts. It is centred around three UN Sustainable Development Goals (SDGs) focused on the environment: SDG14 Life Below Water; SDG15 Life Above Land; and, SDG12 Responsible Consumption and Production. The Strategy is supported by policies and procedures to guide SSE’s day-to-day operations and interactions with the environment.

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Further detail around SSE’s approach to managing environmental impacts, including information on its ISO14001 certification, can be found in SSE’s Sustainability Report 2023.

A sustainable approach continued

Managing water use

Water plays a significant role in SSE’s operations, being used in the energy production process including as a coolant in power stations and a source for power generation in hydroelectric generators. SSE also uses water as an amenity in its buildings.

SSE has policies and processes in place, and works closely with environmental regulators, to ensure that it uses water in a sustainable way in its operations. SSE has an ongoing investment programme within its hydro operations to improve efficiency, enhance water capture and minimise spill from its plant.

None of SSE’s thermal and hydro generation assets impact on water stressed areas, as defined by the relevant environmental regulators in the jurisdictions in which they operate.

In 2022/23, total water abstracted by SSE fell to 23,354 million m³ from 23,896 million m³ the previous year. This was largely due to a reduction in water passing through SSE’s hydro generation plant as a result of lower levels of rainfall compared to the previous year. The vast majority (97%) of water abstracted in 2022/23 was used in SSE’s hydro generation operations. This water is technically reconducted, but it passes through turbines to generate electricity and is returned to the environment almost immediately, and therefore has minimal environmental impact.

OUR TARGET

SSE is committed to delivering Biodiversity Net Gain by 2025 on all onshore Large Capital Projects in the UK and Ireland

Understanding SSE’s nature impacts and dependencies

SSE operates in some of the UK and Ireland’s least populated places, home to a wide variety of valuable ecosystems and habitats. It works to manage the impacts of its activities to ensure it protects and, where possible, enhances these environments. Measurable, science-based data as presented in SSE’s Sustainability Report 2023 are key to ensuring nature impacts and dependencies are understood and considered in decision making with the aim of making progress towards preserving and protecting nature.

Targeting biodiversity net gain

For onshore Large Capital Projects, all of SSE’s Business Units have committed to delivering no ‘net loss’ in biodiversity on those consented from 2023 onwards and ‘net gain’ in biodiversity on those consented from 2025 onwards.

SSE’s approach to Biodiversity Net Gain began in 2020, with the development of SSE Transmission’s site optioning toolkit, which is now in implementation and allows consideration of biodiversity at the earliest stages of development and has been recognised for its pioneering approach. In 2022, SSE Renewables also published optioning toolkits and project biodiversity net gain metrics, which has adapted the SSE site optioning toolkit and the Defra Biodiversity Metric 3.1. Biodiversity net gain will also be delivered by SSE Distribution as part of its ED2 business plan. While SSE has focussed on terrestrial habitats it is also exploring the potential for enhanced biodiversity within the marine environment.

Total water consumed increased significantly over this period, by over 70%. This was due to increased output from thermal generation overall, as well as a proportional increase in the output from thermal power plant with cooling towers which have higher evaporative losses of water than once through (direct) cooling systems.

Table 4: SSE’s water data

<table>
<thead>
<tr>
<th>Type of Water</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total water abstracted</td>
<td>23,354m³</td>
<td>23,896m³</td>
</tr>
<tr>
<td>Freshwater abstracted</td>
<td>2.2m³</td>
<td>1.9m³</td>
</tr>
<tr>
<td>Total water returned</td>
<td>23,355m³</td>
<td>23,895m³</td>
</tr>
<tr>
<td>Total water consumed</td>
<td>1.4m³</td>
<td>0.8m³</td>
</tr>
</tbody>
</table>

(QA) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report and SSE’s GHG and Water Reporting Criteria 2023 on see.com/sustainability CB.

(B) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP (‘PwC’). For the results of that assurance, see PwC’s assurance report in SSE’s Sustainability Report 2022 and SSE’s GHG and Water Reporting Criteria 2022, both available on see.com/sustainability CB.

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A sustainable approach  
Protecting the natural environment continued

Managing air emissions

In 2022/23, emissions of nitrogen oxides (NOx), sulphur dioxide (SO2) and particulate matter (PM10) all reduced compared to the previous year, with emissions of SO2 reducing by more than a half. The long trend across three of these key air emission sources, reflects a reduction in output from oil-fired peaking plant in Ireland compared to the previous year.

Mercury emissions to air increased fivefold, due to an increased level of testing running on back-up fuel oil that was required during the year, as dictated by Transmission Operator code in Ireland. See Table 5 for full data on air emissions.

Sulphur hexafluoride (SF6) is a highly effective insulating gas used for safety in electrical transformers and in 2022/23, SSE’s SF6 emissions increased by almost 40% compared to the previous year. This was due to a combination of factors, including more robust reporting of minor leakages and increasing numbers of assets requiring SF6 as an insulating gas. SSE has a number of initiatives to reduce its dependency on SF6, in its networks, including working with suppliers to install SF6-free alternatives across its electricity transmission network.

You can read more about what SSE is doing to reduce the impact of SF6 in its business activities in its Sustainability Report 2023 and its Net Zero Transition Plan.

SSE’s energy consumption

Between 2021/22 and 2022/23, the energy SSE purchased for use in its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) increased by 5% from 196GWh to 206GWh. A large contributor to this trend was a 60% increase in energy consumed in SSE’s gas storage facilities compared to 2021/22. This was largely due to increased gas storage activities at SSE’s Aldbrough facility to ensure security of supply.

Energy consumed in SSE’s offices, depots, and data centres reduced by 5% compared to 2021/22. This was due to the continued investment by SSE in 2022/23 in a range of energy efficiency measures including a programme of LED lighting upgrades to depot sites and it continued its Better Off behaviour change campaign.

In 2022/23, SSE purchased 100% of its electricity for use in its directly managed offices from renewable sources, backed by renewable guarantees. In 2022/23, around 52% of the electricity that SSE purchased for its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) was from renewable sources, up from around 39% the previous year.

SSE is a member of the Climate Group’s EP100 initiative to encourage businesses to double energy productivity associated with office and depot buildings by 2030 from a 2011 baseline.

Embedding circular economy principles

Circularity is built on the principles of reducing waste, increasing resource efficiency, and promoting renewable energy sources. By adopting circular strategies, SSE is able to minimise its environmental impact, enhance operational efficiency, strengthen resilience to resource shortages and create new value for stakeholders. SSE is introducing the concepts of circularity into its business activities and is collaborating with stakeholders to create solutions for industry-wide challenges and support circular supply chains.

Table 5: SSE’s air emissions data

<table>
<thead>
<tr>
<th>Emissions</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sulphur dioxide (SO2) – thermal generation</td>
<td>1,336</td>
<td>3,021</td>
</tr>
<tr>
<td>Nitrogen oxide (NOx) – thermal generation</td>
<td>3,767</td>
<td>4,573</td>
</tr>
<tr>
<td>Sulphur hexafluoride (SF6) – thermal generation</td>
<td>424</td>
<td>305</td>
</tr>
</tbody>
</table>

Table 6: SSE’s energy use data

<table>
<thead>
<tr>
<th>Energy use*</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased heat from non-renewable sources – UK/ire</td>
<td>3.3/0.06</td>
<td>3.3/0.08</td>
</tr>
<tr>
<td>Purchased electricity from non-renewable sources – UK/ire</td>
<td>103.7/1.1</td>
<td>73.3/0.98</td>
</tr>
<tr>
<td>Purchased electricity from non-renewable sources – UK/ire</td>
<td>97.9/0</td>
<td>118.6/0/8</td>
</tr>
</tbody>
</table>

* This information, taken in conjunction with Table 2 on page 49, represents SSE’s disclosures in line with the UK Government Streamlined Energy and Carbon Reporting requirements.

Data and assurance

SSE takes an integrated approach towards assurance utilising internal audit and external assurance providers to ensure accurate, complete disclosures. Where data has been externally and independently assured, this has been noted in the relevant tables. In all other areas, data is identified and disclosed according to SSE’s internal processes, guided by environmental regulations where appropriate.

With a higher proportion of waste being processed as energy from waste and an increase in recycled waste as well, as a result of improved recycling processes implemented at sites and as the introduction of waste recycling data such as metals.

Over 2022/23, SSE expects to further broaden the coverage of waste performance data to include large capital projects and minor works. SSE’s 2022/23 performance target is to divert 95% of waste by tonnage from landfill and recycle 50% of waste by tonnage. It is expected that the planned scope expansion of waste data in 2023/24 will influence performance, in particular recycled waste data. SSE will continue to review its waste target to ensure it remains stretching.

SSE Renewables’ wind portfolio in the UK and Ireland comprises some of the most productive onshore wind generation assets in Europe. The optimum maintenance of those assets further maximises value to SSE, whilst contributing to climate mitigation solutions. The opportunity to maintain the components of those assets using circular economy principles (reduce, reuse, repair, remanufacture, recycle, and recover) is emerging as a significant driver of future commercial, social, and environmental value.

SSE Renewables is driving forward a strategy to increase the use of refurbished and remanufactured minor component parts for the maintenance and repair of existing components across its wind portfolio, with particular focus on its onshore portfolio in the immediate term.

Through a partnership with Scottish-based SME, Renewable Parts Ltd, rather than replacing broken turbine gears with newly manufactured gears, Renewable Parts refurbish and repair existing components to a high standard, with high performance outcomes. This practical solution has been instructive to establishing a wider circular model throughout the wind industry supply chain.

To support the acceleration of a circular economy for the wind sector in the UK, this year SSE Renewables, the University of Strathclyde and Renewable Parts joined forces to launch CWIC, the Coalition for Wind Industry Circularity. CWIC aims to stimulate collaboration between industry peers, suppliers, and government agencies to unlock and deliver economic, social, and environmental opportunities. There are immediate opportunities in the repair and maintenance of existing wind assets and a longer-term prize through the design of future wind technology both onshore and offshore.

A coalition for circularity in the wind sector
Ensuring a just transition

A sustainable transition to net zero is one that is fair to working people, consumers and communities. SSE seeks to ensure the benefits of net zero are shared widely and unfairness is predicted and pre-empted. Influencing a fair and just transition to net zero is a strategic objective for SSE.

Leading on a just transition

SSE published its Just Transition Strategy in November 2020, setting out the 20 principles it will follow to ensure that the impacts from the decisions it takes are fair and that it maximises the opportunities for communities to benefit from net zero. The 20 principles sit under five key themes: good green jobs, consumer fairness, building and operating new assets, looking after people in high-carbon jobs, supporting communities.

With SSE’s Just Transition Strategy and a subsequent report focused on the worker transition in 2021, SSE continued extensive multi-stakeholder engagement in the pursuit of a net zero transition that is fair to working people, consumers and communities.

This has taken several different forms including:

• Just transition documentary: A short documentary featuring voices of SSE employees with the lived experience of transitioning from high- to low-carbon work, supplemented by the perspectives of the Prospect trade union and environmental NGO WWF aimed to bring the notion of a just transition to life. The film explains that a just transition is about protecting workers and communities in the face of substantial industrial change and that people must be at the centre of efforts to tackle climate and nature crises. This documentary has been shared widely with stakeholders including trade unions, investors, and NGOs, and was also shown to over 1,660 employees.

• Multi-stakeholder event: An event in London in April 2023 aimed to normalise the just transition within corporate climate discourse, enhancing accountability and bringing the just transition from concept to action. The objectives included establishing a sense of collaboration and openness around a just transition; showing SSE’s good stewardship of its own transition to net zero and highlighting the business benefits that come from establishing a just transition around a just transition; showing SSE’s commitment to the Just Transition Strategy.

More details on the report and the short documentary can be found at sse.com/sustainability/just-transition/

Measuring progress report: A progress update published in April 2023 in which SSE set out to demonstrate the impact its 20 principles for a just transition have had across the business. These specifically aim to promote a smooth, fair and just transition to net zero by disclosing progress (or otherwise) against the Just Transition Strategy.

Sharing the benefits from net zero

Contributing to jobs and GDP

Under its revised Net Zero Acceleration Programme Plus, SSE plans to invest £18bn in the five years to March 2027. This scale of investment generates considerable value for the communities in which SSE operates.

Every year SSE commissions an independent assessment of the value it adds to GDP and the jobs it supports across the UK, Scottish and Irish economies. Over 2022/23, SSE contributed an estimated £6.04bn to UK and £429m to Irish GDP. This represented a slight increase compared to 2021/22 figures, which were £5.98bn and £417m respectively adjusted for current prices. Jobs supported in these countries fell from 47,130 in 2021/22 to 45,290 in 2022/23, due to a reduction in supply chain spend. More detail on SSE’s contribution to GDP and jobs supported in 2022/23 can be found in SSE’s Sustainability Report 2023.

SSE’s economic contribution reports can be found at sse.com/sustainability/.

Sharing value directly with local communities

An integral part of a just transition is being a positive contributor to local communities by sharing the economic value from its assets and its business activities. During 2022/23, SSE invested around £16.5m in communities across the UK and Ireland.

SSE recognises the exceptional challenges faced by communities because of the cost of living crisis and in 2022/23 consulted with a wide range of stakeholders to understand where community funding could make the biggest difference. With stakeholder approval, SSE focused on investing in projects which would directly help improve energy efficiency and reduce fuel poverty. In November 2022, SSE Renewables’ Sustainable Development Fund panel awarded its largest-ever single award of £5m to support the Highland Energy Efficiency Programme which provides energy efficiency measures including solar, battery, air source heating and insulation to households in extreme fuel poverty.

More detailed disclosure on SSE’s community investment can be found in SSE’s Sustainability Report 2023 available at sse.com/sustainability/.

SSE’s UK and Irish GDP contribution, jobs supported and taxes paid for 2022/23

<table>
<thead>
<tr>
<th>Category</th>
<th>GBP (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK contribution to GDP</td>
<td>£6.04bn</td>
</tr>
<tr>
<td>Ireland contribution to GDP</td>
<td>£429m</td>
</tr>
<tr>
<td>UK jobs supported</td>
<td>45,290</td>
</tr>
<tr>
<td>Ireland jobs supported</td>
<td>1,840</td>
</tr>
<tr>
<td>UK taxes paid</td>
<td>£502m</td>
</tr>
<tr>
<td>Ireland taxes paid</td>
<td>£53.8m</td>
</tr>
</tbody>
</table>

Invested in communities across the UK and Ireland by SSE in 2022/23:

The purpose is to demonstrate an ongoing commitment to upholding the principles of fair tax as SSE expands internationally.

Over 2022/23, SSE’s total tax contribution was £1.3bn, consisting of £549m taxes paid (including £217m corporation tax) and £764m taxes collected. Further information on SSE’s tax position can be found on pages 93 and 237 to 239 of this report, and in the Sustainability Report 2023.

SSE is committed to the transparency of its tax affairs and publishes an annual Talking Tax report with enhanced country-by-country tax disclosures alongside detail of SSE’s tax strategy. SSE’s Talking Tax reports can be found on sse.com/sustainability/.

Sharing value directly with local communities

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More detailed disclosure on SSE’s community investment can be found in SSE’s Sustainability Report 2023 available at sse.com/sustainability/.
A sustainable approach continued
Ensuring a just transition continued

Jobs for net zero
Withholding expenditure on new greenfield energy investment over the next decade, it is essential that action is taken to attract more skilled and diverse talent to SSE’s core business. Engineering, Maths), careers, whilst training existing employees for the roles it recognises as facing potential skills shortages. This approach to development enables a pipeline of future-fit talent to deliver net zero. Within SSE, at least 1,000 new jobs are expected to be created every year to 2025. Opportunities will be created in a range of roles, which will mean adding existing skills and developing new skills as SSE moves into new technologies. To fill these roles, SSE’s recruitment strategy seeks to bring new talent into the organisation immediately, at the same time as developing a longer-term pipeline to meet the skills needs of the future.

New jobs expected to be created every year to 2025
1,000

For the jobs of today, SSE focuses on recruiting new talent through its early careers and graduate programmes. The number of people on one of SSE’s pipeline programmes increased to 5,651, compared to 4,122 individuals in 2021/22. Investment in pipeline programmes increased to £188m in 2022/23 from £175m in 2021/22. This brings SSE’s total investment in pipeline programmes over the last three years to just over £530m.

Total investment in learning, training and pipeline programmes in 2022/23
£223.2m

SSE’s employee retention level in 2021/22 was 90.1%, which remained slightly elevated compared to pre-pandemic rates. In 2022/23, retention decreased to 89.3%, reflecting a return towards pre-pandemic labour market conditions. SSE’s 2022/23 voluntary turnover rate was 7.0%, compared to 7.8% in 2021/22.

Developing the future skills required for net zero
SSE’s investment in learning, training and development increased to £4.1m in 2022/23 from £7.5m in 2021/22. Average training hours per full-time employee was 19.8, a decrease from 20.7 in 2021/22, with 89.3% of SSE’s employees receiving some form of training over the year.

Core to SSE’s strategy to build its future workforce is consistent investment in its pipeline programmes. These pipeline programmes include apprenticeships, technical skills trainee programmes and graduate programmes. The number of people on one of SSE’s pipeline programmes increased to 5,641, compared to 4,651 individuals in 2021/22. Investment in pipeline programmes increased to £128m in 2022/23 from £89m in 2021/22. This brings SSE’s total investment in pipeline programmes over the last three years to just over £530m.

The right to freedom of association and collective bargaining
Everyone in SSE has the fundamental right to freedom of association and to join a trade union. SSE has four recognised trade union partners (Prospect, Unite, Unison and the GMB) which it works with through the Joint Negotiating and Consultative Committee and through regular ongoing dialogue. In 2020/21, 50% of SSE’s total direct workforce were covered by collective bargaining agreements. Broader recognition of employee voice is recognised by SSE as an important part of decision-making and strategy. See the stakeholder engagement section on employees on page 28 of this report.

A growing package of employee benefits
SSE offers a wide range of employee benefits, including flexible working arrangements, 21 weeks of fully-paid maternity leave for all employees, share plans, a holiday purchase scheme, cycle-to-work scheme, salary-related pension scheme, and technology loans, amongst other initiatives. In November 2022 SSE announced significant improvements to its family leave offering, well beyond the statutory minimum specified in UK and Ireland employment legislation. The enhancements are aimed to ensure that all new and prospective parents feel supported, regardless of personal or family circumstances and where they are on the journey to becoming a parent. This includes an additional seven weeks paid leave for partners, two weeks’ full pay pregnancy loss leave, and two weeks’ full paid leave for fertility treatment. See SSE’s Inclusion and Diversity Report 2023 for more information.

The number of reports of suspected wrongdoing has remained stable year-on-year, with 50 reports made through SSE’s speak up channels in 2022/23, compared to 49 in 2021/22. Every report is triaged and considered for investigation. SSE monitors the trends of Speak Up cases closely to ensure that any emerging trends and issues are identified, investigated, and acted upon. The number of reports of suspected wrongdoing is offset by the high rate of case closures, with 2022/23 seeing a significant increase in the number of closed cases, when the number of investigations reduced. For more information, see Table 8.

A healthy business culture is one where everyone feels able to speak up, in the event of wrongdoing. People that work for SSE, or on its behalf, are encouraged to speak up and are protected from retribution. SSE has an independent whistleblowing channel, hosted by Safelincs, with the option to report anonymously, which supplements internal reporting channels.

Table 8: Reported incidents of suspected wrongdoing by category

<table>
<thead>
<tr>
<th>Category of incident reported</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud/Theft/Bribery/Money laundering/Corruption</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Health and safety (General Safety/Covid-19/Environmental/Product Contamination)</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>Drug/alcohol</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Regulatory Compliance</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Inclusion and diversity (Race/Discrimination/Unfair Treatment)</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>General (Data Protection/Policy/Reputation)/Corporate Governance/ Failure to Investigate</td>
<td>11</td>
<td>8</td>
</tr>
</tbody>
</table>

Total | 50 | 49 |

Table 9: Outcomes of investigations into reported incidents of suspected wrongdoing

<table>
<thead>
<tr>
<th>Category of incident reported</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dismissal/Resignation</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Warning issued</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>No action taken</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Investigated as grievance</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Investigated and partly substantiated but with no action taken</td>
<td>16</td>
<td>15</td>
</tr>
<tr>
<td>Investigated but case not proven</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Initial investigation established insufficient evidence to proceed further</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Unable to investigate due to insufficient information to establish the nature, cause, location or otherwise of the allegation</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Cases Still Under Investigation</td>
<td>5</td>
<td>0</td>
</tr>
</tbody>
</table>

Total | 50 | 49 |

Supporting whistleblowers
SSE’s Speak Up Anti-Corruption Programme has been designed to promote good communication with employees who speak up and provide reassurance that there will be no detriment for anyone speaking up in good faith. The programme takes the form of a survey that is issued at the point of initial complaint, at 90 days and then at 180 days. Each survey is slightly different, having been designed to ensure that there is opportunity to highlight detriment in any form, provide an outlet for discussion and resolutions, and also seek feedback for SSE on the user experience, ease of reporting, what went well and to constantly improve the service SSE is offering.

SSE’s Group Whistleblowing Policy is forthcoming in the Sustainability Report 2023, with the effectiveness of SSE’s whistleblowing arrangements reviewed twice yearly by the Group Executive Committee and the Board.
Promoting inclusion and diversity

SSE’s approach to inclusion and diversity

SSE’s Inclusion and Diversity Strategy, launched in 2021, builds on the inclusion and diversity work that SSE has been undertaking since 2014. It is framed on four pillars: Ambition; Education and Development; Inclusive Processes; and Employee Voice.

Delivery of the strategy relies on engagement and effort from many in SSE, and has been informed through collaboration with external partners to identify opportunities for further improvement. It focuses on inclusion for all by listening to underrepresented groups and their unique experiences, and invests leadership development to help shape and influence the actions needed to embed positive change across all levels of the business. Learnings from these initiatives will continue to develop the strategy further.

Developing leadership to drive inclusion from the top

SSE has a number of leadership programmes in place, which are designed to build leadership skills and raise awareness for all to create an inclusive workplace. This includes SSE’s Igniting Inclusion Programme, which supports managing directors and Business Unit executive committees to learn about key inclusion and diversity themes, and how these can be practically applied in the workplace.

Over 2022/23, SSE also embedded inclusivity throughout its existing Leadership Blueprint, ensuring that leaders build proud and inclusive teams.

Creating an inclusive employee culture

Listening to employees enables SSE to focus business priorities and improve initiatives, whilst also ensuring employees feel valued and have increased opportunities for development. SSE gains insight on employee voice through its ‘Belonging in SSE’ communities, each of which is sponsored by a Managing Director, and which aim to bring people together across the organisation for open and constructive employee-led discussion.

Over 2022/23, SSE increased its members in the ‘Belonging in SSE’ communities to just over 2,000 and continued to listen to, and engage with, employees on subjects such as intersectionality, culture, ethnicity, and neurodiversity. Each Belonging in SSE community has developed an action plan and every two months they meet with SSE’s Group Executive sponsors to discuss progress and opportunities to move forward with their action plans.

Measuring progress

A key part of SSE’s Inclusion and Diversity Strategy is the ability to measure the progress being made as a result of the various initiatives in place. SSE has been tracking progress against a wide range of diversity metrics within the business since 2015, including the proportion of women, ethnic minority, disabled, and LGBTIQ&A+ employees. Setting measurable ambitions that align with best practice enables SSE to work towards stretching ambitions and monitor its progress against these.

Inclusion and Diversity Report 2023

SSE publishes its annual Inclusion and Diversity Report, which provides comprehensive and transparent information around SSE’s Inclusion and Diversity Strategy and progress against it.

Further information around SSE’s approach to inclusion and diversity over 2022/23, the actions it is taking to drive improvements and plans for the coming years, see SSE’s Inclusion and Diversity Report – 2023 available at sse.com/sustainability.

SSE’s 2023 gender pay gap

Between 2021/22 and 2022/23, SSE saw a positive trend in its headline UK gender pay gap statistics. SSE’s gender pay gap reduced from 18.0% at 5 April 2022 to 15.3% at 5 April 2023.

The reduction in SSE’s UK median gender pay gap between 2022/2 and 2022/23 has been driven by three main contributing factors:

• Interim cost-of-living pay increase: In recognition of the cost-of-living pressures affecting its employees, on 1 October 2022 SSE brought forward part of its trade union negotiated cost of living increase for 2023, by awarding up to a 3% increase to all employees earning less than £100,000 annually. The structure of this pay award was to prioritise helping those on lower salaries who are most affected by the rise in living costs; therefore employees received either a 5%, 3%, or 0% increase depending on their salary, with those in the lower pay quartile receiving the highest percentage increase. At SSE representation of women is highest in the lower and lower-middle pay quartiles, resulting in a higher percentage of female employees receiving a 5% pay award. However, the full impact of the 2022/23 pay award on SSE’s gender pay gap will not be fully understood until the second part of the award is made for full-year in the first quarter of 2023/24 (backdated to 1 April 2023).

• Salary uplift for employees on Joint Agreement contracts: SSE introduced a new skill-based Pay Progression model in 2021, which saw employees’ salaries being mapped according to their skill-level. This resulted in many employees receiving salary uplifts, mainly those in the lower pay quartile. As SSE has higher female representation in this quartile, this meant a higher number of women received a pay increase. Over 2022/23, the positive impact of this new pay model on the gender pay gap has continued with a slightly higher proportion of female employees progressing through the pay progression framework.

• Increasing representation of women in high-paid roles: Over 2022/23, female representation in high-paid roles, classed as those earning over £100,000 per year, has more than doubled from 25 to 53 female employees, compared to a 50% increase for male employees, from 145 to 217. Due to SSE’s female population representing 30% of its workforce, changes such as these have an impact on the median pay gap.

More detail on SSE’s UK gender pay gap, including further data, analysis, and disclosure of the wide range of actions taken to reduce the pay gap, is provided in SSE’s Inclusion and Diversity Report 2023 available at sse.com/sustainability.

SSE has voluntarily disclosed its Ireland Gender Pay Gap since 2021, calculating it in line with the UK Gender Pay Gap methodology, based on a snapshot date of 5 April. In December 2022, SSE disclosed its first set of Ireland gender pay gap data in line with the Irish Government’s new mandatory gender pay gap requirements which launched in May 2022. This data is calculated using a 30 June snapshot and SSE will publish its 2023 Ireland gender pay gap disclosure later in 2023. More detail on SSE’s 2022/23 Ireland gender pay gap calculation can be found at sse.com/sustainability.

A sustainable approach continued

Ensuring a just transition continued

Strategic Report

Directors’ Report

Financial Statements

Ambition

Setting measurable goals

Setting ambitions and KPIs, and using external benchmarking.

Education and development

Focusing on behaviours

Building leadership confidence and raising awareness for all to create an inclusive workplace.

Inclusive processes

Embedding best practice

Ensuring policies and processes are inclusive and support everyone.

Employee voice

Actively listening

Understanding what matters to employees to inform and shape the improvements needed.
Protecting health, safety and wellbeing

Monitoring health and safety performance
Safety remains SSE’s first priority with the objective that ‘everyone gets home safe’ and a focus is all the heavier following the tragic death of Liam Macdonald, a young contractor working on Shetland, in June 2022. The Total Recordable Injury Rate (TRIR) for direct employees and contractors’ combined was 0.19 per 100,000 hours worked, up from 0.17 in 2021/22. This increase reflects a significant surge in investment and construction, and an associated rise in contractor hours worked. Further detail on SSE’s TRIR is outlined in Table 12, with additional information on contractor safety outlined on pages 66 and 164.

SSE seeks to embed a strong safety culture and to ensure that all those working on its behalf feel confident to speak up around safety. In SSE’s 2022 all-employee survey, which had a 79% response rate, 92% of employees said that their manager sets the right example when it comes to Safety, Health and Environment and 94% said that SSE makes it easy for people to do the right thing on Safety, Health and Environment. Detailed information on SSE’s health and safety performance over 2022/23 is provided in the Sustainability, Health and Environment Advisory Committee report on pages 162 to 165 of this report and in the Sustainability Report 2023.

Taking a holistic approach to wellbeing
In 2022/23, SSE undertook a strategic review of occupational benefits which also included recruitment of a dedicated Head of Health and Wellbeing. The review recognised that while a very good range of support was already in place, there were opportunities for some services to be used more and/or expanded upon.

Building upon the outcomes of the strategic review and recognising the impact which Covid and the cost of living crisis have had on employees’ wellbeing, over 2022/23 SSE developed a holistic range of benefits which support physical, mental and financial wellbeing.

In addition to providing a wider range of support services, a key focus in 2022 was to make it easier for employees to access the right form of support when they need it. As a result, SSE launched the Health Hub, an online portal with clear signposting to all of the wellbeing support and guidance available to employees.

Increased investment in employee health
Over 2022/23, SSE made a significant investment to enhance the health support it provides to its employees. One of the key investments made was the launch of a new service, WeCare, which enables employees in the UK and Northern Ireland to access free online GP appointments within 48 hours and access to a private prescription service, to help colleagues receive the medical care they need.

WeCare can be used by all UK and Northern Ireland employees, as well as their immediate family who live in the same home, and it also offers 24/7 support on physical and mental health issues, general wellbeing and financial and legal matters. Employees in Ireland can receive similar support through SSE’s partnerships with VHI Healthcare.

Over 2022/23, SSE had an employee disclosure rate of 39% of the total employee population for diversity metrics including ethnicity, gender, sexual orientation, and disabilities, an increase from 32% the previous year. SSE’s diversity data board for the population of employees disclosing this information is provided in Table 11. Increasing employees’ voluntary disclosure of their diversity data, even if they select ‘prefer not to say’, is essential in order for SSE to set ambitions, develop strategies, and gain learnings that will increase diversity within the business. See SSE’s Inclusion and Diversity Report 2023 for details about how SSE is working to increase diversity data disclosure rates.

An ethical business culture alongside inclusion and diversity are directly linked to the Group Principal Risk of People and Culture – full details are available on page 75.

Table 12: Total Recordable Injury Rates for SSE’s employees and contractors

<table>
<thead>
<tr>
<th>Year</th>
<th>Unit</th>
<th>2022/23</th>
<th>2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Rate – employees</td>
<td>Per 100,000 hours worked</td>
<td>0.19</td>
<td>0.17</td>
</tr>
<tr>
<td>Total Recordable Injury Rate – contractors</td>
<td>Per 100,000 hours worked</td>
<td>0.10</td>
<td>0.09</td>
</tr>
<tr>
<td>Total Recordable Injury Rate</td>
<td>Per 100,000 hours worked</td>
<td>0.34</td>
<td>0.32</td>
</tr>
</tbody>
</table>

WeCare puts the health and wellbeing of people first. WeCare offers free online GP appointments within 48 hours and access to a private prescription service. WeCare also provides support on physical and mental health issues, general wellbeing and financial and legal matters. It can be used by all UK and Northern Ireland employees, as well as their immediate family.

Table 10: SSE’s gender data for senior levels and all employees at 31 March in each year

<table>
<thead>
<tr>
<th>Board</th>
<th>Ongoing</th>
<th>50% with no less than 40% female representation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Executive Committee (GEC)</td>
<td>40% female</td>
<td>27.6% (8/3)</td>
</tr>
<tr>
<td>GEC and direct reports (incl. administrative roles)</td>
<td>40% female</td>
<td>23.7% (182/747)</td>
</tr>
<tr>
<td>Leadership Group</td>
<td>40% female</td>
<td>23.7% (812/3437)</td>
</tr>
<tr>
<td>Total employees</td>
<td>33% female</td>
<td>23.7% (8,525/3,655)</td>
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Table 11: SSE’s wider diversity data at 31 March in each year

<table>
<thead>
<tr>
<th>Diversity category</th>
<th>Year</th>
<th>% of employees</th>
<th>% of employees</th>
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<tbody>
<tr>
<td></td>
<td>2022/23</td>
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</tr>
<tr>
<td>Disability</td>
<td>8</td>
<td>8.9</td>
<td>6.8</td>
</tr>
<tr>
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<td>15</td>
<td>8.1</td>
<td>6.3</td>
</tr>
<tr>
<td>LGBTQ+</td>
<td>2022/23</td>
<td>3.8</td>
<td>2021/22</td>
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</table>

* Data is collected on SSE’s HR data reporting system ‘Harmony’. Gender has a 100% completion rate, and is based on biological sex. Disability, Ethnic Minority, and LGBTQ+ data is voluntarily disclosed by employees, with a 10% disclosure rate at 31 March 2022 and a 32% disclosure rate at 31 March 2023. Data excludes those without facility to share information on Harmony.

** SSE plc Annual Report 2023**

Wider diversity targets SSE tracks progress against a range of diversity metrics, including the proportion of ethnic minority, disabled, and LGBTQ+ employees. Senior leaders focus on progress as part of broad internal inclusion and diversity ambitions quarterly, and these metrics are reviewed twice yearly by the GEC and the Board.

SSE understands that transparency supports inclusion and diversity progress, and therefore is working to increase the proportion of employees disclosing their diversity data to SSE, so that it can improve external disclosure as it becomes feasible to do so.

Over 2022/23, SSE has developed its ethnicity pay gap analysis, in line with the UK Government guidelines published in April 2023. SSE is using this data for internal analysis and aims to publish its ethnicity pay gap when employee disclosure rates are high enough to ensure anonymity and provide meaningful insight. At 31 March 2023, SSE had an employee disclosure rate of 39% of the total employee population for diversity metrics including ethnicity, gender, sexual orientation, and disabilities, an increase from 32% the previous year. SSE’s diversity data board for the population of employees disclosing this information is provided in Table 11. Increasing employees’ voluntary disclosure of their diversity data, even if they select ‘prefer not to say’, is essential in order for SSE to set ambitions, develop strategies, and gain learnings that will increase diversity within the business. See SSE’s Inclusion and Diversity Report 2023 for details about how SSE is working to increase diversity data disclosure rates.

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A sustainable approach continued
Ensuring a just transition continued

Providing affordable and clean energy

Avoiding the next energy crisis

SSE recognises the hugely challenging circumstances faced by energy consumers in 2022/23. SSE Airtricity responded through a combination of keeping tariffs as low as possible for all consumers through not passing through the full impact of wholesale costs, a price freeze for financially vulnerable consumers and customer support funds. The business also honoured its commitment not to make a profit in the year. Residual profits of €8.6m were distributed to ROI domestic customers in full, after the year-end in April 2023, amounting to a credit of €35 per customer.

Short-term measures, however, are not a long-term solution to high energy costs and a reliance on unpredictable sources of energy. Therefore, the need to accelerate the delivery of renewable energy generation and accelerated energy efficiency rollout for homes and businesses is more important now than ever. It is this multi-track approach, supporting customers in the short-term, with industry and government working together in the medium-term for a secure, clean and affordable future energy system.

Powering greener homes and businesses

SSE Business Energy helps business customers of all sizes across the UK to reduce their carbon emissions by providing green energy options. All SSE Business Energy green electricity is backed by Renewable Energy Guarantees of Origin (REGOs) and is independently verified. In addition to this, SSE Airtricity has a 50% ownership share in Activ8 Solar Energies, which carried out over 1,500 domestic solar installations in 2022/23, with further plans to deliver up to 40,000 installations over the next 10 years. This activity is also helping to support local jobs, with the creation of 200 highly skilled green jobs over the next two years announced by Activ8 in 2022, supporting a just transition towards net zero.

Energy Affordability remains a Principal Risk to the Group, for further details please see page 73.

Providing an inclusive service to network customers

SSEN Distribution’s Priority Service Register (PSR) is the mechanism to target support for people in vulnerable situations. The PSR provides support for customers who require adapted services, or who may need additional support, particularly in the event of power cuts. It is therefore critical that the Register is comprehensive, accurate and captures all those in need.

To achieve that aim, in March 2023 a new website thepsr.co.uk was created through a collaborative initiative led by SSEN Distribution and including 10 Distribution Network Operators (DNOs) and Gas Distribution Network Operators (GDNs). This website brings together individual registers from DNOs and GDNs, making is easier to raise awareness of the additional support available nationwide. Furthermore, the website supports external partners such as local and national charities and NHS Trusts to promote the PSR to their customer base through a clear process.

Unlocking a just transition for network customers

SSEN Distribution is at the forefront of enabling net zero at a local level, operating the electricity distribution network that will facilitate new forms of heating, battery storage and many more electric vehicles. In March 2023, it published a report which explores how net zero can be delivered fairly for consumers, ensuring people can participate in and benefit from the energy transition.

The report, titled A Fair Energy Future, details the partnerships and innovation projects SSEN Distribution has undertaken to explore and understand the new energy challenges that consumers will face in the next two decades with technology rapidly advancing and high-carbon heating and transport being phased out.

Creating new standards in equal EV access

In October 2020 SSEN Distribution established ‘Equal EV’, a collaboration with Disabled Motoring UK (DMUK) to identify the unique enablers and barriers faced by drivers with vulnerabilities adopting electric vehicles (EVs) and the role of technologies and Distribution Network Operators in removing barriers. The insights gained from the work have been instructive and have supported the inclusion of a commitment to improve accessibility at public charge points for disabled users in the UK Government’s Electric Vehicle Infrastructure Strategy.

In 2022, the Equal EV project fed into the creation of the British Standard Institution (BSI) PAS 1899, a new specification on accessible public charge points for EVs covering the design of charge points, including the location spacing and surrounding environment, as well as the appropriate information, signals and indicators to be provided.

In addition, Disabled Motoring UK (DMUK) launched a parking standard called the Disabled Parking Accreditation (DPA) which signposts off-street car parks that are accessible to disabled people and will soon include a dedicated section on EV charge point provision.
A sustainable approach continued
Ensuring a just transition continued

Supporting a sustainable supply chain

An increasing focus on contractor safety
In 2022/23, SSE continued to deliver its Modern Slavery Action Plan. Key developments over the year included the rolling out its updated modern slavery clause and Living Hours clause into supplier contracts, and completion of onsite modern slavery audits. SSE finalised the programme of onsite modern slavery audits for three of its key sites, which have been undertaken by third party organisation Stronger Together since 2021/22. Findings showed that health, safety, and labour standards were very high on all three sites assessed and that risk of modern slavery was very low. The gap analysis highlighted key improvement areas, including around risk identification, supplier due diligence and training, which have been embedded in SSE’s Action Plan.

Deep dive assessments for high risk areas of SSE’s business activities continued. Work was undertaken with Slave Free Alliance to identify risk associated with Solar and Battery projects, and mitigation actions are ongoing. SSE Renewables increased focus on high-risk areas such as vessels which service offshore wind farms to identify key risk areas and ensure additional due diligence is put in place where required.

In addition, SSE continued to actively participate in a number of industry working groups and initiatives that seek to develop best practice and industry-wide approaches to addressing modern slavery.

More information on SSE’s actions to mitigate the risk of human rights abuses and modern slavery, and the industry collaboration being undertaken, can be found in SSE’s Sustainability Report 2023.

Healthy supply chains influence SSE’s exposure to the Principal Risks of Large Capital Projects Management and Speed of Change – further details on how these are managed can be found on pages 78 and 77.

Mitigating modern slavery in the supply chain

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SSE’s current growth phase, there is a need for a strategy that builds stronger, more collaborative relationships with supply chain partners to keep everyone safe.

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Reporting requirement and SSE’s material areas of impact

<table>
<thead>
<tr>
<th>Environmental matters</th>
<th>Relevant Group Principal Risks</th>
<th>Relevant Group Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering net zero</td>
<td>Climate Change</td>
<td>Group Climate Change Policy</td>
</tr>
<tr>
<td>Managing climate-related issues</td>
<td>Safety and the Environment</td>
<td>Group Environment Policy</td>
</tr>
<tr>
<td>Carbon performance, metrics and targets</td>
<td>Climate Change</td>
<td>Group Climate Change Policy</td>
</tr>
<tr>
<td>Responsible resource use – water and energy use, air emissions</td>
<td>Safety and the Environment</td>
<td>Group Environment Policy</td>
</tr>
<tr>
<td>Managing impacts on the natural environment and biodiversity</td>
<td>Climate Change</td>
<td>Group Climate Change Policy</td>
</tr>
</tbody>
</table>

Employees

- Protecting health, safety and wellbeing
- Investing in training and learning
- Culture and ethics
- Reward and benefits
- Employee voice
- Promoting inclusion and diversity

People and Culture

Safety and the Environment

Group Employment Policy

Group Safety and Health Policy

2030 Goals progress, pages 22 to 23

Ensuring a just transition, pages 56 to 66

Focusing on culture, pages 59 and 137 to 138

Empowering the employee voice, pages 134 to 136

Safety, Sustainability, Health and Environment Advisory Committee Report, pages 162 to 165

Social matters

- Ensuring a just transition
- Contributing to jobs and GDP
- Sustainable procurement and supporting local supply chains
- Paying a fair share of tax
- Supporting customers through the cost of living crisis
- Sharing value with local communities

People and Culture

Speed of Change

Energy Affordability

Group Sustainability Policy

Group Procurement Policy

2030 Goals progress, pages 22 to 23

Ensuring a just transition, pages 56 to 66

Focusing on culture, pages 59 and 137 to 138

Human rights, anti-corruption and anti-bribery

- Reinforcing an ethical business culture
- Speaking up against wrongdoing
- Prevention of bribery and corruption
- Approach to human rights and modern slavery

People and Culture

Large Capital Projects Management

Group Human Rights Policy

Group Corruption and Financial Crime Prevention Policy

Group Whistleblowing Policy

SSE’s social contribution, pages 58 to 59

Focusing on culture, pages 59 and 137 and 138

Non-financial information statement

SSE has reported extensively on its non-financial impacts within its Annual Report for a number of years and welcomes continued increasing focus from regulators, shareholders and other stakeholders. This table outlines how SSE meets the Non-Financial Reporting requirements contained within the Companies Act 2006. Further disclosure can also be found in SSE’s Sustainability Report 2023.

<table>
<thead>
<tr>
<th>Non-financial information areas</th>
<th>Relevant Group Principal Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human rights, anti-corruption and anti-bribery</td>
<td>Group Human Rights Policy</td>
</tr>
<tr>
<td>Environment, waste and energy</td>
<td>Group Environment Policy</td>
</tr>
<tr>
<td>Social responsibility and community engagement</td>
<td>Group Community Engagement Policy</td>
</tr>
<tr>
<td>Health and safety</td>
<td>Group Safety and Health Policy</td>
</tr>
<tr>
<td>Workplace management and management of diversity</td>
<td>Group Management Policy</td>
</tr>
<tr>
<td>Financial crime prevention</td>
<td>Group Financial Crime Prevention Policy</td>
</tr>
<tr>
<td>Whistleblowing policy</td>
<td>Group Whistleblowing Policy</td>
</tr>
</tbody>
</table>

SSE participated in climate debates on the fringe of COP27 in Egypt in November 2022. SSE’s objective in its attendance was to ensure partners are fully supported and performance is monitored across all of SSE’s large capital projects.

The result of the engagement was an understanding of the importance of PPIC principles (free, prior and informed consent) and an imperative to work more closely with the most strategic suppliers on efforts to ensure components contained within the manufactured capital assets SSE procures are sourced from responsible sources.

The engagement at COP27 was particularly instructive to SSE and has led to the development of a workstream that can deliver a transition to net zero in a responsible and ethical way. This work, directly with suppliers, is in addition to ongoing human rights work with the Sustainability Supply Chain School and industry collaborations including Utilities Against Modern Slavery and Scotland Against Modern Slavery.
Throughout 2022/23 SSE has met and managed unprecedented challenge in the markets in which it operates. As highlighted in the Chair’s Statement on pages 4 and 5, issues such as safety programmes, affordability, sectoral risks (such as extremely volatile commodity prices and inflationary pressures; extreme weather and climate change have featured heavily in strategic risk discussions. While managing these external challenges, SSE has continued to make substantial progress on the execution and delivery of its Net Zero Acceleration Programme (NZAP), with in excess of £2.8bn of capital investment including acquisitions delivered during the course of the year. Supporting a just transition through continuing to create options for investment and growth by boosting energy security, supporting communities and creating green jobs, coupled with its balanced mix of businesses, uniquely positions SSE for Ukraine having a significant impact on the ongoing geopolitical crisis in the energy market. These factors along with weather and climate change have featured as the Group over the course of the year. SSE’s decision making context). The Board aims to consider all material influencing factors and key external trends in the energy market, including those relating to climate change, technological developments and government policy and aims to do so in a way that reflects the expectations of SSE’s key stakeholder groups. This year, due to the pace of change in the markets in which SSE operates, an additional assessment of the Principal Risks was undertaken by the relevant subject matter experts and the Group Executive Committee during the last quarter of the financial year. The output of this was then considered, with any emerging risks or additional material changes resulting from this being proposed to the Board. This year, 11 Group Principal Risks have been identified as having the potential to become a Principal Risk in the medium to long-term. While no new emerging Principal Risks have been identified this year. Important revisions have been made to the descriptions of each of the Principal Risks to take account of key changes and corresponding mitigations that were introduced during the year. Full details of the Group Principal Risks are available on pages 72 to 77. Key developments that influenced the risk exposures to the Group have also been highlighted in detail throughout the Strategic Report.

### Change to individual risk rating

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Residual Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Affordability</td>
<td>1</td>
</tr>
<tr>
<td>Cyber Security and Resilience</td>
<td>1</td>
</tr>
<tr>
<td>Portfolio Exposure</td>
<td>2</td>
</tr>
<tr>
<td>Political and Regulatory Change</td>
<td>7</td>
</tr>
<tr>
<td>Speed of Change</td>
<td>2</td>
</tr>
<tr>
<td>Safety and the Environment</td>
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</tr>
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<td>Large Capital Projects Management</td>
<td>6</td>
</tr>
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<td>Energy Infrastructure Failure</td>
<td>4</td>
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### Risk trend key
- Increased in materiality
- Not changed significantly
- Reduced in materiality

### Group Principal Risks

As reflected throughout the Strategic Report, this year exposes to a number of external factors, particularly those driven by macro-economic and geopolitical events, have increased materially. This, in turn, has increased the residual exposures of a number of the Group Principal Risks set out on the following pages, primarily Energy Affordability, Cyber Security and Resilience, Portfolio Exposure, and Political and Regulatory Change. The graphic below illustrates SSE’s 11 Group Principal Risks positioned to highlight the residual risk impact scores against residual likelihood scores following completion of the Principal Risk Self Assessment process.

### Principal Risk assessment processes

Outputs: Actions and risk disclosures

**Risk response**

- Risk monitoring
- Risk identification
- Risk assessment
- Committee self-assessments
- Executive Committee assessment
- Board assessment

**Individual risk reviews**
Risk-informed decision making continued

Managing SSE’s risks continued

Risk Appetite Statement

The Group risk appetite remains aligned to the achievement of SSE’s strategic objectives. SSE will however only accept risk where it is consistent with its core purpose, strategy and values; is well understood; can be effectively managed; is in line with stakeholder expectations and offers commensurate reward.

The sectors in which SSE operate are part of a rapidly changing industry subject to a high degree of political, regulatory and legislative change as well as risk arising from other developments including technology, the impact of competition, stakeholders’ evolving expectations and climate change. Furthermore, each of SSE’s Business Units have differing levels of exposure to additional risks. For example, the Transmission and Distribution businesses are economically regulated and are characterised by relatively stable, inflation linked cash flows while the Renewables business benefits from cash flows linked to government-mandated renewables subsidies. Those Business Units that generate and trade energy are also exposed to significant medium- to long-term energy market and commodity risks in operational and investment decision making.

The key elements of SSE’s Strategic Framework – including SSE’s Purpose, Strategy, Goals and Values, as well as the focus of its business model, are fully reflective of its risk appetite (see pages 8 and 9 for further details).

In determining its appetite for specific risks, the Board is guided by three key principles:

1. Risks should be consistent with SSE’s core purpose, financial objectives, strategy and values;
2. Risks should only be accepted where relevant approvals have been attained through the Governance Framework to confirm appropriate reward is achievable on the basis of objective evidence and in a manner that is consistent with SSE’s purpose, strategy and values; and
3. Risks should be actively controlled and monitored through the appropriate allocation of management and other resources, underpinned by the maintenance of a healthy business culture.

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take to achieve strategic objectives and for ensuring that risks are managed effectively across the Group.

Fundamentally:

- SSE has a clear strategy to create value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero.
- SSE has a good understanding of the risks and opportunities in the Great Britain and Ireland energy markets and a strong associated knowledge of adjacent EU energy markets, augmented by its acquisitions. UK and Irish markets, alongside EU markets therefore provide the Group’s geographic focus, with expansion into other new international markets being subject to rigorous scrutiny and ensuring the appropriate governance arrangements which are consistent with the Group’s values and strategic goals are in place.
- Safety is SSE’s first value and it has no appetite for risks brought on by unsafe actions, nor does it have any appetite for risks brought on by insecure actions including those relating to cyber security. In areas where SSE is exposed to risks for which it has little or no appetite, even though it has implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

Viability Statement

SSE provides the energy needed today while building a better world of energy for tomorrow through creating value for shareholders and society in a sustainable way by developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero. The delivery of SSE’s purpose and execution of its strategy depends on the skills and talent of a diverse workforce, the quality of its assets and the effective identification, understanding and mitigation of risk.

As required within provision 31 of the UK Corporate Governance Code, the Board has formally assessed the prospects of the Company over the next four financial years to the period ending March 2027. The Directors have determined that as this time horizon aligns with the Group’s Net Zero Acceleration Programme Plus, which includes a fully funded capital investment programme to 2027, a greater degree of confidence over the forecasting assumptions modelled can be established.

In making this statement the Directors have considered the resilience of the Group taking into account its current position, the Principal Risks facing the Group and the control measures in place to mitigate each of them. The Directors recognise the significance of the strong balance sheet with total undrawn committed lending facilities as shown above.

The Group is an owner and operator of critical national infrastructure and has a proven ability to maintain access to capital markets during stressed economic conditions. The Group has demonstrated this through securing £3.0bn of funding since April 2021 including the issuance of a 1bn Euro Hybrid bond in April 2022 and £650m bond in July 2022. Further detail relating to planned funding is available in AG 3. Accompanying Information to the Financial Statements in the Annual Report and Accounts.

The Group has a number of highly attractive and relatively liquid assets – including a regulated asset base which benefits from a strong regulated revenue stream as well as the operational wind portfolio – which provide flexibility of options. This has been demonstrated through the success of the programme of disposals set out by the Group in June 2020 and with the recent sale of a 25% stake in the Transmission business.

To help support this Statement, over the course of the year a suite of severe but plausible scenarios has been developed for each of SSE’s Principal Risks. These scenarios are based on relevant real life events that have been observed either in the markets within which the Group operates or related markets globally. Examples include critical asset failure to generation assets (for Energy Infrastructure Failure), changes to key government energy policies (for Political and Regulatory Change); and the physical impacts of climate change on distribution assets through more frequent and increasingly severe storm events (for Climate Change).

Scenarios are stress tested against forecast available financial headroom and in addition to considering those in isolation, the Directors also consider the cumulative impact of different combinations of scenarios, including those that individually have the highest impact.

The Directors’ Report

The Directors have determined that as the time horizon aligns with the Group’s Net Zero Acceleration Programme Plus, which includes a fully funded capital investment programme to 2027, a greater degree of confidence over the forecasting assumptions modelled can be established.

In making this statement the Directors have considered the resilience of the Group taking into account its current position, the Principal Risks facing the Group and the control measures in place to mitigate each of them. The Directors recognise the significance of the strong balance sheet with total undrawn committed lending facilities as shown above.
Directors' Report

Operate

Link to strategy

What is the risk?

The risk that climate change, such as severe adverse weather that causes damage or interrupts energy supply or generation.

The speed of technological developments.

Transitional risks relating to developments in political and regulatory requirements related to the products and services that SSE provides.

Ensuring the continuation of Large Capital Projects which are fundamental to Group net zero targets.

Global and domestic policies including those published by the UK’s Committee on Climate Change relating to the 6th carbon budget for the period 2032 and 2037.

Political and regulatory engagement.

Plans to transition to a decarbonised energy system.

Geopolitical events relating to the security of supplies and macro-economic stress.

Material influencing factors

The impact of physical risks associated with climate change, such as severe adverse weather that causes damage or interrupts energy supply or generation.

Policy link: SSE Climate Change Policy and SSE Sustainability Policy.

SSE is investing on average £10m a day on decarbonising infrastructure over a five-year period to FY27 as part of its Net Zero Acceleration Programme Plus.

SSE provides transparent disclosures of its governance around climate-related risks and opportunities to allow its stakeholders to properly assess its performance in managing climate related issues.

The Group Executive Committee is responsible for implementing the Group strategy set by the Board and driving climate-related performance programmes across the organisation. The Chief Sustainability Officer is responsible for advising the Board, Group Executive Committee and businesses on climate related matters and provides support in the implementation of relevant initiatives across the Group.

The TCFD Steering Group, which consists of representatives from Finance, Group Risk and Sustainability conducts an annual review of the outputs of the climate-related risk and opportunity assessment process and assesses the potential financial impact of key risks and opportunities in a fair, balanced and understandable way. This is then reviewed and approved by the Group Risk Committee.

SSE’s approach to executive remuneration reflects the role of sustainability and climate-related considerations within SSE’s purpose and strategy, with sustainability-linked metrics and targets an element of performance related pay. As part of the 2022 Directors’ Remuneration Policy review, the Remuneration Committee further strengthened the link between sustainability and executive pay by introducing sustainability metrics in the long-term incentive (PSIs) for the first time. Performance is assessed against SSE’s 2030 Goals and also against strategic performance in relation to the implementation of the NZAP strategy. These measures are worth a combined 50% of the overall award.

Key mitigations

Risk trend

Increased in materiality Not changed significantly Reduced in materiality

Link to strategy

Develop Operate Build Invest

What is the risk?

Cyber Security and Resilience

The risk that key infrastructure, networks or core systems are compromised or are otherwise rendered unavailable.

Material influencing factors

Software or hardware issues, including telecoms networks, connectivity and power supply interruption.

Heightened threat of cyber-attacks due to geopolitical events.

Increased sophistication and likelihood of ransomware attacks.

International expansion.

Ineffective operational performance, for example, breach of information security rules or poor management of resilience expertise.

Employee and contractor understanding and awareness of information security requirements.

Malicious cyber attack.

Key mitigations

Policy link: SSE Cyber Security Policy and SSE Data and Information Management Policy.

Key technology and infrastructure risks are incorporated into the design of systems and are regularly appraised with risk mitigation plans recommended.

SSE conducts regular internal and third-party testing of the security of its information and operational technology networks and systems.

Continued strengthening and embedding of the cyber risks and controls framework to continue to identify threats and reduce exposures through, for example, improved use of data analytics and further migration from unsupported systems.

Significant longer term Security Programme investment and planning which seeks to strengthen the resilience of the systems on which SSE relies.

IT Service Assurance works with individual Business Units to form and agree appropriate service level agreements for business-critical IT services.

Business continuity plans are reviewed in response to changes in the threat to the Group and regularly tested.

Over the course of the year an updated Cyber Security Culture Strategy was launched. This has been designed to continue to improve the cyber security maturity across the Group and build positively on the existing, strong cyber culture. The implementation of this strategy will be assessed and monitored to measure its impact on the levels of cyber security awareness and culture across the Group.

Risk trend

Increased in materiality Not changed significantly Reduced in materiality

Link to strategy

Develop Operate Build Invest

What is the risk?

Energy Affordability

The risk that energy customers’ ability to meet the costs of providing energy, or their ability to access energy services is limited, giving rise to negative political or regulatory intervention that has an impact on SSE’s regulated networks and energy businesses.

Material influencing factors

Technology changes and innovations to develop sustainable infrastructure and energy solutions.

Supply chain cost management.

Public policies, including those aimed at reducing carbon emissions and energy consumption.

Accessibility to energy and related services for all.

Increased focus on energy security in response to current geopolitical events.

Required investment in the upgrading of the UK’s energy infrastructure to achieve net zero.

Political interventions.

Fluctuations in the cost of fuels.

Supplier and customer failures and related bad debt.

Key mitigations

Policy link: SSE Sustainability Policy.

SSE Antrim established the largest customer support fund in Ireland, with provision for up to €25m in affordability funding, and SSE Business Energy has implemented the Energy Bill Relief Scheme.

Robust stakeholder engagement across government, regulators and relevant counterparties.

SSE is focused on flexing the long-term costs, not the short-term symptoms of the current energy crisis, as such it continues to advocate for progressive policies that will help bring forward necessary investment in low-carbon infrastructure at lowest cost to reduce customers’ exposure to gas price volatility and deliver net zero affordability.

Risk trend

Increased in materiality Not changed significantly Reduced in materiality

Link to strategy

Develop Operate Build Invest

Group Principal Risks

Climate Change

Material influencing factors

What is the risk?

The risk that key infrastructure, networks or core systems are compromised or are otherwise rendered unavailable.

Oversight Group Risk Committee

Link to strategy

What is the risk?

Increased in materiality Not changed significantly Reduced in materiality

Link to strategy

Develop Operate Build Invest

What is the risk?

Increased in materiality Not changed significantly Reduced in materiality

Link to strategy

Develop Operate Build Invest
Energy Infrastructure Failure

What is the risk?

The risk of national energy infrastructure failure, whether in respect of assets owned by SSE or those owned by others which SSE relies on, that prevents the Group from meeting its obligations.

Oversight

Group Executive Committee

Link to strategy

Material influencing factors

- Major changes in climate patterns cause sustained higher temperatures that may result in lower rainfall and reduced wind impacting renewable generation output.
- Government policy regarding the operation of the energy network which relates to security of supply.
- Failures in any aspect of the Great Britain national critical infrastructure.
- Appropriate asset management and necessary upgrading works of both generation and network assets.
- Malicious attack on the Great British energy infrastructure.
- Energy network balancing mechanisms.
- Continued availability of competent personnel.

Key mitigations

- Policy link: Business Unit Asset Management Policies.
- SSE assesses the climate impact on its operations over the short, medium and long term from the perspective of market, policy or regulatory transition risks and opportunities and the physical risks of a changed climate.
- SSE’s dedicated Engineering Centres of Excellence review and develop plans to ensure the ongoing integrity of its generation assets is maintained.
- Targeted investment plans to ensure the ongoing health and integrity of network assets.
- Crisis management and business continuity plans are in place across the Group. These are tested regularly and are designed for the management of, and recovery from, significant energy infrastructure failure events. Where there are material changes in infrastructure (or the management of it) additional plans are developed.
- SSE continues to be an active participant in national security forums such as the Centre for the Protection of National Infrastructure (CPNI).
- Flexible and reliable power will continue to be required to back up wind and solar generation ensuring security of supply across the UK. In line with its commitment to a net-zero future, SSE is actively progressing plans to deliver new low-carbon capacity to play this critical role, with CCS and pumped storage hydro projects in development.

Financial Liabilities

What is the risk?

The risk that funding is not available to meet SSE’s financial liabilities, including those relating to its defined benefit pension schemes, as these fall due under both normal and stressed conditions without incurring unacceptable costs or risk damaging to its reputation.

Oversight

Group Risk Committee

Link to strategy

Material influencing factors

- Ongoing commitment to an investment grade credit rating.
- Global macroeconomic changes and subsequent volatility in foreign exchange markets.
- Fluctuations in interest rates and inflation which influence borrowing costs.
- Defined benefit pension scheme performance including the impact of fluctuations in gilt yields on the value of scheme liabilities.
- Counterparty credit limit exposures.
- Operational and trading collateral requirements.

Key mitigations

- Policy link: SSE Financial Management Policy.
- Committed borrowings and facilities are always available equal to at least 105% of forecast borrowings over a rolling 6-month period.
- Detailed and continuous financial modelling and forecasting on a Group and Business Unit basis.
- SSE seeks to maintain a diverse and innovative range of unsecured credit sources.
- SSE has a proven ability to maintain access to capital markets during stressed economic conditions.
- The Group has demonstrated this through securing £5.0bn of new capital markets funding since 1 April 2023 including the issuance of a £1bn Euro Hybrid bond in April 2022 and £650m bond in July 2022.

Material Principals Risks continued

Group Large Capital Projects Management

What is the risk?

The risk that SSE develops and builds major assets that do not realise intended benefits or meet the quality standards required to support economic lives of typically 25 to 60 years within forecast timescales and budgets.

Oversight

Group Large Capital Projects Committee

Link to strategy

Material influencing factors

- Appropriate contractual arrangements which meet the requirements of any jurisdiction in which SSE operates.
- New or unproven technology.
- Appropriate and effective budget controls.
- All aspects of supply chain management, including those relating to human rights, modern slavery and labour standards as well as supply chain impacts associated with new entities, new assets and a new network structure created by joint ventures and Brexit.
- Availability and capacity of competent contractors in any jurisdiction in which SSE operates.

Key mitigations

- Policy link: SSE’s Large Capital Projects Governance Framework manual ensures that all major capital investment projects for the Group are governed, developed and executed in a consistent and effective manner, with full consideration of best practice project delivery. The management plan which was reviewed and updated in detail during 2022, provides common standards across the Group and improves the Group’s risk management.
- The Large Capital Project Services function employs dedicated quality and assurance teams who perform in-depth quality reviews, the outputs of which are presented to the Board where appropriate.
- Ongoing interaction with key suppliers through SSE’s Supplier Relationship Management Programme.
- In major projects, SSE generally manages insurance placement by organising owner-controlled insurance. This strategy allows it to have greater control and flexibility over the provisions in place. SSE also sees the insurance market as an important source of information on the reliability of technology and uses this to inform the design process of major projects.
- Appropriate governance arrangements, including those relating to Joint Venture and Partner Management.

People and Culture

What is the risk?

The risk that SSE is unable to attract, develop and retain an appropriately skilled, diverse and responsible workforce and leadership team, and maintain a healthy business culture which encourages and supports ethical behaviours and decision making.

Oversight

Group Executive Committee

Link to strategy

Material influencing factors

- Rewarding employee contributions through fair pay and benefits.
- Acquisition of competent skills and resources to support growth plans in international markets.
- SSE embraces cultural diversity in the workplace and recognition of the value and benefit of having an inclusive and diverse workforce.
- Responsible employer ethos. For further details please see the Sustainability Report.
- Clearly defined roles, responsibilities and accountabilities for all employees.
- Availability of career development opportunities and appropriate succession planning that recognises potential future skills shortages.
- Clear personal objectives and communication of the SSE set of values.
- A focus on ethical business conduct and creating a culture in which employees feel confident to speak up when they suspect wrongdoing.
- The health and wellbeing of all employees (see the Sustainability Report for further detail).
- Clear and well-structured employee engagement and communications.

Key mitigations

- Policy link: SSE Employment Policy and SSE Whistleblowing Policy.
- SSE has a detailed Inclusion and Diversity plan, progress against which is reviewed and monitored by SSE’s Group Executive Committee on a regular basis. Further details on how this is managed are available to all employees to support mental health and wellbeing, including those provided as part of the Employee Assistance Programme. Further details on careers.sse.com/employee-benefits.
- “Doing the Right Thing, a guide to ethical business conduct,” explicitly outlines the steps employees should take to ensure their day-to-day actions and decisions are consistent both with SSE’s values and ethical business principles. All SSE employees can report incidents of wrongdoing through both internal and external mechanisms. SSE uses an independent “Speak Up!” phone line and email service, hosted externally by Safecall, through which incidents can be reported.
- SSE’s business leaders are required to undertake regular succession planning reviews. At a Group level, SSE continues to develop its approach to the management of talent.
What is the risk?
The risk associated with operating in a fast-paced, highly regulated environment which is subject to constantly changing political, regulatory and legislative expectations and interventions.

Oversight
Group Executive Committee
Link to strategy

 Portfolio Exposure

What is the risk?
The risk the Group’s portfolio value associated with fluctuations in both the price and physical volume of key energy market indices or drivers – primarily gas, carbon and electricity – as well as foreign exchange rates, CO2 permits and oil.

Oversight
Group Risk Committee
Link to strategy

 Material influencing factors
Global geopolitical events.
Fluctuations in demand, supply and generation capabilities both in Great Britain and globally. Further detail is available on page 12 of the Strategic Report.
Generation technology advancements.
Government intervention into the structure of the energy sector in any jurisdiction in which SSE operates.
International and national agreements on climate change.
International flows of fuel.

Key mitigations
SSE has clear plans to ensure that the Group’s exposure to fluctuations in foreign exchange rates and the price of gas is mitigated.

 Speed of Change

What is the risk?
The risk that SSE is unable to keep pace with the speed of change affecting the sector and markets in which it operates and so fails to meet the evolving expectations of its stakeholders or achieve its strategic objectives.

Oversight
Group Executive Committee
Link to strategy

 Material influencing factors
Geopolitical events.
Fast-developing customer needs and expectations in relation to efficient, innovative and flexible products and services.
Technological developments and innovation.
Net-zero strategic goals.
Increased competition from market entrants including international oil companies.
Longer term capital investment plans and budgets.
The size, scale and number of change programmes under way, including those relating to regulatory or legislative requirements in any jurisdiction in which SSE operates.
Governance and decision-making frameworks, including those relating to JV and Partner Management.

Key mitigations
Policy link: SSE Operating Model Policy.
The Board sets the appetite for the Group and approves and regularly reviews the Group’s commercial strategy, business development initiatives and long-term options ensuring alignment of risk appetite and strategic objectives.
SSE’s Group operating model has been designed to ensure dynamic and efficient decision-making, empowered and accountable delivery of Business Unit strategies and to fully utilise the Group’s purpose to provide energy needed today while building a better world for tomorrow. Details of SSE’s decision-making context are available on page 124 of the Directors’ Report.
The Group Executive Committee is responsible for ensuring that Business Unit strategies are consistent and compatible with the overarching Group strategy and its vision to be a leading energy provider in a net zero world.

Safety and the Environment

What is the risk?
The risk of harm to people or property from SSE’s operations.

Oversight
Group Safety, Health and Environment Committee
Link to strategy

 Material influencing factors
Safety culture and SSE’s commitment to getting everyone home safe.
Clear and appropriately communicated safety processes.
Regular and documented training.
The size, scale, complexity and number of projects under way.
Adverse weather.
Challenging geographic locations.
Appropriate task and asset risk assessment.
Clear, effective and regular communications of all relevant safety updates.
Competent employees and contractors.

Key mitigations
Policy link: SSE Safety and Health Policy and SSE Environment Policy.
Safety is the Group’s No.1 value with Board oversight being provided by the Safety, Sustainability, Health and Environment Advisory Committee (SHEAC).
SSE has formed a new central Contractor Safety Team supported by dedicated Contractor SHE Managers and Assurance Auditors to improve contractor safety performance. For full details please see the Sustainability Report.
Crises management and business continuity plans are in place across the Group. These are tested regularly and are designed for the management of and recovery from, significant safety and environmental events.
Each business carries out regular SHE assurance reviews of the risks faced, the controls in place and the monitoring that is undertaken.
SSE’s dedicated Engineering Centres of excellence review and develop plans to ensure that the integrity of its generation assets is maintained.

Political and Regulatory Change

What is the risk?
The risk that SSE’s most significant contribution is to align with the Paris Agreement goal and aim to achieve net zero greenhouse gas emissions by at least 2050.

Oversight
Group Executive Committee
Link to strategy

 Material influencing factors
Changes to regulatory frameworks in any jurisdiction in which SSE operates.
Government intervention into the structure of the energy sector in any jurisdiction in which SSE operates.
Constitutional uncertainty in any jurisdiction in which SSE operates.
Changes in financial, employment, safety and consumer legislation and/or regulation and the impact of these changes on business-as-usual activities in any jurisdiction in which SSE operates.

Key mitigations
Policy link: SSE’s Political and Regulatory Engagement Policy.
The Group has established a Corporate Affairs, Regulation, Legal and Compliance departments that provide advice, guidance and assurance to each business area regarding the interpretation of political, regulatory and legislative change. These teams take the lead in engagement with regulators, politicians, officials and other such stakeholders. Full details of SSE’s Stakeholder Engagement can be found on pages 26 to 33.
SSE has a clear Political Engagement Policy that sets out principles for any employees who make representations to institutions of governments or to legislatures on the Company’s behalf.
SSE Governance arrangements, including those relating to JV and Partner Management.
The Group puts in place dedicated project teams to manage all aspects of significant regulatory and legislative change.
There is regular engagement with the Board and Group Executive Committee on political and regulatory developments which may impact SSE’s operations or strategy.

Group Principal Risks continued

Link to strategy

Risk trend
Increased in materiality
Not changed significantly
Reduced in materiality
Risk trend
Develop
Operate
Build
Invest

Risk trend key

Strategic Report
Directors’ Report
Financial Statements

increased in materiality
not changed significantly
reduced in materiality

SSE plc Annual Report 2023
SSE plc Annual Report 2023
Platform for growth.

Balance and strategic focus in a year of strong financial performance provide the foundations of long-term growth and shareholder value creation.

SSE’s performance in 2022/23 showed yet again the real value of a balanced portfolio of businesses, with 65% of Group adjusted operating profit contributed by our market-facing generation businesses and 31% from our index-linked regulated electricity networks.

Delays on the Saegreen project and the impact of the UK Electricity Generator Levy meant SSE Renewables was broadly flat year-on-year, but this was more than offset by our thermal, flexible hydro and gas storage assets which were rewarded for providing timely backup to the market when it was needed.

In networks, SSENN Transmission had a year of solid financial performance with operating profit broadly flat as higher allowed revenues were offset by lower-than-expected volumes, higher operating costs, and the 25% minority interest which is excluded from adjusted metrics for part of the year. SSENN Distribution earnings were up year-on-year on higher tariffs and reduced operating and fault costs when compared to the previous year when Storm Arwen had an impact.

While market conditions played a part in this year’s results, we anticipate a degree of continuing volatility which, combined with the rise in variable wind capacity coming onto the system, presents an opportunity for ongoing value creation for our large-scale flexible assets.

Solid strategic progress in the year, including execution of spending plans under the Net Zero Acceleration Programme (NZAP), saw £2.8bn invested in critical national infrastructure – an all-time record level of capex and investment for SSE which represented a 37% increase on 2021/22.

Our balance sheet continues to be underpinned by high-quality assets and credit ratings compare favourably with our peers. In the context of the Group’s strong FY23 earnings, net debt to EBITDA fell to 2.7x – well below our 4.5x ceiling.

We expect to report adjusted EPS of more than 150p for 2023/4, dependent upon market conditions, plant availability and weather conditions. And – as announced in May 2022 – our recent performance, financial strength and growth opportunities give us confidence in the ‘NZAP Plus’ plans outlined on pages 16 and 17 and in the following Financial Review.

Our revised plans mean more value for shareholders and society, more financial strength, more investment, more jobs, and more growth to come over the next decade. The NZAP Plus is the platform for around £18bn of investment in the decarbonising infrastructure needed for a cleaner, more secure and more affordable future energy system.

In closing, this being my last contribution to an SSE Annual Report, I would like to express my thanks to the many colleagues – past and present – who have so ably supported me throughout my 21 years as Finance Director. It has been an absolute privilege and honour working for 32 years in a company that has such a strong purpose and heritage, driving forward its net zero ambitions.

I leave in the knowledge that the Company’s finances are in the safe hands of Barry O’Regan who brings a wealth of energy experience to the role in the hands of Barry O’Regan who brings a wealth of energy experience to the role and is ideally placed to help seize the balance of opportunities coming SSE’s way as net zero draws closer.

Gregor Alexander
Finance Director, SSE plc
23 May 2023

Impact from market volatility

The Group's balanced mix of economically regulated and market-based businesses provides a natural hedge against short-term commodity price volatility. Nevertheless, the volatile commodity price environment throughout the year combined with the continued higher power price, gas price and inflation rate environment, will have a continued impact on SSE’s businesses which can be summarised as follows:

SSENN Transmission and SSENN Distribution operate under a regulatory price control framework which is set by Ofgem. Returns under this framework have no direct relationship to power and gas market prices. However, both allowed revenues and Regulated Asset Values are indexed (Transmission to CPIH) for the R10-T2 price control period which lasts from 1 April 2021 to 31 March 2026, and Distribution to RPI (for R10-ED2 which ended on 31 March 2023) and CPIH (for R10-ED2 which lasts from 1 April 2023 to 31 March 2028).

Within SSE Renewables, the established hedging approach generally reduces its broad exposure to commodity price variation at least 12 months in advance of delivery. This approach ensures value for the business, by reducing exposure to short-term commodity price movements which would drive variable financial performance.

Hedges may be achieved either through the forward sale of power or gas and carbon equivalents. This approach aims to reduce the exposure of these wind assets to volatile spot power market outcomes whilst still providing an underlying commodity price hedge. When gas-and-carbon hedges are converted into electricity price hedges a ‘spark spread’ is realised which can lead to changes in the average hedge price expected. This can increase the previously published average hedge price, as has been seen in 2022/23 or decrease it.

Within SSE Thermal, as well as the Hydro plant within SSE Renewables, value has come from the ability of the plant to respond to market conditions and provide vital balancing services to support security of supply through flexibility provision in less predictable market conditions.

The last twelve months has seen the Thermal business navigate extreme volatility in the forward power markets. Whilst some of this volatility is directly attributable to the war in Ukraine and ensuing gas crisis, there are other more fundamental drivers relating to price uncertainty which are longstanding.
These longer-term price drivers include liquidity, carbon price basis risk, regulatory or political interventions, and the availability of risk capital and collateral within the markets. This business therefore aims to reduce earnings volatility by establishing a hedge for the expected economic output in the six months prior to delivery, although this approach is closely monitored for any unexpected changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Higher power and gas prices are generally more economically favourable for these businesses, driving premiums over forward peak spark prices which includes market-based income from other sources outside of the single spark spread such as Balancing Mechanism and ancillary Grid contracts. Income from Capacity Mechanism is known ahead of each delivery year and is unrelated to current market conditions.

However, if plant is unavailable at times of system stress then forward sales contracts would again need to be ‘bought back’ in the market which would negatively impact the trading result.

The Gas Storage assets are operated on a merchant basis, to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. As such, volatile gas prices are generally positive for this business, but less so if plant is available, as a merchant business can respond to volatility and capture the positive gas price spreads arising. To the extent that plant is available, the unwind from deferred tax balances at the period end, a remeasurement gain or loss may also be recognised with reference to the forward market.

Energy Portfolio Management, as the market-facing commodity trader for each business unit, holds the Group’s direct exposure to unsettled commodity contracts and therefore may experience significant unrealised mark-to-market remeasurement gains or losses in periods of volatility. However, these revaluations are unrelated to operating performance with traded volumes backed by SSE’s future generation output or expected customer demand. Whist EPM is permitted to take small positions in the market to manage the Group’s trades, its exposure is limited to hedging and execute optimisation opportunities, this is contained within strict Value at Risk (VAR) limits that limits exposures to the forward market.

During the year, market volatility and increased margining requirements resulted in a significant increase in the collateral required for trade with counterparties and on exchanges, this was monitored closely by the Group and effectively managed with more than sufficient levels of liquidity maintained. The level of collateral required has decreased over the second six months of the financial year as older trades have been settled and newer trades have experienced lower levels of volatility.

SSE Business Energy and SSE Airtricity (aside from Northern Ireland, where SSE Airtricity’s gas supply business is subject to a regulatory pricing mechanism) are not subject to a regulated price cap and therefore variable tariffs are adjusted dynamically and fixed tariff rates are reset for new customers as wholesale costs increase or decrease. Although the businesses are insulated against gas price rises insofar as they are hedged, there are external circumstances that would result in hedge adjustments such as weather, supplier failures and broader economic conditions. Due to the difficult affordability circumstances created by escalating wholesale prices across the year, a decision was made to protect domestic and non-domestic customers from the full impact of these increases; tariff changes therefore did not fully reflect increases in wholesale prices. A dynamic forecasting approach has been implemented to help the business respond quickly to volume changes.

Both businesses have administered government-backed support schemes during the year, intended to protect domestic and non-domestic customers from the full impact of the heightened power and gas price environment. These schemes provide discounts to customers based on estimated usage and recover amounts from government based on actual customer usage – the 'most material of these being the Energy Bills Relief Scheme (EBRS).

In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through Renewables Energy Feed-in Tariffs (‘REFIT’) receipts on legacy wind assets. Finally, SSE Group is well funded with a strong investment grade credit rating, a high proportion of the £8.9bn adjusted net debt (£5.2bn) is fixed rate and the average maturity of SSE’s debt is 6.4 years.

The Group has been successful despite challenging debt markets, issuing £6bn of Hybrid Bonds, a £350m Private Placement and a €605m Eurobond earlier in the financial year at well-below current market prices. SSE’s balance sheet strength allows the Group to meet additional collateral requirements on higher and more volatile commodity contracts, while the high proportion of fixed-rate debt provides the Group with the financial flexibility in an inflationary environment.

Operating profit

Adjusted and reported operating profits/losses in SSE’s business segments for the year to 31 March 2023 are set out below, comparisons are with the same period to 30 March 2022 unless otherwise stated.

SSE Transmission: Adjusted operating profit decreased by 2% to £372.7m, which includes a £32.8m minority interest adjustment following completion of the 25% divestment on 30 November 2022. SSE Transmission’s significantly higher allowed revenues in years partially offset by a combination of a negative timing impact on lower-than-expected Transmission Network Use of System (‘TNUS’) volumes, and increases in operating costs and depreciation charges, as the business continues to grow the asset base and develop its operational capacity.

Reported operating profit increased by 7% to £405.5m, reflecting all of the adjustments above except for the £32.8m minority interest adjustment, as minority interests are fully consolidated for all profit metrics except for Earnings Per Share under IFRS.

SSE Distribution: Adjusted and reported operating profit increased by 9% to £380.5m in the period. Higher allowed revenues including previously undiscovered allowances following the impact of coronavirus on Distribution Tariff Indexation Levels (DTIL) volumes in 2020/21 were broadly offset by a negative timing impact on lower-than-expected volumes in 2020/21. In addition, 2022/23 operating costs were lower than prior year mainly driven by a reduction in fuel costs, given the impact of severe weather on the network during 2022/23.

SSE Renewables: Adjusted operating profit increased by 2% to £580.5m in the year. Having experienced exceptionally still and dry weather in the prior year, volumes increased by 2.7TWh or 7% in the current year but were still around 1.5TWh and 13% behind planned levels due to less favourable weather than the long term average and delays to construction of the Seagreen project.

In line with SSE’s hedging approach, SSE’s tradable volumes in the realised period are around 40% of its wind volume hedged in gas and carbon equivalents, rather than electricity. The conversion of those gas and carbon trades into electricity ahead of delivery in the year – combined with an unusually high and volatile electricity price environment attributable to factors such as the war in Ukraine and French nuclear outages – drove a significant uplift in the achieved price on hedged volumes in the year, with approximately £126m additional benefit captured. This uplift was more than offset by an £143m net loss from Seagreen which mainly reflected the buy-back costs of undeleveraged hedged volumes in a high price environment. Elsewhere, the higher and more volatile price environment was beneficial for flexible hydro and pumped storage, as those assets efficiently responded to capture peak prices in the market. Finally the adjusted result also includes a net £45m charge relating to the Electricity Generator Levy, which came into force from 1 January 2023 and is charged on on-costs generated from eligible technology projects which are in excess of a £75/MWh benchmark.

Financial Review continued

Operating profit performance for the year to 31 March 2023

<table>
<thead>
<tr>
<th>Segment</th>
<th>Adjusted Total</th>
<th>Reported Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSE Transmission</td>
<td>372.7</td>
<td>380.5</td>
</tr>
<tr>
<td>SSE Distribution</td>
<td>380.5</td>
<td>351.8</td>
</tr>
<tr>
<td>Electricity networks total</td>
<td>751.5</td>
<td>732.3</td>
</tr>
<tr>
<td>SSE Renewables</td>
<td>580.0</td>
<td>568.1</td>
</tr>
<tr>
<td>SSE Thermal</td>
<td>1,031.9</td>
<td>1,089.5</td>
</tr>
<tr>
<td>Gas Storage total</td>
<td>112.0</td>
<td>125.2</td>
</tr>
<tr>
<td>Thermal total</td>
<td>1,244.4</td>
<td>1,313.7</td>
</tr>
<tr>
<td>SSE Business Energy (GB)</td>
<td>17.9</td>
<td>17.9</td>
</tr>
<tr>
<td>SSE Airtricity (NI and Ire)</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Energy Customer Solutions total</td>
<td>23.5</td>
<td>23.1</td>
</tr>
<tr>
<td>Energy Portfolio Management</td>
<td>80.4</td>
<td>(16.8)</td>
</tr>
<tr>
<td>Distributed Energy</td>
<td>(274.4)</td>
<td>(33.5)</td>
</tr>
<tr>
<td>Neos Networks</td>
<td>(39.8)</td>
<td>(56.0)</td>
</tr>
<tr>
<td>Corporate unallocated</td>
<td>(87.0)</td>
<td>(26.8)</td>
</tr>
<tr>
<td>Total operating profit/(loss) from continuing operations</td>
<td>2,529.2</td>
<td>1,530.9</td>
</tr>
</tbody>
</table>

Net finance (costs)/income              | (345.6)        | (372.8)        |

Profit/(loss) before tax from continuing operations | 2,183.6 | 1,158.1 |

Notes: Table above excludes any result from discontinued operations, being the Group’s investment in Scotia Gas Networks Limited which was disposed on 22 March 2022. Note: The adjusted results include the following: Adjusted operating profit of £101.4m; and the Group’s Gas Production operations which were disposed on 14 October 2021. Adjusted operating profit of £101.4m.

In order to present the financial results and performance of the Group in a consistent and meaningful way, SSE applies a number of adjusted accounting measurements throughout this financial report. These adjusted measures are used for internal management reporting purposes and are believed to present the underlying performance of the Group in the most useful manner for shareholders and other stakeholders.

Following the acquisition in the year of Triton Power Limited (‘1V with Equency, SSE’s share 50%), the definitions SSE uses for adjusted measures have been refined to consider the treatment of fair value gains arising from acquisition of a business or a joint venture interest. Aside from this refinement, the definitions are consistently applied and a reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in note 5.10 to the Financial Statements.

Segmental EBITDA results are included in note 5.3c to the Financial Statements.

Operating profit has increased by 4% to £444.6m in the year. In addition to the factors noted above, the reported result also reflects a £18.6m reduction in exceptional charges mainly as a £28.6m exceptional tax charge recognised in the prior year – driven by the impact on Joint Venture deferred tax balances arising from the substantive enactment of the UK Corporation tax rate change, which was non-recurring.

Reported operating profits have increased by 4% to £444.6m in the year. In addition to the factors noted above, the reported result also reflects a £18.6m reduction in exceptional charges mainly as a £28.6m exceptional tax charge recognised in the prior year – driven by the impact on Joint Venture deferred tax balances arising from the substantive enactment of the UK Corporation tax rate change, which was non-recurring.
However, this reduction in exceptional charges was partially offset by a £1.1m increase in the share of interest and tax charges driven by higher profitability in these entities.

SSE Thermal Generation: Adjusted operating profit increased by £31.0m to £220.2m, with a £18.3m charge recognised in the prior year. This represents a 244% increase compared to the prior year which was strongly impacted by higher costs. The reported operating profit decreased by £17.0m from £234.9m in the prior year which included a £13.1m adverse revaluation adjustment relating to the legacy coal plant which was preserved in the prior year.

SSE Energy Performance: Adjusted operating profit increased by £31.9m to £220.2m, with a £18.3m charge recognised in the prior year. This represents a 244% increase compared to the prior year which was strongly impacted by higher costs. The reported operating profit decreased by £17.0m from £234.9m in the prior year which included a £13.1m adverse revaluation adjustment relating to the legacy coal plant which was preserved in the prior year.

SSE's adjusted earnings per share (EPS) measure provides an important and meaningful measure of underlying financial performance. In 2022/23, the adjusted EPS measure was impacted by non-recoverable Balancing System use and is permitted to take small optimisation opportunities whilst managing liquidity and performance management, avoids the volatility associated with mark-to-market FRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the reported operating profit.

For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the year ended 31 March 2023, SSE’s adjusted Earnings Per Share on continuing operations decreased to 94.8p from 95.1p in the prior year.

SSE's adjusted diluted earnings per share was 94.8p for the previous year and reflects the movements in adjusted operating profit outlined in the section above.

Group financial outlook – 2023/24 and beyond

The 2023/24 forecast year sees SSE’s balanced portfolio of market-based and economically-regulated businesses successfully navigate the risks and opportunities arising from the higher and more volatile price environment. In particular, the strong performance from flexible thermal and hydro plant more than offset the impact of the challenges faced by onshore and offshore wind, namely lower than expected output and increased decommissioning costs.

SSE remains focused on delivering long-term sustainable financial performance. And whilst energy prices and energy price volatility have been reducing from the highs of the last financial year, SSE expects a relatively higher price environment to endure.

Adjusted Earnings Per Share

Against this backdrop, SSE remains confident that its businesses will continue to deliver strong adjusted operating profit in 2023/24 financial year, specifically:

For SSE Transmission, increases to the allowed revenue under RIIO-T2 combined with timing effects from under-recoveries in the prior year are expected to more than offset both increased network operational costs and delays and the associated buy-back costs on Saegreen offshore wind farm.

SSE's remaining 50% share of Airtricity is expected to more than offset the cost of the additional decommissioning work at its UK wind farms.

For SSE Distribution, increases to the operational cost base are expected to be recovered over future periods under the tariff setting process, with allowed revenue therefore expected to be broadly flat.

For SSE Renewables, assuming normal weather and plant availability, SSE expects to report around 12.5TWh of generation output during 2023/24, excluding any output from the Dogger Bank A wind farm which is expected to achieve first power during the year and remains unhedged.

For SSE Gas Storage, assuming normal plant availability, SSE expects adjusted operating profit to be impacted by the full impact of the negative Kegworth fuel effect from the additional Kegway and Triton Power capacity with is expected to achieve first power during the medium-term.

Taking the above factors into account, SSE currently expects to report full-year 2023/24 adjusted Earnings Per Share of more than 150p.

SSE is fulfilling its commitment to growing the 2022/23 dividend by RPI and is recommending a 96.7p full year dividend in line with that plan. Also in line with that plan, in 2023/24, the dividend will be rebased to 60p in order to align future dividends with SSE’s ambitious growth profile.

Capital expenditure and investment in 2023/24 is expected to exceed the £2.8bn record investment in 2022/23, with the net debt to EBITDA ratio expected to be within the 3.5x – 4.0x target range.

Net Zero Acceleration Programme

SSE is a purpose-led company, seeking to provide the energy needed today while building a better way of energy for tomorrow. It is a long-term business with a clear strategy aligned with the Government’s 2050 net-zero ambition.

In November 2021, SSE set out a five-year capex plan that aligned capital allocation with the Group’s 2030 Goals and its changing energy mix. This plan, referred to as the Net Zero Acceleration Programme, or NZAP, provided the optimal pathway at that time to maximise total shareholder returns from both earnings and asset value growth, whilst remunerating shareholders through rebased dividend with attractive growth.

This plan and the targets contained within it – which were partially updated in May 2022 to reflect the ongoing war in Ukraine – remain unchanged.

SSE currently expects to report full-year 2023/24 adjusted Earnings Per Share of more than 150p, reflecting the movements in adjusted operating profit outlined in the section above.

Against this backdrop, SSE remains confident that its businesses will continue to deliver strong adjusted operating profit in 2023/24 financial year, specifically:

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This plan and the targets contained within it – which were partially updated in May 2022 to reflect the ongoing war in Ukraine – remain unchanged.

SSE currently expects to report full-year 2023/4 adjusted Earnings Per Share of more than 150p, reflecting the movements in adjusted operating profit outlined in the section above.
NZAP Plus highlights

Key targets and ambitions Five-year targets:

- **Capital investment**: £12.5bn
- **Adjusted Earnings Per Share CAGR (c.20%)** has increased to £12.0bn

Dividend growth beyond 2023/24 60p rebase

- **Net debt/EBITDA expectations** remain at below 5x
- **Transmission investment** is expected to increase from £8.2bn at the end of the previous plan to between £14–16bn by the end of 2026/27. This updated dividend plan aims to continue to form a key

- **NZAP Plus** set out a five-year dividend plan to support accelerated growth by confirming previous commitments to target dividend increases in line with RPI for 2021/22 and 2022/23, before rebasing to 60p in 2023/24 and targeting at least 5% dividend increases in 2024/25 and 2025/26.

- **SSE Renewables** 39% 837.5 811.0
- **SSEN Distribution** 19% 421.0 364.8
- **Corporate unallocated** 4% 68.3 78.7
- **Distributed Energy** 6% 124.7 26.6
- **Energy Portfolio Management** – 4.7 2.4

Strategic Report

Directors’ Report

Financial Statements
While the November 2021 NZAP assumed 100% of the business. Strategies evolve and significant strengthening of SSE’s balance sheet and an upgraded NZAP plus investment plan which remains well balanced are the main factors contributing the Board to a continuing that to hold 100% of SSEN Distribution is the right strategy at this time.

SSEN Distribution is a high-quality, core business for the Group and will make a significant contribution to delivering sustainable long-term value as it plays a key role in enabling net zero for consumers.

SSE’s capital expenditure programme

During the year ended 31 March 2023, SSE’s adjusted investment, capital and acquisitions expenditure totalled £2,803.3m, representing an increase of 36% versus the prior year. Included within the amount recorded are acquisitions totalling £462.7m of which £519.5m is in respect of the Southern European onshore wind development platform acquisition and £123.2m in respect of SSE’s share of the purchase of Triton Power, both transactions completed on 1 September 2022.

In the final year of RIIO-ED1, SSEN Distribution invested £176m in the North network across a broad range projects with additional reinforcement spend needed following storm damage in 2022. SSEN Distribution’s SHED network delivered investment of £10m to upgrade infrastructure at Avutia-UPsoll and £5m on Ilay to maintain and enhance network reliability to these island communities. Both projects are under way and expected to complete by 2023/24. Further south, major capital investment continued in the SEED network with a total spend of £245m in the period, including upgrades to the network in Bordon and Alton to enhance resilience and future proof it for unpredicted uptake in consumer led low-carbon-technology.

Significant expenditure was delivered on SSE Renewables’ flagship construction projects, including £353m of equity drawdown for Seagreen Offshore Windfarm; as the development progresses towards commercial operations over the summer of 2023. Construction of Viking wind farm on the Shetland Islands has continued according to plan, with an additional £200m deployed, the first turbine erected in April 2023 and the project on track to achieve commercial operations in Summer 2024, while all spend on the Dogger Bank wind farm in the year was funded by debt raised at the project level, and therefore not included in SSE’s adjusted investment, capital and acquisitions expenditure.

SSE Renewables – GB wind and hydro

The following table provides an update for SSE’s GB Wind and Hydro generation hedge positions against the forecast purchase price exposure at as at 31 March 2023.

<table>
<thead>
<tr>
<th>Year</th>
<th>Wind</th>
<th>Hydro</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021/22</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>2022/23</td>
<td>5.5</td>
<td>5.3</td>
</tr>
<tr>
<td>2023/24</td>
<td>6.5</td>
<td>3.5</td>
</tr>
<tr>
<td>2024/25</td>
<td>6.8</td>
<td>3.6</td>
</tr>
<tr>
<td>2025/26</td>
<td>6.8</td>
<td>3.6</td>
</tr>
</tbody>
</table>

The expected volumes include SSE’s equity share of forecast pre-CTD volumes from Seagreen offshore wind farm. No volumes have yet been included for Viking onshore wind farm nor Dogger Bank offshore wind farm as hedging for these assets has not commenced. In SSE Thermal, around £88m was invested on the development of the SDM44 Slough gas fired station at Headway, 2, which is progressing towards handing over in 2024/25. As well as around £10m of residual spend on European’s most efficient gas fired station at Headway 2, which entered commercial operation on 31 May 2023, limited early development expenditure on Headway 3 was included within Thermal’s reported results.

SSE’s hedging position at 31 March 2023

SSE has an established to hedging through which it generally seeks to reduce its broad exposure to commodity price variation at least 12 months in advance of delivery. SSE continues to monitor market developments and conditions and alters its hedging approach in response to changes in its exposure profile, such as the acceleration of hedging by SSE Renewables previously disclosed in May 2022. SSE will continue to provide a summary of its hedging approach, including details of any changes in the period, within its Interim and Full-Year Results Statements.

A summary of the hedging position for each of SSE’s market-based businesses is set out below.

For wind energy output, SSE’s established approach to hedging seeks to account for the effect of the ‘wind capture price’ by targeting hedge of less than 50% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in future market and wind capture insights. The last such revision occurred in March 2022, with around 90% of the anticipated energy output from wind for the coming twelve months being hedged from that date.

The approach to hedging energy hydro output remains unchanged at approximately 85% of the anticipated energy output for the coming twelve months.

GB Thermal: In the six months prior to delivery, SSE aims to hedge all of the expected economic output of its CCGT assets, having progressively established this hedge by the 18 months prior to delivery.

This hedging approach is adjusted to take into account any changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital. Hedging activity also depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

Gas Storage: The assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. At 31 March 2023, 126.5m3 of gas inventory was physically held which represents 65% of SSE’s share of capacity (at 31 March 2022, 9.9m3 of gas inventory representing 1% of SSE’s share of capacity).

UK Business Energy: The business supplies electricity to commercial and public sector customers. Sales to contract customers are hedged at point of sale for fixed contract customers; and on a rolling hedge basis for tariff customers. Given the pricing and macro-economic context, Business Energy is dynamically monitoring nearer term consumption actuals for any early signs of demand volatility and adjusting future volumes hedged accordingly.

Summarising movements on exceptional items and certain remeasurements

Exceptional items

In the year ended 31 March 2023, SSE recognised a net exceptional charge within continuing operations of £10.4m before tax. The following table provides a summary of the key components making up the net charge:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional credits/(charges) within continuing operations</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Thermial Electricity Generation historic impairment reversal</td>
<td>17.8</td>
</tr>
<tr>
<td>Gas Storage historic impairment reversal</td>
<td>45.7</td>
</tr>
<tr>
<td>Fielders Ferry land sale</td>
<td>59.1</td>
</tr>
<tr>
<td>Triton Power Joint Venture bargain gain and impairment</td>
<td>(-150.5)</td>
</tr>
<tr>
<td>Risc Networks impairment</td>
<td>5.9</td>
</tr>
<tr>
<td>Reversal of previously recognised exceptional charges or judgements</td>
<td>3.8</td>
</tr>
<tr>
<td>Total exceptional charge</td>
<td>(0.4)</td>
</tr>
</tbody>
</table>

Note: The definition of exceptional items can be found in note 5.2 of the Financial Statements.

In addition to the above exceptional items from continuing operations, a net exceptional gain from discontinued operations of £35.0m after tax was recognised. This related to the release of a provision following further clearance granted in respect of the Group’s disposal of its Gas Production business which completed on 14 October 2021.

For a full description of exceptional items, see note 7 of the Financial Statements.

Certain remeasurements

In the year ended 31 March 2023, SSE recognised an adverse net remeasurement within continuing operations of £21.3m before tax. The following table provides a summary of the key components making up the adverse movement:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain remeasurements within continuing operations</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Operating derivatives (including Joint Ventures, net of tax)</td>
<td>(-2.544)</td>
</tr>
<tr>
<td>Commodity risk adjustment at fair value</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Financing derivatives</td>
<td>2019</td>
</tr>
<tr>
<td>Total net adverse remeasurement</td>
<td>(-2.351)</td>
</tr>
</tbody>
</table>
Operating derivatives
SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its generation assets. Some of these contracts are determined to be derivative financial instruments under IFRS 9 ‘Financial Instruments’.

Commodity stocks held at fair value
Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £95m adverse movement in the year reflects the increasing in the underlying volumes of gas held at year end have been negatively impacted by lower forward market prices.

As in prior years, the reported result does not include remeasurement of ‘own use’ hedging agreements which do not meet the definition of a derivative financial instrument under IFRS 9 ‘Financial Instruments’.

Financing derivatives
In addition to the movements above, a positive movement of £201.9m was recognised on financing derivatives in the year ended 31 March 2023, including a movement in the derivative position. The change in the operating derivative financial instruments under IFRS 9 is expected to be within the next 6 – 12 months.

The change in the derivative mark-to-market valuation was £2,544.4m adverse movement from the start of the year, reflecting a £2,708.2m adverse movement on fully consolidated operating income, reflecting a £2,708.2m adverse movement in the prior year – reflects the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2023 is expected to be within the next 6 – 12 months.

These remeasurements are presented separately as they do not represent underlying business performance in the period. The result on financing derivatives will be recognised in adjusted profit before tax when the derivatives are settled.

Reported profit before tax and Earnings Per Share
Taking all of the above into account, reported results for the year to 31 March 2023 are significantly lower than the previous year. In addition to the £2,351.5m net pre-tax loss on forward commodity, gas inventory and financing derivative fair value remeasurements and the £0.4m net pre-tax exceptional charge noted above – reported results also include £56.2m of interest income on the net pension asset.

Adjusted net debt and hybrid capital capital
SSE considers it has the capacity to reach a ratio of up to around 4.5x, comparable with private sector utilities across Europe, whilst remaining above the equivalent ratios required for an investment grade credit rating.

While there may be short-term fluctuations in leverage as demonstrated by the 2.7 net debt/EBITDA achieved at 31 March 2023 (2022: 4.0x), it is expected that this ratio will generally fall between 3.5 – 4.0x across the five years to 31 March 2027.

SSE’s S&P credit rating were updated in December 2022 to at BBB+ ‘positive outlook’ and its Moody’s rating remains at Ba3 with ‘stable outlook’.

Adjusted net debt and hybrid capital
SSE’s adjusted net debt and hybrid capital was £8.9bn at 31 March 2023, up from £8.6bn at 31 March 2022. In addition to dividends, capex spend and valuation of currency debt as well as various working capital movements, this movement includes the completion of two acquisitions and one divestment during the year.

In September 2022, SSE Renewables completed the acquisition from Siemens Gamesa Renewable Energy of an onshore development platform across Spain, France, Italy and Greece for a consideration of €580m (£519.5m); and

• In September 2022, SSE Renewables, alongside Engie as 50/50 partners, completed the acquisition of the Triton Power portfolio with SSE’s share of the purchase being £123.2m.

In December 2022, a 25% Minority Interest stake in SSE Transmission was disposed of, with £143m of proceeds received from Ontario Teachers Pension Plan.

Debt summary as at 31 March 2023
The SSE Group issued £1.7bn of hybrid capital and new medium – long term debt in the year ended 31 March 2023 whilst also significantly increasing short-term debt capacity in the form of Commercial Paper.

• In March 2022, the SSE Group through its SSEI Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%.

• In September 2022, SSE Thermal, alongside Engie as 50/50 partners, completed the acquisition of the Triton Power portfolio with SSE’s share of the purchase being £123.2m.

• In December 2022, a 25% Minority Interest stake in SSE Transmission was disposed of, with £143m of proceeds received from Ontario Teachers Pension Plan.

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• In March 2022, the SSE Group through its SSEI Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%.

The proceeds were received on 30 June 2022.
Directors’ Report

2022/23

In August 2022, SSE plc issued a 7 year ‘Financial Instruments’ holders and are reflected within adjusted presented as distributions to other equity accounted hybrid bonds are settled in 2022/23 had a fixed redemption to aid comparability. The March 2017 SSE’s ‘Adjusted net debt and hybrid capital’ Financial Statements but, consistent with accounted for as part of equity within the are perpetual instruments and are therefore 1 Sterling equivalents shown reflect the fixed exchange rate on date of receipt of proceeds and is not subsequently revalued.

Further details on each hybrid bond can be found in notes 21 and 22 to the Financial Statements and a table noting the amounts, timing and accounting treatment of coupon payments is shown below.

Although the 25% minority interest stake disposal, SSE Transmission entered a three-year £750m facility and SSE Distribution entered a similar 3 year £250m facility, both having two one-year optional extensions. These facilities were entered into to help cover the future long-term funding requirements and the working capital of those businesses as they look to become financially independent of the Group. Subsequently, SSE is therefore supporting the ongoing capital expenditure investment programmes that are required to deliver the future growth plans and will be drawn on a regular basis.

The new £1bn facility signed in February 2023 was executed to cover potential cash collateral requirements required to cover commodity position on exchanges or via credit support annexes on bilateral contracts. The facilities can also be utilised to cover short-term financing requirements; however, the majority remain undrawn for most of the time and at 31 March 2023, £100m was drawn on the new £750m Scottish Hydro Electric Transmission plc facility.

The two SSE plc facilities totalling £1.5bn that mature in 2022 are classified as sustainable facilities with interest rate and fees paid dependant on SSE’s performance in environmental, social and governance matters through the framework provided by Moody’s ESG Solutions. The new £750m Transmission facility is also classified as a sustainable facility with interest rate and fees paid dependant on four ESG KPI’s being achieved.

In addition to these committed bank facilities, the Group has access to £50m of uncommitted bank lines and a £15m overdraft facility.

As a matter of policy, a minimum of 50% of SSE’s debt is subject to fixed rates of interest. Within this policy framework, SSE borrows as required on different interest bases, with financial instruments being used to achieve the desired interest rate profile. At 31 March 2023, 92% of SSE’s borrowings were at fixed rates.

In respect of procurement contracts, fuel transactions, interest rate profile. At 31 March 2023, 92% of SSE’s borrowings were at fixed rates.

The cash collateral position has increased from £74m of cash provided as collateral at 31 March 2022 to £13m of cash provided at 31 March 2023. Cash collateral is only required for forward commodity contracts traded through commodity exchanges, and generally comprises an ‘initial margin’ element based on the size and period of the trade and a ‘variation margin’ element which will change from time to time depending on the value of that trade each day. The cash collateral either provided or received is not included in the cash and cash equivalents because it is only required for forward commodity exchanges and energy portfolio management operations, and long-term service agreements for plant.

SSE’s policy is to hedge any material transatlantic foreign exchange risks through the use of forward currency purchases and/or financial instruments. Transatlantic foreign exchange risks arise in respect of subsidiaries denominated in sterling. In respect of such exposures is determined as appropriate to the circumstances on a case-by-case basis.

Ensuring a strong debt structure through medium- and long-term borrowing.

The ability to raise funds at competitive rates is fundamental to investment. SSE’s fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £9.5bn and SSE’s objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid capital and revolving credit facilities, is 6.4 years, down from 6.8 years at 31 March 2022. This reflects the recent reduction in long-term debt issued in the last twelve months but has been offset by a higher short-term funding position via Commercial Paper. SSE’s average cost of debt is now 5.92%, compared to 6.61% at 31 March 2022.

Going Concern

The Directors currently review the Group’s financial structure and have assessed that the Group has sufficient cash and funding to meet its financial commitments for the next 12 months. The Directors have considered the Group’s obligations under its debt covenants, with projections to 31 December 2024 and expect that there will be no breaches.

Revolving credit facility - short-term funding

Although the Group has committed revolving credit facilities in place to ensure the Group has sufficient funds to meet its operational needs and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities are set out in the table below.

<table>
<thead>
<tr>
<th>Date</th>
<th>Issuer</th>
<th>Debt type</th>
<th>Term</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 19</td>
<td>SSE plc</td>
<td>Syndicated Revolving Credit Facility with 10 Relationship Banks</td>
<td>2026</td>
<td>£1.2bn</td>
</tr>
<tr>
<td>Oct 19</td>
<td>SSE plc</td>
<td>Revolving Credit Facility with Bank of China</td>
<td>2026</td>
<td>£0.2bn</td>
</tr>
<tr>
<td>Nov 23</td>
<td>SSE plc</td>
<td>Syndicated Revolving Credit Facility with 11 Relationship Banks</td>
<td>2025</td>
<td>£0.75bn</td>
</tr>
<tr>
<td>Nov 22</td>
<td>SHEP plc and SEPD plc</td>
<td>Syndicated Revolving Credit Facility with 10 Relationship Banks</td>
<td>2025</td>
<td>£0.6bn</td>
</tr>
<tr>
<td>Feb 23</td>
<td>SSE plc</td>
<td>Syndicated Revolving Credit Facility with 10 Relationship Banks</td>
<td>2024</td>
<td>£1.0bn</td>
</tr>
</tbody>
</table>
For accounting purposes, £223m of the £816m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 31 March 2023 have been classified as equity.

Operating a scrip dividend scheme
SSE’s Scrip Dividend Scheme was last renewed for a three-year period at the 2021 AGM and continues to be offered to all shareholders. For the period out to 2026/27, take-up from the Scrip Dividend will be capped at 25%. SSE plans to implement this cap by means of a share repurchase programme, or ‘buyback’, in October each year following payment of the final dividend. The scale of any share repurchase program would be determined by shareholder subscription to Scrip Dividend Scheme across the full year, taking into account the interim and final dividend elections.

Following approval of the dividend at the Annual General Meeting on 20 July 2023, the scrip reference price will be determined across the period from 27 July to 2 August 2023, with notification of the final scrip reference price issued on 5 August 2023. Following receipt of the final dividend scrip elections on 24 August 2023, the overall scrip dividend take-up for the financial year will be calculated and any intention to initiate a buy-back will be announced. It is intended that any scrip buy-backs in respect of 2023/24 will be completed before 31 March 2024.

SSE believes limiting the dilutive effect of the Scrip in this way strikes the right balance in terms of giving shareholders choice, potentially securing cash dividend payment savings and managing the number of additional shares issued.

SSE’s principal joint ventures and associates
SSE’s financial results include contributions from equity interests in joint ventures (3JVs) and associates, all of which are equity accounted.

The details of the most significant of these are included in the table below. This table also highlights SSE’s share of off-balance sheet debt associated with its equity interests-in-3JVs which totals around £3.5bn as at 31 March 2023.

<table>
<thead>
<tr>
<th>Joint Venture/Associate</th>
<th>Asset Type</th>
<th>SSE Shareholder Loans</th>
<th>Scrip Shareholding</th>
<th>Scrip Share Price at 31 March 2023</th>
<th>Scrip Share Price at 31 March 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Falls Offshore Wind Farm Ltd</td>
<td>Offshore wind farm extension</td>
<td>50%</td>
<td>No external debt</td>
<td>£16m</td>
<td>No loans outstanding</td>
</tr>
<tr>
<td>Dogger Bank A Wind Farm</td>
<td>Up to 1,200MW offshore wind farm</td>
<td>40%</td>
<td>No external debt</td>
<td>£745m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Dogger Bank B Wind Farm</td>
<td>Up to 1,200MW offshore wind farm</td>
<td>40%</td>
<td>No external debt</td>
<td>£636m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Dogger Bank C Wind Farm</td>
<td>Up to 1,200MW offshore wind farm</td>
<td>40%</td>
<td>No external debt</td>
<td>£344m</td>
<td>Project financed</td>
</tr>
<tr>
<td>North Falls Offshore Wind Farm Ltd</td>
<td>Offshore wind farm extension</td>
<td>50%</td>
<td>No external debt</td>
<td>£931m</td>
<td>No loans outstanding</td>
</tr>
<tr>
<td>Ostian Offshore Windfarm Ltd</td>
<td>offshore wind farm</td>
<td>40%</td>
<td>No external debt</td>
<td>£628m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Seagreen Offshore Windfarm Ltd</td>
<td>offshore wind farm</td>
<td>49%</td>
<td>No external debt</td>
<td>£36m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Cloosha Valley Wind Farm</td>
<td>offshore wind farm (part of</td>
<td>25%</td>
<td>No external debt</td>
<td>£26m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Clydes Windfarm (Scotland) Ltd</td>
<td>offshore wind farm</td>
<td>55.1%</td>
<td>No external debt</td>
<td>£127m</td>
<td>Project financed</td>
</tr>
<tr>
<td>Dunmaglass Windfarm Ltd</td>
<td>offshore wind farm</td>
<td>55%</td>
<td>No external debt</td>
<td>£46m</td>
<td>No loans outstanding</td>
</tr>
<tr>
<td>Lonlasa Wind Energy DAC</td>
<td>offshore wind farm</td>
<td>55%</td>
<td>No external debt</td>
<td>£88m</td>
<td>No loans outstanding</td>
</tr>
<tr>
<td>Stonelaing Windfarm Ltd</td>
<td>offshore wind farm</td>
<td>55%</td>
<td>No external debt</td>
<td>£88m</td>
<td>No loans outstanding</td>
</tr>
</tbody>
</table>

Notes:
1. Greater Gabbard, a 104MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
2. For accounting purposes, £235m of the £816m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 31 March 2023 have been classified as equity.

Taxation
SSE is one of the UK’s biggest taxpayers, and in the 2022/23 Total Tax Contribution survey published in November 2022 was ranked 16th out of the 100 Group of Companies in 2022 in terms of taxes borne (those which represent a cost to the company, and which are reflected in its financial results).

SSE considers being a responsible taxpayer to be a core element of its social contract with the societies in which it operates and seeks to pay the right amount of tax on its profits, in the right place, at the right time. While SSE has an obligation to its shareholders, customers and other stakeholders to efficiently manage its total tax liability, it does not seek to use the tax system in a way that does not consider it was meant to operate or use tax havens to reduce its tax liabilities.

Under its social contract SSE has an obligation to the society in which it operates, and from which it benefits – for example, tax receipts are vital for the public services SSE relies upon. Therefore, SSE’s tax policy is to operate within both the letter and spirit of the law at all times.

SSE was the first FTSE 100 company to be Fair Tax Mark accredited and has now been accredited for nine years. The group’s overseas expansion presented the opportunity to move to Fair Tax Foundation’s Global Multinational Business Standard Accreditation, which was launched in late 2021. SSE is the first company to transition from the UK headquartered accreditation to the global accreditation.

In November 2022, SSE published “Talking Tax 2022: Fair tax in a time of change”, a report. It did this because it believes building trust with stakeholders on issues relating to tax is important to the long-term sustainability of the business.

As part of the Spring Finance Bill, released on 23 May 2023, the UK Government published the final draft legislation behind the Electricity Generator Levy (EGL). This measure introduces a temporary 45% charge on exceptional receipts generated by specific generation sources which are in excess of a £75/MWh benchmark price (adjusted in line with Consumer Price Index).

The levy will be in effect from 1 January 2023 to 31 March 2028, and therefore a net charge of £434m has been recognised in respect of the EGL within the 2022/23 financial year which has been excluded from the Income Tax disclosure in line with current accounting practice.

In the year to 31 March 2023, SSE paid £505.7m of profit taxes, property taxes, environmental taxes, and employment taxes in the UK, compared with £399.5m in the previous year. The increase in total taxes paid in 2022/23 compared with the previous year was primarily due to higher levels of corporate tax being paid on UK profits and higher levels of Climate Change Levy being paid as a result of fewer outages at SSE’s gas-fired power stations compared with the previous year.

In 2022/23 SSE also paid £53.8m of taxes in Ireland, compared to €46.4m the previous year due to increased profits in SSE’s Irish businesses. Ireland is the only country outside the UK in which it currently has significant trading operations. SSE’s operations elsewhere are still at an early stage and are not yet paying material amounts of tax.

As with other key financial indicators, SSE’s focus is on adjusted profit before tax, and in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE’s adjusted current tax rate, based on adjusted profit before tax, was 16.4%, compared with 9.2% in 2021/22 on the same basis. The increase in rate is primarily as a result of higher profit before tax, partly mitigated by increased capital allowances. In addition, a decision finding in SSE’s favour was released by the Supreme Court on 5 July 2023 on the group’s long-running capital allowances case in relation to Gloucestershire Electric Station. The successful outcome has resulted in the release of a £27.9m corporation tax provision, which in turn reduced SSE’s adjusted underlying current tax rate for the year by 1.3%.

The UK Budget in March 2023 introduced a ‘super-deduction’ for qualifying capital expenditure incurred during the two-year period from 1 April 2021 to 31 March 2023. Capital allowances rates of 130% and 50% replace the existing rates of 18% and 6% respectively for qualifying capital expenditure in that period, significantly increasing the amount of capital allowances available on the Group’s capital investment programme.
Financial Review continued

Pensions
Contributing to employees’ pension schemes – IAS 19

<table>
<thead>
<tr>
<th></th>
<th>March 2023</th>
<th>March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension scheme asset recognised in the balance sheet before deferred tax £m</td>
<td>541.1</td>
<td>584.9</td>
</tr>
<tr>
<td>Pension scheme liability recognised in the balance sheet before deferred tax £m</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Net pension scheme asset recognised in the balance sheet before deferred tax £m</td>
<td>540.1</td>
<td>583.9</td>
</tr>
<tr>
<td>Employer cash contributions Scottish Hydro Electric scheme £m</td>
<td>52.1</td>
<td>58.0</td>
</tr>
<tr>
<td>Employer cash contributions SSE Southern scheme £m</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Deficit repair contribution included above £m</td>
<td>38.0</td>
<td>40.9</td>
</tr>
</tbody>
</table>

In the year to 31 March 2023, the surplus across SSE’s two pension schemes decreased by £43.8m, from £584.9m to £541.1m, primarily due to actuarial losses of £79.2m and contributions made to the schemes.

The valuation of the SSE Southern Pension Scheme increased by £107.1m in 2022/23 primarily due to actuarial gains of £72.8m, in particular the impact of higher discount rates, as well as deficit repair contributions exceeding service costs.

The Scottish Hydro Electric Pension Scheme has insured against volatility in its deferred and pensioner members through the purchase of ‘buy-in’ contracts meaning that the Group only retains exposure to volatility in active employees. During the year the Scottish Hydro Electric Pension Scheme surplus decreased by £150.9m mainly as a result of actuarial losses from plan assets.

Additional information on employee pension schemes can be found in note 23 to the Financial Statements.

Operating Review

SSE’s strategy of sustainably developing, building, operating and investing in the electricity infrastructure and businesses needed in the transition to net zero is delivered through a focused mix of market-based and economically-regulated energy businesses.

SSE’s businesses are key to enabling a net zero economy, have significant growth potential and, importantly, are highly complementary. With common skills and capabilities in the development, construction, financing and operation of highly technical electricity assets, there are strong synergies between them and valuable links across them. SSE’s business mix is very deliberate, highly effective, fully focused and well set to prosper on the journey to net zero, whilst contributing to energy security and affordability.

The review of the Business Units that follows provides visibility of performance and future priorities.
Operating Review continued

Who SSEN Transmission serves
Electricity generators, large electricity demand customers and ultimately all electricity customers across the North of Scotland and beyond.

How it is remunerated
Through economically regulated returns recovered from generators and customers that are potentially enhanced through efficient delivery. In addition to certain View expenditure, efficiency mechanisms permit recovery of additional revenue in a given price control period to reflect additional investment requirements. These Uncertainty Mechanisms fund network upgrades during the price control period.

Through our ambitious investment programme as one of Europe’s fastest growing transmission networks, we are committed to improving network reliability for the communities we serve, alongside supporting climate and energy security targets, as we deliver a network for net zero at an affordable cost to consumers, while providing a fair return to shareowners.

Rob McDonald
Chairman
SSEN Transmission

Operational delivery
In 2022/23, SSEN Transmission delivered another year of exceptional operational performance, achieving the maximum reward available through the Energy Not Supplied Incentive of £0.8m for the third consecutive year, which will be reflected in revenue in 2024/25. This strong operational performance is underpinned by a robust programme of inspection, maintenance, refurbishment and replacement of its transmission assets, keeping the lights on for communities around the North of Scotland and ensuring reliable network access for its electricity generation customers to support security of supply. SSEN Transmission’s capital investment programme remains on track with good progress being made on all major projects. This includes the second phase of the Inverary-Crossagia overhead line replacement project, with the installation of all steel towers now complete and the project on track for energisation this summer. As well as maintaining and enhancing network reliability to new communities it serves, the Inverary-Crossagia project will also enable the growth in renewable electricity generation across the region as part of the wider Argyl and Kintyre 275kV Strategy. The Shetland High Voltage Direct Current (HVDC) transmission link also continues to progress excellent progress with the second phase of the subsea cable installation works, which commenced in March 2023, now complete. 160km of the total 260km of subsea cable is now installed. Noos Head Switching Station in Caithness, which the Shetland HVDC link will connect to, was successfully energised in April 2023. Upon completion, the Shetland HVDC link will connect to the existing Caithness-Moray HVDC link, becoming the world’s first multi-terminal HVDC system outside of China. It is a key innovation to support the future development of integrated HVDC grids, with HVDC links to date largely point-to-point connections. The project remains on track for completion and energisation in 2024. Good progress continues to be made to increase the capacity of the North East transmission network to 400kV, with this phase of network development now on track for energisation by the end of 2023. Work to incrementally increase the east and west transmission networks continues, with 275kV by the end of 2023 and then to 400kV by 2026. These strategic investments in new and upgraded infrastructure are key to help enable the continued growth in renewable electricity generation across the North of Scotland. These additional projects include the completion of the third circuit of the Argyll 275kV strategy submitted to Ofgem in 2022. This followed a direction from Ofgem to allow substation in advance of securing all necessary consents due to the risk of delay and likely increase in cost that would otherwise have been the case, alongside providing certainty to support the project’s procurement process. The Argyll and Kintyre 275kV Strategy is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region.

The decision in October 2022 by Argyll and Bute Council’s Planning Committee to raise an objection to SSEN Transmission’s proposed overhead line between Craig Dhubh and Dalmally has resulted in a Public Local Inquiry (PLI), which is now under way. SSEN Transmission remains extremely disappointed by the decision, which went against the recommendations of the Council’s own Planning Officer, with no other statutory stakeholder objections received, and continues to review what this means for its delivery programme and will work with all stakeholders to minimise the impact of this on new renewable generation connections. In March 2023, Ofgem provisionally approved long established plans to provide a 220kV subsea transmission link to Orkney, the timing of which remains subject to Ofgem’s final decision and ongoing discussions with the supply chain. Further expenditure to connect new renewable generation will enable electrification and support system security is also expected throughout the RTO-12 period and beyond with what is needed for this investment becomes certain. Subject to regulatory and planning approvals, SSEN Transmission’s expenditure across the price control period could take its RAV to between £14bn to £16bn by 2027.

Further growth opportunities
In July 2022, the National Grid Electricity System Operator (ESO) published the Pathway to 2030 Holistic Network Design (HND). It set out the onshore and offshore electricity transmission network infrastructure required to deliver the UK Government’s SGW by 2030 offshore wind target. With the HND enabling around 11GW of ScotWind’s 28GW ambition, a follow-up exercise is now under way, which will set out how ScotWind’s full offshore wind ambition will be realised, the outcome of which is expected before the end of 2023. The Scottish Government is also considering its Draft Energy Strategy and Just Transition Plan, which includes proposals for an additional 12-15GW of onshore wind by 2030.

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Recognised by Ofgem and the ESO of these further potential growth and investment opportunities, alongside ever-increasing UK and Scottish Government energy targets and ambitions, underlines the importance of the Transmission network, particularly in the North of Scotland, in transitioning the GB energy system to net zero. Given the scale of investment required to deliver net zero, it is crucial that the policy landscape, regulatory framework, particularly financial parameters, continue to attract the investment required to support the excellent progress within the investment plan in low-carbon infrastructure for a generation.
SSSEN Distribution

SSSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.9m homes and businesses across central southern England and the North of Scotland. SSSEN Distribution’s networks cover the greatest land mass of any of the UK’s Distribution Network Operators with over 75,000km² of extremely diverse terrain. The business has significant growth opportunities as a key enabler of the local and national transition to a net zero future.

Who SSSEN Distribution serves

Over 3.9m homes and businesses and generators and service providers that are, or want to be, connected to its distribution networks and customers in its operating areas.

How it supports SSE’s strategy

It provides timely connection of local renewables and the co-ordinated development of infrastructure and flexible solutions to alleviate network constraints and enable further electrification.

How it is remunerated

Through economically regulated returns recovered from customers and connecting parties. Additional earnings come through efficient delivery of investment and performance-related incentives.

Who SSEN Distribution is incentivised on performance against the loss of electricity supply to households and businesses and connected compared to last year.

“RIOO-ED2 is a critical milestone in the journey to net zero. We have a pivotal role to play in strengthening our network and increasing our resilience, whilst future-proofing our system to enable the greater uptake of low-carbon technologies to allow our customers to meet their net zero goals.”

Chris Burchell
Managing Director, SSSEN Distribution

Annual Report continued

Operational Review

SSSEN Distribution key performance indicators

<table>
<thead>
<tr>
<th>March 2023</th>
<th>March 2022</th>
</tr>
</thead>
</table>
| SHEPD CI rate increased from 56 in 2021/22 to 60 in 2022/23, with CMLs increasing from 57 to 59. Whilst performance in response to unplanned network faults improved in comparison to 2021/22, reflecting investment in automation and operational response, a rise in planned interruptions to facilitate new connections has impacted its performance. In SEPD, the CI rate increased from 44 up from 42 the previous year and CMLs also increased to 46 from 42 the previous year. Adverse weather which did not qualify as exceptional under its provisions and a major transmission fault affecting 55,000 customers were also contributory factors in performance for the period.

In 2022/23 the SSSEN Distribution network was affected by two extreme weather events, an ice storm in Shetland in December 2022 and Storm Otto in February 2023. Power restoration efforts during both weather events were swift and effective as reflected in a motion in the Scottish Parliament praising SSSEN Distribution’s “exceptional response” to Storm Otto, citing improvements in restoration, communications and customer service.

In response to the security of supply concerns across GB and possibility of emergency disconnections, Distribution was the first Distribution Network Operator (DNO) to develop an emergency planning portal for customers and conducted engagement with over 3,500 stakeholders to help ensure preparedness and community resilience.

Improving customer satisfaction

SSSEN Distribution’s Broad Measure performance has again improved in 21/22 achieving a total incentive return of £4.4m and continuing the upward trend which has been supported by a comprehensive improvement plan for each Broad Measure category. In 2022/23 SSSEN Distribution was the most improved DNO for Customer Satisfaction, with the Speed of improvement being five times that of the industry average.

In 2022/23 SSSEN Distribution received its Highest ever league table position in the Stakeholder Engagement and Customer Vulnerability (SECV) standings, resulting in an estimated revenue of £3.5m. Support for customers in vulnerable situations also increased with registrations to SSSEN’s Priority Services Register rising by 11% compared to the previous financial year through targeted communications and partnerships. In addition, over 14,500 households were supported by fuel poverty and energy efficiency measures, an increase of almost 70% on 2021/22.

In March 2023, SSSEN published its Fair Energy Future report, and in doing so became the first DNO to publish a consumer-led just transition action plan aimed at securing a fair and inclusive net zero transition for all.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Delivering in the new RIIO-ED2 price control period, SSSEN Distribution’s RIIO-ED2 Business Plan, which was co-created with stakeholders, is a core component of SSE Group’s NZAP Plus. The Final Determination from Ofgem provides SSSEN Distribution with a proposed total base expenditure of £3.6bn, an uplift of over 22% on the equivalent period in RIIO-ED1, including potential additional investment opportunities of up to £0.7bn over the period through uncertainty mechanisms and reopeners.

Accelerating connections

With the transition to net zero gathering pace, SSSEN Distribution is seeing a significant rise in the uptake of low-carbon technologies, particularly EV charge points, heat pumps, and battery storage. The business has seen a 75% uplift in the number of electric vehicle charge points connected compared to last year. The SEPD network is experiencing rapid growth in both generation and demand requests, with significant large load requests coming from data centres and contracted batteries doubling over the past year. In SHEPD, generation demand has tripled from 3.7GW to 9.5GW over the past 18 months.

Empowering local investment and growing flexibility

Project LEO, SSSEN Distribution’s industry-leading project established to replicate the future energy system and test flexibility services at the ‘grid edge’, has concluded.

Insights are now being used to facilitate extensive engagement with local authorities and stakeholders to support local net zero planning. This includes collaborative work with the Isle of Wight Council and local generators to produce a first-of-its-kind local net zero island study, which has identified core network development needed to unlock renewables and meet future demands. This provides a robust case to unlock further investment through uncertainty mechanisms early in the price control.

SSSEN Distribution is also increasing its investment in flexible resources in areas where localised high demand can be offset to extend overall network capacity. SSSEN’s RIIO-ED2 Distribution System Operator Strategic Targets strategy delivers 5GW in flexible services and 3.7GW of flexible connections by 2028. Overall, SSSEN will invest around £70m in DSO capabilities in the five-year period, enabling greater consumer take-up of low-carbon technologies while delivering an estimated £460m of benefits through deferred reinforcement and avoided capital expenditure.

Building a workforce for the future

During the RIIO-ED2 price control period, SSSEN Distribution will increase its workforce materially as it delivers the infrastructure required for net zero, safely, efficiently and in line with customers’ expectations. In the last year alone, its graduate intake increased by 180% and trainee engineers by 90%, with specific pipelines for digital skills, alignment to and a focus on recruiting for difference, including neurodiversity.
SSE Renewables

SSE Renewables develops and generates low carbon electricity at scale from wind farms and delivers clear, clean power from its hydro schemes. The business comprises existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity, pumped storage, as well as solar and battery technology co-located on existing UK and new international markets. In April 2023, the standalone Solar and Battery business, which had previously reported alongside SSE Distributed Energy, was integrated into SSE Renewables, to optimise technological, planning and development synergies.

Who is SSE Renewables serves

Electricity customers across markets in GB, Ireland and abroad who are increasingly seeking lower-carbon sources of energy.

How it supports SSE’s strategy

SSE Renewables is driving the net zero transition through the development, financing, construction and operation of world-class renewable energy projects.

How it is remunerated

Through the wholesale electricity market, ancillary services market, Capacity Market, Balancing Mechanism revenue from hydro, output, power purchase agreements, and government support schemes for renewable energy.

SSE Renewables’ operational offshore wind installed capacity is 4,879MW with its onshore wind and hydroelectric installed capacity at 1,969MW and 1,459MW respectively. SSE Renewables is currently leading the construction of more offshore wind than any other company in the world. Whilst availability across all technologies has remained high, the lower-than-expected wind and rainfall observed over the last three years continued in the last financial year, resulting in lower than normal production.

SSE Renewables’ hydro assets play an increasingly critical role in delivering cost-effective, low-carbon flexibility to the system, providing additional diversified revenue streams. Following a very dry summer, autumn rain was above average followed by drier than average conditions over the winter months resulting in output for the year being behind plan. Plant availability, however, was very strong and following an intensive period of summer maintenance outages, which were delivered to plan, winter plant availability was exceptional with the fully loaded plant and the pumped storage asset at Foyers performing particularly well.

“SSE are working to keep global warming to 1.5°C pathway through the development, construction and operation of any other renewables projects. We are currently building more offshore wind energy than any other company in the world and we have ambitions to do more, delivering our diverse pipeline of over 11GW across wind, hydro, solar and batteries.”

Stephen Wheeler

Managing Director, SSE Renewables

Financial Statements

SSE Renewables key performance indicators

<table>
<thead>
<tr>
<th>March 2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewables adjusted operating profit – £m</td>
<td>580.0</td>
</tr>
<tr>
<td>Renewables operating profit (loss) – £m</td>
<td>446.3</td>
</tr>
<tr>
<td>Renewables adjusted investment and capital expenditure before acquisitions – £m</td>
<td>837.5</td>
</tr>
<tr>
<td>Generation capacity – MW</td>
<td>1,285</td>
</tr>
<tr>
<td>Onshore wind capacity (GB) – MW</td>
<td>117</td>
</tr>
<tr>
<td>Offshore wind capacity (ROIs) – MW</td>
<td>567</td>
</tr>
<tr>
<td>Total onshore wind capacity (GB) – MW</td>
<td>1,969</td>
</tr>
<tr>
<td>Offshore wind capacity (ROIs) – MW</td>
<td>487</td>
</tr>
<tr>
<td>Conventional hydro capacity (GB) – MW</td>
<td>1,159</td>
</tr>
<tr>
<td>Pumped storage capacity (GB) – MW</td>
<td>300</td>
</tr>
<tr>
<td>Total renewable generation capacity (inc. pumped storage) – MW</td>
<td>3,915</td>
</tr>
<tr>
<td>Generation output – GWh</td>
<td>2,767</td>
</tr>
<tr>
<td>Onshore wind output (GB) – GWh</td>
<td>2,770</td>
</tr>
<tr>
<td>Offshore wind output (GB) – GWh</td>
<td>286</td>
</tr>
<tr>
<td>Offshore wind output (ROIs) – GWh</td>
<td>1,357</td>
</tr>
<tr>
<td>Total wind output – GWh</td>
<td>4,353</td>
</tr>
<tr>
<td>Offshore wind output (GB) – GWh</td>
<td>1,846</td>
</tr>
<tr>
<td>Onshore wind output (GB) – GWh</td>
<td>3,073</td>
</tr>
<tr>
<td>Pumped storage output (GB) – GWh</td>
<td>254</td>
</tr>
<tr>
<td>Total renewable generation (inc. pumped storage) – GWh</td>
<td>9,597</td>
</tr>
<tr>
<td>Total renewable generation (also inc. constrained off) – GWh</td>
<td>10,159</td>
</tr>
</tbody>
</table>

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures.
Note 2: Contracted capacity includes sites with a CFD, eligible for ROIs, or contracted under BEFIT.
Note 4: Biomass capacity of 15MW and output of 68GWh in FY2022/23 and 73GWh FY2021/22 is excluded, with the associated operating profit or loss reported within Distributed Energy.
Note 5: Onshore N and contracted capacity reduced to 5MW in the period following the sale of Bessy Bell I in July 2021.

In February, SSE Renewables announced early sanction for Dogger Bank C, the world’s largest offshore wind farm, for developing a fourth phase of Dogger Bank wind farm. There are two options being explored for the energy generated: a grid connection and/or green hydrogen production. The project’s progression remains subject to agreement with the Crown Estate.

In March 2023, SSE Renewables’ Gourdonbush Hydrogen project was shortlisted for funding from the UK Government’s Net Zero Hydrogen Fund.

SSE Renewables recently announced additional plans to adapt its existing conventional 1.3GW onshore hydro power plant with pumping capabilities. Subject to final design, the converted Soystown scheme could be operational by 2026, with the potential to generate 25GW of long-duration electricity storage capacity, providing vital reserve capacity for an increasingly renewables-led energy system as well as critical energy security by allowing for the transmission of electricity. In March, the Government opened the application window for Allocation Round 5 (AR5). SSE Renewables projects Seagreen 1A, Strathy South, Bridair, Eastend, Aberarder and Viking are all eligible to bid for the auction, with results expected by September 2023. However, the low administrative strike price (cap) in the auction, particularly for offshore wind, do not reflect the costs increases faced by projects. As a result, SSE Renewables will not be entering Seagreen 1A into the auction. It will continue to seek an alternative route to market to progress this project.

Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver 4.2GW of installed capacity, making it one of the largest offshore opportunities in the world.
SSE Renewables continues its offshore wind development activities in Japan through its joint venture SSE Pacific (ROJCO) stake. It is assessing participation in the upcoming Round 2 auction whilst also targeting future auctions. The Japanese Government has announced its intention to open up its Exclusive Economic Zone to potential future floating wind projects. SSE Renewables has formed a 50/50 joint venture with Equinor to bid for a feasibility licence for an offshore wind farm project in Australia’s first Federal Government declared offshore wind zone of Gippsland, in waters off the coast of Victoria. The outcome of the bid is expected by the end of 2023.

North America

SSE Renewables views the United States as an attractive growth market, particularly following the introduction of the Inflation Reduction Act. It continues to actively explore US market opportunities across onshore and offshore wind and adjacent technologies.

SSE Thermal

SSE Thermal owns and operates conventional flexible thermal generation in GB and Ireland, and around 40% of GB’s conventional underground gas storage capacity. These assets provide much-needed system flexibility, SSE Thermal is actively developing options to progressively decarbonise its portfolio, most notably in carbon capture and storage and hydrogen technologies, with biofuel as a bridge into hydrogen.

SSE Thermal overview

Electricity suppliers, traders and other generators through the energy market; the national grid, and ultimately electricity customers.

How it supports SSE’s strategy

SSE Thermal is providing critical flexibility to offshore wind farms by helping maintain system balance during periods of high wind variability as the energy system transitions to net zero. The strategic importance of its Gas Storage Assets has been highlighted by recent world events and the increasing focus on national energy self-sufficiency.

How it is remunerated

The wholesale energy market, Capacity Market and ancillary services market provide the core revenue streams. The fleet also responds to forward market volatility and within day demand, providing flexible generation and storage.

The performance of our flexible generation and gas storage assets this past year underlines the value that SSE Thermal can create for the Group, the GB energy system and society more broadly. We will continue to optimise these assets while progressing with lower-carbon opportunities that will help smooth the transition to net zero.

Chairwoman

Managing Director, SSE Thermal

Operational delivery

In a year of record performance, SSE Thermal’s fleet delivered strong availability in the GB market, which increased in the second half. The impact of unplanned outages, most notably at Great Island, more than offset by strong operational availability across the portfolio. This enabled the fleet to use its inherent flexibility to sell output to the market and contract forward ahead of delivery, capturing value through forward spark spreads. The fleet has also been able to optimise in response to market conditions, particularly during periods of low wind. Robust asset management allowed the fleet to meet availability expectations and capture market value through a volatile period, despite outages at Medway, Marchwood and Great Island. Managing availability responsibility is and continues to be a key focus for SSE Thermal, both within year and when taking a view of future system needs.

In March 2023, Keadby 2, Europe’s most efficient combined cycle gas turbine operation following a full commissioning event following a full commissioning phase which started in October 2021. Keadby 2’s Plant C and Turbine that displaces older, more carbon intensive plant on the system. Before entering commercial operation, Keadby 2 had been generating intermittently across the year, capturing early value. Keadby 2’s full-year Capacity Market agreement is due to commence in April 2023 and all milestones to secure this agreement have been completed.

Following an agreement in June, SSE Thermal, alongside Equinor as 50/50 partners, completed the acquisition of the Triton Power portfolio on 1 September in a £1.34bn transaction, providing additional flexibility and decarbonisation options. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller projects, Indian Queens power station, a 400MW OC GT in Cornwall, and Deseide power station in North Wales, a decommissioned CGGT which provides carbon-free inertia to the system. While the Triton portfolio delivered value on an unannounced basis immediately after acquisition, a hedging strategy has since been implemented to reduce ongoing merchant exposure.

In July, SSE Thermal completed the sale of the closed and decommissioned Fiddlers Ferry power station.

In March, in line with requirements under the Industrial Emissions Directive, SSE Thermal announced the closure of Tarbert oil-fired power station in Ireland by the end of December 2023. Great Island CGGT and Rhode and Tawnaghmore peaking plant of December 2023. Great Island CCGT and North Wales, a 140MW OCGT in Cornwall, and two smaller plants, Indian Queens power station on 1 September in a £1.34bn transaction, providing additional flexibility and decarbonisation options. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller projects, Indian Queens power station, a 400MW OC GT in Cornwall, and Deseide power station in North Wales, a decommissioned CGGT which provides carbon-free inertia to the system. While the Triton portfolio delivered value on an unannounced basis immediately after acquisition, a hedging strategy has since been implemented to reduce ongoing merchant exposure.

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Developing decarbonised alternatives to the existing CGGT fleet will be vital to deliver SSE’s goal to cut carbon intensity by 80% by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5°C global warming scenario. In GB, SSE Thermal is developing projects that include carbon capture and storage (CCS) and hydrogen, technologies that will be critical to play the important role in a tight system, where increased dispatchable capacity is required to meet system needs.

For financial performance commentary please refer to the Financial Review.

SSE Thermal is providing critical flexibility to offshore wind farms by helping maintain system balance during periods of high wind variability as the energy system transitions to net zero. The strategic importance of its Gas Storage Assets has been highlighted by recent world events and the increasing focus on national energy self-sufficiency.

"The performance of our flexible generation and gas storage assets this past year underlines the value that SSE Thermal can create for the Group, the GB energy system and society more broadly. We will continue to optimise these assets while progressing with lower-carbon opportunities that will help smooth the transition to net zero."
### SSE Thermal key performance indicators

<table>
<thead>
<tr>
<th>Index</th>
<th>March 2023</th>
<th>March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors’ Report</td>
<td>1,319.1</td>
<td>300.4</td>
</tr>
<tr>
<td>Gas-fired operating profit – £m</td>
<td>1,089.5</td>
<td>624.2</td>
</tr>
<tr>
<td>Thermal adjusted capital expenditure, before acquisitions – £m</td>
<td>132.3</td>
<td>123.4</td>
</tr>
<tr>
<td>Gas- and oil-fired generation capacity (GB) – MW</td>
<td>6,830</td>
<td>5,267</td>
</tr>
<tr>
<td>Gas- and oil-fired generation (GWh)</td>
<td>11,381</td>
<td>4,210</td>
</tr>
<tr>
<td>Gas- and oil-fired output (GWh)</td>
<td>18,313</td>
<td>14,265</td>
</tr>
</tbody>
</table>

Note: 1. Capacity is wholly owned and share of joint ventures, and reflects Transmission Equity Capacity. March 2023 capacity reflects share of Triton Power portfolio with acquisition completed 1 September 2022. 2. Excluding capacity from MA in the South West region. 3. Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPA due to contractual agreement. SSE has a 50% equity share. 4. Operational Review 2023 capacity reflects share of Triton Power portfolio with acquisition completed 1 September 2022. 5. Excluding capacity from MA in the South West region.

### SSE Thermal capacity contract awards

<table>
<thead>
<tr>
<th>Station</th>
<th>Asset type</th>
<th>Station capacity</th>
<th>SSE share of contract</th>
<th>Capacity obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medway (GB)</td>
<td>CCGT</td>
<td>735 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Keadey (GB)</td>
<td>CCGT</td>
<td>735 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Keadby 2 (GB)</td>
<td>CCGT</td>
<td>839 MW</td>
<td>100%</td>
<td>16 years commencing October 2022</td>
</tr>
<tr>
<td>Peterhead (GB)</td>
<td>CCGT</td>
<td>1,135 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Seabank (GB)</td>
<td>CCGT</td>
<td>1,214 MW</td>
<td>50%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Marchwood (GB)</td>
<td>CCGT</td>
<td>920 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Saltend (GB)</td>
<td>CCGT</td>
<td>1,200 MW</td>
<td>50%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Indian Queens (GB)</td>
<td>CCGT</td>
<td>1,135 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Slough Multifuel (GB)</td>
<td>CCGT</td>
<td>504 MW</td>
<td>50%</td>
<td>15 years commencing October 2024</td>
</tr>
<tr>
<td>Burghfield (GB)</td>
<td>CCGT</td>
<td>45 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Chichegar (GB)</td>
<td>CCGT</td>
<td>45 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Great Island (IE)</td>
<td>CCGT</td>
<td>464 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>RHOM (IE)</td>
<td>Gas/oil</td>
<td>104 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Tawenghame (IE)</td>
<td>peaker</td>
<td>104 MW</td>
<td>100%</td>
<td>To September 2027</td>
</tr>
<tr>
<td>Talbert (IE)</td>
<td>peaker</td>
<td>624 MW</td>
<td>100%</td>
<td>10 years commencing June 2023</td>
</tr>
<tr>
<td>Talbert (IE)</td>
<td>Biofuel</td>
<td>300 MW</td>
<td>100%</td>
<td>15 years commencing October 2026</td>
</tr>
<tr>
<td>Platin (IE)</td>
<td>Biofuel</td>
<td>150 MW</td>
<td>100%</td>
<td>15 years commencing October 2026</td>
</tr>
</tbody>
</table>

### Gas Storage

#### Operational delivery

Gas Storage

Gas Storage reported operating profit – £m 105.1
Gas storage investment and capital expenditure – £m 111.0
Gas storage asset level at period end – £m 1,322.9
Gas storage level at period end – mTh 11,303
Gas storage adjusted investment and capital expenditure – £m 249.2
Gas storage adjusted operating profit – £m 33.8
Gas storage net operating profit (GWh) 15,781
Gas storage output (GWh) 11,303
Gas storage input (GWh) 4,210

#### Growth opportunities

- Powering Up Britain Energy Security Plan, published March 2023, highlights that gas storage had operated successfully over the winter helping to meet demand caused by cold weather spells. The UK Government will consider the future role that storage can play in the longer term, considering the need to align with future plans for hydrogen and CO2 storage. SSE’s focus will therefore be on gaining a proper value from its hydrogen operations. Plans to develop an innovative hydrogen storage project at Aldbrough with Equinor in June 2023, are progressing. Following the commitment in the British Energy Security Strategy to deliver hydrogen transport and storage business models by 2025 to support its 10GW hydrogen production portfolio, as well as the environmental benefits of hydrogen, SSE is also investigating opportunities to expand the hydrogen generation portfolio. With the Aldbrough Hydrogen Pathfinder project, these projects reflect the expected role of hydrogen generation in the UK Government’s Net Zero Hydrogen Fund.
Energy Customer Solutions

SSE Business Energy in GB (non-domestic) and SSE Airtricity on the island of Ireland (domestic and non-domestic) provide a shopfront and route to market for SSE's generation, renewable green products and low-carbon energy solutions. Across Great Britain and Ireland, focus remains on supporting customers to reduce energy consumption, modernise systems and expand the green energy product offering to ensure the business grows its position as a trusted partner to customers on their net zero journey.

SSE Business Energy

Operational delivery

The primary focus of the last year has been on delivering support to customers during a period of extreme market instability. This included implementing government bill supports for customers at an administrative cost of £2m that the business absorbed.

Targeted support for customers included reducing contract lengths to help manage customers’ exposure to high prices and providing flexible repayment options for customers struggling to pay. Under the UK Government’s Energy Bill Relief Scheme, Business Energy applied customer discounts to the value of £721m in the year and was compensated for the reduction in wholesale gas and electricity unit prices that was passed on. In other support measures, in October 2022, the business voluntarily implemented a disconnection ban for businesses (with a cumulative debt of £2m) where end-users were either vulnerable or living in a residential setting aligned to a non-domestic contract.

Additional supports included the decision not to pass on £12m of non-commodity costs to some customers with flexible contract terms. Business Energy has continued to make progress on its Smart programme in 2022/23 installing more smart meters in proportion to our market share. Focus remains on driving Smart adoption throughout 2023/24, building on our engaging smart propositions and incentives to encourage adoption and helping customers to manage and reduce demand.

The business launched a suite of new and enhanced digital offerings in the period to improve the customer journey, including a small business sustainability content hub, providing help to customers with net zero guidance, and a free and easy-to-use carbon footprint calculator.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Business Energy will continue to focus on giving customers increased choice and flexibility to improve their green credentials and help with their path to net zero. This includes extending its product range and giving customers greater transparency over the provenance of their renewable energy supply.

SSE Airtricity

Operational delivery

The primary focus of 2022/23 has been on supporting customers, resulting in the establishment of the most comprehensive customer support fund of any supplier in Ireland, up to the value of €25m. Measures included a €2.5m donation made to non-profit organisation EnergyCloud, which promotes system efficiency, utilising surplus renewable energy to supply fuel-poor households. Airtricity also applied discounts to the value of €116m in the year to customers under the UK Government’s Energy Bill Relief Scheme.

Furthermore, as referenced in the Group Financial Review, SSE Airtricity honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. Residual profits of €6.6m were distributed to domestic customers in full, with accounts credited after the year-end in April 2023. The cost of the rebate will be reflected in financial results for 2023/24.

The business continued to enhance service offerings as customer engagement levels tripled year-on-year at their peak. The introduction of enhanced digital service capabilities such as Live Chat resulted in a greater than 90% reduction in customer wait times below peak levels.

During the period SSE Airtricity continued to evolve product offerings to support demand reduction including the launch of a market-leading premium microgeneration solar offering via our joint venture with Actility Solar Energies. Through its pioneering Generation Green Home Upgrade home retrofit proposition the business completed 1,500 solar installs, supplied over 350 batteries and retrofitted 650 homes this financial year, representing an estimated carbon saving of 8.9GWh.

Partnerships with RTÉ’s DIY SOS, increasing our support for the women’s game through partnership with the Football Association of Ireland, and funding LGBT Ireland’s advice headline are examples of Airtricity’s values and active community support.

For additional financial performance commentary please refer to the Financial Review.

Growth opportunities

SSE Airtricity has laid solid foundations and led the way in proposition innovation to more easily enable customers to reduce carbon emissions and energy usage. It has ambitions plans for energy services across the island of Ireland, aiming to deliver 45,000 home retrofits by 2035 and expanding the offering into the ROI B2B and NI markets.

Who Energy Customer Solutions serves

700,000 domestic and business customers in the all-island Ireland energy supply market, and around 469,000 non-domestic customers in GB.

How it supports SSE’s strategy

By responding to the climate emergency through the provision of green energy solutions to customers who are increasingly focused on the transition onto renewable energy.

How it is remunerated

By competing for customers and direct billing to them and third party intermediaries (in GB) and through state-supported schemes (in ROI).

"In response to the cost inflation associated with events of the past year, SSE's customer businesses have focused on managing risk to ensure the best possible outcomes for our customers, supporting those that are vulnerable and working with governments on assistance packages."

Nikki Flanders
Managing Director, Energy Customer Solutions
SSE Distributed Energy

Distributed Energy brings low-carbon energy solutions to business-to-business markets – including major regional and partnership opportunities. With private wires, heat networks, behind-the-meter solar and battery, EV charging and competitive networks all part of the UK’s net zero plans it is well positioned for future growth. As mentioned on previous pages, grid-scale Solar and Battery will report under the SSE Renewables segment from 1 April 2023, but progress in 2022/23 is outlined below.

**Who SSE Distributed Energy serves**

For the public sector and commercial markets in GB and Ireland. It provides smart digital solutions for assets deployed and for businesses, buildings, and cities.

**How it supports SSE’s strategy**

Distributed energy, solar and battery storage assets have an increasingly important role to play in the GB energy system as electrification accelerates and generation is increasingly led by intermittent wind output. They also provide valuable diversity and optionality to the SSE portfolio.

**How it is remunerated**

By competing for customers and direct billing to them and third party. By competing for customers and direct billing to them and third party.

**Who EPM serves**

SSE’s individual Business Units and the SSE Group.

**How it supports SSE’s strategy**

The work EPM does is key to managing risk associated with the operations behind SSE’s Net Zero Acceleration Programme. It trades the principal commodities to which SSE’s asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads); power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible (see also SSE’s Hedging Position in the Financial Review).

**EPM key performance indicators**

<table>
<thead>
<tr>
<th>EPM</th>
<th>March 2023</th>
<th>March 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPM adjusted operating profit/loss – £m</td>
<td>80.4</td>
<td>(16.8)</td>
</tr>
<tr>
<td>EPM reported operating profit/loss – £m</td>
<td>(2,626.0)</td>
<td>2,083.6</td>
</tr>
</tbody>
</table>

**Growth opportunities**

Energy Economics, SSE’s long-term price forecasting and market analysis team, moved into EPM at the end of the financial year providing significant synergies and enhanced opportunities to share knowledge across the teams.

"The core strengths of the EPM team in prompt and curve trading have served us well in navigating the market turbulence of the past year. We have an eye to the future, reinforcing our existing expertise while rapidly growing our capabilities in advanced data analytics and international markets to support the Group’s growth ambitions."

Gordon Bell
Managing Director, Energy Portfolio Management