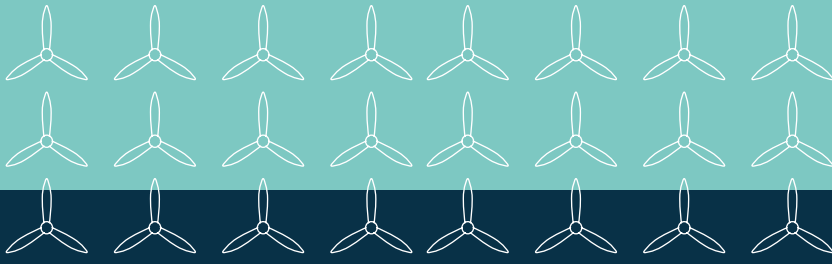


## In this section

Chair's introduction	112
Governance at a glance	114
Board at a glance	115
Board of Directors	116
Group Executive Committee	121
Our corporate governance	122
Considered decision-making	124
Setting strategy	125
Guiding strategic progress	126
Governing SSE for long-term success	130
Understanding shareholder views	132
Empowering the employee voice	134
Focusing on culture	137
Defining Board responsibilities	139
Assessing Board performance	140
Nomination Committee Report	142
Audit Committee Report	150
Energy Markets Risk Committee Report	160
Safety, Sustainability, Health and Environment Advisory Committee Report	162
Remuneration Committee Report	166
– Remuneration Committee Chair's statement	166
– Remuneration at a glance	168
– Annual report on remuneration	170
– Directors' Remuneration Policy – a summary	185
Other statutory information	188
Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements	191

# Directors' Report

Good governance and a strong corporate culture are the foundations of SSE's purpose, vision and strategy. The Board gives close consideration to the views of all stakeholders in its decision making and understands the importance of clear disclosure of this, and other material issues, in reporting how its work supports the long-term success of the Company.



## Chair's introduction

# Leading for the long term.

The ultimate measure of effective and responsible corporate governance is how it stands up in periods of challenge. SSE was tested in 2022/23 by unprecedented volatility, and the Board supported decisions and actions that considered the issues of affordability, security, sustainability and fairness.



Supported by the clarity of our purpose and a strong Net Zero Acceleration Programme (NZAP) the objectives of work in the year was clear; to provide sharp focus to the strategic agenda, engage constructively on a fair policy framework for its delivery, and ensure SSE is positioned to deliver for its stakeholders in the long term. This encompasses our responsibility, as a Board, to understand and represent stakeholder views and material issues arising from the current economic backdrop.

### Leading the correct response

Through the strategic agenda, we have overseen and positively challenged the pace and progress of large capital projects, continuing to assess whether the NZAP pursues the right actions in the changing external context. Our strategy days in Summer 2022 supported in-depth analysis of how the environment has evolved since November 2021, and throughout the year the clear targets we set have been tracked through dialogue with senior leadership, strategic deep dives, and the introduction of an NZAP dashboard. This covers pipelines, project construction and options for further growth. The confidence we have in our growth strategy and the value it will create is reflected in the NZAP Plus plans announced in May 2023. More details are available on [page 125](#).

Significant progress has been made in the year. We sold a minority stake in SSEN Transmission, and have a clear path for SSEN Distribution to make increased investment under the RIIO-ED2 price control. SSE Renewables progressed flagship projects and continues to pursue opportunities at home and internationally. SSE Thermal enhanced the CCS and hydrogen potential of its portfolio, supported by the partnership acquisition of Triton Power for which we updated our Net Zero Transition Plan. Energy Customer Solutions remains dynamic in its response to cost of living and customer support, and we are providing flexibility for the future through distributed energy, solar and battery technologies. More on Board strategy work is on [pages 125 to 129](#).

### Managing sector impacts

The risks presented through inflationary pressure, volatile commodity prices, increased competition and the totemic issue of climate change are subject to defined governance through standing Board and Committee work.

On capital investment, we have reviewed decision-making criteria at regular intervals to ensure opportunities are appraised in line with our view of acceptable returns, an input which is complemented by Audit Committee feedback on our funding and treasury policy.

Our approach to hedging has provided a baseline to manage portfolio exposures, and we have reviewed the governance and risk metrics overseen by the Energy Markets Risk Committee (EMRC) to ensure controls remain appropriate in the current climate.

Specific updates have allowed Board and Remuneration Committee input on employee cost of living support and SSE's overall employee value proposition, to ensure actions are considered holistically and support those most deeply impacted.

Climate change and a just transition to net zero sit at the core of SSE's strategy, and focus continues to be provided to our science-based targets, supporting sustainability strategies and transparent reporting of our social, environmental and economic impacts. Accordingly, separate Sustainability and Net Zero Transition Reports accompany this Annual Report.

### Validating our actions

Our analysis of the operating context is not conducted in isolation, and we value additional perspectives to foster unbiased discussion and challenge our view of the long term. Methods to gather insights have included stakeholder soundings of our strategy, guest speaker sessions, and internally facilitated deep dives. Given the speed of change on both a national and international level, a vast array of topics has been covered through external sessions, including the political and economic outlook, policy developments, and the geo-political context.

On behalf of the Board, I confirm the continued value we place on conversations with shareholders, which take place through investor meetings and events, and questions across the year and around the AGM. We hosted two additional initiatives in 2022/23, an ESG seminar focused on our Net Zero Transition Report, and a two-day session in Inverness which provided the opportunity to meet management teams and visit key sites. Our engagement approach in 2023/24 will continue to support understanding of shareholder opinion and we will respond to the feedback we receive. For the 2023 AGM we again offer inclusive participation through a hybrid meeting and we encourage virtual participation if you cannot attend in person.


### Our people and safety

Our people and their safety are paramount, and I reiterate how saddened we were by the death of Liam McDonald, a contractor working on Shetland in June 2022. The Board and Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC) apply sharp focus to our safety performance and continue to monitor the


level of rigour and support provided. With a rise in contractor hours worked across large capital projects a central Contractor Safety Team is now also in place.

This was the first year, since Covid-19, where the Board conducted a full schedule of site visits. Virtual large-scale engagement complements this approach, and I am extremely pleased it was a record year for employee participation across SSE with in-person and virtual events attended more than 40,000 times. Collectively we have been able to reach 32 locations across the UK and Ireland, with over 3,500 employees participating in the post-AGM engagement sessions alone.

Dame Sue Bruce established the direct link between the Board and employee voice through the Non-Executive Director for Employee Engagement role, and I would like to extend my thanks to Sue for the thoughtful agenda she passes on to Lady Elish Angiolini to lead. We know colleagues value discussing topics of importance with senior leaders and we will support continued and open conversations.

Engagement is supported by the Cultural Dashboard we review twice a year. This has again matured and through purposeful design it prompts thinking of the individual strands which contribute to, or have the potential to influence, our culture. More on employee listening and culture is on [pages 134 to 138](#) .

### Assessing performance

In 2021/22 the external Board evaluation was conducted by Lintstock, following two consecutive internal processes in the preceding years. To provide a measured assessment of progress, we re-engaged Lintstock to complete follow-up reviews in 2022/23 and 2023/24, for which the format will reflect that of our internal evaluation approach. I am pleased the 2022/23 report confirmed our effective operation, and that additional actions have been identified for our plan of Board work. More on the evaluation is on [pages 140 to 141](#) .

### Balanced leadership


In April 2023, we announced the retirement of Gregor Alexander and his stepping down from the Board on 1 December 2023, after what will be 21 years as Finance Director. Gregor has been with SSE since its inception, joining Scottish Hydro-Electric in 1990, and has been instrumental to the transformation of the Group. His financial leadership and counsel are evident in the strong position in which he leaves SSE. Following an external recruitment process, Barry O'Regan, current Finance Director, SSE Renewables, will succeed him as Chief Financial Officer.

We look forward to working with Barry, who brings depth of financial and energy expertise having been actively involved in SSE's strategic growth.

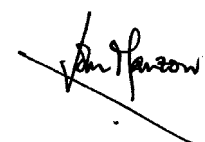
As reported previously, and in line with succession plans, Dame Sue Bruce stepped down from the Board on 31 March 2023 and Peter Lynas will not seek re-election at the 2023 AGM. We extend our thanks for the commitment and experience they will have provided to the Board over the last nine years, and Melanie Smith, John Bason and Lady Elish Angiolini bring their own depth of expertise to the Board roles they assume following these non-Executive changes.

Standing Nomination Committee work, in conjunction with 2021/22 evaluation findings, sees one new addition to the Board, with the appointment of Maarten Wetselaar as a non-Executive Director from 1 September 2023. Maarten is a leader in the energy transition and I look forward to welcoming him when he joins.

Inclusion and diversity are priority areas for the Board and Nomination Committee, and we commit to reporting transparently on progress. After the above Board changes, membership will comprise 42% women; this is above our 40% ambition and we continue to work within the enduring policy aim of gender parity. In line with the FCA Listing Rule, we explain that the roles of Chair, Senior Independent Director, Chief Executive and Finance Director are all held by men.

Within senior leadership, we are pleased with the improvement in gender diversity compared to 31 March 2022 but there is more work to do. The reset of our internal ambitions in 2022 sets a minimum standard, not an endpoint, and we continue work to understand the levers for change. We further welcome the Parker Review's recommendation for voluntary ethnicity targets at the same level and will ascertain a challenging yet credible position to work towards for 2027. More on Nomination Committee work is on [pages 142 to 149](#) .

I hope you find the Directors' Report which follows a transparent and engaging account of work across 2022/23.




**Sir John Manzoni**  
Chair, SSE plc  
23 May 2023

# Governance at a glance

## Key activities in 2022/23


### Appraised strategic delivery

Overseeing NZAP progress and approving the NZAP Plus  
pages 125 to 129 

Fully-funded capital investment plan

**£18bn**

### Enhanced shareholder dialogue

Continuing the Chair's shareholder roadshow as a standing event  
pages 132 to 133 

Number of Chair roadshow meetings

**20**

### Progressed Board succession

Approving the appointment of a new non-Executive Director and Finance Director succession plans  
pages 144 to 145 

Number of Board members

**12**

### Assessed external context

Conducting deep dives and external speaker sessions  
page 125 

Knowledge sessions held

**19**


### Amplified employee listening

Participating in diverse events across all areas of the Group  
pages 134 to 136 

Board-employee engagements

**58**


### Considered Board diversity


Confirming the difference across Board membership including gender, ethnicity and broader characteristics  
pages 148 to 149 

Female Board membership

**42%**


## UK Corporate Governance Code

The Board continues to assess its approach to corporate governance through application of the FRC's UK Corporate Governance Code (the Code) and reports against the 2018 Code for the year ended 31 March 2023. A copy can be found at [www.frc.org.uk](http://www.frc.org.uk) .

For 2022/23, the Board confirms compliance against the Code Provisions. The assessment of independence which supported the time limited extension to the tenure of Dame Sue Bruce and Peter Lynas is set out on [page 146](#) .

The spirit of the Code continues to be upheld through the work of the Board and its Committees, which includes application of the Code's Principles. The below confirms where disclosures to evidence this approach are located, and cross-references are used where supporting information is located outside of the Directors' Report.

### Board Leadership and Company Purpose

See pages 122 to 138 


### Division of Responsibilities

See page 139 


### Composition, Succession and Evaluation

See pages 140 to 149 

### Audit, Risk and Internal Control

See pages 150 to 165 

### Remuneration

See pages 166 to 187 

# Board at a glance

## Planned Director changes

- Dame Sue Bruce stepped down from the Board on 31 March 2023.
- Peter Lynas steps down from the Board on 20 July 2023.
- Maarten Wetselaar joins the Board on 1 September 2023.
- Gregor Alexander to be succeeded by Barry O'Regan on 1 December 2023.

## Board composition

Board gender balance (as at 23 May 2023)

### 42%

female membership



Rolling three-year female representation

### 43%

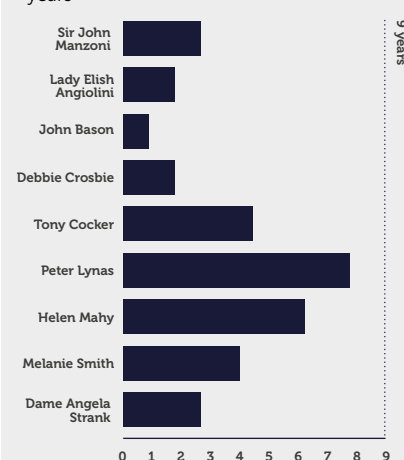
female



Average non-Executive Director tenure (as at 23 May 2023)

### 3.98

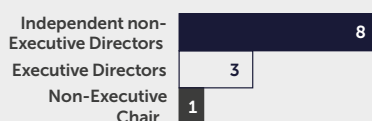
years



Board independence (as at 23 May 2023)

### 73%

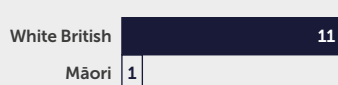
independent



Board ethnicity (as at 23 May 2023)

### 1

ethnic minority background



## Skills to support long-term success

The below skills matrix sets out the expertise the non-Executive Directors have assimilated outside of their SSE Board role. The collective position is enhanced by the innate differences in approach and thinking styles, which results from the diverse background and experience of each individual as set out in the biographies on [pages 116 to 120](#).

	Sir John Manzoni	Lady Elish Angiolini	John Bason	Tony Cocker	Debbie Crosbie	Peter Lynas	Helen Mahy	Melanie Smith	Dame Angela Strank
Tenure (years)	2	1	<1	5	1	8	7	4	3
Experience of operating context and disruptive trends									
Energy sector, energy regulation and energy markets	✓			✓			✓		✓
Government and public policy	✓	✓	✓	✓			✓		
Clean energy, renewables and climate science	✓			✓			✓		✓
Global business, scale and complexity	✓		✓	✓	✓	✓		✓	✓
Digital and data			✓	✓	✓	✓		✓	✓
Stakeholders and social impact	✓	✓	✓	✓	✓	✓	✓	✓	✓
Skills to challenge and set a sustainable strategy									
Large capital project management	✓	✓	✓	✓		✓		✓	✓
Financing, economics and capital markets	✓		✓		✓	✓		✓	
Partnering, M&A and transactions	✓	✓	✓			✓		✓	✓
Risk management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Consumer insight		✓	✓	✓	✓		✓	✓	✓
Responsible leadership of a large organisation									
Corporate governance and leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓
Culture, safe working and people development	✓	✓	✓	✓	✓	✓	✓	✓	✓



# Board of Directors

## CHAIR



**Sir John Manzoni**

Chair



### Date of appointment

Non-Executive Director since September 2020 and Chair from April 2021

### Board tenure

2 years

### Career and experience

Sir John has wide-ranging experience across the energy industry and both the private and public sectors. Through an executive career at BP which spanned 24 years, he held a number of senior roles including Chief Executive, Refining and Marketing in which he was a Main Board member. This was followed by President and Chief Executive Officer at Talisman Energy Inc before a move to UK Government where he spent six years as Chief Executive of the Civil Service and Permanent Secretary of the Cabinet Office. He has previously been a non-Executive Director of SABMiller plc and Chair of Leyshon Energy Limited.

### Skills and attributes which support strategy and long-term success

- Dynamic and engaging leadership style with diverse perspectives gained across multiple sectors, organisational settings and geographies, which complement the responsibilities of SSE Chair.
- Experienced in the governance of large-scale business operations, leading reform and the management of complex projects to drive commercial performance, skills key to the fulfilment of SSE's vision and purpose.
- Strong communicator with insight into the management and development of stakeholder relations aligned with SSE's approach to decision-making.
- Working knowledge of energy regulation, government and policy considerations which underpin the success of a net zero transition.
- Brings sharp focus to people leadership, succession planning and inclusion and diversity.

### Key external appointments and changes

- Non-Executive Director of Diageo.
- Chair of the Atomic Weapons Establishment.
- Non-Executive Director of KBR Inc.

## EXECUTIVE DIRECTORS



**Alistair Phillips-Davies**

Chief Executive

### Date of appointment

Executive Director since January 2002 and Chief Executive from July 2013

### Board tenure

21 years

### Career and experience

Alistair joined SSE in 1997 and possesses extensive knowledge of the Group, having held senior roles across multiple business areas. Prior to joining the Board in 2002 as Energy Supply Director, Alistair was Director of Corporate Finance and Business Development. In 2010, he became Generation and Supply Director, before his appointment as Deputy Chief Executive in 2012 then Chief Executive in 2013. Alistair is a fellow of the Energy Institute and a Chartered Accountant.

### Skills and attributes which support strategy and long-term success

- Sound executive leadership and a considered approach to strategy; evidenced through continued delivery under the Group operating model, Net Zero Acceleration Programme, and sustainability plans and targets.
- Broad knowledge of the energy markets in Great Britain and Ireland and across Europe, which informs views of long-term direction.
- Proactive approach to understanding stakeholder priorities including the impact of the energy crisis, SSE's societal response to net zero and the pace, focus and investment needed to deliver a clean, secure and cost-effective energy system.
- Detailed understanding of policy, politics, and regulation, enabling constructive engagement in these areas.
- Focused on people development to support culture and capabilities for future growth.

### Key external appointments and changes

- Chair of SSEN Distribution Board from April 2023.
- Non-Executive Director of Anglian Water Services Limited from November 2022.
- Member of the Scottish Energy Advisory Board.
- Member of the UK Government's Hydrogen Advisory Council.



**Gregor Alexander**

Finance Director



### Date of appointment

Executive Director and Finance Director since October 2002

### Board tenure

20 years

### Career and experience

Gregor joined SSE in 1990 and has been Finance Director on the Board since 2002. Prior to being appointed as Finance Director, Gregor worked in senior finance roles and led specialist teams including as Group Treasurer and Tax Manager. Gregor has also served on the Boards of SSE's networks businesses over a number of years. He is a Chartered Accountant and member of the Accounting for Sustainability (A4S) CFO Leadership Network.

### Skills and attributes which support strategy and long-term success

- Extensive knowledge of financial markets as leader of SSE's financial strategy, including the approach to sustainable financing and long-term performance, and the link between financial, social and environmental factors.
- Experienced in directing significant corporate projects and major transactions, including SSE's approach to investments, divestments and partnering to create strategic value.
- Oversees governance in the management of Group risks including those emerging from the net zero transition and external economic environment, with a focus on capital investment, resilient supply chains, project delivery and digital.
- Deep appreciation of shareholder views and ESG matters including the continued commitment to lead on fair tax, fair work and sharing economic value through of SSE's 2030 Goals.

### Key external appointments and changes

- Chair of SSEN Transmission Board from October 2022.
- Director of Neos Networks Limited from February 2023.
- Stepped down as non-Executive Director of Stagecoach Group plc in June 2022.



### Martin Pibworth

Chief Commercial Officer



#### Date of appointment

Executive Director since September 2017 and Chief Commercial Officer from November 2020

#### Board tenure

5 years

#### Career and experience

Martin joined SSE in 1998 as an energy trader, which was followed by a series of commercial roles before becoming Managing Director, Energy Portfolio Management, and a member of SSE's then Management Board in 2012. In 2014, he was appointed Managing Director, Wholesale, and a member of SSE's Group Executive Committee. In 2017 he joined the Board as Group Energy Director, a role which was expanded to Group Energy and Commercial Director in November 2020. This role was re-titled Chief Commercial Officer in March 2022.

#### Skills and attributes which support strategy and long-term success

- Literacy in complex energy and commodity markets which is supported by technical and operational expertise.
- End-to-end experience in large capital projects including joint venture engagement and governance, which has been applied in the development of SSE's diverse and flexible generation portfolio, including the renewables pipeline.
- Commercially minded in seeking future growth within SSE's market-based businesses, including internationally, having supported key capital recycling opportunities and transactions to refine SSE's business mix and secure optimum value from investments.
- Understanding of change management and sources of commercial risk, having overseen SSE's monitoring and response to recent market volatility.

#### Key external appointments and changes

- Member of Energy UK Board.

## INDEPENDENT NON-EXECUTIVE DIRECTORS



### Tony Cocker

Senior Independent Director



#### Date of appointment

Non-Executive Director since May 2018 and Senior Independent Director from October 2020

#### Board tenure

5 years

#### Career and experience

Tony possesses detailed knowledge of the energy sector through a 20-year career with E.ON SE and Powergen plc, encompassing responsibility for: thermal generation; onshore and offshore wind (including Scroby Sands and the London Array, the world's largest offshore wind farm when built); commodity trading and risk management; and retail. Latterly, he held the position of CEO and Chair of E.ON UK plc, comprising the main businesses in the UK. Previous roles include CEO of E.ON Energy Trading SE and Managing Director of E.ON UK Energy Wholesale. He has served on the Board of Energy UK.

#### Skills and attributes which support strategy and long-term success

- Extensive CEO and MD experience across renewables, generation, commodity portfolio management and energy trading.
- Wide-ranging technical and operational insight, surrounding energy infrastructure and assets including the delivery of major thermal and renewable energy projects.
- UK and European energy industry and non-Executive experience enhances Board understanding of trends relevant to SSE's operations and of utilities regulation.
- A balanced sounding board with additive experience in strategic consultancy and energy and utility stakeholder management.

#### Key external appointments and changes

- Chair of Infinis Energy Management Limited.
- Visiting Professor at Aston University.
- Chair of Future Biogas Limited from March 2023.

## Key

### Committee membership

- NC Nomination Committee
- AC Audit Committee
- ER Energy Markets Risk Committee
- SHE Safety, Sustainability, Health and Environment Advisory Committee
- RC Remuneration Committee
- Committee Chair

## External appointments

The Board considered and approved the additional external commitments taken on by Alistair Phillips-Davies, Tony Cocker, Debbie Crosbie, Helen Mahy and Melanie Smith during the period, confirming there would be no impact on the time commitment required for their respective roles. For the non-Executive Directors, an additional assessment of independence and objectivity was conducted, with no concerns identified. The resultant position is believed to be consistent with recognised proxy advisor guidelines.



## Board of Directors continued

### INDEPENDENT NON-EXECUTIVE DIRECTORS



#### Lady Elish Angiolini QC

Non-Executive Director



#### Date of appointment

Non-Executive Director since September 2021

#### Board tenure

1 year

#### Career and experience

Lady Elish has an extensive public sector legal career, serving as Lord Advocate of Scotland from 2006 to 2011, across two government administrations, having previously been Solicitor General for Scotland. Since then, she has carried out independent public inquiries and reviews for the UK and Scottish Governments and held positions in academia, serving as Principal of St Hugh's College Oxford since 2012. She is also a Pro-Vice Chancellor of Oxford University and previous Chancellor of the University of West of Scotland. She is Chair of the Board of Trustees for the legal action non-governmental group Reprieve and a patron of several charities.

#### Skills and attributes which support strategy and long-term success

- Possesses significant understanding of Scottish governance and has practical experience of working with the UK and Scottish governments through involvement in independent public reviews, whilst maintaining no political affiliation.
- Strong ambassadorial skills developed through an international stakeholder network in judicial, governmental, diplomatic, and academic fields.
- Exercises a strong sense of social purpose and adds depth of perspective to Board considerations, including as an advocate for employee views in the Boardroom; reinforcing SSE's approach to wider value creation.

#### Key external appointments and changes

- Pro-Vice Chancellor of the University of Oxford.
- Principal of St Hugh's College Oxford.
- Chair of the Sarah Everard Inquiry.
- Chair of Board of Trustees of Reprieve.
- Stepped down as Chair of the Discipline Board of ICAS in March 2023.



#### John Bason

Non-Executive Director



#### Date of appointment

Non-Executive Director since June 2022

#### Board tenure

Under 1 year

#### Career and experience

John brings significant listed company and recent and relevant financial and international experience through a career in global businesses. He joined Associated British Foods plc (ABF) as Finance Director in 1999 and held this position until stepping down in April 2023. Whilst in post, ABF's diverse food, ingredients and retail businesses employed 128,000 people and operated in 53 countries across Europe, Asia, the Americas, Australia and Africa. Prior to this, John was Finance Director of the international distribution and services group Bunzl plc. Non-Executive experience includes Senior Independent Director and Audit Committee Chair of Compass Group PLC. John is a Chartered Accountant.

#### Skills and attributes which support strategy and long-term success

- Extensive leadership experience and international perspective, gained from global companies and complex operations, which will be invaluable to SSE's growth and entry into new markets.
- A proven track record in developing financial and commercial strategy, including M&A, corporate transactions and large capital projects, which complements SSE's Net Zero Acceleration Programme Plus, and supports appointment to the role of Audit Committee Chair from 21 July 2023.
- Understanding of the listed company context with practical experience of investor relations and ESG strategy, placing upmost importance on the role of sustainability.

#### Key external appointments and changes

- Non-Executive Director of Bloomsbury Publishing Plc.
- Chair of the charity FareShare.
- Primark Strategic Advisory Board Chair from April 2023.
- Stepped down as Finance Director of Associated British Foods plc in April 2023.



#### Debbie Crosbie

Non-Executive Director



#### Date of appointment

Non-Executive Director since September 2021

#### Board tenure

1 year

#### Career and experience

Debbie brings over 25 years of experience in financial services leadership and became the first female Chief Executive of Nationwide Building Society in 2022. Prior to this appointment, Debbie served as CEO of TSB from May 2019 and was previously an Executive Director and Chief Operating Officer of Clydesdale Bank, where she led preparations for its successful demerger from National Australia Bank and subsequent IPO. Debbie is a fellow of the Chartered Institute of Bankers and a member of the Glasgow Economic Leadership Board and the Strathclyde University Business School Advisory Board.

#### Skills and attributes which support strategy and long-term success

- Extensive experience of the implementation of strategy, including execution of far-reaching transformation projects within large consumer-facing organisation, and the critical role of digital and data.
- Understanding of capital allocation, optimisation, and investment appraisal frameworks central to SSE's growth plans.
- Responsible for efficient and effective operations in high profile organisations in a heavily regulated sector, requiring a compliance-driven approach and proficiency in IT and cyber security, risk management and internal controls.
- Business leader with expert understanding of the wider organisational responsibilities to employees and society.

#### Key external appointments and changes

- Chief Executive of Nationwide Building Society.
- Member of the Glasgow Economic Leadership Board.
- Member of the Business School Advisory Board of Strathclyde University.
- Member of the FCA Practitioner Panel from June 2022.
- Director of UK Finance from May 2023.



### Peter Lynas

Non-Executive Director



#### Date of appointment

Non-Executive Director since July 2014

#### Board tenure

8 years

#### Career and experience

Peter has over 30 years of business experience spanning all areas of finance. He retired from the role of Group Finance Director of BAE Systems plc in March 2020, prior to which he was Director, Financial Control, Reporting and Treasury. His early career involved roles within GEC Marconi, where he was appointed Finance Director of Marconi Electronic Systems before the completion of the British Aerospace/Marconi merger. He is a Fellow of the Chartered Association of Certified Accountants.

#### Skills and attributes which support strategy and long-term success

- Brings recent and relevant financial experience to the Board and strong direction to the Audit Committee, as Chair of which, he drives focus on the risk and control environment including Group resilience, cyber security and the ethics and compliance culture.
- International business perspective and an applied understanding of long-term project management and delivery, including investment appraisal, contracting and supply chain experience.
- Up-to-date investor relations experience through his executive career at BAE and pensions insight having been Chair of the trustee Board of a major UK scheme.

#### Key external appointments and changes

- Senior Independent Director of First Group plc.



### Helen Mahy CBE

Non-Executive Director



#### Date of appointment

Non-Executive Director since March 2016

#### Board tenure

7 years

#### Career and experience

Helen is a former Company Secretary and General Counsel of National Grid plc. She is an experienced non-Executive Director with previous directorships at Bonheur ASA, Aga Rangemaster plc, Stagecoach Group plc, SVG Capital plc, Chair of MedicX Fund Limited, Deputy Chair and Senior Independent Director of Primary Health Properties PLC, and Chair of The Renewables Infrastructure Group Limited. She was a member of the Parker Review steering committee into the Ethnic Diversity of UK Boards. She is a patron of the Social Mobility Business Partnership, Co-chair of the Employers Social Mobility Alliance and Chair of the Global Media Campaign to end FGM.

#### Skills and attributes which support strategy and long-term success

- Long-standing energy and regulatory expertise, including understanding of the legal, compliance, governance and risk frameworks in which SSE's businesses operate and a decade of experience overseeing renewables infrastructure investment.
- Insight into a broad range of investor and stakeholder perspectives and trends from cross-sectoral, international and external Board interests that enable wider discussion and debate.
- Advocate of a strong safety and employee wellbeing culture, extensive knowledge of sustainability, and applies a wide focus to social equity including social mobility and inclusion and diversity.

#### Key external appointments and changes

- Non-Executive Director of Gowling WLG (UK) LLP.
- Non-Executive Director of NextEnergy Solar Fund from April 2023.
- Stepped down as Chair of The Renewables Infrastructure Group Limited in October 2022.
- Stepped down as Commissioner for The Equality and Human Rights Commission in March 2023.



### Melanie Smith CBE

Non-Executive Director



#### Date of appointment

Non-Executive Director since January 2019

#### Board tenure

4 years

#### Career and experience

Melanie has over 20 years of strategy and transformation experience. Most recently, she built the Ocado Retail joint venture – the world's largest pureplay online grocer and the UK's fastest growing grocer, of which she was CEO until 2022. Prior to this she was Strategy Director for Marks & Spencer with responsibility for group strategy, M&S Bank and M&S Services. Earlier roles include Global Strategy and Marketing Director at Bupa, Chief Operating Officer at TalkTalk and a Partner in McKinsey's Consumer practice.

#### Skills and attributes which support strategy and long-term success

- Highly qualified to appraise strategy development and execution, having advised and led growth, brand and business transformation in the consumer and retail sectors worldwide.
- Deep commercial and digital experience across multiple goods and services categories, including insurance, telco and energy that furthers Board understanding of the customer.
- Has a people centric style and wide-ranging experience in a global context including a strong cultural appreciation.
- An entrepreneurial organisational leader, actively engaging with stakeholder views to create high performing organisations.

#### Key external appointments and changes

- Advisory Board member of Manaia.
- Trustee of Sadler's Wells.
- Founder of Mokaraka Trust.
- Trustee of Somerset House from December 2022.
- Stepped down as CEO of Ocado Retail Limited in August 2022.

## Board of Directors continued

### INDEPENDENT NON-EXECUTIVE DIRECTORS



#### Dame Angela Strank DBE

Non-Executive Director



#### Date of appointment

Non-Executive Director since May 2020

#### Board tenure

3 years

#### Career and experience

Dame Angela brings depth of executive experience from a long-standing international career in the energy sector, which included 38 years' service at BP. Prior to retirement in December 2020, she was a member of BP's Executive Management team as BP Group Chief Scientist and Head of Downstream Technology. This followed international business and technical leadership positions spanning R&D, engineering, digital, product development and innovation, business development, finance and renewable energy. Angela is a Fellow of the Royal Society, the Royal Academy of Engineers, and the UK Energy Institute. She was awarded a DBE for long-standing services to the energy industry and pioneering STEM careers, especially for women.

#### Skills and attributes which support strategy and long-term success

- Expert understanding of the current and future role of technology and science within the broader energy and manufacturing industries, including the impact of disruptive trends and resultant transformation.
- Knowledge of leading and collaborating on a large scale and with international outlook, having worked extensively in culturally diverse environments including the Middle East, Europe, the Far East, Africa and America.
- Corporate social responsibility and sustainability experience through active involvement in climate science research, the energy transition, reputation and safety management, pioneering women in STEM careers, and as a champion of inclusion and diversity; having chaired the Corporate Sustainability Committee, and Safety, Ethics and Sustainability Committee in two FTSE 100 companies.

#### Key external appointments and changes

- Non-Executive Director of Rolls Royce plc.
- Non-Executive Director of Mondi plc.

### COMPANY SECRETARY



#### Sally Fairbairn

Company Secretary and Director of Investor Relations

#### Date of appointment

Company Secretary and Director of Investor Relations since December 2014

#### Career and experience

Sally joined SSE in 1997 as a chartered accountant working in the Corporate Finance team. Through this role, which included responsibility for long-term financial modelling of the SSE Group, she developed knowledge of the SSE's diverse operations and the UK energy industry. In 2007, Sally became Director of Investor Relations and Analysis allowing her to develop extensive experience of the shareholder and financial analyst community, and through associated engagement, has detailed understanding of investor views. Sally was appointed to the joint role of Company Secretary and Director of Investor Relations in December 2014.

# Group Executive Committee



**Alistair Phillips-Davies**  
Chief Executive



**Gregor Alexander**  
Finance Director



**Martin Pibworth**  
Chief Commercial Officer



**Chris Burchell**  
MD, SSEN Distribution

Chris has been MD, SSEN Distribution since November 2020, following an extensive career in transport where he held several MD and Group level operational and commercial leadership positions, including with Arriva, The Go-Ahead Group and Railtrack. Chris also brings wider sector experience having been a non-Executive Director with OFWAT and as Chair of the Rail Delivery Group trade body.



**Rob McDonald**  
MD, SSEN Transmission

Rob has been MD, SSEN Transmission since January 2019, having joined SSE in 1997 and holding a number of senior roles within the Group Regulation function. Prior to his current position, he was MD, Corporate and Business Services covering Legal, Regulation, Compliance, Safety and Large Capital Projects Services across SSE.



**Sam Peacock**  
MD, Corporate Affairs, Regulation and Strategy

Sam joined the Group Executive Committee in April 2020 and leads SSE's teams overseeing corporate strategy, government and regulatory affairs, communications, brand, and local project communications. Prior to joining SSE in 2011, he directed government affairs at Ofgem and worked at leading communications agency Edelman, as well as in Parliament and in Government.



**Catherine Raw**  
MD, SSE Thermal

Catherine has been MD, SSE Thermal since April 2022, and brings extensive operational and commercial experience from her previous roles in the international mining firm Barrick Gold where she was both Chief Operating Officer for North America and Chief Financial Officer. Prior to this, Catherine was a Managing Director and Fund Manager at BlackRock, one of the world's largest fund management companies.



**John Stewart**  
Director of HR

John has been Director of HR since joining SSE in July 2009. Prior to this he worked in a broad range of senior management roles in the energy and water sectors and has experience of working in both the UK and in the US. He oversees all areas in relation to SSE's people including talent and capability, training and development, employee engagement, and inclusion and diversity.



**Liz Tanner**  
General Counsel

Liz is a barrister and has been Group General Counsel since March 2019, having joined SSE in 2002 as part of the acquisition of Neos Networks. Since joining SSE, Liz has held a variety of legal and commercial roles within a number of different SSE Group companies and currently oversees the corporate functions of Legal, Compliance, Data Protection and Large Capital Project Services.



**Stephen Wheeler**  
MD, SSE Renewables

Stephen has been MD, SSE Renewables since January 2022 having previously held the roles of MD, SSE Thermal and MD, SSE Ireland. Prior to SSE, he was part of the management team that grew the Airtricity renewable energy platform before SSE acquired it in 2008. Before joining Airtricity, he spent over 10 years working with ABB and Siemens internationally.



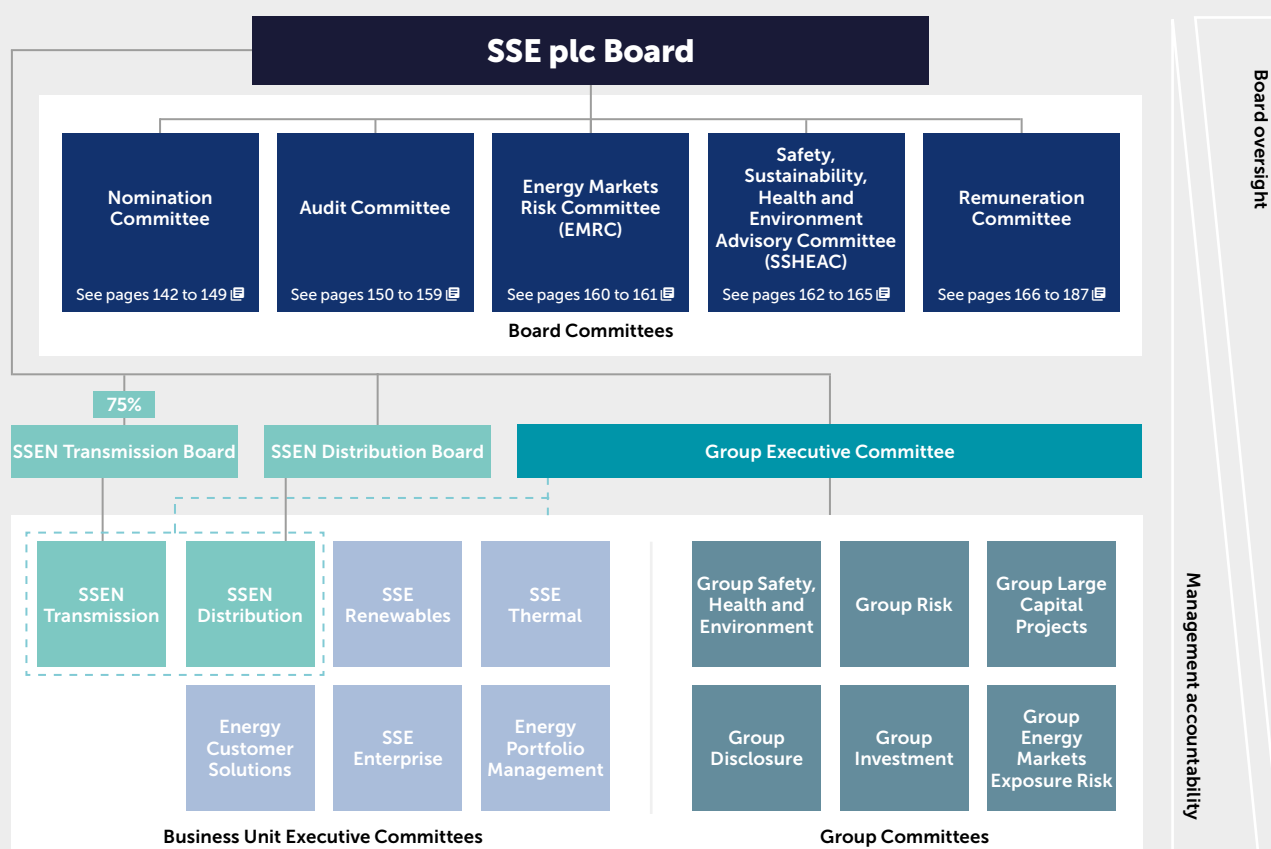
**Sally Fairbairn**  
Company Secretary and Director of Investor Relations, Committee Secretary

Biographical details of the Executive Directors and Company Secretary and Director of Investor Relations.

More on pages 116 to 120

# Our corporate governance

## SSE's Governance Framework



Dedicated Boards oversee SSE's economically regulated networks businesses in compliance with applicable regulatory licence conditions.  
SSE Energy Customer Solutions comprises SSE Airtricity and SSE Business Energy.  
SSE Enterprise comprises the business activities within SSE Distributed Energy.

## Our corporate governance

Corporate governance in SSE can be explained as the minimum expectations set by the Board surrounding standards, responsible conduct and controls. SSE's Board-led Governance Framework supports this approach by mapping where accountability resides in line with delegated authorities, and as such, is a key part of SSE's System of Internal Control.

### The Board

The primary role of the Board is to lead SSE in a way that ensures its long-term success, whilst generating value for shareholders and wider stakeholders. This is a broad-ranging duty and is directed by the cornerstones of SSE's purpose and vision. These guiding statements are considered on an ongoing basis by the Board, and their positioning continues to underpin a strategy focused on clean energy infrastructure and energy security in the transition to net zero.

The Board agrees and monitors SSE's strategy through a continuing programme of work. In 2021/22, this saw approval and announcement of SSE's Net Zero Acceleration Programme (NZAP), which

was further updated in May 2023 as explained on [page 83](#). Overseeing execution of the NZAP has been a key Board focus in 2022/23 and complemented by strategic review work to confirm its continued applicability as the optimum pathway for all stakeholders. Details of how SSE's businesses and associated business model provide the best possible balance to deliver this long-term value is set out on [pages 2 to 11](#).

### The Group Executive Committee and Business Units

Once set by the Board, the implementation of strategy is the responsibility of the Group Executive Committee and management across SSE's Business Units. Oversight of performance is achieved through structured operational and financial reporting from the Executive Directors at each Board meeting, in addition to presentations from each Business Unit across the year. These presentations comprise strategic updates and approvals in line with SSE's Governance Framework. Operational and financial performance for 2022/23 is covered across the Strategic Report on [pages 1 to 109](#).

## Supporting Committees

Areas of importance to the Board and SSE's operations influence the features of the Governance Framework, this is illustrated in part by the Committees which support the Board and the Group Executive Committee. The Board Committees are delegated a specific area of focus by the Board, while the Group Executive Committee establishes and oversees the Committees needed at Group and Business Unit level to achieve strategic delivery. Clarity surrounding the responsibilities of each Committee is ensured through approved Terms of Reference.

Monitoring of delegated matters is supported by formal reporting channels. For Board Committees, this is a personal account from the non-Executive Director who chairs the Committee following each Committee meeting. On executive matters, the Chief Executive, Finance Director and Chief Commercial Officer are responsible for providing full updates at each Board meeting. These mechanisms are in addition to sub-Committee minutes, written reports and agreed KPIs to monitor financial and non-financial performance.



## Board reserved matters

To safeguard the areas material to the delivery of SSE's purpose, vision and strategy, the Board retains a schedule of matters reserved for its decision. This ensures the necessary framework and resources are in place for the Group to meet its stated objectives and covers the below areas. Examples of how the Board has considered these matters are set out on [pages 125 to 131](#).

### Strategy and performance

- Approval and review of commercial strategy, business development and long-term strategic options.
- Oversight of performance in line with approved strategy and objectives.
- Review and approval of priorities surrounding SSE's principal sustainability impacts, including climate change.
- Major transactions and any material extension or closure of operations.

### Financial management

- Approval of annual operating and capital expenditure budgets.
- Approval of dividend policy and key financial communications.
- Changes in SSE's capital structure.

### Risk and control

- Ensuring sound systems of internal control and risk management.
- Oversight of emerging and principal risks.

### People and culture

- Approach to people, succession, and inclusion and diversity.
- Agreement and monitoring of a healthy corporate culture including SSE's values and framework of cultural controls.

### Governance

- Changes to Board and Board Committee structure, size and composition.
- Approval of shareholder communications.
- Confirmation of stakeholder approach.
- Approval of Board-level corporate governance matters.

### Regulation

- Approval of the electricity distribution and transmission price control reviews proposed by Ofgem.

## Board Charter

The Schedule of Reserved Matters is one of a collection of documents which make up SSE's Board Charter. The contents of the Board Charter govern Board operations and pertinent Group-wide matters and is subject to annual Board review and approval. The Board Charter contains:

- SSE plc's Articles of Association.\*
- Board's Schedule of Reserved Matters.\*
- SSE's guide to good business ethics.\*
- SSE's Guide to Governance.
- Board Committee Terms of Reference.\*
- Non-Audit Services Policy.\*
- Procedure for Taking Independent Advice.
- Non-Executive Directors' Shareholding Policy.
- Board Inclusion and Diversity Policy.\*
- Responsibilities of key Board roles.\*

\* Documents available in full on [sse.com](https://sse.com).

## Board operations

The Board, led by the Chair, seeks to nurture a culture in which informed and transparent decision-making takes place. This is supported by clearly defined Board roles and constructive dialogue within and outside of meetings. The division of responsibilities across the Board is explained on [page 139](#).

As one of the key responsibilities of the non-Executive Directors is to challenge and provide counsel, it is deemed appropriate that relationships can be built across SSE. The Board therefore has unfettered access to senior leadership, their teams and

specialist functions, with individuals from different levels across the organisation invited to present at Board meetings and deep dive sessions. For details of employee engagement and knowledge development in 2022/23 see [pages 134 to 136 and 147](#).

Meeting agendas are developed by the Chair, Chief Executive and Company Secretary. These are structured around a pre-agreed annual plan of Board business and the status of projects, strategic workstreams and the overarching operating context. Adequate time is allocated to support effective and constructive discussion, and guidance is available to authors and presenters of Board materials. An electronic meeting portal allows efficient navigation of papers, information and requests.

Before or after every Board meeting, the non-Executive Directors meet without the Executive Directors present. This allows any issues surrounding meeting business to be raised separately from full Board discussion.

## Board meetings in 2022/23

In the period to 31 March 2023, there were six scheduled meetings of the Board with update calls in alternate months to maintain coverage of key business developments, emerging issues and opportunities. Arrangements remain in place should a Board decision or approval be required outside of these times. Where an individual is unable to attend a meeting, feedback is sought in advance by the relevant Board or Committee Chair and Secretary, and a debrief offered thereafter.

	Board	Nomination Committee <sup>1</sup>	Audit Committee	EMRC	SSHEAC <sup>2</sup>	Remuneration Committee <sup>3</sup>
Number of meetings held	6	8	4	4	5	4
Sir John Manzoni	6/6	8/8	–	4/4	3/5	4/4
Alistair Phillips-Davies	6/6	–	–	–	–	–
Gregor Alexander	6/6	–	–	4/4	–	–
Martin Pibworth	6/6	–	–	4/4	5/5	–
Tony Cocker	6/6	8/8	4/4	4/4	5/5	–
Lady Elish Angiolini	6/6	7/8	–	–	5/5	4/4
John Bason <sup>4</sup>	5/5	5/5	3/3	–	–	–
Dame Sue Bruce	6/6	7/8	–	–	–	4/4
Debbie Crosbie	6/6	8/8	4/4	4/4	–	–
Peter Lynas	6/6	7/8	4/4	–	–	4/4
Helen Mahy	6/6	8/8	4/4	–	5/5	–
Melanie Smith	6/6	8/8	–	4/4	–	3/4
Dame Angela Strank	6/6	7/8	–	–	5/5	4/4

1 Nomination Committee. Dame Sue Bruce and Dame Angela Strank were unable to attend an additional short-notice meeting due to prior engagements. Lady Elish Angiolini was unable to attend one meeting due to illness. Peter Lynas was unable to attend one meeting due to a prior commitment which was notified upon the meeting date being set.

2 SSHEAC. Sir John Manzoni was unable to attend one meeting due to travel disruption, with the other an additional short-notice meeting which conflicted with a prior commitment.

3 Remuneration Committee. Melanie Smith was unable to attend an additional short-notice meeting due to a prior commitment.

4 John Bason joined the Board, Nomination and Audit Committee on 1 June 2022.



# Considered decision-making

## Decision-making context



### Decision-making context

The Board has a duty to lead by example and set the correct tone to ensure fair and responsible decision-making across SSE. SSE's Governance Framework represents the backdrop to this, through which the Board confirms ambitions, parameters and expectations to drive long-term success. These expectations are further embodied across SSE's purpose, vision, strategy, and culture, and the belief that stakeholder views should be considered within long-term plans and day-to-day operations.

### Engaging with stakeholders

The approach to stakeholder engagement is directed by a Board-agreed framework. This confirms SSE's key stakeholder groups; the purpose of meaningful stakeholder relations; and how stakeholder views should be considered at Business Unit and Group level. These principles are explained in the Section 172 Statement on [pages 26 to 27](#) .

Given the societal impact and scale of SSE's business operations, breadth and depth of stakeholder engagement is required, to ensure decisions demonstrate an appropriate degree of stakeholder awareness. A mature executive and business-led stakeholder

network supports this work, with Board oversight and understanding of views achieved through both direct Board engagement and reporting of below-Board activity. This allows the timely recognition of emerging stakeholder considerations, with the Board's own engagement guiding the expectation that senior leadership and SSE's Business Units take demonstrable account of stakeholder opinion in their decisions and longer-term objectives.

### Addressing stakeholder priorities

The response to stakeholder views across business plans is depicted across the Annual Report, with the pages that follow providing insight surrounding the direct interaction of stakeholder views with Board discussions and decisions in 2022/23.

It is recognised SSE's purpose, and the issues of energy security and affordability, the climate emergency, and the societal impact of net zero are of wide stakeholder interest. A number of engagement priorities based on these topics have therefore been identified for 2023/24 and are set out opposite.

### Stakeholder engagement priorities

The following priorities have been identified by the Board for constructive focus and assessment across engagement work in 2023/24:

- Progressing and evolving the Net Zero Acceleration Programme Plus to support stakeholder value creation.
- Continued leadership and advocacy surrounding a just transition to net zero.
- Playing a part in addressing the energy related consequences of the ongoing war in Ukraine, with long term energy affordability and energy security being key outputs of Group strategic and Business Unit plans.

Read more on SSE's stakeholders and how the priorities above been identified through supporting engagement on [pages 26 to 33](#) .

# Setting strategy

The Net Zero Acceleration Programme (NZAP), published in November 2021, set out SSE's fully-funded capex plan to 2026. In the period since then, the NZAP has been the platform for investment in low-carbon assets and electricity infrastructure. A key Board focus across the year was ensuring the NZAP remained the correct pathway for SSE and that its execution was progressing at the correct pace. The growth ambitions and science-based climate targets for achievement by 2031 underpinning it provided a clear framework for decision-making and assessment of progress.

## Reviewing external context

The Board's appraisal and oversight of SSE's situation is supported by an agreed strategic agenda embedded across its annual plan of work. This includes dedicated strategy days, Business Unit-led strategic updates at agreed intervals across the year, and Board-level approvals linked to strategic projects. An NZAP dashboard setting out a holistic view of Group-wide progress was developed at the request of the Board and is reviewed three times a year.

Supplementing the above are strategic deep dives which examine specific areas of growth or material factors on which future priorities depend. To bolster the Board's approach to challenge and understanding of stakeholder views, objective opinions are sought through soundings on strategy and by inviting external speakers to present views on the external operating environment and future trends. Details of deep dives and external engagements which took place in 2022/23 are set out opposite.

Following consideration of SSE's opportunities and recent business performance, as well as the external environment and the acceleration of the global green transition, in May 2023, the Board approved SSE's NZAP Plus. This rolls forward the original NZAP by 12 months to 2027 and upgrades the targets, ambitions and investment mix to reflect the enhanced opportunities SSE has. The Board is clear that the NZAP Plus is still a fully-funded plan, now including expected capital and investment of £18bn over the five year period to 2027. For full details of NZAP Plus see [page 83](#).

## Strategic deep dives

9 sessions held covering:

- Pumped storage and digitalisation
- Transmission investment drivers
- Distribution networks and net zero
- The role of carbon capture and storage
- The future for hydrogen
- International energy markets
- Commodity risk metrics and management
- Digital innovation
- Sustainability and climate reporting

## Engaging external opinion

10 external speakers engaged providing diverse perspectives on:

- UK political and economic outlook
- Domestic policy environment
- Global politics and economics of the energy transition
- Time value of new technologies

## Board strategy days 2022/23

<b>Purpose</b>	To review changes in the external environment since approval of the NZAP and understand the potential impact on long-term direction. Through this assessment, confirm both the risks and opportunities facing SSE and identify key topics which should be considered to continue to maximise shareholder and stakeholder value.
<b>Attendees across sessions</b>	<ul style="list-style-type: none"> <li>• The Board</li> <li>• Group Strategy Team</li> <li>• Group Executive Committee</li> <li>• Business Unit Leadership Teams</li> <li>• Corporate Finance Team</li> </ul>
<b>Reviewing the external context</b>	<p>Board debate was set against the backdrop of unprecedented market volatility driven by macro-economic and geo-political factors, which have played a role in the energy and affordability crises across 2022/23. Within this context, the Board considered the short-, medium- and long-term actions required to transition to net zero by 2050 and the following influencing external factors material to NZAP execution:</p> <ul style="list-style-type: none"> <li>• Policy and regulatory frameworks to deliver energy security and market reform for a fair and just transition to net zero.</li> <li>• Economic and inflationary pressures on project delivery, supply chains and wider stakeholder experience.</li> <li>• The competitive environment, market share and diversification across geographies.</li> <li>• The growth landscape and risk-adjusted returns of the existing pipeline, new projects and technologies.</li> <li>• The role of SSE's key stakeholder relationships in NZAP delivery.</li> </ul>
<b>Confirming strategic options</b>	<p>The continued shareholder and societal value of the NZAP and its alignment with SSE's purpose was tested through assessment of the following areas:</p> <ul style="list-style-type: none"> <li>• The optimum business mix to support net zero and deliver long-term value in an evolving energy sector.</li> <li>• Progress against NZAP targets across each Business Unit and the pathways supporting growth and identification of further opportunities.</li> <li>• Financial strategy incorporating the balance of capital allocation and the ways to fund accelerated growth.</li> <li>• Investor priorities and views surrounding strategy and NZAP ambitions.</li> <li>• The role of SSE's people, the embedded organisational culture, skills and capabilities.</li> </ul>
<b>Outcomes and next steps</b>	<p>The following represents the outcomes and next steps which were agreed to shape upcoming Board work:</p> <ul style="list-style-type: none"> <li>• Confirmation that SSE's business mix remains optimal for it to focus on NZAP execution.</li> <li>• Approval of the strategic priorities for each Business Unit and agreement on the optimal growth areas within them.</li> <li>• Setting an ongoing programme of strategic questions and topics for consideration throughout 2022/23.</li> </ul>

# Guiding strategic progress

The following key developments have been the subject and result of the Board's oversight of strategic progress, and form the basis of principal decisions taken in the year. Discussion and debate have been underpinned by the NZAP, Board strategy work, and SSE's 2030 Goals, with end outcomes influenced by the needs of SSE's key stakeholder groups.

## Key strategic developments

### Growing renewables and system flexibility

1. Yellow River wind farm Final Investment Decision.
2. Southern Europe renewables platform acquisition completes.
3. Coire Glas exploratory work confirmed.
4. Ferrybridge battery approval.
5. International opportunities and bid parameters.

### Exploring low-carbon technologies

6. Triton Power portfolio acquisition with Equinor.
7. Net Zero Transition Plan updates approved.
8. Aldbrough hydrogen pathfinder progresses to due diligence in net zero hydrogen fund.
9. Platin and Tarbet power stations in Ireland provisionally secure capacity agreements to support development.

### Accelerating transmission network capacity

10. SSEN Transmission responds to Ofgem consultation on transmission investments required for 2030 government targets.
11. SSEN Transmission minority stake sale completes.
12. Ofgem approves transmission investments required for 2030 government targets.

### Increasing investment in local networks

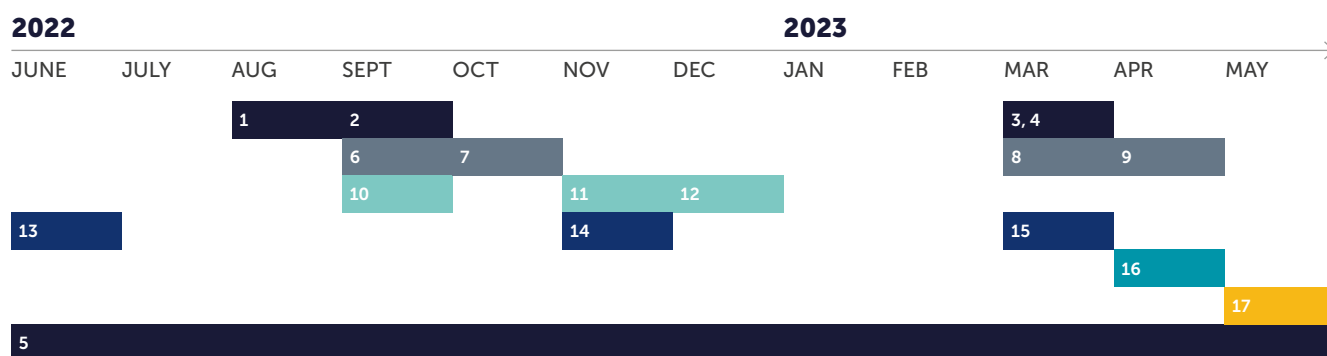
13. SSEN Distribution responds to Ofgem RIIO-ED2 draft determinations.
14. SSEN Distribution responds to Ofgem RIIO-ED2 final determinations.
15. SSEN Distribution accepts of Ofgem's RIIO-ED2 final determinations.

### Focusing on a fair net zero transition

16. 'Just transition: measuring progress' published.

### Advocating for all stakeholders

17. 'Ambition to Action: A Delivery Plan for Cleaner, Homegrown Energy' published.



## NZAP Plus

### Balanced capital investment in fully-funded plan

- Renewables 40%
- Thermal/other 10%
- Transmission 30%
- Distribution 20%



### By 2027

Renewables net capacity

**>9GW**

Adjusted EPS CAGR

**13-16%**

Networks net gross RAV CAGR

**£12-14bn**

Net debt/EBITDA

**3.5-4.0x**

### By 2032

Science-based targets aligned to 1.5°C

## SSE's 2030 Goals



Cut carbon intensity by 80%



Increase renewable energy output fivefold



Enable low-carbon generation and demand



Champion a fair and just energy transition

## Growing renewables and system flexibility

### What did the Board review: 1,2,3,4,5

The Board has appraised growth opportunities in Great Britain, Ireland and internationally to support SSE Renewables' development pipeline. The strategic drivers remain the deployment of end-to-end large capital project expertise to address global net zero ambitions and enhance portfolio diversity. At home, as generation is increasingly led by intermittent wind output, the Board confirmed its view of the important role of pumped hydro storage and installed battery capacity to provide system flexibility and integrate renewable energy.

### Section 172 and stakeholder factors

- **Delivering long-term energy affordability.** Developing and building indigenous renewable energy and storage is part of the solution to long-term security of supply and affordability.
- **Futureproofing market design.** Project decisions and bid parameters have been based on an assessment of risk-return profiles within current policy frameworks. A key focus has been constructive engagement with policy makers to ensure the energy system promotes investment in net zero-linked projects, whilst delivering societal benefit and a fair return for investors.
- **Safeguarding supply chains.** A Board review considered procurement and commercial activity and engagement, to support supply chain capacity and capability for new and future projects. In addition to the impact of inflation, commodity exposure, material scarcity, and the potential sustainability risks of new technologies.

### Next steps and future opportunities

- **Exporting expertise.** Continuing to apply financial discipline to international expansion, building diversity, and leveraging SSE's approach to partnering across complementary geographies which align with SSE's culture and values.
- **Promoting system flexibility.** Advancing the case for policy and market design frameworks that support investment in long-duration pumped storage hydro technologies which is vital in the transition to net zero.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net installed renewable capacity

#### Link to 2030 Goals



## Exploring low-carbon technologies

### What did the Board review: 6,7,8,9

The long-term decarbonisation of the UK power system relies on a pipeline of viable low-carbon projects which can support security of supply and grid stability. The Board has confirmed the platform industrial low-carbon clusters can provide for these projects, and underpinned by the principles of a just transition to net zero, reviewed opportunities to repurpose existing thermal generation sites and partner on the new technologies needed to drive change.

### Section 172 and stakeholder factors

- **Security of supply for society.** Low-carbon thermal generation is the flexible back-up to a predominantly renewables energy system. The Board commits to deploying SSE's capabilities and partnership expertise to deliver these new technologies, which allow employees to transfer existing skills to transition to net zero.
- **Reducing environmental impact.** SSE has a Board-approved target to achieve net zero emissions across scope 1 and 2 emissions by 2040 at the latest (subject to security of supply requirements) and for remaining scope 3 emissions by 2050 at the latest. This long-term ambition is supported by a series of interim targets approved by the Science Based Targets Initiative (SBTi) and aligned to a 1.5°C pathway.
- **Stakeholder expectations.** The Triton acquisition considered ESG investor views and the long-term priority to decarbonise the sites on which the assets were situated. Transparency surrounding the impact of this decision was ensured through updates to SSE's Net Zero Transition Plan, to confirm the approach to managing and reporting on the GHG emissions associated with investments.

### Next steps and future opportunities

- **Advancing low-carbon thermal.** New low-carbon flexible generation – using CCS and hydrogen technology – is key to reducing emissions and transitioning away from unabated gas generation.
- **Supporting local economies.** Ongoing engagement with local communities will support the creation of low-carbon economies in areas impacted by the decline of carbon intensive activity. The objective is to deliver local benefit and strengthen stakeholder relations through open dialogue.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net low-carbon flexible capacity

#### Link to 2030 Goals



## Accelerating transmission network capacity

### What did the Board review: 10,11,12

SSEN Transmission is delivering its Business Plan under the RIIO-T2 price control period. The Board has reviewed performance against the plan and provided financial approvals for projects within its certain view. To support growth, the sale of a 25% minority stake in the business was approved in November 2022. This was followed by confirmation from Ofgem, within its network-wide Accelerated Strategic Transmission Investment (ASTI) framework, of eight additional investments within SSEN Transmission's network area required to meet the Government's 2030 ambitions.

### Section 172 and stakeholder factors

- **Unlocking value.** The stake sale was assessed against SSE's strategic partnership criteria and Ontario Teachers' were deemed to be a strong fit for a minority shareholder in SSEN Transmission. The sale parameters were confirmed to have no detrimental impact on stakeholders, and the proceeds directly supported the NZAP and now the NZAP Plus, through net zero-enabling investment in SSEN Transmission and a rebalancing of capex across SSE's Business Units.
- **Framework for growth.** The priorities raised through SSEN Transmission's response to the proposed ASTI framework, aligned with the Board's view of certainty over the need for transmission network capacity for 2030 and informed engagement with stakeholders to enable success, including the supply chain.
- **Powered by people.** Updates were considered on workforce planning, focusing on critical talent and targeted programmes for diversity, pipelines, and training and development which supporting the pace of required expansion.

### Next steps and future opportunities

- **A network for net zero.** Delivery of a price control business plan that protects customers' interests and supports the building of national critical infrastructure remains a priority.
- **Supply chain management.** Ongoing engagement with supply chain partners to ensure resource capacity and material availability meets SSEN Transmission's needs as it reinforces the network in the North of Scotland.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net networks RAV
- Net debt/EBITDA consistent with investment grade rating

#### Link to 2030 Goals



## Increasing investment in local networks

### What did the Board review: 13,14,15

SSEN Distribution's Business Plan for the RIIO-ED2 price control period sets out the investment and targeted improvements for the 3.9m customers in communities across its network. Following initial submission of the Business Plan in November 2022, the Board has remained updated on the structured dialogue between SSEN Distribution and Ofgem across the determination process, which led to final settlement in March 2023.

### Section 172 and stakeholder factors

- **Supported by stakeholders.** SSEN's RIIO-ED2 Business Plan, co-created through extensive stakeholder engagement, remains committed to significant improvements in reliability, resilience, and services for customers, alongside acceleration of investment in local network infrastructure and flexible systems to power communities to net zero.
- **Fair outcomes.** Considering each stage of SSEN Distribution's finalisation of the Business Plan with Ofgem, the Board reviewed the commitment to increase investment and commensurate benefits for end-users.
- **Supporting communities.** Following the storms of winter 2021/22, the Board assessed findings from comprehensive reviews which considered the business's response to the exceptional weather events and impact on customers. This informed the view of system reliability covered by RIIO-ED2 proposals and saw endorsement of next steps to shape future approach.

### Next steps and future opportunities

- **Minority stake sale.** While the November 2021 NZAP assumed a 25% minority stake in the SSEN Distribution business, SSE consistently reviews strategic options and direction and the NZAP Plus plan now reflects retaining 100% of the business. A significant strengthening of SSE's balance sheet and an upgraded NZAP Plus investment plan are the main factors contributing to the Board assessment that continuing to hold 100% of SSEN Distribution is the right strategy at this time.
- **A focus on service.** Ongoing monitoring of delivery of the RIIO-ED2 Business Plan, with focus on effectiveness of the system reliability measures within it.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net networks RAV
- Net debt/EBITDA consistent with investment grade rating

#### Link to 2030 Goals





## SSE's 2030 Goals



Cut carbon intensity by 80%



Increase renewable energy output fivefold



Enable low-carbon generation and demand



Champion a fair and just energy transition

## Focusing on a fair net zero transition

### What did the Board review: 16

With SSE's strategy focused on low-carbon investments, the Board is concerned to ensure that the interdependencies of climate action are understood and, where appropriate, managed carefully. Ensuring a fair transition to net zero for working people, consumers and communities is outlined in SSE's Just Transition Strategy, published in 2020. In March 2023, the Board reviewed progress against that strategy and had oversight of the publication of a first-of-a-kind progress report. The Board also considered the priorities for action in the year ahead, including an enhanced focus on attracting former high-carbon workers into SSE.

### Section 172 and stakeholder factors

- **Embedding stakeholder dialogue.** SSE's principles for a just transition to net zero are underpinned by a commitment to high quality multi-stakeholder dialogue. SSE's Board was represented at an event in London in April 2023 to launch the report, 'Just transition: measuring progress' which provided an opportunity to bring together stakeholders including employees, trade union partners, suppliers, investors, and NGOs, amongst many others.
- **Understanding stakeholder views.** Employees and their trade union representatives are concerned that SSE delivers opportunities for the existing workforce as it continues to transition away from high carbon activity. Investors are keen to be able to track SSE's progress and hold it to account. Environmental NGOs want to be certain there is no watering down of climate commitments, and human rights advocates are focused on protecting the rights of working people in SSE's supply chains.

### Next steps and future opportunities

- **Supporting people and communities.** In the year ahead, SSE will further develop interventions to attract and support former high carbon workers, particularly those from the oil and gas industry. The transition to smart electricity grids at a local level, provides opportunities to deliver benefits to consumers and actions will be taken to ensure the benefits reach as wide a population as possible.
- **Reporting on progress.** Achieving, and balancing the multitude of social expectations in the transition to net zero will be supported by maximum transparency. In addition to continuous stakeholder engagement, SSE has committed to provide a biannual dedicated Just Transition Report, alongside its usual annual disclosures.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net installed renewable capacity
- Net networks RAV
- Net low-carbon flexible capacity

#### Link to 2030 Goals



## Advocating for all stakeholders

### What did the Board review: 17

Progress towards net zero requires constructive dialogue with policy makers. In May 2023, the Board reviewed 'From Ambition to Action: A Delivery Plan for Cleaner, Homegrown Energy'; a resource to help frame political engagement over the course of the year as political parties develop their own manifestos ahead of an upcoming General Election. In doing so, it considered the policies which SSE advocates should be adopted, to deliver investment in clean energy infrastructure and achieve cross-party ambitions on decarbonisation, energy security and the green economy. All of which are aligned to and consistent with SSE's NZAP Plus and 2030 Goals.

### Section 172 and stakeholder factors

- **Championing progress.** With political attention turning towards a likely General Election in 2024 political stakeholders will be increasingly focused on setting out the policy platform which they will present to the electorate. These will ultimately come together in the party manifestos which are published prior to the election.
- **Supporting net zero policy.** All political parties have made significant commitments to decarbonise the power sector; increase deployment of renewables; and boost investment in homegrown energy infrastructure.
- **Stakeholder-led advocacy.** The SSE manifesto is tailored to the priorities of our stakeholders and is designed to set out tangible policies which could be adopted to help the parties achieve their publicly stated-targets.
- **Maintaining neutrality.** As with all of SSE's engagement, the document will be politically neutral and applicable across the parties; focusing on areas where there is broad social consensus on the direction of travel for the energy sector.

### Next steps and future opportunities

- **Framework for progressive engagement.** SSE's Ambition to Action document will form the basis of policy engagement from its launch in May 2023, through to the General Election. Bi-lateral, party neutral engagement with key stakeholders will be conducted throughout a programme of events including at Party Conferences.
- **Setting a long-term framework.** SSE will periodically refresh Ambition to Action to ensure that it has longevity and relevance over this period; including adding public polling data to demonstrate levels of support amongst the electorate for the positions included.

#### Link to NZAP Plus

- Capital expenditure and investment
- Net installed renewable capacity
- Net networks RAV
- Net low-carbon flexible capacity

#### Link to 2030 Goals





# Governing SSE for long-term success

Supporting work on long-term strategic direction, Board agendas have focused on matters to ensure effective performance and governance of SSE. These topics are diverse and draw on the Board's Schedule of Reserved Matters, SSE's culture and values, and the operating context.

## Strategy and performance

### Role of the Board

To set conditions for the delivery of strategy and creation of stakeholder value, and oversee SSE's response to the external environment.

### Business Unit performance and operating context

- Monitored large capital project progress and operational performance through standing updates from the Executive Directors at every meeting and Business Unit Leadership Team presentations across the year.
- Assessed the impact of energy market volatility on SSE's portfolio through monthly updates on price movements, endorsing EMRC recommendations in relation to hedging and internal governance to manage commodity and credit requirements and exposures.
- Followed developments in the policy and political landscape, advocating unwavering focus on net zero and the transition pathway through constructive stakeholder engagement, receiving standing feedback from the Executive Directors and Corporate Affairs teams on business-led activities. Including, amongst other matters, consideration of the Energy Generator Levy as it was being developed.
- Noted measures being taken to address the affordability agenda for domestic customers in Ireland centred on progressive options to support the most vulnerable and help with delivering sustainable solutions, including the return of profits to customers. For more detail see [page 107](#).
- Monitored business compliance performance in line with applicable legislative and regulatory frameworks and received updates on relevant inquiries.

**Setting and reviewing strategy**  
More on pages 125 to 129

### Safety, health and environment (SHE)

- Maintained strong focus on performance through review of SHE metrics and targets – across a broad range of measures – at the start of every Board meeting.
- Continues to oversee the response to the fatality at Viking wind farm with support from the SSHEAC.
- Received updates on SHE strategy and plans aligned to Business Unit specific risks including the hazards of a significant rise in contractor hours across large capital projects and actions to drive SSE's safety culture.
- Considered mental health and wellbeing support for those impacted by the fatality at Viking wind farm; for service advisors delivering SSE's customer cost of living response; and for all employees against the challenging economic backdrop.

### Sustainability

- Endorsed work to address agreed sustainability priorities and the progressive evolution of SSE's reporting on material environmental, social and governance (ESG) issues, including work to meet TCFD recommendations on scenario analysis and initiating a double materiality review.
- Approved actions for 2022/23 with a focus on: engaging in the debate on proportionate standardisation of sustainability disclosure; pioneering just transition work; and embedding tailored sustainability assessments and action plans within each large capital project.
- Considered risk mitigations to address the zero-tolerance policy for human rights abuse in operations and supply chains; approving updates to SSE's Human Rights and Modern Slavery Statement.
- Re-affirmed the governance pathways for ESG topics which form the basis of external benchmarks and indices, and SSE's year-on-year ratings performance.
- Supported continued participation in the global conversation on collective climate action at COP27 in Egypt in which senior leadership participated.

**SSHEAC Report**  
More on pages 162 to 165

## Financial management

### Role of the Board

To assess financial performance and set the parameters which define SSE's financial and investment strategy.

### Financial performance

- Assessed financial performance and the impact of unusually volatile market conditions on a wider than normal range of potential financial outcomes.
- Monitored variances against budget, and reviewed the latest financial forecast against analyst consensus and market guidance, approving updated EPS guidance as required.
- Approved and recommended half and full-year dividends of 29.0p and 67.7p.

### Capital investment

- Tracked capital expenditure through monthly financial updates and the NZAP dashboard, reviewing project spend, emerging risks and opportunities.
- Monitored the economic backdrop – characterised by financial market volatility and inflation – reviewing and updating accepted project returns at regular intervals to ensure a prudent approach to investment appraisal.

### Financial planning and funding

- Approved the 2023/24 budget which reflected strategic progress and job creation under the NZAP, including more certainty in SSE Networks business plans and delivery of new capacity in the form of Keadby 2 and on- and off-shore wind projects.
- Reviewed the long-term financial model following updates to assumptions and outputs, in line with strategic progress and changes in SSE's external operating context, including more certainty about the need for electricity networks investment, the impact of inflation, and long-term energy price forecasts.
- Reviewed funding requirements as overseen by the Audit Committee, considering maturing debt, financial headroom and market conditions to ensure good liquidity, a strong balance sheet and capacity for future growth.
- Considered the annual ratings review process and an enduring investment grade credit rating.
- Confirmed the governance of SSE's pension schemes with a specific update covering the contingency planning in place to reduce any potential impact of gilt-driven volatility.

## Governance

### Role of the Board

To promote responsible leadership based on transparency and a dynamic approach to corporate governance.

### Shareholder communications

- Approved the contents of 2022/23 trading statements, Half-year Results, the Annual Report and Accounts, and supporting regulatory announcements; considering feedback from the Audit Committee on significant judgements, the fair, balanced and understandable assessment, and the going concern basis of preparation.
- Approved the notice and business of the Annual General Meeting 2023 including the continued say on climate through SSE's Net Zero Transition Report, and endorsed plans for shareholder participation through pre-meeting engagement and a continued hybrid meeting format.

### Board and Board Committees

- Monitored Nomination Committee work on Board composition, succession planning and wider capability; approving the appointment of Maarten Wetselaar from 1 September 2023, updates to Board Committee membership, and the succession plans for the Finance Director and Company Secretary.
- Re-affirmed SSE's Board Inclusion and Diversity Policy and noted external developments and views in relation to actions and progress – from the FTSE Women Leaders Review, the Parker Review and investors – reviewing SSE's position in conjunction with the Nomination Committee and Group HR.
- Reviewed the findings and actions from the Board performance evaluation.
- Monitored and approved SSE's conflicts of interest register, confirming the continued independence of each non-Executive Director.

### External developments

- Reviewed current and future governance and reporting developments, considering FRC thematic reviews; the Government's response to its consultation on corporate governance and audit reform; live workstreams relating to sustainability, climate, and transition plan reporting; and reporting against the FCA's inclusion and diversity Listing Rule.

## Risk and internal control

### Role of the Board

To set the approach to risk management and oversee an effective system of internal controls.

### Risks, viability and internal controls

- Reviewed and approved the methodology and findings of the Group Principal Risk review and emerging risk assessment supporting SSE's Risk Appetite Statement and other risk disclosures.
- Confirmed the output of the assessment which forms the basis of SSE's Viability Statement.
- Confirmed the ongoing effectiveness of SSE's System of Internal Control.
- Endorsed SSE's data privacy programme as a contributor to the sustainability agenda, reviewing GDPR metrics, milestones and international implementation.
- Complementing the work of the Audit Committee, evaluated cyber risk and information security, spanning: the threat environment and notable external attacks in line with geo-political tensions, the maturity of SSE's controls and capabilities to detect and respond, the effectiveness of training in ongoing assurance, and key risks and plans to support NZAP growth.

**Risk-informed decision making**  
More on pages 68 to 77 

**System of Internal Control**  
More on page 159 

## People and culture

### Role of the Board


To understand employee views and set the cultural tone underpinning a fair workplace and ethical business practice.

### Supporting employees

- Challenged the approach to addressing recognised cost of living issues to ensure solutions were targeting those most affected; overseeing an interim salary increase and an amplified communications programme highlighting existing benefits to assist with financial wellbeing.
- Discussed the strategy surrounding post-pandemic working practices including locational flexibility to match employees' needs and offering hybrid working practices where possible; stressing the importance of employee consultation on lessons learned and maintaining engagement with SSE's culture especially for new recruits.

### Doing the right thing

- Conducted a biannual review of the performance of SSE's whistleblowing arrangements considering employee confidence in the process, benchmarking of performance and post-Covid 19 trends, the origin of cases, and the ease at which reports can be made alongside protections for those that speak-up; effectiveness was confirmed alongside a dynamic continuous improvement programme.

**Empowering the employee voice and Focusing on culture**  
More on pages 134 to 138 

## Climate change

### Role of the Board

To ensure decisions are sustainable in the long-term and the approach to climate change is addressed through work on strategy, operations and risk.

### Supporting Board work

SSE's purpose, vision and strategy are fully aligned with net zero. The physical and transitional risks, and opportunities associated with climate change, are therefore not a singular agenda item. They are embedded across all areas of Board work with long-term considerations couched in the possible pathways to net zero.

This includes assessment of policy frameworks; the operation of energy markets; the impact of climate change on weather; the role of innovation and technology within SSE's asset base; changes to customer behaviour; and investor views of SSE's business model and growth.

In turn, the framework set by the Board based on its view of climate-related issues, includes strategic targets, business goals, the approved budget, net zero consistent investment criteria, risk management parameters including SSE's Risk Appetite, and SSE's approach to stakeholder engagement.

# Understanding shareholder views

## Gathering views

The Board engages with a range of equity and debt investors to help inform strategic decision making, communicate SSE's sustainable business plans, and report on environmental, social and governance (ESG) and financial performance.

Engagement by the executive team is led by the Chief Executive and Finance Director, with participation from the Chief Commercial Officer and other members of the Group Executive Committee, focusing on operations, and financial and sustainability performance in executing SSE's strategy. Engagement by the Chair leads on corporate governance, strategy development, people and wide-ranging ESG matters.

Open and regular dialogue remains the foundation to the Board's approach, with managed communication channels in place for all to use (see [page 345](#)). Notwithstanding, the Board, executive management and the Investor Relations team proactively engage with investors through an annual programme of activity; and ongoing communication with analysts, proxy advisors, ESG ratings agencies and financial ratings agencies helps improve disclosure and allows stakeholders to better assess SSE's performance.

## Institutional investors

Collectively, in 2022/23, the Board engaged directly with institutional investors representing over 45% of issued share capital. The programme of engagement – which encompassed 182 one-to-one sessions with investors – was mainly focused across three periods of roadshows: immediately following the preliminary Full-year Results announcement; in advance of the Annual General Meeting; and immediately following the Half-year Results announcement.

Members of the Executive Team met physically with investors in the United Kingdom, France, Germany, Switzerland, and Australia during the year, and virtually met with investors from other locations such as North America and Asia. This complemented a number of physical and virtual investor events which covered specific focus areas as set out below and opposite. The Chair also continued proactive and open dialogue with investors on priorities and views of corporate governance, meeting physically with many of SSE's largest shareholders in advance of the Annual General Meeting.

Supplementing one-to-one engagement, the Executive Directors attended 15 industry conferences, mainly physical, and held 29, mainly virtual, group meetings which were attended by a number of shareholders and prospective investors.

## Retail shareholders

To allow management of an individual's shareholding, SSE's recently refreshed investor website houses all regulatory news announcements and published financial and non-financial reports. The Investor Relations team and the Company Secretariat, with support from SSE's Registrar, engage directly with retail shareholders in response to private shareholding queries.

## Annual General Meeting (AGM)

The Board encourages shareholders to participate in the AGM – through casting votes and raising questions on the business of the meeting. A hybrid meeting format allows full remote participation for those who cannot attend in person, and answers to questions and the results of the meeting are published on [sse.com](https://sse.com) as soon as practicable after the event. In 2022, all resolutions were passed with in excess of 81.90% votes cast in favour.

## Debt investors

Engagement with solicited credit ratings agencies, being Standard & Poors' and Moody's, takes place throughout the course of the year, with increased dialogue ahead of the annual ratings review process and in line with Company related news flows. Regular dialogue is also maintained between key relationship banks and debt investors with SSE's Treasury team and the Finance Director.

## Engagement in action Shareholders and debt providers



## Showcasing SSE's Transmission and Renewables businesses

In September 2022, an in-person event was hosted by the Finance Director in Inverness, for sell-side analysts and large institutional shareholders to delve deeper into SSE's Transmission and Renewables businesses. Each area was discussed on separate days and sessions facilitated by presentations from the senior managers leading on strategic execution within the respective Business Units.

These materials, and supporting discussions which were made available on [sse.com](https://sse.com) shortly after the event, demonstrated the value of each business's

assets and the available investment opportunities. To provide additional context, site visits to Blackhillock HVDC converter station, Glendoe hydroelectric scheme and Stronelairg wind farm formed part of the agenda.

The event was met with highly positive feedback, with attendees confirming the presentations were educational; the exposure to wider senior management demonstrated their expertise; and the site visits brought the scale and quality of assets to life.



## Engagement in action Shareholders and debt providers



# Continued dialogue on climate

Following the publication of SSE's Net Zero Transition Plan, and in support of the first annual shareholder vote on its Net Zero Transition Report (proposed at the 2022 AGM), the Chair hosted a climate-focused investor event with SSE's Chief Commercial Officer and Chief Sustainability Officer in June 2022. This online event set out SSE's progress in relation to its agreed climate targets – covering climate-related strategies, plans and performance – as well as touching on SSE's work on the just transition.

This engagement was set against the backdrop of how SSE strives to balance social, environmental and economic impacts whilst enhancing value for stakeholders. To allow questions and feedback on SSE's approach a Q&A session followed the presentations. Following the session, stakeholders confirmed improved understanding of SSE's decarbonisation plans and Just Transition Strategy; and the resolution to receive SSE's Net Zero Transition Report received 98.9% of votes cast in favour at the AGM.



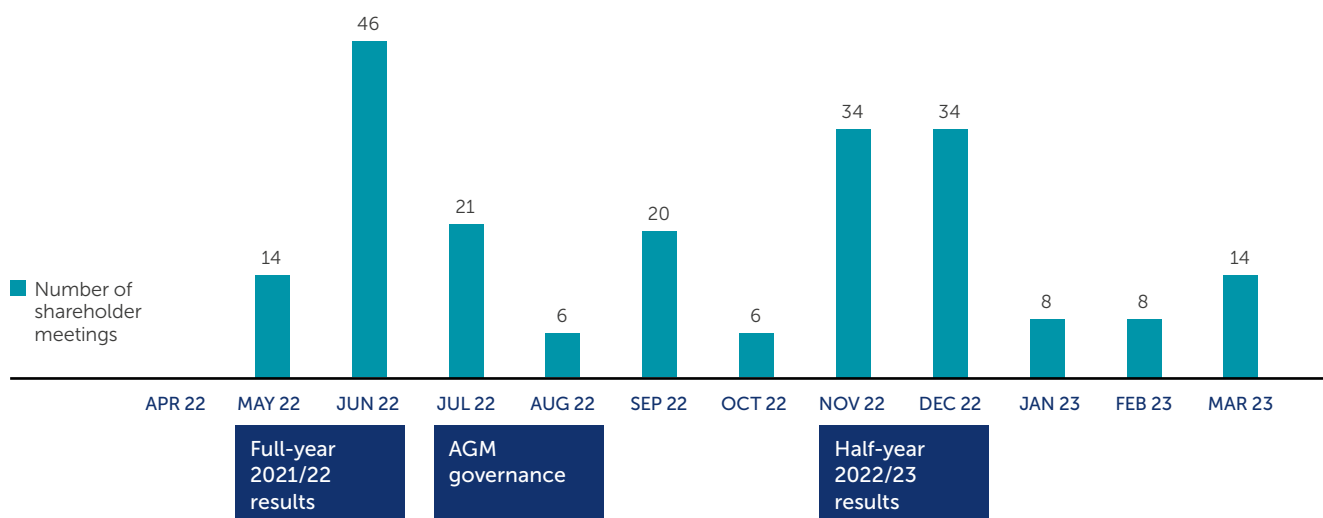
## Sharing and interpreting feedback

The Board receives monthly updates on investor and financial market sentiment, providing insight into recent share price movements; a briefing on recent sell-side analyst commentary; and key monthly movements in the share register. This is covered through a combination of written reports and verbal feedback from meetings which have taken place.

The feedback provided by shareholders during and after Full-year and Half-year Results Roadshows is communicated directly to the full Board in a biannual shareholder feedback paper including updates from SSE's brokers. The Board, through the SSHEAC, receives a full annual review of SSE's performance in investor-led ESG reviews and ratings in addition to, through the Finance Director, updates on credit ratings agency reviews. Key matters

raised by shareholders during the period, which were considered across Board deliberations are set out on [page 29](#).

## Shareholder engagement activity 2022/23



# Empowering the employee voice

## How the Board engages

The two-way dialogue between the Board and employees is facilitated by a combination of engagement methods. These are set out in full below and include face-to-face discussions at meetings, site visits, and attendance at employee events. With 2022/23 being the first year in which in-person engagements could fully resume, the Board-employee programme travelled to 32 sites encompassing all of SSE's Business Units and a number of corporate functions.

Virtual engagement platforms, which evolved during the pandemic, have remained a key part of the engagement strategy providing simultaneous access to a diverse audience of roles and locations.

The scale at which virtual sessions can be offered amplifies understanding of employee views and material issues.

The adoption of a diverse range of listening channels continues to support the principle that everyone in SSE should have a voice and is consistent with employee feedback surrounding the benefit of multiple platforms through which to raise areas of interest or concern. In turn, it supports the Board in gathering a fair and representative view of the issues which are important to employees and builds an appreciation of how these may differ by geography, business area, role, and individual circumstances.

## Board listening approach

### Engagement audience and purpose

#### All-employees

- Offers Board perspectives which can otherwise be missed from business-led communications.
- Provides the Board with insight of employee opinion on life at SSE and key areas of interest or concern.

#### People leaders

- Provides the opportunity to replay key messages which the Board has heard through listening channels.
- Supports and challenges management actions in response.

#### Senior leadership

- Creates a platform for two-way interaction between the Board and senior leaders who lead SSE's teams.
- Allows the Board to offer views and personal external perspectives.

### Engagement format and value created

#### Director-employee sessions

Provides employees with access to the Board with direct two-way interaction supporting detailed discussion of specific topics.

#### Leadership and business roadshows and conferences

Provides an opportunity to exchange views on SSE's strategy and both Group-wide and business-specific priorities, supporting wider engagement and awareness including the contribution and impact made by employees.

#### Focus groups

Allows interaction across diverse geographies and cross-sections of employees, and being smaller in size, provides the opportunity to seek out added context surrounding employee sentiment through true conversation. The impact can be fast and influence decisions which may affect employees.

#### All-employee surveys

Exists as a long-standing tool with a mature strategy that attracts a strong response rate. The results are viewed as representative of the majority of employee voices and shape the cultural agenda, ensuring that employee sentiment is considered in all key decision making.

#### Site visits

Allows non-Executive Directors to travel across SSE and feel and understand employees' experience of the operational environment. These visits can be followed by informal roundtables to allow deeper two-way dialogue on matters of importance.

#### Digital channels and written communications

Reinforces matters of importance and embeds the tone through the Board's written reflections. This can include observations and takeaways from other engagement activities to allow a wider reach.

## Engagement highlights

Sites visited

32

Board-led virtual engagement sessions

13

Non-Executive Director for Employee Engagement sessions

13

Total employee attendance at Board calls

23,835

Largest audience size

3,781

All-employee survey engagement score 2022/23

84%







### Non-Executive Director for Employee Engagement

The Nomination Committee oversees the recommended appointment of the Non-Executive Director for Employee Engagement, which Lady Elish Angiolini assumed from 1 April 2023 in a handover from Dame Sue Bruce. In considering the successor to the role, the Nomination Committee noted Elish's rich experience in assimilating and interpreting views and translating findings into a required course of action. These skills support the core purpose of the employee-Board link and the desire to operate in an empathetic and thoughtful way.

The creation of the role remains a natural and progressive step in the evolution of SSE's employee voice strategy, providing an enhanced and more interactive understanding of employee sentiment.

Each year, the programme of work for the Non-Executive Director for Employee Engagement is structured and supported in collaboration with SSE's Head of Employee Engagement. The success of the role is measured in action, whereby the employee voice is consistently represented in meetings attended by the Non-Executive Director for Employee Engagement, allowing the views and opinions of colleagues to feature and contribute to discussions and decisions being made.

### Q&A with Lady Elish Angiolini

#### What are your reflections on the value of direct Board-employee engagement in SSE?

Engagement is very valuable to the Board as it builds trust, collaboration and aligns the Board and employee approach. I can see how the Board seeks diverse feedback from employees delivering on strategy, and it's essential that direct engagement continues as a core activity.

#### Since joining the Board in 2021, what insight have you gained into the employee experience in SSE?

This is a period of record growth and we must continue investing in face-to-face and virtual engagements to understand how employees and SSE's culture are responding. We should also build on relationships with employee-led groups like the 'Belonging in SSE' communities, who are strong advocates of the employee voice.

#### Where do you see opportunities for 2023/24?

I've been able to speak with many colleagues across SSE and have been impressed with the dedicated team spirit and commitment to SSE's purpose. A willingness to share views has given me a good understanding of employee experiences in SSE and I look forward to exploring priorities in conversations to come.

#### What skills and perspective would you like to bring to conversations in the year?

I have an inquisitive nature and like to listen to all views to encourage honest and frank discussion, which will help highlight areas for me to bring to the Board. I've also been involved with organisations undergoing intense periods of change and this will support my understanding of employee sentiment.

### Engagement in action Employees



## Engaging on net zero

The successful delivery of SSE's strategy is dependent on employees feeling engaged with the Group's purpose. A key objective over 2022/23 was therefore connecting people's roles with net zero and feeling engaged with senior leaders. Full Board attendance at the Annual General Meeting (AGM) 2022 was seen as an opportunity to deliver this.

The event was used for both in-person and virtual interaction, with members of the Board taking part in a roundtable discussion with colleagues from a range of businesses, geographies and demographics, alongside leads from the 'Belonging in SSE' communities. The employee group sought advice, opinions and feedback on topics including flexible working patterns, the challenges faced by neuro-diverse colleagues, mental health awareness and career progression.

The AGM virtual Q&A session was open to all employees and attended by more than 3,500 people from across Great Britain and Ireland. Directors addressed queries on a wide range of issues and of the attendees who provided feedback on the event, 90% said they valued hearing from the Board and 85% found the session helped them to connect their roles to the Group's net zero-aligned strategy.





## Empowering the employee voice continued

### Board response to employee views

Discussions with employees have been broad ranging in 2022/23 and cognisant of the energy crisis, net zero, cost of living and employee well-being. Through the full suite of listening and engagement channels, the below confirms how the Board has responded to material issues raised by employees across the year. These are set out under key themes which are checked through SSE's all-employee survey to ensure they are reflective of employee priorities and to assess progress and improvement.

Key themes	Active Board engagement
<b>Inclusion and diversity</b>  <b>Why the Board engaged</b> The Board champions SSE's inclusion and diversity approach, and seeks insight surrounding the effectiveness of plans and initiatives in order to continually further progress.	<ul style="list-style-type: none"><li>• Melanie Smith hosted an all-employee Q&amp;A during Race Equality Week and encouraged the sharing of diversity information, to support actions that focus on making SSE more inclusive.</li><li>• The Chair and Non-Executive Director for Employee Engagement participated in a session with the 'Belonging in SSE' community leads, and heard views on lived experiences, challenges, aspirations and priorities for the Board. Key takeaways were shared more widely using internal communications and would continue to inform Board policy development.</li><li>• The Board sponsored events including Perthshire Pride which was attended by employees, the Chief Commercial Officer and the Non-Executive Director for Employee Engagement; and the Finance Director participated in the 'It Takes All Kinds of Minds' international conference which was aligned with Neurodiversity Focus Week across SSE internal channels.</li></ul>
<b>Strategy, net zero and climate change</b>  <b>Why the Board engaged</b> The Board acts in response to all-employee survey and call feedback, which cited a want to engage further with senior leaders on SSE's strategy and the drive to net zero.	<ul style="list-style-type: none"><li>• Tony Cocker and Melanie Smith were involved in Leadership Roadshows and SSE's Leadership Conference with the Executive Directors, to cover topics including strategy, execution and growth, people and wellbeing.</li><li>• The Board oversaw activities to embed SSE's Just Transition Strategy, with an externally-available video featuring key stakeholders and just transition themes, launched internally through an all-employee virtual session.</li><li>• The Chief Executive and Helen Mahy visited the Arklow Bank wind farm phase 2 development site and project team, with key takeaways being environmental and stakeholder consultation, and community engagement.</li><li>• Over 800 SSE leaders joined the Chief Executive, the Chair and Debbie Crosbie for a call exploring the Leadership Blueprint and their pivotal role in delivering SSE's strategy and Net Zero Acceleration Programme.</li></ul>
<b>Digital strategy</b>  <b>Why the Board engaged</b> The Board understands the development in the digital space is a key area and seeks views on challenges, opportunities, progress and making employees part of digital initiatives and change.	<ul style="list-style-type: none"><li>• Melanie Smith spent time with the Digital Team on strategic progress, with views shared with the Board thereafter, around skills to keep pace with developments in energy technology.</li><li>• An all-employee call hosted by the Chief Executive shared progress towards SSE's digital ambitions and provided a forum for employee questions and views.</li><li>• A virtual meeting between the Non-Executive Director for Employee Engagement and the Information Security and Privacy Group discussed cyber security priorities for SSE and employees, and led to Dame Sue Bruce sponsoring the Cyber Security Month which brought additional focus to this area.</li></ul>
<b>Great place to work and ways of working</b>  <b>Why the Board engaged</b> The Board seeks views of employee needs in order to drive culture and meet expectations surrounding working practices and wider support; areas which continue to evolve post-pandemic and in the current cost of living context.	<ul style="list-style-type: none"><li>• The Chief Commercial Officer held an all-employee session to explore engagement survey results and covered well-being, reward and recognition, strategy and communication of key messages, reaching an audience of over 3,000 employees.</li><li>• Prompted by an employee request, a session in Glasgow with the Non-Executive Director for Employee Engagement explored the post-pandemic return to the office, with employees sharing experiences and views on hybrid working.</li><li>• The Non-Executive Director for Employee Engagement and Lady Elish Angiolini attended a welcome event to meet SSE's newest intake of graduates which considered career development and navigation.</li><li>• A session was held with representatives from Business Energy and the Non-Executive Director for Employee Engagement, to discuss all-employee survey results and actions to address focus areas identified through the survey.</li></ul>

# Focusing on culture

A healthy corporate culture is one in which SSE has a purpose, values and strategy that are respected by its stakeholders, and an operating environment that is inclusive, diverse, supportive and engaging; that encourages employees to make a positive difference for stakeholders; in which values guide responsible decisions and actions; and in which attitudes and behaviours are consistent with high standards of conduct and doing the right thing.

## Aligning with purpose, vision and strategy

Company culture has internal and external influence, guiding interactions within SSE and directing decisions with stakeholder impact. This context is reflected within the above Board-approved definition of a healthy corporate culture, which supports purpose, vision, strategy and long-term success, by setting a baseline against which cultural guidance can be developed and cultural indicators tested.







## Setting the tone

A healthy corporate culture is a shared deliverable, which starts with the Board setting the correct tone. This is supported through approval of SSE's values, and their translation into accepted attitudes and behaviours within SSE's Group Policies and an employee guide 'Doing the Right Thing; SSE's guide to good business ethics', all of which are supported by mandatory training for everyone in SSE.

Leading by example is through the Board's own conduct and communication to

employees of key Board activity. Senior leaders across SSE have the same responsibility to lead, embed and oversee cultural standards.

Culture is embedded at Board-level by:


- SSE's Governance Framework and practices (see [pages 122 to 124](#) .
- Board decision-making (see [pages 125 to 131](#) .
- People matters, appointments and succession planning (see [Nomination Committee Report](#) .
- SSE's risk, controls and compliance approach (see [Audit Committee and EMRC Reports](#) and [page 68](#) .
- Focus on safety, sustainability, health and the environment (see [SSHEAC Report](#) .
- Attitudes towards reward and remuneration (see [Remuneration Committee Report](#) .

## Monitoring and measuring

The Board uses multiple sources to assess the strength of culture and understand how it manifests across employee sentiment,

observed behaviours and trends. These can be described as a combination of the below reported metrics, standing reports and listening channels.

- Feedback from Board-employee engagement and Non-Executive Director for Employee Engagement insights.
- Employee survey results.
- Twice yearly Cultural Dashboard review.
- Monthly people updates from the Chief Executive covering key developments and employee sentiment.
- Monthly compliance reporting from the Finance Director.
- Monthly safety and wellbeing data.
- Whistleblowing performance reports.

The Cultural Dashboard (see [page 138](#) ) remains a health check, comprising data from Group HR and Group Compliance. A key section aligns employee survey data with people metrics and KPIs under cultural strands. This allows the Board to consider where there are deviations between what is being heard and underlying behaviours. During 2022/23, the Board retaining oversight of ongoing culture-related workstreams through its wider agenda.

## Engagement in action Employees



# Understanding operational culture

Over 2022/23 the Board have visited a wide range of locations and business areas, providing direct access to operations and ensuring front-line employees could share their experiences with the Board. These visits further enhanced understanding of the cultural tone and sentiment across Business Units.

**Renewables.** Visits by the Chair, John Bason, Dame Angela Strank and Tony Cocker covered Coire Glas site investigation works, Stronelairg wind farm, and Foyers and Glendoe power stations over a two-day period, gaining insight into the challenges and progress in current and future renewables operations from employees. The Chair visited Dogger Bank wind farm HVDC

station and engaged with partner and contractor representatives on project scope, approach and progress, and as part of his induction John Bason visited Montrose harbour, the site associated with the Seagreen offshore wind farm, to gain a deeper insight into the industry.

**Thermal.** Helen Mahy visited the Thermal engineering hub in Leeds to meet and discuss areas important to the Team including inclusion and diversity, development and mentoring, the results of the all-employee survey and technical developments including Carbon Capture and Storage.

**Networks.** In advance of a Board meeting, engagement took place with employees working on flexible energy trials at the innovation project, Local Energy Oxfordshire (LEO). Insight was gathered surrounding the technical, commercial, social and regulatory challenges and the potential for a community-based approach to local flexibility.

**Energy Customer Solutions.** Lady Elish Angiolini visited the team in Belfast to learn more about improvements to the customer experience and compliance, and heard examples of the challenges experienced by customers in vulnerable circumstances and how colleagues support each other when dealing with hardship and difficult customer scenarios.

## Focusing on culture continued

### Measuring culture through our dashboard

Our culture is shaped and determined by the way we...						
Attract and retain people	Work together	Look after each other	See ourselves	Make decisions	Manage performance	Lead from the top
Reflected in employee sentiment surrounding the core themes and actions SSE is taking in each area...						
Employee engagement <b>84%</b> ▲	Inclusion <b>85%</b> ▲	Safety <b>93%</b> ▲	Our strategy <b>83%</b> ▼	Doing the right thing <b>85%</b> ▲	My manager <b>76%</b> =	Senior leaders <b>66%</b> ▲
Life at SSE <b>73%</b>	My Team <b>85%</b> =	Wellbeing <b>76%</b> ▲	▲ ▼ = Movement relative to internal 2021 trend benchmark.			
Supported by key people metrics and KPIs...						
<b>10.5%</b> ▲ Employee turnover.	<b>83%</b> = of employees able to work flexibly.	<b>255</b> ▲ Safe Days.	Just over 1 in 5 SSE colleagues have made the transition from high to low-carbon roles*.	<b>95.5%</b> ▲ Certification across mandatory eLearning courses.	<b>1,992</b> Leaders engaged with the Leadership Blueprint Plans*.	<b>58</b> ▲ Board-led employee engagements, including <b>13</b> Non-Executive Director for Employee Engagement sessions.
<b>4,401</b> ▲ vacancies filled.	<b>8</b> ▲ 'Belonging in SSE' communities with over 2,000 active members.	<b>6.9</b> ▲ Sick days per head.		<b>50</b> ▲ employee contacts on Speak Up platforms.		
▲ ▼ = Movement relative to 2021/22.						
Continually supported by cultural action plans and Board support in 2022/23...						
Provided continued oversight of critical skills investment, performance initiatives and development of employee proposition (see <a href="#">pages 146 to 147</a> ⓘ).	In response to employee views and engagement, oversaw enhanced Family Leave entitlement for pregnancy loss, fertility treatment and partner's leave.	SSHEAC safety and wellbeing site visits continue to be conducted (see <a href="#">page 165</a> ⓘ).	Oversees ongoing delivery of the Net Zero Acceleration Programme and 2030 Goals (see <a href="#">pages 125 to 129</a> ⓘ).	Continued focus on front line communications (see <a href="#">page 137</a> ⓘ).	Direct Board engagement with leaders to provide feedback and direction (see <a href="#">page 136</a> ⓘ).	Board's approach to understanding and assessing strength of culture (see <a href="#">page 137</a> ⓘ).
Oversight of top leaver reasons; SSE's employer brand; and activity which communicates SSE's proposition to external candidates.	Amplified direct engagement with employees on the topic of inclusion and diversity (see <a href="#">page 136</a> ⓘ).	Reviewed safety, health and wellbeing performance at the start of every Board meeting.	Directly supported employee communications on strategy (see <a href="#">page 136</a> ⓘ).	Reviewed SSE's whistleblowing arrangements and performance (see <a href="#">page 131</a> ⓘ).	Continues to sponsor a leadership review which confirmed a strong, collaborative organisational environment with trust and support.	Board presence across SSE's full engagement approach (see <a href="#">pages 134 to 136</a> ⓘ).
		Received updates on the formation of a new Contractor Safety Team.		Board support for SSE's cyber security month.		

\* New measure.

See also culture on the Board agenda on [page 28](#) ⓘ.  
Embedding a healthy business culture on [page 59](#) ⓘ.

# Defining Board responsibilities

Through the Board Charter, the Board approves the clear division of responsibilities between the Chair and Chief Executive and sets out what is expected of the non-Executive Directors, recognising the defined roles of Senior Independent Director and Non-Executive Director for Employee Engagement. The below confirms the split of executive and non-Executive accountabilities which support the integrity of the Board's operations.

## Executive

### Chief Executive

- Proposing and directing the delivery of Board-agreed strategy through leadership of the Group Executive Committee.
- Ensuring SSE's decisions and actions have long-term focus, through management, implementation and progression of sustainability interventions, which support strategy and address material impacts including climate change.
- Communicating and providing feedback on the implementation and impact of Board-agreed policies on behaviours and culture, ensuring SSE operates in line with its values.
- Assuming responsibility for the overall performance of SSE's Business Units and leading the functions of: HR; Corporate Affairs, Regulation and Strategy; and Sustainability.
- Engaging with SSE's six key stakeholder groups and leading on related activity at EU, International and UK level.

### Finance Director

- Deputising for the Chief Executive.
- Proposing policy and actions to support sound financial management and leading on M&A transactions.
- Leading the functions of: Finance; Procurement and Logistics; Group Risk and Audit; IT and Cyber Security; Investor Relations and Company Secretarial; and the General Counsel areas of responsibility.
- Overseeing relationships with the investment community.
- Engaging with SSE's six key stakeholder groups and leading on related activity in Scotland.

### Chief Commercial Officer

- Supporting the work of the Chief Executive and Finance Director.
- Leading SSE Renewables, SSE Thermal, Energy Portfolio Management, Energy Customer Solutions and SSE Enterprise at Board level.
- Driving growth and commercial market risk activities for all of SSE's non-networks businesses at Group level.
- Leading executive relations with trade unions.
- Engaging with SSE's six key stakeholder groups and leading on related activity in Ireland and Northern Ireland.

## Company Secretary

- Safeguarding compliance with Board procedures and providing support to the Chair.
- Ensuring the Board has high quality information, adequate time and appropriate resources.
- Advising the Board on corporate governance developments.
- Considering Board effectiveness in conjunction with the Chair.
- Facilitating the Directors' induction programmes and assisting with professional development.
- Providing advice, services and support to all Directors when required.

## Non-Executive

### Chair

- Leading the effective operation and governance of the Board.
- Ensuring decision-making has long-term focus, and SSE's approach to sustainability, including climate change, is addressed through strategic, operational and risk considerations.
- Setting agendas to support balanced decision-making.
- Demonstrating objective judgement and applying sufficient challenge to proposals.
- Ensuring effective Board relations and a culture that supports constructive debate.
- Engaging with major shareholders and key stakeholders to ensure the Board understands and considers their views.
- Overseeing the annual Board evaluation and identifying required actions.
- Setting the cultural tone and leading initiatives to assess culture.

### Senior Independent Director<sup>1</sup>

- Providing a sounding board for the Chair.
- Leading the Chair's performance evaluation.
- Serving as an intermediary to other Directors when necessary.
- Being available to all stakeholders if they have concerns requiring resolution.

### Independent non-Executive Directors

- Challenging and assisting in the development of strategy.
- Reviewing and measuring the performance of management.
- Providing independent insight and support based on relevant experience.
- Reviewing financial information and ensuring the System of Internal Control and Risk Management Framework are effective.
- Reviewing succession plans for the Board and senior leadership.
- Monitoring actions to support inclusion and diversity.
- Engaging with key stakeholders and reporting to the Board on perspectives.
- Setting executive remuneration policy.
- Serving on, or chairing, various Committees of the Board.

### Non-Executive Director for Employee Engagement<sup>1</sup>

- Providing an employee voice in the Boardroom.
- Developing, implementing and reporting on employee engagement initiatives.
- Representing the Board and its decision-making in discussions with employees.
- Engaging with officers of trade unions and internal trade unions representatives on strategic issues affecting the workforce.

<sup>1</sup> The responsibilities of Senior Independent Director and Non-Executive Director for Employee Engagement apply in addition to those of non-Executive Director.

# Assessing Board performance

## Annual Board evaluation

The Board monitors and improves performance by reflecting on the continuing effectiveness of its activities, the quality of its decisions and by considering the individual and collective contribution made by each Board member. This is assessed annually through the Board evaluation process.

The 2022/23 Board and Board Committee evaluations were facilitated by Lintstock Ltd (Lintstock). This followed Lintstock conducting the 2021/22 external Board and Board Committee performance reviews, with their services re-engaged for a further two years to provide efficient and consistent oversight of the actions and themes identified.

The methodology of the 2022/23 follow-up reviews were aligned with that of an internal evaluation and structured to allow identification of new focus areas. Besides the provision of the Board and Board Committee evaluation work, there was no other contractual connection between SSE or the individual Directors and Lintstock.

## Progress against 2021/22 evaluation findings

Opportunities for refinement	Update on actions
<b>Optimising oversight of strategic execution</b>	The Board reviewed proposals for monitoring progress on strategic execution and agreed updates to further optimise Board oversight. These centred on the preparation and presentation of certain strategic reports, including the NZAP dashboard, which has been reviewed in the year.
<b>Alignment on people matters</b>	A revised framework for constructive challenge and monitoring of people matters is in place, with it agreed to enhance Board knowledge of SSE's leadership teams through increased face-to-face engagement. Details of work on talent, and inclusion and diversity, is on <a href="#">pages 134 to 136</a> .
<b>Leveraging external voices</b>	The findings supported the view that the management team was highly expert and proficient in the suite of technical matters which fall under its remit. There was an opportunity for the Board to complement this, through the use of third-party or external expertise on particular topics. Accordingly, Board deep dives have been conducted and several external speakers engaged to provide a diverse perspective on certain subjects (see <a href="#">page 125</a> ).

## 2022/23 Board evaluation process

### Stage 1 Re-engaging Lintstock

Following a selection process, and in compliance with the UK Corporate Governance Code, Lintstock were engaged to perform an external review of the Board and its Committees in 2021/22. After seeking the opinion of the Board, the Chair with assistance from the Company Secretary and Director of Investor Relations, re-engaged Lintstock to facilitate the Board evaluations in 2022/23 and 2023/24, as it was deemed efficient and appropriate in the cycle of continuous improvement.

### Stage 2 Design of the evaluation

Considering the findings of the 2021/22 external Board performance review, it was agreed the review of the Board and its Committees in 2022/23 be conducted by Lintstock in the same format as an internal evaluation. This centred on the use of a detailed questionnaire, to be completed by the Board, Committee members, and secretaries.

### Stage 3 Review methodology

The questionnaire was issued, and to achieve a comprehensive suite of feedback, questions were structured around agreed topics, comprising:

- Board dynamics;
- Board composition;
- Board support;
- management and focus of meetings;
- stakeholder oversight;
- strategic oversight;
- risk management and internal control; and
- succession planning and people oversight.

### Stage 4 Findings and actions

Based on the information and views garnered from the review responses, Lintstock produced the Board and Board Committee evaluation reports for review. The finalised report of findings was provided to the Board and actions agreed.

## 2022/23 Board evaluation findings

The findings of the Board evaluation were positive, with progress thought to have been achieved across a number of evaluation areas. Areas which scored well, relative to an external benchmark, included: the clarity of strategic purpose; the relationship between the non-Executive Directors and Chief Executive; oversight of strategic implementation;

the contribution to the development of strategy; and Board support through the Company Secretary and training.

The findings further affirmed strong Board composition, with discussions cognisant of the attributes which should be considered in future appointments, alongside how these should be balanced and prioritised within succession plans.

Whilst the findings were positive and confirmed the Board to be operating effectively, there remained as with all balanced process, opportunities for improvement and refinement.

Opportunities for refinement	Commentary and actions
<b>Enhancing contact with SSE's culture, senior teams, Business Units, and strategic context</b>	<p>It was acknowledged ongoing activities were enhancing the Board's appreciation of these areas, notwithstanding, increased structure and planning would maximise the impact of this work.</p> <p><b>Actions agreed by the Board:</b></p> <ul style="list-style-type: none"> <li>A Board planner for visits and existing pre-Board meeting sessions has been circulated to ensure these be utilised to good effect.</li> <li>A biannual review of competitor strategies is to take place and continue on an ongoing basis.</li> <li>Deep dives will be arranged on specific topics such as ESG, technology and influences on long-term energy prices.</li> </ul>
<b>Continued consideration of people issues</b>	<p>The Board was supportive of progress in this area, noting that positive results would take time to be visible within the organisation. As such, there were a number of practices the Board wished to continue and develop further.</p> <p><b>Actions agreed by the Board:</b></p> <ul style="list-style-type: none"> <li>To maintain a focus on diversity progress, targets and reporting will continue as a biannual item at the Nomination Committee (see <a href="#">pages 148 to 149</a>).</li> <li>To facilitate Board oversight and provide support on capacity to deliver strategy and growth, the Nomination Committee should continue to consider activities to build capability (see <a href="#">page 146</a>).</li> <li>There should be a continued focus on succession at an Executive Director and senior leadership level. In fulfilment of this, the Board will attend talent dinners biannually; succession plan updates will continue at the Nomination Committee; and in line with standing practice non-Executive Directors can attend management conferences and talent invited to present at Board meetings.</li> </ul>
<b>Board composition</b>	<p>The Board identified ongoing management of Board succession, and ensuring a smooth transition in roles, as priority areas of focus, given a number of changes to Board membership. The findings also supported the view it would be beneficial for greater geographic representation across its composition.</p> <p><b>Actions agreed by the Board:</b></p> <ul style="list-style-type: none"> <li>In light of the above, in 2022/23, the succession plan for Finance Director was approved, and a non-Executive Director search was undertaken which saw the appointment of Maarten Wetselaar (see <a href="#">pages 144 to 145</a>).</li> </ul>

### Board Committees

The evaluation of Board Committee performance found that each Committee remained effective in providing Board support. Specific findings and the agreement of actions was overseen by each Committee Chair, with consideration of the overall findings for the Board.

Progress will continue to be monitored by each Committee, with details set out in the Reports across [pages 142 to 187](#).

### Individual Director performance

Individual Director performance and contribution was assessed through one-to-one meetings with the Chair. These sessions allowed reflection on personal development and discussion of matters relevant to Boardroom culture and process. The findings, in combination with

individual skills (see [page 115](#)), the time commitment, and independence assessments (see [pages 143 and 146](#)) confirmed that each Director continues to contribute positively.

### Chair performance

The performance of the Chair was evaluated by the Senior Independent Director, based on: feedback gathered by an external facilitator; a thorough discussion with non-Executive and Executive Directors; and individual input from non-Executive and Executive Directors and selected senior managers.

The output of this performance review confirmed that Sir John Manzoni continues to be a effective and energetic Chair. He leads ambitious and constructive challenge, and appropriate support of the Executive

Directors. He has a high degree of visibility and availability, is inclusive, and always looking to hear views while putting his own experience to appropriate use. He leads and conducts the Board well, both in the formal Board meetings and through regular interactions outside the Boardroom. He engages actively with colleagues at all levels and has continued to engage constructively with investors on strategy, governance, and ESG.

The priority focus areas for the Chair in the coming year, were agreed and aligned with those identified through the evaluation process for the Board as a whole. It was confirmed that he devoted sufficient time to the role, and in all respects met the requirements of the Code.



# Nomination Committee Report

## Role of the Committee

The Nomination Committee provides dedicated focus to the following people-led matters.

- **Board leadership.** Identifies the skills, knowledge and experience required for the effective leadership and long-term success of SSE, managing the balance of competencies through succession planning, knowledge development and recruitment.
- **Board Committees.** Monitors the size, structure and composition of the Board's Committees to ensure the appropriate Board support now, and going forward.
- **Talent pipeline.** Monitors the senior leadership pipeline and initiatives to develop internal capability, engaging in leadership programmes and updates on external recruitment.

- **Inclusion and diversity.** Under the Board's Policy, considers the perspectives and attributes across the Board and senior leadership, confirming ambitions and work to drive progress, reviewing overall support for Group-wide inclusion and diversity strategy.

The Committee's Terms of Reference are available on [sse.com](https://www.sse.com) [🔗](#).

## Key activities in 2022/23

- Reviewed Board composition.
- Recommended the succession plan for both the Finance Director and Company Secretary.
- Recommended the appointment of a new non-Executive Director.
- Assessed inclusion and diversity performance.



Non-Executive Director for Employee Engagement. Both Melanie and Lady Elish bring their own expertise to these positions.

In our annual review of Board Committee membership, and in advance of the change in Audit Committee Chair, we agreed John Bason would join the Remuneration Committee from May 2023, retaining the practice that the Audit Committee Chair provide a consistent view of Group performance across relevant Board forums.

Inclusion and diversity remains a core area of work, framed by the Board Inclusion and Diversity Policy and the internal ambitions which represent a commitment to progress. The diversity of the Board is on [page 115](#) [🔗](#), with membership comprising 42% women and one Director from an ethnic minority background. This will remain the position after the changes described above. Across membership, difference is enhanced through diverse perspectives and backgrounds and we seek to ensure this extends to Board Committees and Chair roles. Per the FCA's Listing Rule, we explain the positions of Chair, Senior Independent Director, Chief Executive and Finance Director are held by men. This will continue to be considered within our agenda, with regard for our policy and stakeholder views.

Discussions with the Executive Directors and Group HR considers inclusion and diversity action below-Board level. Within senior management women's representation is 34.1% and we continue to work towards a target of 40% for 2025. An area of focus will be agreeing a supplementary ambition for ethnicity across this senior population. More on inclusion and diversity can be found on [pages 148 to 149](#) [🔗](#) and in the Inclusion and Diversity Report on [sse.com](https://www.sse.com) [🔗](#).

**Sir John Manzoni**  
**Chair of the Nomination Committee**  
23 May 2023

## Dear Shareholder,

The execution of orderly succession plans to support the strength of the Board has been a significant Committee focus, and underpinned by assessment of the Board's skills, knowledge, and tenure, in the context of SSE's long-term growth and operating environment. The skills matrix on [page 115](#) [🔗](#) confirms the attributes we identify as key in the Board's leadership role.

The external evaluation in 2021/22, cited an opportunity to monitor Board membership as SSE progressed its Net Zero Acceleration Programme, and this was explored in the candidate specification for a new non-Executive Director. We are delighted the resultant search sees Maarten Wetselaar join the Board on 1 September 2023. Maarten's appointment enhances existing international and renewables infrastructure capabilities, and brings a global outlook and career of energy leadership expertise to the Board. He will become a member of the Nomination, Audit, and Energy Markets Risk Committees upon appointment.

The Board has continued to benefit from the long-standing experience of the Executive Directors, and regularly reviews the internal pipeline and external talent pool to confirm optionality for any change. In 2022/23, we progressed the succession plan for the Finance Director, Gregor Alexander, with external support from Korn Ferry. This was a robust process,

with defined parameters, and from a shortlist comprising both internal and external candidates, Barry O'Regan, Finance Director, SSE Renewables, was identified as the strongest fit for the role. This objective outcome confirms the strength of internal talent development, and we will focus on an effective transition for 1 December 2023. Gregor has been instrumental in shaping SSE's investment case and delivering our financial objectives over his 21 years in post, and we look forward to working with Barry in his role as Chief Financial Officer on the opportunities that lie ahead. More on the above processes and detail of how diversity was considered in Board recruitment during the year is on [pages 144 to 145](#) [🔗](#).

In another change, Sally Fairbairn, our Company Secretary and Director of Investor Relations also signalled her intention to retire, which was supported by the recommendation in May 2023 that Liz Tanner become General Counsel and Company Secretary from 1 August 2023.

We thanked Dame Sue Bruce for her dedication, as she stepped down after just over nine years' service on 31 March 2023. And on 20 July 2023, we will see Peter Lynas complete his final term as a non-Executive Director. A number of changes in Board roles, set out in the 2022 Annual Report and on [page 146](#) [🔗](#), take place as a result. Melanie Smith is now Remuneration Committee Chair and Lady Elish Angiolini

## Membership and attendance

The membership of the Committee comprises the non-Executive Directors and the Chair of the Board, who is also Chair of the Committee. The Company Secretary is Secretary, and where appropriate, the Executive Directors are invited to attend meetings. Biographical details of the Committee members can be found on [pages 116 to 120](#). The Committee met eight times in 2022/23 with attendance on [page 123](#).

## Board leadership

### Composition and succession

The composition of the Board is informed by plans for orderly succession across Board and Committee roles. This is supported by regular assessment of the skills, experience and diversity the Board needs, in line with strategy and changes in SSE's operating context. The backdrop to these discussions comprises the full breadth of Board work set out across the Directors' Report, and the elements of Board composition and diversity set out on [page 115](#).

Resulting from the above, and in line with work to support SSE's Net Zero Programme, an independent non-Executive Director recruitment process was initiated in the year. Following a robust search, this saw the recommendation that Maarten Wetselaar join the Board from 1 September 2023.

This was followed in April 2023, with the announcement that Gregor Alexander would be stepping down from the Board on 1 December 2023, at which time he will have served as Finance Director for 21 years. In support of a comprehensive process, internal succession plans and the results of an external search, were subject to interview and selection with support from an independent recruitment firm. The resultant recommendation, which was approved by the Board, will see Barry O'Regan, current Finance Director, SSE Renewables, become Chief Financial Officer on 1 December 2023.

Details of the work which supported each of the above appointments is set out on [pages 144 to 145](#).

As reported in 2021/22, John Bason joined the Board as Audit Committee Chair designate on 1 June 2022. At which time he became a member of the Nomination Committee and Audit Committee.

Following their respective nine year terms, Peter Lynas steps down from the Board on 20 July 2023 and Dame Sue Bruce stepped down on 31 March 2023. The succession plan for their key Board roles is confirmed on [page 146](#).

Sally Fairbairn, Company Secretary and Director of Investor Relations will also step down from the role following notification of her retirement. The Committee subsequently recommended the split of her responsibilities, with Liz Tanner, SSE's current General Counsel also to become Company Secretary in support of this change. This transition will take effect from 1 August 2023. The position of Director of Investor Relations will become a separate role within the Investor Relations Team.

### Time commitment

The expected time commitment of the Chair and non-Executive Directors is agreed and set out in writing in a Letter of Appointment. This is issued following confirmation of an individual's capacity to take on the role and involves an assessment of existing external commitments and demands on time. Any changes, such as additional external appointments which could impair the ability to meet the above, can only be accepted following approval of the Board. The acceptance of an external appointment by an Executive Director also remains subject to prior Board consent. Approved changes across 2022/23 are set out on [page 117](#).

## Committee evaluation

The annual review of Committee performance was facilitated by Lintstock (see [pages 140 to 141](#)) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2023/24.

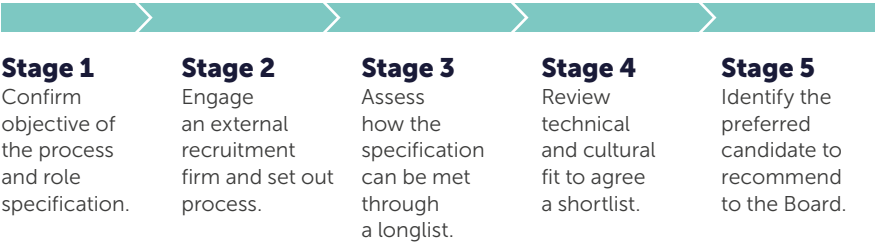
### Evaluation confirmed

- A robust process supports the review of Board composition and capabilities and has resulted in effective succession planning across non-Executive roles.
- Work on senior leadership pipelines with Group HR has strengthened and enabled deeper discussion surrounding talent and capability.
- A clear rhythm of work has been established to review the impact of inclusion and diversity strategy at all levels, creating a platform to drive progress.

### Actions for 2023/24

- **Board composition.** Focus should be maintained on the collective and individual skills of the Board, in the context of tenure and SSE's long-term growth, with support for transitions in membership.
- **Executive succession and talent pipeline.** Positive challenge should continue surrounding the depth and breadth of succession plans for senior leadership, alongside work on internal and external talent pools.
- **Inclusion and diversity.** The amplification of the inclusion and diversity agenda should be supported; assessing progress and identifying where targeted action is needed to deliver change.

Board recruitment  
and succession process



Embedding inclusivity

SSE's Board Inclusion and Diversity Policy sets out actions to promote diverse appointments and inclusive recruitment processes. This includes using gender neutral language to ensure role specifications are accessible to a wide range of candidates and engaging those who are signatories to the enhanced voluntary code of conduct for executive search firms. As SSE champions a culture which embraces difference, organisational fit remains a key parameter in addition to technical capability. More on inclusion and diversity, and the Board's policy can be found on [pages 148 to 149](#)

External search firms

Russell Reynolds supported the search for a new non-Executive Director and has no further connection with SSE or its Directors. Korn Ferry provided its executive search services, within the Finance Director succession work, independent of other leadership development and below-Board reward consultancy support for which it is engaged by SSE.

Independent  
non-Executive  
Director  
appointment

Key search criteria

- Large capital projects.
- Operations, development, or construction of renewable energy.
- International business and M&A.
- Engagement with capital markets.

Finance Director  
succession

Key search criteria

- Strong financial, listed company and investor credentials.
- Experience of organisational scale and complexity.
- Demonstrable capital investment and M&A expertise.
- Proficiency in managing debt and funding strategies.

Diversity of  
key board roles

For details of SSE's disclosure against Listing Rule 9.8.6(9) please see [page 149](#)

**External search diversity****29%**of profiles  
gender  
diverse**12%**of profiles  
ethnically  
diverse**15**nationalities  
represented**Supporting overall Board diversity**

Maarten Wetselaar brings distinct and additive international energy leadership and related perspectives to the Board. Both from his current role as Chief Executive of CEPESA, the Spanish multinational oil, gas, and diversified energy company, and 26 years at Shell, where he played a pivotal role in establishing its renewables business activity. His breadth and depth of experience across conventional and new energy projects enhance existing Board knowledge and will reinforce positive challenge. In addition, expertise across business growth and portfolio transformation, and working knowledge across capital and commodity markets, remain key to SSE's growth and strategy.

**Stage 1** To enhance existing Board capabilities across growth in new markets and emerging international options, an objective search for a new non-Executive Director was agreed by the Committee.

**Stage 2** Russell Reynolds was engaged to support the process and identified search categories, aligned to the key criteria, to allow consideration of different backgrounds and leadership models. This comprised direct and indirect expertise across the energy value chain to foster diversity of candidate profiles.

**Stage 3** Maintaining as broad a brief as possible, the Committee created a longlist for discussion. An agreed sub-Committee worked with the search firm to support engagement and considerations in respect of interest, bandwidth, and conflicts for this pool.

**Stage 4** A shortlist of candidates was engaged to meet with each member of the sub-Committee, and an update provided to the full Committee to provide comments on progress. The preferred candidate was then invited to meet with two Executive Directors.

**Stage 5** A recommendation was made to appoint Maarten Wetselaar to the Board and Nomination, Audit, and Energy Markets Risk Committees from 1 September 2023. This followed confirmation of independence and capacity to take on the role.

**External search diversity****47%**of profiles  
gender  
diverse**7%**of profiles  
ethnically  
diverse**6**nationalities  
represented**Supporting overall Board diversity**

The appointment of Barry O'Regan represents internal succession, as he moves from the role of Finance Director, SSE Renewables in which he also has responsibility for corporate finance across the SSE Group. Following rigorous assessment, he was confirmed to bring the individual and technical attributes required of Chief Financial Officer and deemed a highly capable successor possessing substantive financial and energy sector experience from a 20-year career. He brings his own strengths to the financial leadership and growth of SSE, having been integral to the reshaping of the Group and overseeing many of SSE's large capital investments, in addition to leading teams and working across financial control, corporate finance and M&A, treasury, reporting and operational finance.

**Stage 1** The Committee initiated work to assess and develop existing succession plans for the role of Finance Director. This was led by a non-Executive sub-Committee, with involvement from the Chief Executive and Director of HR.

**Stage 2** Korn Ferry was appointed to initiate a prospective scan of external pools against an agreed role specification. Different search streams were engaged to support identification of a depth and breadth of profiles and allow prioritisation of the key search criteria.

**Stage 3** A longlist was compiled, and potential candidate fit measured against the key criteria. Existing internal succession plans were graded in the same way and presented to the sub-Committee alongside this work. At the request of the sub-Committee, Korn Ferry engaged with interested candidates.

**Stage 4** The Chief Executive and Director of HR, refined a shortlist of internal and external options for sub-Committee discussion. Each member of the sub-Committee met high-potential candidates, with the Chief Commercial Officer engaged in the final stages. All non-Executive Directors were invited to meet with the sub-Committee's preferred candidate.

**Stage 5** It was recommended to the Board to enact the succession plan for Finance Director in line with confirmation of Gregor Alexander's intention to retire. This recommended that Barry O'Regan be appointed Chief Financial Officer from 1 December 2023, with a phased transfer of responsibility for IT and General Counsel teams to the Chief Executive, and for Procurement to the Chief Commercial Officer.

## Nomination Committee Report continued

### Director re-appointment

All non-Executive Directors undertake a fixed term of three years subject to annual re-election by shareholders. The fixed term can be extended, and consistent with best practice, does not exceed nine years subject to defined circumstances as identified by the Committee.

Extensions recommended in the period were a second three-year term for Dame Angela Strank, and a time-limited extension, from 1 July 2023 to the conclusion of the AGM on 20 July 2023, in the tenure of Peter Lynas. The latter was to facilitate an orderly handover in the role of Audit Committee Chair. In line with standing practice, each decision was supported by the continuing independence, experience, and contribution that each Director brings to both Board and Committee work.

### Conflicts of interest and independence

Each Director has a duty to disclose any actual or potential conflict of interest situations, as defined by law, for consideration and approval if appropriate by the Board. This requirement is supported by an annual authorisation process, in which the Committee reviews SSE's Conflicts of Interest Register, and seeks confirmation from each Director of any changes or updates to their position.

This process informs the simultaneous assessment of a non-Executive Director's independence, as following the absence of any conflict, the Committee reflects upon the outcome of each individual Director's performance evaluation (see [page 141](#)) and the circumstances set out in the Code which could compromise an individual's position.

Following review in 2022/23, and to the exclusion of the interested Director in each case, the Committee recommended, and Board confirmed: updates to the Conflicts of Interest Register; the continuing independence and objective judgement of each non-Executive Director; and the overall independence of the Board in line with the recommendations of the Code.

Additional safeguards to support Director independence continue through:

- Meetings between the Chair and the non-Executive Directors, individually and collectively, without the Executive Directors present.
- Separate and clearly defined roles for the Chair, as head of the Board, and the Chief Executive, as head of executive management (see [page 139](#)). This division of responsibility is supported by a degree of contact outside of Board meetings to ensure an effective ongoing dialogue and channel for the timely escalation of external or internal developments.

## Director induction

All Directors receive a comprehensive induction programme. This is tailored through discussion with the Chair and the Company Secretary and considers existing expertise and any prospective Board or Board Committee roles.

The agreed plan for John Bason comprised a balance of knowledge-based sessions with internal functions and external advisors, in addition to site visits across locations to provide exposure to SSE's businesses and working environments. Delivery has been in phases with information material to the non-Executive Director role provided in the early stages.

An induction programme for Maarten Wetselaar and Barry O'Regan will be agreed upon joining the Board.

### John Bason induction programme

Areas covered	Sessions by
SSE's purpose, strategy, operating context, and business model	Chief Executive Group Strategy MD of each Business Unit
Financial performance and strategy, funding, assurance, and investment community	Finance Director Senior Finance leaders External Auditor Investor Relations SSE's Brokers
Energy sector and trends, SSE's energy portfolio and long-term energy markets	Chief Commercial Officer
Net zero transition, sustainability, and stakeholder engagement	Chief Sustainability Officer Group Corporate Affairs
Safety, health and the environment, and SSE's people and culture	Director of HR Group Safety, Health and Environment Manager
Corporate governance and Board operations	Company Secretary and Director of Investor Relations
Legal and regulatory views of the external environment and SSE's risk profile	General Counsel SSE's Legal Advisors Director of Regulation Group Chief Information Officer



### Knowledge and training

Any Director can request further information to support their individual duties or collective Board role. The arrangements are overseen by the Company Secretary and can be internally or externally facilitated, with sessions typically originating from technical Board discussions, an identified training opportunity, or area of general interest relating to SSE. Outside of monthly agenda time, the Board schedule included nine strategic deep dives in 2022/23 in addition to several external speaker sessions – which were often structured to precede Board discussion at meetings. Further details of the topics covered are on [page 125](#).

Through SSE's mandatory training programme, all Directors are requested to refresh their understanding of current obligations and recent developments in areas pertinent to their role. These modules address, among other matters: Directors' Duties; competition law; anti-money laundering and financial sanctions; data protection; and inclusion and diversity. In 2022/23, a cyber security session was offered to all Board members covering the threat landscape; cyber awareness and defence; and actions to support SSE's security culture.

To remain abreast of, and connected to, broader societal trends, expectations and issues, the Directors are encouraged to participate in seminars and events hosted by external organisations. Discussion with peers, other sectors, and individuals in different professional and personal situations, is viewed as an opportunity to develop broader perspectives and insights, which can translate into different thinking styles and new debate within Board discussions.

### Board Committees and key roles

Board Committee composition and the appointment of key Board roles is designed around the following principles: to ensure alignment between skills and specific Committee responsibilities; to prevent undue reliance on the capacity of any Director; and to comply with recognised guidance including the Code. Annually, the Board considers the composition of its Committees to assess the allocation of skills and how the diversity of the Board is carried through, by extension, to its supporting forums. At 23 May 2023, each Committee has at least 40% female membership across non-Executive positions.

Changes can be recommended to support succession plans, in line with new Board appointments, or in response to the annual review described above. In 2022/23, the Board approved the following membership recommendations.

The previously agreed succession plan, for the Board roles held by Dame Sue Bruce, saw Melanie Smith assume the role of Remuneration Committee Chair, and Lady Elish Angiolini become SSE's non-Executive Director for Employee Engagement, both with effect from 1 April 2023. The views of the Committee which led to the above recommendations are set out on page 149 of the [Annual Report 2022](#).

Supporting his appointment as Audit Committee Chair designate, John Bason takes on the role of Audit Committee Chair on 21 July 2023. This follows Peter Lynas stepping down from the Board on 20 July 2023. John also joins the Remuneration Committee in advance of this date on 22 May 2023.

### Talent capability and development

Succession for senior leadership roles, and strategy to support talent development by building capability for the future, is overseen by the Committee with support from Group HR, with formal updates considered at least twice a year.

On succession, at least annually, the Committee reviews the existing internal pipeline of candidates for immediate and medium- to longer-term movement into key leadership and functional roles. This is subject to routine challenge to ensure understanding of the breadth of internal potential and experience represented by external talent pools.

In 2022/23 the Committee received updates on Board, Group Executive Committee and Business Unit Executive Committee succession options, which included a review of timing of readiness, and consideration of new talent and succession capability that had been recruited into SSE. The Committee also received updates on the targeted development activity that is taking place across the population, and engaged in a number of discussions with external providers to understand the impact of these key initiatives.

On investing in broader talent and capability, updates are provided on critical skills investment and performance improvement, which are centred on an agreed set of leadership capabilities and competencies required for SSE's long-term growth.

In the context of SSE's Net Zero Acceleration Programme, emphasis has been placed on commercial expertise, project delivery, digital, data, and the international context, with these endorsed as key development areas for structured training interventions. The Committee has also had input from external partners on how talent is benchmarking externally, and on a specific focused initiative to encourage more gender diversity into senior leadership talent pipelines.

The Committee also continued to receive updates on the progress of the Leadership Development Review which has been providing leadership teams with feedback about how they align with SSE's Leadership Blueprint and Enterprise Leadership Model. In providing Board-level support to the Leadership Blueprint, Debbie Crosbie participated in a virtual session with leaders, to explore the refreshed framework and behaviours which define leadership within SSE's culture.

To provide direct exposure to the talent pool and allow reciprocal sharing of experiences, members of the Committee engage in core talent programmes, with the diversity across training cohorts monitored to encourage and progress difference. Additional engagement with future leaders is facilitated through presentations at meetings, business-led sessions, and attendance at conferences. The open two-way dialogue between the Directors and all levels of the organisation is a key tool for observing and informally coaching emerging talent.

## Nomination Committee Report continued

### Inclusion and diversity

SSE's Group-wide inclusion and diversity strategy is explained across [pages 60 to 62](#) and in [SSE's Inclusion and Diversity Report 2023](#) available on [sse.com](https://sse.com).

### Role of the Committee

The role of the Nomination Committee in relation to inclusion and diversity starts with an assessment of difference across the composition of the Board and its Committees. At senior leadership-level, it sets expectations to nurture an inclusive culture so that diversity is embraced; confirming inclusion and diversity plans and ambitions and seeking assurance surrounding progress. This is enabled through work with Group HR to review the impact of initiatives which are in place. The Committee monitors decisions across the above areas with cognisance for the Group-wide approach.

### Board policy

The Board operates under a standalone inclusion and diversity policy which can be found on [sse.com](https://sse.com). Its objective is to set a Board-led culture which is inclusive to all views, perspectives and experiences, and which fosters diversity as a norm. Across Board membership, the policy drives balance and alignment with SSE's purpose, strategy and values, through agreed principles and targets which reflect the measures the Board will take when considering its membership and that of its Committees. The Nomination Committee reviews this policy, including targets and progress, at least annually, with diversity permeating all areas of Committee work.

In setting principles and targets, the Nomination Committee, and Board, acknowledge the external expectations of stakeholders and the opportunities to drive change through succession planning. The FTSE Women Leaders Review and Parker Review are reflected within Board ambitions.

An overarching priority for the Nomination Committee is that succession plans remain refreshed, and provide options to support an orderly transition should a Board vacancy arise in the short-, medium- and long-term. These succession plans were mobilised in the year to support the handover in role of Finance Director.

More on SSE's Board Inclusion and Diversity Policy is set out opposite.

### Senior leadership ambitions

Below Board-level, the Committee provides specific focus to the diversity of SSE's senior leadership and pipelines, including the recommendations of external initiatives and shareholder views. To identify the levers for progress, close work has continued with the Executive Directors and Group HR to develop clear action plans which are underpinned by stretching ambitions. More detail on these ambitions and progress can be found on [page 60](#).

Consistent with next steps agreed through 2021/22 external Board evaluation, and a commitment to providing counsel on SSE's approach, the Nomination Committee has conducted biannual reviews of diversity strategy and scorecards, covering:

- accelerating progress across ambitions;
- empowering inclusive leadership and fluency across inclusion and diversity topics;
- assessing the effectiveness and continuous improvement of existing processes; and
- actively listening to the employee voice.

With strong support for the enhanced and increased frequency of contact with the executive teams, actions were reset through the 2022/23 Board evaluation for further work across the coming year.

Following the recommendation of the Parker Review for FTSE 350 companies to set targets for ethnic minority representation across senior management teams. Focus will be provided to improving diversity data disclosure to allow a credible target to be set. This will be reported on in the Annual Report 2023.

### Board engagement on inclusion and diversity

In addition to desktop work, Committee members have proactively engaged with SSE's employee-led 'Belonging in SSE' communities and responded to requests for Board-level views on inclusion and diversity issues. More detail on these activities can be found on [pages 134 to 136](#).

## Board inclusion and diversity

### Board Policy

#### How the policy links to strategy

People are at the heart of the transformational change needed to achieve net zero, and SSE believes innovative solutions to climate change require diverse perspectives, different experiences, and new skills. The principles of equality, fairness, inclusion and diversity must be at the heart of everything it does.

#### Policy principles

- Identify Board and Committee needs and the balance of diversity characteristics. [See page 143](#).
- Adopt a formal and inclusive Board recruitment process.
- Engage firms who are signatories to the enhanced code of conduct and discuss ambitions for diverse candidate lists.
- Recruit on an objective and shared understanding of merit. [See page 144 to 145](#).
- Nurture an inclusive Board and Committee culture.
- Oversee work to develop a diverse talent pipeline.
- Be aware of stakeholder expectations and challenge targets in wider strategy. [See pages 137, 147 and 148](#).

#### Policy targets

- An ultimate goal of enduring gender parity, whereby the Board commits to female representation of not less than 40%, with the aim to maintain as close to 50% male and female representation as possible on a rolling basis.

**Target met.** 42% women on the Board at 23 May 2023. 42.8% rolling three-year female representation at 31 March 2023.

- Consider female representation across the roles of Chair, Senior Independent Director, Chief Executive and Finance Director.

**See explanation opposite.**

- The Board should have at least one Director from an ethnic minority background.

**Target met.** 1 ethnic minority represented across Board membership.

### Explanation against LR 9.8.6(9)

As at the Company's chosen reference date, 31 March 2023, and in line with FCA Listing Rule 9.8.6(9), SSE confirms it has met the targets for at least 40% female membership on the Board and for one Director to be from an ethnic minority background. It has not met the target for one of the positions of Chair, Senior Independent Director, Chief Executive or Finance Director to be held by a woman. The reasons for this are set out below.

### Executive Directors

The roles of Chief Executive and Finance Director have been held by Alistair Phillips-Davies and Gregor Alexander for 9 and 20 years respectively. These positions support the long-term strategic delivery of the SSE Group and remain subject to considered succession planning to ensure this strength of leadership continues.

The announcement in April 2023, that Barry O'Regan would succeed Gregor Alexander in the role of Chief Financial Officer from December 2023, was the result of a rigorous external process and objective assessment of internal

succession plans. Assisted by purposeful design, diversity was considered at each stage and details of the recommendation made by the Nomination Committee is set out on page 145 [145](#). The overriding priority across all Board appointments remains identification of the strongest candidate for the role, based on clear search criteria and the need for an orderly transition.

Further detail of the challenge applied by the Nomination Committee on the continued development of a diverse internal pipeline, and the work to oversee external benchmarking to ensure SSE has the diversity and capabilities needed for future growth, is set out on page 147 [147](#).

### Chair and Senior Independent Director

SSE's Chair, Sir John Manzoni, has held the position since April 2021 following appointment to the Board in September 2020. This resulted from a robust and inclusive appointment process and details of how diversity was challenged at each stage can be found in the [Annual Report 2021](#) [147](#).

SSE's Senior Independent Director, Tony Cocker, has held the position since October 2020 following appointment to the Board in May 2018. Tony was appointed in line with the internal succession plan for the role and continues to effectively support the Board and Chair in this position.

Full details of the skills and attributes which support each of the above appointments can be found in the individual Director biographies set out on pages 116 to 120 [116](#).

Work continues to ensure that gender and ethnicity, alongside broader diversity characteristics are present across the Board and targeted action would be taken should the overall diversity of membership be deemed insufficient at any time.

In support of transparent disclosure, SSE will continue to report on its progress in the Annual Report in advance of the FTSE Women Leaders target date of December 2025, and welcomes feedback and engagement from shareholders and wider stakeholders on this topic.

### Data under LR 9.8.6(10)

In line with LR 9.8.6(10), as at the reference date of 31 March 2023, the composition of the Board and Executive Management was as follows.

Gender (sex)					
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management <sup>1</sup>	Percentage of Executive Management <sup>1</sup>
Man	7	54%	4	8	73%
Woman	6	46%	0	3	27%
Ethnic background					
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management <sup>1</sup>	Percentage of Executive Management <sup>1</sup>
White British or other White (including minority-white groups)	12	92%	4	11	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	1	8%	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

<sup>1</sup> Per the definition within the Listing Rules, executive management within SSE is the Group Executive Committee including the Company Secretary.

Gender is captured as sex for all employees at the onboarding stage and held on the Company's secure people data system, Harmony. SSE has 100% completion of sex data and that is what is used when reporting the gender diversity of the Board and executive management. Recognising that for some, gender identity can differ from that assigned at birth, all employees are offered the opportunity to volunteer their gender identity directly within Harmony, or by completing a diversity data form that is electronically uploaded onto the system. Ethnicity data is also provided voluntarily and can be offered in the same way as gender identity. SSE has 100% voluntary completion of ethnicity data at Board and executive management level. All diversity data reporting is done securely and in a way that protects anonymity so that no one person can be identifiable. All information is strictly confidential in accordance with SSE's Privacy Notice in line with the UK and ROI General Data Protection Regulations (UK GDPR and GDPR 2018 and DPA 2018).

# Audit Committee Report

## Role of the Committee

### Financial reporting

- Review the integrity of the interim and annual Financial Statements.
- Review the appropriateness of accounting policies and practices.
- Review the significant financial judgements and estimates considered in relation to the Financial Statements, including how each was addressed.
- Review the content of the Annual Report and Accounts and advise the Board on whether taken as a whole, it is fair, balanced and understandable.

### External audit

- Review and monitor the objectivity and independence of the External Auditor, and oversee the policy on the provision of Non-Audit Services.
- Review and monitor the effectiveness of the external audit process and the ongoing relationship with the External Auditor.
- Review and make recommendations to the Board on the tendering of the external audit contract, and the appointment, remuneration and terms of engagement of the External Auditor.


### Internal audit

- Review and approve the Internal Audit Plan and monitor its implementation.

- Review and monitor the effectiveness of the Internal Audit function, including the adequacy of the overall Internal Audit resource.

### Internal control and risk management

- Review and monitor the effectiveness of the management of risk and overall System of Internal Control.
- Review the framework and analysis to support both the Going Concern and the long-term Viability Statement.

The Committee's Terms of Reference were reviewed during the year, and are available on [sse.com](https://www.sse.com) .

## Key activities in 2022/23

The key areas of focus in the year included:

- Ensuring the business performance is fairly presented in financial reporting.
- Assessing the output of an external quality assessment of the Internal Audit function carried out by PwC.
- Overseeing the project to enhance the internal control framework for financial reporting.
- Orderly transition of Audit Committee Chair.
- Consideration of accounting for new matters in the year including the Energy Bill Relief Scheme and the Electricity Generator Levy.



approach and key findings are covered in more detail in the report that follows. The Committee continued to receive regular updates on the status of the BEIS consultation on 'Restoring Trust in Audit and Corporate Governance'. Whilst there remains areas of uncertainty in the measures to be implemented, SSE has made significant progress in developing the internal control framework for financial reporting. At each Committee meeting, an update on progress is provided by the project team covering legislative and regulatory developments, progress on implementation and validation of Finance and IT controls, and the change programme to support the organisation adopt the new framework from 1 April 2024. These regular briefings allow the Committee to ensure that necessary preparations are being considered and progressed in line with or ahead of regulatory change.

On 16 December 2022, I received a letter from the FRC following their review of the SSE's 2022 Annual Report and Accounts. The FRC stated that there were 'no questions or queries' in relation to those Annual Report and Accounts<sup>1</sup>. The FRC did highlight certain matters which SSE were invited to consider in relation to preparation of the 2023 Annual Report and Accounts, and these matters have been dealt within our approach to disclosure this year.

After 9 years as Audit Committee Chair, I will be standing down following the AGM in 2023. Over the last year, I have worked with my successor, John Bason, to ensure a smooth and orderly transition. I hope you find this report informative and take assurance from the work undertaken by the Committee during the year.

**Peter Lynas**  
**Chair of the Audit Committee**  
23 May 2023

## Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report which is intended to provide shareholders with an understanding of the work we have done to provide assurance on the integrity of the Annual Report and Financial Statements for the year ended 31 March 2023, together with the effectiveness of the Group's risk management and internal controls framework in a year of exceptional market volatility.

The process which the Group adopted in relation to identification and quantification of its climate-related risks and opportunities, together with the governance processes established to oversee and approve the associated reporting, were considered by the Audit Committee. The approach adopted this year builds on the strong

foundations that were established last year and I am pleased to report that SSE is now fully compliant with the TCFD recommendations and recommended disclosures. SSE believes there is an opportunity to further enhance its reporting in this area and will actively seek feedback from shareholders and stakeholders on best practice.

During the year, the Committee engaged PwC to carry out a detailed External Quality Assessment (EQA) of the Internal Audit function. The findings and key recommendations were presented to the Committee in February 2023. Overall, the Internal Audit function was found to be well established and highly valued across the organisation. A summary of the scope,

<sup>1</sup> In line with FRC requirements, the letter provides no assurance that the Annual Report and Accounts are correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.



## Committee membership

The composition of the Committee is compliant with the Code and currently comprises five independent non-Executive Directors as Committee members. Peter Lynas has chaired the Committee since 2014 and is considered by the Board to have recent and relevant financial experience. He was Group Finance Director of BAE Systems plc until 31 March 2020 and is a Fellow of the Chartered Association of Certified Accountants. Peter Lynas will stand down after the AGM on 20 July 2023 and John Bason, who joined the Board on 1 June 2022, and became a member of the Audit Committee on appointment will take over the role as Chair. John Bason was Group Finance Director of Associated British Foods plc until 28 April 2023 and is a member of the Institute of Chartered Accountants in England and Wales. Both John Bason and Debbie Crosbie are also considered by the Board to have recent and relevant financial experience. The Board considers that the Audit Committee as a whole has competence relevant to the sector, with two members having had significant executive roles in the energy sector, and all members possessing an appropriate level of experience in corporate financial matters. Biographical details of the Audit Committee members can be found on [pages 116 to 120](#) and details of meeting attendance are set out on [page 123](#).

Gregor Alexander, who joined SSE at its inception in 1998 and has been Finance Director since 2002, will step down from the Board on 1 December 2023. Following a competitive recruitment process supported by an external executive search firm, Barry O'Regan will be appointed as Chief Financial Officer and as an Executive Director of SSE plc with effect from 1 December 2023.

Barry trained as a chartered accountant with PwC in Dublin before joining Airtricity in 2005, and subsequently the SSE Group in 2008. With nearly 20 years' experience working in the energy sector, Barry has a wealth of knowledge across financial control, corporate finance and M&A, treasury, reporting and operational finance. He is currently Finance Director of SSE Renewables as well as having responsibility for corporate finance across the whole of SSE.

## Meetings

The Committee has a structured forward-looking planner to reflect the Group's annual financial reporting cycle. The planner informs the business considered at each meeting and is regularly reviewed and updated to reflect areas identified for additional focus. Much of the work of the Committee is necessarily targeted around

the key areas of financial reporting, external audit, internal audit, internal control and risk management. The practice of effective governance and quality reporting underpin all aspects of the work of the Committee. The Committee met on four occasions during the year and has met once since the end of the financial year. Before each meeting, the Committee Chair meets with the Finance Director and External Auditor to ensure there is a shared understanding of the key issues to be discussed. Committee meetings are held in advance of Board meetings to facilitate an effective and timely reporting process. The Committee Chair provides a report to the Board following each meeting.

Meetings are routinely attended by: the Chair of the Board; the Finance Director; the Director of Group Risk and Audit; Partners from the External Auditor; and the Deputy Company Secretary (who is Secretary to the Committee). Senior finance and business managers are invited to attend certain meetings to enable the Committee to gain a deeper level of insight on particular items of business. The Committee meets with the External Auditor privately at least twice each year in line with the financial reporting calendar and also with the Director of Group Risk and Audit.

## Annual financial reporting cycle



These engagements provide an additional opportunity for open dialogue and feedback without management being present.

In addition to the scheduled meetings, the Committee Chair meets separately with the Finance Director, Director of Group Risk and Audit, External Auditor and Committee Secretary to ensure the work of the Committee is focused on key and emerging issues.

## Committee evaluation

The actions identified from the 2021/22 evaluation relating to Audit Committee Chair transition and developing the approach to risk management have made good progress in the year, and will continue to feature on the Committee agenda in the year ahead. The annual review of Committee performance in 2022/23 was facilitated by Lintstock (see [pages 140 to 141](#)), with the output considered and follow-up actions agreed by the Committee. The evaluation confirmed the effective operation of the Committee, and the Board endorsed the view that the Audit Committee continued to effectively discharge its responsibilities.

### Evaluation confirmed

- Meetings were well managed and effectively chaired.
- The relationships between the Audit Committee and the Finance Director, Director of Risk and Audit and other members of senior management were open and honest and benefitted from a high degree of constructive challenge.
- The key accounting judgements were given an appropriate degree of focus and challenge.












### Actions to progress during 2023/24

- Support to the new Audit Committee Chair.
- Arrange briefings to gain an external perspective on how other organisations are dealing with matters such as risk and audit reform.
- Focus in further developing the approach to risk management and integrated assurance, underpinned by the Audit and Assurance Policy.
- Continue to oversee the project to enhance the internal controls over financial reporting, including the developments to enhance the level of automation, process and standards.



## Audit Committee Report continued

### Focus of Audit Committee business over the year

Actions	Outcomes	September	November	February	May	Cross reference
Financial Reporting						
Reviewed the financial statements prepared for the half and full year, and challenged management on the appropriateness of the accounting in relation to the significant financial judgements, estimates, exceptional items and basis of preparation as a going concern. Received a report from the External Auditor covering the accounting, financial control and audit issues identified during the half-year review and full-year audit.	The Committee challenged management on a number of its judgements and sought detailed explanations including the opinion of the External Auditor. The Committee made a recommendation to the Board in support of approving the financial statements, the going concern statement, and letter of representation issued to the External Auditor.		•		•	<a href="#">Pages 154 to 156</a> 
Assessed the appropriateness and presentation of APMs to enable comparability with other companies.	The Committee concurred with management’s approach that the APMs as defined were appropriate and enabled comparability with other companies.		•		•	<a href="#">Pages 194 to 201</a> 
Reviewed a report on the Group’s tax position covering adjusted underlying tax rate, areas of potential tax exposure and provisioning and Fair Tax Mark accreditation.	The Committee supported judgements around the Energy Bill Relief Scheme and recognition of the Electricity Generator Levy. The Committee were satisfied with the enhanced disclosures made in support of the Fair Tax Mark accreditation.				•	<a href="#">Pages 237 to 239</a> 
Reviewed and challenged the scenarios aligned to the Group Principal risks to stress test the viability assessment proposed by management and reasons why a four-year assessment period was appropriate.	The Committee were satisfied that the viability assessment process was robust and that the length of the period was appropriate, and adequately disclosed.			•	•	<a href="#">Page 71</a> 
Reviewed the impact of climate change on disclosure, including the assurance arrangements relating to the TCFD and other ESG-related disclosures.	The Committee reviewed the impact of the accelerated NZAP programme on financial risks, judgements and disclosures. The Committee challenged the consistency in key assumptions and concluded that the impact of climate change had been adequately addressed, and that the assurance processes supporting the narrative reporting for TCFD and other ESG-related disclosures were satisfactory.			•	•	<a href="#">Pages 42 to 45</a> 
Reviewed whether the company’s position and prospects as presented in the 31 March 2023 annual report and financial statements were considered to be a fair, balanced and understandable assessment of the company’s position and prospects.	The Committee sought confirmation that the Fair, Balanced and Understandable assurance framework had been adhered to and made an affirmative recommendation to the Board.				•	<a href="#">Pages 154 and 191</a> 
External Audit						
Reviewed and challenged the proposed external audit strategy for 2022/23, including the audit approach, significant risks and areas of audit focus, scope and level of materiality.	The Committee monitored progress made by the external audit team against the agreed plan, and approved refinements to the audit strategy in line with business developments.	•	•	•	•	<a href="#">Page 156</a> 
Reviewed the effectiveness of the External Auditor to ensure the independence, objectivity, quality, rigour and challenge of the audit process is maintained.	The Committee concluded that the external auditor and audit process was effective and a recommendation was made to the Board on the reappointment of EY as the auditor for the year ending 31 March 2024 at the forthcoming AGM.		•		•	<a href="#">Page 156</a> 
Reviewed the non-audit services and related fees provided by the external auditor for 2022/23 and the policy on non-audit services provided by the auditor for 2022/23.	The Committee approved the non-audit services and related fees provided by the External Auditor for 2022/23 and made a recommendation to the Board to adopt an updated Non-Audit Services Policy to address the application of pre-concurrence on non-audit services as required by the International Ethics Standards Board for Accountants.	•	•	•	•	<a href="#">Page 157</a> 
Negotiated and agreed the statutory audit fee for 2022/23.	The Committee approved the fee for the 2022/23 audit, including an adjustment to reflect changes to the scope arising from developments in the year.	•		•	•	<a href="#">Page 157</a> 
Reviewed the findings from the External Auditor’s controls report.	The Committee challenged management to resolve non-material issues relating to the internal controls. The Committee concluded that the overall control environment was effective.			•		<a href="#">Page 156</a> 

Actions	Outcomes	September	November	February	May	Cross reference
<b>Internal Audit</b>						
Received updates on the work undertaken by Internal Audit, including audit resource, progress with the 2022/23 Internal Audit Plan, significant findings and audit actions.	The Committee monitored the implementation of the 2022/23 Internal Audit Plan and confirmed they were satisfied with progress. The Committee reviewed findings and audit actions and challenged management to ensure remedial actions were delivered in a timely manner.	•	•	•	•	<a href="#">Page 158</a>
Reviewed and challenged the integrated assurance planning approach and the Internal Audit Plan for 2023/24, in addition to the areas of focus included in the rolling three-year Internal Audit Plan.	The Committee approved the Internal Audit Plan for 2023/24 and the rolling three-year Internal Audit Plan focus areas.			•		<a href="#">Page 158</a>
Reviewed and challenged the output of the external quality assessment of the Internal Audit function which had been delivered by PwC.	The Committee confirmed the effectiveness of the Internal Audit function.			•	•	<a href="#">Page 159</a>
<b>Internal control and risk management</b>						
Received an update on the work undertaken by Group Compliance, including resource and progress with the compliance review programme and resulting actions.	The Committee monitored the implementation of the 2022/23 Compliance Programme and confirmed they were satisfied with progress and that findings and actions were being closed-out by management in a timely manner.	•		•		<a href="#">Page 137</a>
Received an update on the status of audit reform, including progress with the project to further strengthen and embed the financial control framework.	The Committee reviewed progress against the project plan at each meeting, and were satisfied that the necessary preparations were being progressed in line with or ahead of regulatory change.	•	•	•	•	<a href="#">Pages 150 and 158</a>
Received an update on Cyber Risk and Information Security covering both Information and Operational Technology.	The Committee monitored progress in maturing the level of cyber security across the organisation and provided feedback to the Board.		•		•	—
Received a report on the qualifying companies in the Group required to publish reports on their payment practices, policies and payments.	The Committee challenged management on compliance with the Prompt Payment Code and sought assurance that further improvement plans were in place.			•		—
Reviewed Treasury operations, including the funding plan, liquidity, going concern, hedging and credit ratings.	In line with the authority delegated by the Board, the Committee approved a range of funding and treasury related transactions.		•		•	<a href="#">Pages 89 to 92</a>
Received an update on the programme to enhance the approach to risk management.	The Committee approved the work-plan to implement an expanded risk management framework across the organisation.		•			<a href="#">Page 68</a>
Received an update on the governance arrangements to oversee the risk relating to anti-financial crime including fraud, bribery and corruption.	The Committee monitored the implementation and integration of the anti-financial crime governance arrangements against the expanded international foot-print.	•		•		—
Reviewed the effectiveness of the System of Internal Control, including risk management.	The Committee reviewed and challenged management on the assurance frameworks to assess the effectiveness of the System of Internal Control. The Committee made a recommendation to the Board that the System of Internal Control continued to be effective.			•	•	<a href="#">Page 158</a>
<b>Governance</b>						
Reviewed the approach to all the governance related activity carried out during the year to support the work of the Committee, including the forward plans of agenda items and areas of focus for 2022/23.	The Committee were satisfied with the scope and coverage of the governance related activity relevant to the work of the Committee and approved the forward plan of Agenda items.	•	•			<a href="#">Page 151</a>
Reviewed the Committee Terms of Reference.	The Committee made a recommendation to the Board to re-approve the Terms of Reference.			•		<a href="#">Page 150</a>
Reviewed the content of the 2022/23 Audit Committee Report and Principal Risk related disclosures.	The Committee approved the 2022/23 Audit Committee and Principal Risk related disclosures for inclusion in the 2023 Annual Report.				•	<a href="#">Pages 150 to 159</a>
Reviewed a report on the disclosure of information to the External Auditor.	The Committee were satisfied that the disclosure arrangements were appropriate.				•	<a href="#">Page 190</a>

## Audit Committee Report continued

### Financial reporting

The Annual Report and Accounts seek to provide the information necessary to enable an assessment of SSE's position and performance, business model and strategy. The Finance team worked closely with the External Auditor to ensure SSE provides the required level of disclosure, including the appropriateness of alternative performance measures (APMs) and their consistency with IFRS financial information. In preparing the Financial Statements for 2023 there are several areas requiring the exercise of judgement or a high degree of estimation. This section outlines the significant areas of judgement that have been considered by the Committee – through discussion and detailed reporting by both management and the External Auditor – to ensure appropriate rigour has been applied. Other key accounting judgements and areas of estimation uncertainty applied in the preparation of the Financial Statements for 2023 are provided in [notes 4.2 and 4.3](#).

The Independent Auditor's Report on [pages 326 to 336](#) sets out the audit approach to Key Audit Matters. In addition, EY drew other audit matters to the attention of the Audit Committee. These areas of audit focus include: customer debtor recoverability; going concern; accounting for Renewables' acquisition of the Siemens Gamesa platform and the Thermal acquisition of a 50% stake in Triton Power; recoverability of Ovo loan note; goodwill valuation for Renewables acquisitions in Europe and Japan; Seagreen Contract for Difference; Generation own use volume breach; change in Renewables cash generating units; taxation judgements; exceptional items and APMs; accounting for the sale of a 25% stake in SSEN Transmission; climate considerations; and decommissioning provisions. In addition, the current volatility in the energy sector has led to a number of new matters that require consideration by management, and through the audit, including: Electricity Generator Levy (EGL); and the accounting for Government Support Schemes.

### Significant financial judgements and estimates

In the process of applying the Group's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the Financial Statements. Throughout the year, management presents its up-to-date view of the key accounting issues and its resulting judgements to the Committee.

In consultation with the External Auditor, the Committee reviewed the significant financial judgement areas and identified

five specific areas for 2022/23. The accounting for the Group's disposal programme, which was completed in the prior financial year, was no longer considered by the Committee to be a significant financial judgement.

The Group's most significant financial judgement areas, some of which are also areas of estimation uncertainty, are explained on [page 155](#). For each of these areas the Committee considered the key facts and judgements outlined by management, and requested the External Auditor to provide a professional view on whether the judgements were appropriate. The Committee specifically discussed with the External Auditor how management's judgement and assertions were challenged and how professional scepticism was demonstrated during their audit of these areas. This also included the adequacy of the disclosures within the Financial Statements.

In the year ahead, the Committee will continue to respond to energy market reform and will consider any new and emerging judgements and estimates.

### Going Concern and Viability Statement

The Committee reviewed the information to support the assessment and disclosure of the Going Concern Statement prior to Board approval (see [A6.3](#) Accompanying Information to the Financial Statements). Given the cash surplus of £0.9bn at 31 March 2023; the committed borrowing facilities of £3.5bn maintained by the Group with £3.4bn of these facilities undrawn at 31 March 2023; the current commercial paper market conditions, with £0.9bn outstanding at 31 March 2023; and the assumption the Group will be able to refinance maturing debt, the Directors have concluded that both the Group and SSE plc as Parent Company have sufficient headroom to continue as a going concern. In coming to this conclusion, the Directors have considered sensitivities on future cashflow projections. In the very unlikely event of not being able to access the revolving credit facility or otherwise refinance as may be required, the Group's options include deferring uncommitted capex, delaying or deferring dividend payments and implementing further cost reductions. The Financial Statements are therefore prepared on a going concern basis.

The Committee agreed the parameters and reviewed the supporting report for the Board's assessment of the prospects of the Company which is covered in the Viability Statement on [page 71](#).

### Fair, balanced and understandable assurance framework

The assurance framework used in the preparation of the 2023 Annual Report and Accounts to assist the Directors in the discharge of their requirement to state that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy is as follows:

- a verification process dealing with the factual content;
- comprehensive reviews undertaken independently by senior management to consider messaging and balance;
- comprehensive reviews undertaken by the Company's Brokers to ensure consistency and balance;
- reporting by the External Auditor of any material inconsistencies; and
- comprehensive review by the Directors and the senior management team during the drafting process to ensure that the key messages being followed in the annual report were aligned with the company's performance and strategy and that the narrative sections of the annual report were consistent with the financial statements.

The Committee and Board received confirmation from management that the assurance framework had been adhered to for the preparation of the 2023 Annual Report.

## Significant financial judgements and estimates for the year ended 31 March 2023

## How those were addressed by the Audit Committee

### Retirement benefit obligations (Estimation uncertainty)

The assumptions in relation to the cost of providing post-retirement benefits during the period are based on the Group's best estimates and are set after consultation with qualified actuaries. While these assumptions are believed to be appropriate, a change in these assumptions would impact the level of the retirement benefit obligation recorded and the cost to the Group of administering the schemes.

The assets and liabilities of the Group's defined benefit retirement schemes are regularly reviewed. Advice is taken from independent actuaries on the IAS 19R valuation of the schemes. The Committee was updated on the schemes' valuation and considered the findings of the External Auditor in relation to the scheme's key assumptions relative to market practice. Following this review, the Committee supported the judgements made. Further details of the calculation basis and key assumptions used, the resulting movements in obligations and the sensitivity of key assumptions to the obligation is disclosed at [note 23](#).

### Impairment testing and valuation of certain non-current assets (Financial judgement and estimation uncertainty)

The Group reviews the carrying amounts of its goodwill, other intangible assets and specific property, plant, equipment and investment assets to determine whether any impairment or reversal of impairment of the carrying value of those assets requires to be recorded. As well as its goodwill balances, the specific assets under review in the year ended 31 March 2023 are intangible development assets and specific property, plant and equipment assets related to gas storage and thermal power generation. In addition, the Group performed an impairment review over the carrying value of its equity investments in Neos Networks Limited and Triton Power Holdings Limited. In conducting its reviews, the Group makes judgements and estimates in considering both the level of cash generating unit (CGU) at which common assets such as goodwill are assessed against, as well as the estimates and assumptions behind the calculation of recoverable amount of the respective assets or CGUs. Changes to the estimates and assumptions arising from factors such as regulation and legislation changes (including the Electricity Generator Levy and climate change related regulation), power, gas, carbon and other commodity prices, volatility of gas prices, plant running regimes and load factors, discount rates and other inputs could impact the assessed recoverable value of assets and CGUs and consequently impact the Group's income statement and balance sheet.

An annual valuation/impairment exercise is carried out, and the basis and outcome of this review is presented to the Committee by management and includes a description of the assumptions applied in deriving the recoverable values. The Committee reviewed and challenged the assumptions and projections presented in the management paper and considered the detailed reporting from, and findings by, the External Auditor. Further detail of the calculation basis and key assumptions used in the impairment review, the resulting impairment charges and reversals, and the sensitivity of this assessment to key assumptions is disclosed at [note 15](#). Detail on the accounting policies applied is included in the Accompanying Information section [A1](#). Following this review, the Committee supported the recommendation to recognise impairment reversals in the financial year of £63.5m in relation to gas storage assets and the Great Island CCGT. During the year the Group acquired a 50% stake in Triton Power and due to significant movements in short term-power prices recognised a bargain purchase gain in its Interim Reporting to 30 September 2022. During the second half of the year, the Group had realised a significant proportion of the short term benefit, which resulted in an impairment in the second half of the financial year. Over the whole year the Group recorded net impairment and remeasurement of operating derivatives (net of tax) of £21.1m. In addition, the Committee considered the significant judgement and related disclosure, and supported the recommendation to recognise impairments of £37.9m in relation to its retail interest in Neos Networks Limited.

### Revenue recognition – customers unbilled supply of energy (Financial judgement and estimation uncertainty)

Revenue from energy supply activities undertaken by the Business Energy and Airtricity businesses includes an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. This estimation comprises both billed revenue (disclosed as trade receivables) and unbilled revenue (disclosed as accrued income) and is calculated based on applying the tariffs and contract rates applicable to customers against estimated customer consumption and taking account of various factors including usage patterns, weather trends and externally notified aggregated volumes supplied to customers from national settlements bodies. During the year both of the Group's Supply businesses have administered government backed customer support schemes, where the Group provides discounts to customers based on estimated usage and recovers amounts from government based on actual customer usage. The administration of these support schemes has increased the complexity and level of estimation uncertainty of the Group's unbilled calculations. The most material support scheme administered by the Group in the year was the Energy Bills Relief Scheme ('EBRS') within the GB Business Energy business (which is recorded as other income). The accounting policy for customer support schemes and the balances claimed from government is explained at [A1.2](#). A change in the assumptions underpinning the calculation would have an impact on the amount of other income recognised in any given period.

This estimation is subject to a process which compares calculated unbilled volumes to a theoretical 'perfect billing' benchmark measure of unbilled volumes (in GWh and millions of therms) derived from historical weather-adjusted consumption patterns and aggregated metering data used in industry reconciliation processes. Furthermore, actual meter readings and billings continue to be compared to unbilled estimates between the balance sheet date and the finalisation of the Financial Statements. The estimation of the government receivable included within the Group's unbilled revenue accrual is based on claimed and unclaimed values based on the same customer consumption detail and derived from consideration of tariffs applied to customers, metered and estimated volumes and other factors. The EBRS claims submitted by SSE will be audited by the Department of Energy Security and Net Zero and are subject to volumetric risk as estimated consumption data is replaced by actual metered data over the 14 month electricity industry reconciliation period. The value of outstanding EBRS claims included within the Group's unbilled accrual at 31 March 2023 was £253m, which includes a risk provision of £15.1m related to amounts where the Group has provided the discount to the customer but has assessed that it will be unable to recover the amount from the government during the open claim window. Given the non-routine process, the number and the extent of differing inputs and the requirement of management to apply judgement noted above, the estimated revenue is considered a significant estimate made by management in preparing the financial statements. A change in the assumptions underpinning the unbilled calculation would have an impact on the amount of revenue recognised in any given period. The Committee reviewed the practical process issues and assumptions applied in determining the estimation uncertainty and considered the findings of the External Auditor. Following this review, the Committee considered the significant judgement and related disclosure, and supported the estimate for revenue recognition from energy supply activities. Further details of the sensitivity associated with this judgement is disclosed at [note 18](#).

## Audit Committee Report continued

### Significant financial judgements and estimates for the year ended 31 March 2023

### How those were addressed by the Audit Committee

#### Impact of climate change and transition to net zero (Financial judgement and estimation uncertainty)

Climate change, the transition to net zero and the Task Force on Climate-related Financial Disclosures (TCFD) have been considered in the preparation of these financial statements. The Group has a clearly articulated Net Zero Acceleration Plus Programme set out on [pages 16 to 17](#) to lead in the UK's transition to net zero and aligns its investment plans and business activities to that strategy. These plans are supported by the Group's Green Bond framework under which the fifth green bond was issued in July 2022 (see [note 21](#)). The proceeds of the fifth green bond were allocated to fund Renewables' wind projects. The impact of future climate change regulation could have a material impact on the currently reported amounts of the Group's assets and liabilities. In preparing these financial statements, the following climate change related risks have been considered:

- Valuation of property, plant and equipment, and impairment assessment of goodwill;
- Valuations of decommissioning provisions;
- Defined Benefit scheme assets; and
- Going concern and viability statement.

Climate change continues to be a key focus. The Committee reviewed and challenged the implications of climate and the Net Zero Acceleration Plus Programme for significant accounting judgements and ensured that the disclosures were reflective. The process which the Group adopted in relation to identification and quantification of its climate-related risks and opportunities is explained at [pages 36 to 51](#) along with the governance processes established to oversee and approve the associated reporting. The Audit Committee reviewed the approach adopted by the TCFD Steering Group in relation to this matter and was also briefed by the External Auditor on the audit requirements associated with the adoption of the TCFD including the need for consistency of disclosure throughout the Annual Report and the technical basis for those disclosures. Following presentation of the proposed disclosures and the report of the External Auditor on SSE's approach, the Committee approved the basis of reporting and the related financial judgement disclosures included throughout the financial statements for the year ended 31 March 2023. Further details of the sensitivity associated with this judgement is disclosed at [note 4.1](#).

#### Valuation of other receivables (Financial judgement and estimation uncertainty)

The Group holds a £100m loan note due from Ovo Energy Limited following the disposal of SSE Energy Services on 15 January 2020. The loan is repayable in full by 31 December 2029, carries interest at 13.25% and is presented cumulative of accrued interest payments, discounted at 13.25%. At 31 March 2023, the carrying value (net of expected credit loss provision of £1.5m (2022: £1.8m)) is £149.5m (2022: £131.0m). The Group has assessed recoverability of the loan note receivable and has recognised a provision for expected credit loss in accordance with the requirements of IFRS 9. Due to previous energy supplier failures and recent market volatility, the Group's assessment of the recoverability of the loan note is considered a significant financial judgement.

The Committee considered the steps applied by management in making its assessment of the significant financial judgements associated with the Ovo loan note. Management has assessed the recoverability of the loan based on publicly available and recent financial information, including Government support schemes and discussions with Ovo Energy Limited management. The External Auditor explained the work carried out to corroborate and challenge the position taken by management. While the carrying value is considered to be appropriate, changes in economic conditions could lead to a change in the expected credit loss incurred by the Group in future periods.

## External audit

### External Auditor

Following a competitive tender process, EY were appointed by shareholders as SSE's External Auditor for the financial year commencing 1 April 2019. EY were re-appointed by shareholders at the 2022 AGM and have continued to serve as SSE's External Auditor. Hywel Ball is the Senior Advisory Partner and Annie Graham is the Lead Audit Partner with responsibility for signing the SSE plc Audit Opinion on behalf of EY. Annie Graham leads the engagement team and has been in post since EY were appointed and will be required to rotate after five years.

EY presented the strategy and scope of the audit for 2022/23 at the Committee meeting held in September 2022, highlighting key areas of audit focus (included within the Auditor's Report on [pages 326 to 336](#)). EY reported against their audit scope at subsequent Committee meetings, providing an opportunity for the Committee to monitor progress and raise questions, and challenge both EY and management. EY shared an independent perspective on certain aspects of the Group's financial control and IT systems arising from its work, and reported findings to the Committee in February 2023.

During the course of the year, EY shared insights and feedback with management, and held debriefs to refine the planned audit approach for the financial year ended 31 March 2023.

### External Auditor and audit process effectiveness

An important part of the Committee's work consists of overseeing the Group's relationship with the External Auditor to ensure the independence, quality, rigour and challenge of the external audit process is maintained. The Committee reviews the effectiveness of the audit throughout the year taking into account:

- the detailed audit strategy for the year and coverage of the highlighted risks, scope, and level of fees for the audit;
- the quality, knowledge and expertise of the engagement team;
- insight around the key accounting and audit judgements and the competence with which the External Auditor has applied constructive challenge and professional scepticism in dealing with management; and
- the outcome of the review of effectiveness of the External Auditor and audit process discussed on [page 157](#).

## Independence and objectivity

In addition to the annual review of effectiveness, the Committee considered the independence and objectivity of the External Auditor through: a combination of assurances provided by the External Auditor on the safeguards in place to maintain independence; oversight of the Non-Audit Services Policy and fees paid; and oversight of SSE's policy on employing former auditors. The External Auditor confirmed that all its partners and staff complied with their ethics and independence policies and procedures including that none of its employees working on the audit hold any shares in SSE plc.

### External Auditor fees

The Committee considered the audit fee proposal for the year to 31 March 2023 at its meeting in September 2022. The factors driving the increase in the level of fees over the last three years were discussed with the External Auditor. The impact of increasing regulatory requirements, changes in the business and composition of the Group and the level of complexity requiring an increased proportion of specialist resource were amongst some of the factors taken into consideration by the Committee when agreeing fair commercial arrangements with the External Auditor. Audit fees in the current year include scope changes and



## Effectiveness of External Audit

### Feedback to inform the review of the effectiveness of External Audit

#### External Auditor

Assurance from the External Auditor covering independence (relationships, services and related threats and safeguards) and the matters raised in the FRC's Annual Quality Review inspection reports and remedial actions taken (if any).

#### Management

Assess output from a survey of those subject to the external audit process.

Assurance on the disclosure process for the provision of information to the auditors.

#### Audit Process

Assess delivery of the audit strategy and Independent Auditors' Report.

Assess output from survey of Audit Partners on the external audit process.

Assurance on the operation of audit quality process at audit firm.

#### Audit Committee

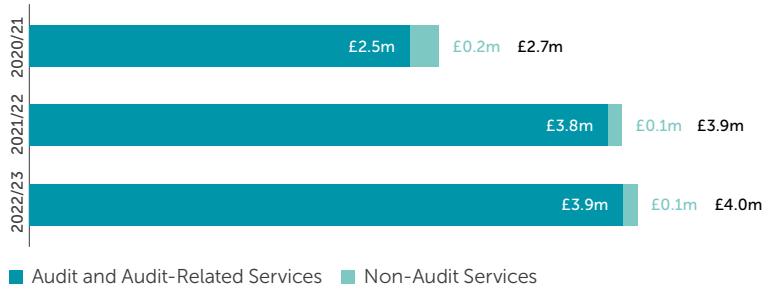
Assess output from annual Audit Committee evaluation.

Assess output from survey of Audit Committee members, regular attendees and Group Finance.

### Outcome

Following consideration of all elements of the audit effectiveness review process, in addition to taking account of the engagement and communication between the Audit Committee, management and External Auditor, the Committee confirmed it was satisfied that the external audit process provided by EY had been delivered effectively. The Committee concluded that EY had demonstrated a depth of knowledge, as well as an appreciation of complex issues, whilst providing constructive, independent and objective challenge to management. The Committee requested that debrief sessions be held between the External Auditor and the finance management teams across the organisation to consider any areas to enhance the audit process control environment going forward.

### External Auditor Fees



overruns of £0.4m related to the prior year audit. Assurance and Tax service fees incurred in the year were £0.5m (2022: £0.5m). Non-Audit Services amounted to £0.1m and principally related to regulatory accounts and returns required by Ofgem and comfort letters in connection with funding and debt issuance. The Committee was satisfied that the work was best handled by the External Auditor because of its knowledge of the Group and the services provided did not give rise to threats to independence. All Non-Audit Services were approved in accordance with the Non-Audit Services Policy and adhere to the FRC Ethical Standard. Fees paid to EY during the year are made in [note 6](#) to the Financial Statements.

#### Non-Audit Services Policy

The Committee oversees the Non-Audit Services Policy which governs the process for approving certain Non-Audit Services provided by the External Auditor. The Policy was updated by the Committee during the year to ensure that it remained fit for purpose and aligned to the application of pre-concurrence on non-audit services as required by the International Ethics Standards Board for Accountants. In addition, SSE is required to cap the level of non-audit fees paid to its External Auditor at 70% of the average audit fees paid in the previous three consecutive financial years.

Services provided by the External Auditor are split into two categories for the purposes of approval:

- **Audit-Related Services.** These services are largely carried out by members of the audit engagement team. The work involved is closely related to the work performed in the audit and the threats to auditor independence are 'clearly insignificant'. Such engagements are routinely pre-approved by the Audit Committee as part of their approval of the total annual audit fee. Before engaging in any other work of this type, approval is required from the Audit Committee.
- **Non-Audit Services.** These are services other than 'Audit-Related Services' for which the External Auditor is an appropriate provider. The threats to independence arising from such services are not necessarily 'clearly insignificant' and the Committee and External Auditor must consider the threats to independence and whether any safeguards should be applied. In the absence of any apparent threat to auditor independence, approval for the provision of any Non-Audit Service must be obtained from the Audit Committee.

## Audit Committee Report continued

### Re-appointment of the External Auditor

The external audit contract will be put out to tender at least every 10 years and will be conducted by no later than 2029 in line with prevailing best practice. The Committee confirms ongoing compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

The Committee concluded that it is satisfied with the objectivity and independence of the External Auditor, and that the effectiveness of the external audit process delivered by EY was robust. The Committee proposed to the Board that it seeks shareholder approval for the re-appointment of EY as the External Auditor for the financial year ending 31 March 2024.

### Internal audit

#### Role of Internal Audit

Internal Audit plays an important role in helping the organisation deliver its vision and objectives by providing independent and objective assurance to management, the Committee and Board on the effectiveness of SSE's risk management activities, internal controls and corporate governance framework. Internal Audit, led by the Director of Group Risk and Audit, reports to the Committee and functionally to the Finance Director. The purpose, scope and authority of Internal Audit is defined within its charter which is approved annually by the Committee.

In fulfilling its role, Internal Audit seeks to add value by encouraging continual improvement in the effectiveness of business planning, operations and systems, promoting wherever possible enhancements to internal control processes, and seeking to embed 'best practice' throughout the SSE Group.

At each Committee meeting, an update on Internal Audit is provided covering an overview of the work undertaken in the period, actions arising from audits conducted, the tracking of remedial actions, and progress against the Internal Audit Plan. The Committee routinely meets independently with the Director of Group Risk and Audit to discuss the results of the audits performed and any additional insights obtained on the risk management and control environment across the organisation.

### Internal Audit Plan


The Internal Audit Plan is structured to align with SSE's operating model, risk profile, control environment and assurance arrangements. The Internal Audit Plan is split between a one-year plan and a three-year strategy setting out the broader areas of Internal Audit focus, together with the vision and resource for the function. External providers may be engaged to support delivery of the Internal Audit plan where specific skills and expertise require to be co-sourced. An integrated assurance mapping and planning process is undertaken to ensure that Internal Audit work is appropriately aligned to, and coordinated with, the activities of other relevant assurance providers across the Group.

### Internal Audit effectiveness

The Committee keeps under review and assesses the independence and effectiveness of Internal Audit. This year, the Committee engaged PwC to carry out a detailed External Quality Assessment (EQA) of the Internal Audit function. The process, approach and recommendations were presented and discussed by the Committee at its meeting in February 2023, and an overview is set out below.

### Internal control and risk management

#### Internal control


The Board has delegated to the Committee responsibility for reviewing the effectiveness of SSE's System of Internal Control. This covers all material controls including financial, operational and compliance controls, in addition to the financial reporting process. Internal control and risk management in relation to SSE's energy market related exposures are overseen by the Energy Markets Risk Committee and further information can be found on [pages 160 to 161](#) .

During the year, the Committee received an update at each meeting from the project team established to assess and strengthen the financial reporting control environment in anticipation or ahead of regulatory reform in the UK. In addition, the Committee received a presentation from KPMG with a status update on their engagement to support the project. The timing of the implementation legislation remains unclear, however, management has continued to monitor regulatory developments and provide regular updates to the Committee.

To assist the Committee's review of the System of Internal Control, the different elements are evaluated by relevant key stakeholders. These evaluations are then holistically assessed by the Finance Director and a letter is provided to the Committee summarising the work conducted in the year to improve the control environment and making a recommendation on the overall effectiveness of the System of Internal Control. In addition, when undertaking the review of the effectiveness of the System of Internal Control, the Committee considers the assurance evaluations undertaken annually by the Managing Directors of each of SSE's seven Business Units. These assurance evaluations consider each framework of the system of internal control from a Business Unit perspective and include any planned improvements to enhance controls. These improvements are tracked, with updates reported to the executive-level Group Risk Committee on a regular basis.

### Risk management

The Group's Risk Management Framework is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only therefore provide reasonable and not absolute assurance against material misstatement or loss.

In addition to the ongoing review of emerging risks, the Board carried out a robust assessment of the Principal Risks facing the Group, being those that have the potential to threaten its business model, future performance, solvency or liquidity. Further details of the Group Principal Risks are set out on [pages 68 to 77](#)  and also in the Group Risk Report.

### Internal control and risk management effectiveness

Following the Committee's review and recommendation, the Board agreed that SSE's System of Internal Control (including risk management) continues to be effective. This was in accordance with the requirements of the FRC Guidance on Risk Management, Internal Control and related Financial and Business Reporting. The Board also confirms that no significant failings or weaknesses have been identified during the financial year. Processes are in place to ensure that necessary action is taken, and progress is monitored where areas for improvement are identified.

## Effectiveness of Internal Audit

### Process

Assessed against:

- The Chartered Institute of Internal Auditors' (CIIA) Code of Ethics and International Standards for the Professional Practice of Internal Auditing, including the Internal Audit Code issued in January 2020;
- PwC's Five Principles of Internal Audit Excellence Framework; and
- A benchmark peer group of 8-10 relevant Internal Audit functions.

### Approach

Work included:

- Interviews with 16 key stakeholders, including: Audit Committee Chair; non-Executive Directors; Executive Directors; and Managing Directors across the business divisions;
- Meetings with five Internal Audit team members;
- Review of survey sent to all members of the Internal Audit Team;
- Review of Internal Audit's structure and remit, audit approach and resource; and
- Review of Internal Audit documentation over the preceding 12 months across the areas of planning, auditing and reporting.

### Recommendations

Findings included:

- Develop the approach and methodology to derive more data driven analysis and insights;
- Enhance executive and Audit Committee reporting to provide more insight;
- Continue to develop the approach to innovation through areas such as digital capability and adopting agile delivery methods;
- Develop further the strategic resourcing model to accommodate SSE's international footprint as well as leveraging internal and external co-sourcing; and
- Enhancing the approach to monitoring and driving performance and productivity.

### Outcome

Overall, the Internal Audit function was found to be well established and valued across the organisation. The Committee recognised the progress made during the year and confirmed it was satisfied with the overall performance and effectiveness of the Internal Audit function. The findings identified by the EQA will be taken forward and progress reviewed by the Committee.

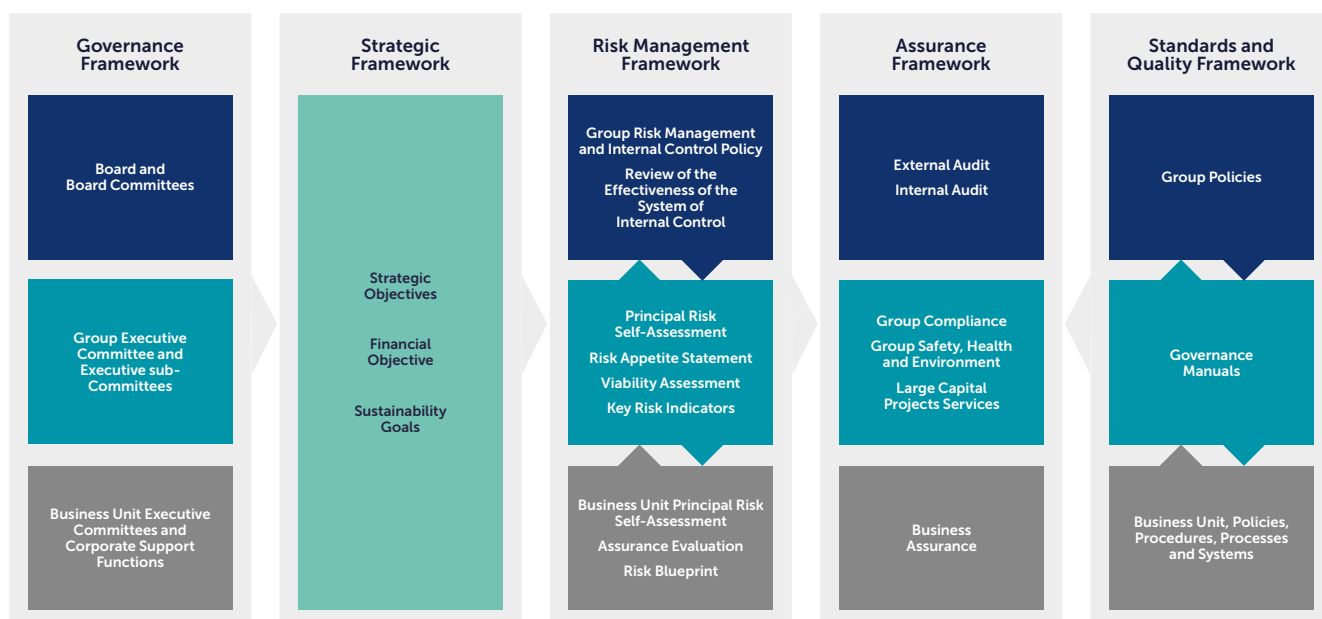
## System of Internal Control

The elements that make up the System of Internal Control are:

- **Governance Framework.** Designed to ensure focus on the key components of high quality and effective decision making – clarity, accountability, transparency and efficiency. For further details please see [page 122](#) of the Directors' Report.
- **Strategic Framework.** This includes SSE's Purpose, Strategy, Goals and Values, as well as the focus of its business model and forms the basis for all activity within the Risk Management Framework.
- For further details please see [pages 8 to 23](#) of the Strategic Report.
- **Risk Management Framework.** This framework supports each Business Unit in managing its risks and helps to ensure that the Board can meet its obligations. The framework is underpinned by the fundamental principle that everyone at SSE is responsible for the management of risk.
- **Assurance Framework.** An integrated programme of audit and assurance

activity that is independent of the day-to-day operations of the Business Units and corporate functions. It is made up of Internal Audit, Group Compliance, Large Capital Projects Services and Group Safety, Health and Environment

- **Standards and Quality Framework.** Sets out the expected standards and guidelines to be followed in the delivery of the Group's core purpose.



# Energy Markets Risk Committee Report

## Role of the Committee

The Committee oversees SSE's energy markets risk exposures by:

- Monitoring and supervising SSE's hedging approach;
- Assessing any potential emerging energy market issues and risks; and
- Reviewing SSE's internal control and risk management in this area.

In doing so, it assists the Board in the effective discharge of its responsibilities in relation to risk management and internal control in this area.

The Committee's Terms of Reference are available on [sse.com](https://www.sse.com) .


## Key activities in 2022/23

- Oversight arrangements and recommended actions in relation to SSE's approach to managing portfolio exposures during a year of high prices and significant market volatility.
- Reviewed and recommended changes to the risk and controls monitoring metrics, ensuring continued effective oversight of operational effectiveness against the backdrop of high prices and significant market volatility.



## Dear Shareholder,

I am pleased to introduce the Energy Markets Risk Committee (EMRC) Report for 31 March 2023. This report details the role we play throughout the year to oversee SSE's energy markets risk exposures and ensure an effective system of risk management controls and related processes relevant to energy market risks.

We have continued to play a key role in overseeing the governance arrangements in relation to SSE's approach to managing portfolio exposures during a year of high prices and significant market volatility. At each meeting, we examine and discuss reports of these exposures, consider any proposals from the Executive Team, and recommend any changes to SSE's hedging approach to the Board as required. In addition, the EMRC reviews and endorses the hedging approach statement which is updated for material changes and published as part of SSE's interim and preliminary results statements. SSE's latest hedging approach statement (as at 31 March 2023) is also set out on [page 86](#)  of this Annual Report. The EMRC will continue to monitor and oversee these exposures and, should circumstances lead to any change in approach being required, these will be fully discussed, challenged, and appropriately reported.

As a committee, we believe that SSE has been served well by its prudent approach to hedging and has continued to manage successfully the changing credit and collateral requirements. To this end, we also reviewed the governance controls and risk

metrics overseen by us to ensure they remained appropriate in the current climate, and recommended to the Board changes to ensure operational effectiveness and that the correct oversight and reporting are in place.

The EMRC is assisted in its role by the following two Group-level committees:

- Group Energy Markets Exposure Committee which meets monthly and provides a forum for SSE's senior management to discuss and consider energy market risks and exposures.
- For the Customers Business Unit, Demand Management Committee (DMC) which meets monthly. The DMC was originally created to monitor the impact of the coronavirus pandemic on the Business Unit's demand profile but continues in operation to monitor demand in relation to market volatility.

The minutes of these committees are provided to the EMRC for review and comment.

In line with standing practice, the annual Board evaluation is an assessment of our performance as a committee. I am pleased this concluded that we operate effectively and that the Board takes assurance from the quality of our work. Furthermore, the EMRC members are seen to bring a wide range and depth of recent and relevant experience across various industries, which will be bolstered further by Maarten Wetselaar, who will join the EMRC on 1 September 2023, with extensive knowledge from his career in the energy industry.

During 2023/24, as SSE continues to grow internationally, the EMRC will remain focused on providing effective oversight in relation to the Group energy markets risk exposures. We will also focus on the impact, management, and mitigation of relevant macroeconomic and geopolitical events. This will include:

- the continued impact of the prolonged conflict between Ukraine and Russia on energy markets;
- commodity prices and volatility and inflationary pressures; and
- changes to regulatory requirements.

I would like to thank the members of the Committee for their continued commitment throughout the year, the open discussions that take place at our meetings, and the contribution they all provide in support of our work.



**Tony Cocker**  
**Chair of the EMRC**  
23 May 2023

## Committee membership and attendance

Four non-Executive Directors and two Executive Directors make up the composition of the EMRC. Full details of membership and meeting attendance are set out on [page 123](#). The Chief Executive and the Managing Director of Energy Portfolio Management also routinely attend meetings, with an Assistant Company Secretary acting as Secretary to the EMRC. To assist the EMRC in carrying out its responsibilities, relevant senior managers can be invited to attend to present certain items of business and provide additional levels of insight.

The EMRC membership is approved by the Board following recommendation of the Nomination Committee. No changes were made to the EMRC membership during the year. Maarten Wetselaar, who joins the Board on 1 September 2023, will join the EMRC. Maarten's experience from his career in the energy industry will further ensure that the EMRC has the sufficient skills and expertise to discharge its duties.

The composition of the EMRC further facilitates the sharing of relevant experience held by the non-Executive Directors. As EMRC Chair, Tony Cocker brings extensive knowledge from his career in the energy industry. Debbie Crosbie, Melanie Smith and Sir John Manzoni,

## SSE approach to hedging

SSE has an established approach to hedging through which it generally seeks to reduce its broad exposure to commodity price variation in relation to electricity generation and supply at least 12 months in advance of delivery. As market conditions change, SSE may be required to vary its hedging approach to take account of any resultant new or

additional exposures. SSE will continue to provide a summary of its current hedging approach, including details of any changes in the period, within its Half and Full-year Results Statements. Details of SSE's latest hedging approach and hedging position are set out on [page 86](#).

provide invaluable insights and a wealth of knowledge from various senior roles in the private and public sectors. Biographical information of the EMRC members' backgrounds and experience is contained on [pages 116 to 120](#).

## Committee evaluation

The EMRC performance was assessed as part of the annual Board evaluation (see [pages 140 to 141](#)). The results of the evaluation indicated that the EMRC is operating effectively, and that it continues to provide an appropriate level of challenge and oversight of the areas within its remit. No specific actions were identified.

## Meetings and focus areas in 2022/23

The EMRC held four meetings during the year and reported to the Board on its work following each meeting. Each meeting

agenda is informed by a forward plan of business, which is designed to ensure that the EMRC carries out its responsibilities in line with its Terms of Reference. In addition, outside the cycle of scheduled meetings, the EMRC Chair meets with the Chief Commercial Officer, Managing Director of Energy Portfolio Management, and the Committee Secretary to ensure that key and emerging issues are brought to the EMRC's attention as appropriate.

The EMRC will continue to develop and regularly review the Committee's forward plan of business to accommodate any emerging issues and risks to the Group concerning energy markets.

The table below sets out details of the key focus areas and actions taken by the EMRC in the year.

## Key EMRC focus areas in 2022/23


Areas of focus	Actions taken
<b>Overseeing SSE's hedging approach</b>	<ul style="list-style-type: none"> <li>As part of a quarterly report on Energy Markets Risk, monitored: <ul style="list-style-type: none"> <li>hedging arrangements;</li> <li>risk control metrics;</li> <li>Energy Portfolio Management's counterparty credit risk exposures; and</li> <li>the liquidity of energy markets.</li> </ul> </li> <li>Reviewed and endorsed the hedging approach and position on 31 March 2023 included in the Full-year Results Statement and Annual Report 2023.</li> </ul>
<b>Energy Markets Risks</b>	<ul style="list-style-type: none"> <li>Received reports throughout the year on emerging energy market issues and risks (for example in relation to volatile gas markets due to the ongoing conflict between Russia and Ukraine) and recommended relevant matters to the Board on changes to risk management arrangements in line with SSE's hedging approach.</li> <li>Considered a report on key energy market risks, risk appetites and risk management controls and governance.</li> <li>Received reports on reviews of GB and ROI energy markets.</li> <li>Received a report on SSE's Trading Approach in relation to the UK Emissions Trading Scheme.</li> <li>Received reports throughout the year on SSE's strategy to support entry to international markets for the asset businesses by providing route to market and optimisation services.</li> </ul>
<b>Internal Control and Risk Management relating to Energy Market Exposures</b>	<ul style="list-style-type: none"> <li>Considered a report on the key risks and controls arising from operations within Energy Portfolio Management.</li> <li>Reviewed the Energy Portfolio Management MD Letter of Assurance.</li> <li>Received an in-depth review of risk control metrics provided internally.</li> <li>Received quarterly reports from Internal Audit and details of resulting action plans related to the Energy Portfolio Management business.</li> <li>Reviewed minutes from the Group-level Demand Management Committee which provided updates on activities as a result of alterations to customer demand profile due to market volatility.</li> <li>Reviewed minutes from the Group-level Energy Markets Risk Committee which provides executive level oversight of SSE's energy market exposures and their associated management.</li> </ul>
<b>Governance and other</b>	<ul style="list-style-type: none"> <li>Considered the output of the EMRC performance evaluation.</li> <li>Approved the narrative of the 2023 EMRC Report.</li> <li>Regularly reviewed the forward business planner.</li> </ul>



# Safety, Sustainability, Health and Environment Advisory Committee Report

## Role of the Committee

- Supports and advises the Board on matters relating to safety, sustainability, health and the environment.
- Provides a leadership forum for non-Executive Directors to work with senior management and shape policy, targets and strategy to improve safety, sustainability, health, and environmental performance.
- Reviews the effectiveness of SSE's strategy, initiatives, training and targets in relation to safety, sustainability, health, and the environment.
- Reviews the implementation of SSE's Group Policies relating to safety, sustainability, health and wellbeing, the environment, and climate change.
- Monitors the resource, competence and commitment in the management of safety, sustainability, health, and environmental issues to ensure continuous improvement.
- Maintains access to a range of both internal and external stakeholder perspectives to better achieve the creation of shared value for society.
- Supports SSE's commitment to being a sustainable company that makes a positive contribution to the communities in which it operates.
- Actively ensures the maintenance of a healthy corporate culture in respect of safety, sustainability, health and environmental matters based on a combination of values, attitudes and behaviours.

The Committee's Terms of Reference are available on [sse.com](https://www.sse.com) .

## Key activities in 2022/23

- Considered safety performance and targets
- Enhanced oversight of employee wellbeing initiatives
- Continued visits across sites
- Reviewed an ESG gap analysis and materiality assessment



capital projects. We maintain focus on developing SSE's Environment Strategy, strengthening our local SHE communities and sharing SSE's 2022+ SHE vision 'making it easier to do the right thing'.

Following on from last year, SSE's Sustainability Team presented two significant pieces of work: an ESG gap analysis and a materiality assessment. The ESG gap analysis supported identification of where improvements can and should be made, not only in ESG disclosures, but in practices and performance as well. The in-depth materiality assessment reconfirmed the most salient sustainability issues to both the Company and its stakeholders, identifying areas of opportunity to develop.




An increased number of Committee site visits were conducted in 2022/23, supporting oversight of SSE's safety culture in operation. Positive impressions were reported back to the SSHEAC alongside opportunities to enhance working environments.

On behalf of the SSHEAC, I would like to thank all employees and those that work with SSE for their sustained effort, hard work and commitment. I hope you find the report a useful explanation of our work and of SHE performance during the year.

**Helen Mahy CBE**  
**Chair of the SSHEAC**  
23 May 2023

## Dear Shareholder

I am pleased to present the Safety, Sustainability, Health and Environment Advisory Committee (SSHEAC) Report for 2022/23; a difficult year which saw the very sad fatality of one of our contractor's employees at Viking wind farm. This incident made us re-think, re-energise and be more determined than ever to deliver on our Safety Family approach with robust support for our employees.

This report explains the work of the SSHEAC during the year, alongside the progress that has been made in relation to safety, sustainability, health and wellbeing, and the environment. A more in-depth review of these areas, can be found on [pages 34 to 67](#)  and in SSE's [Sustainability Report 2023](#)  which is available on [sse.com](https://www.sse.com) .

Our Safety Family is an important and distinctive part of SSE's culture. Through continuous development, we are looking to strike the balance between adding more energy to SSE's approach whilst reinforcing our existing Safety Family language and principles for our employees and

contractors. Our commitment – that we all get home safe – is the top priority for us.

The Committee has reviewed continued efforts to enhance employees' health and wellbeing in the year. A focus has been targeting areas in which we can make a difference and ensuring it is easy for people to access the help they need. In addition to the employee benefits already offered, last autumn saw the launch of SSE's Health Hub and 'We Care' for employees, which offer fast access to different health and wellbeing services. Whilst we have made great progress in this area in the last few years, there remain areas we would like to continue to develop.

We recognise that SSE is part of the natural world and want to support the conservation, restoration and sustainable use of the world's land and water resources; and promote the integration of amenity, ecosystem and biodiversity improvement into business activities. As noted in the report that follows, SSE's Business Units signed up to achieve no net loss in biodiversity by 2023 and net gain in biodiversity by 2025 on onshore large

## Membership

The membership of the SSHEAC comprises four non-Executive Directors; the Chair of the Board; the Chief Commercial Officer; the Chief Sustainability Officer; the Managing Director, SSSEN Distribution; the Managing Director, SSE Distributed Energy; and the Safety, Health and Environment Director. An Assistant Company Secretary is Secretary to the Committee and the Chief Executive routinely attends meetings. The Committee invites operational managers and specialists to attend certain meetings to gain a deeper level of insight on particular items of business. Biographical details of the non-Executive members can be found on [pages 116 to 120](#).

## Meetings and focus in 2022/23

The SSHEAC met five times in 2022/23 and details of non-Executive meeting attendance are set out on [page 123](#).

One meeting provided specific consideration to an ESG gap analysis to allow identification of additional areas of focus (see [page 165](#)). With this being a new piece of work for the Committee, Sir John Manzoni received a separate briefing outside of the meeting, due to being unable to attend the short-notice session because of a prior commitment.

Working closely with the Group Safety, Health and Environment Committee which reports to the Group Executive Committee, the SSHEAC has an annual work plan to review SHE performance at Group-level and in each of SSE's seven business areas. The Committee considers a wide range of SHE performance and governance issues as it shapes SSE's SHE strategy. This year it has had a specific focus on contractor safety and health and wellbeing, recognising the performance challenges of contract partners and the need to take care of colleagues' health and wellbeing in challenging times.

Other matters which the SSHEAC focused on were:

- SHE engagement and culture
- SHE risks
- Fatigue management
- Climate adaptation and resilience
- ESG performance
- Sign-off of the plan for SSE's [Sustainability Report 2023](#).

## SHE strategy

The SSHEAC reviewed the safety, health and wellbeing, and environmental strategies, priorities and plans for 2023/24, underpinned by the SHE Risk Matrix and SHE Assurance Plan. It is recognised that the work being undertaken by contractors, on SSE's large capital projects can represent a higher-risk environment than

normal operations. For this reason, SSE is focusing on building strong relationships with contract partners to align behind a common goal to get everyone home safe.

SSE's SHE Team also looked at SSE's business continuity and crisis management approach and set out a strategy for operational resilience and an accompanying three-year plan. Across 2022/23, organised campaigns supported SHE strategy implementation and communication, with a digital enablement project helping to develop more insights into SHE performance reporting.

Maintaining SSE's Safety Family approach in the face of growth, new joiners and an increased contractor workload is high priority, and efforts to reinforce existing Safety Family language and update the tools already in place will remain key.

## SHE performance

### Safety

The SSHEAC oversees safety performance using a number of different measures. SSE uses the concept of 'Safe Days' to monitor and track its safety progress and performance. On a 'Safe Day', for SSE or contractors, there are no minor, serious, or major safety incidents; serious or major environmental incidents; or any incident with high potential for harm to people or the environment. 255 Safe Days were achieved during 2022/23, compared to 276 in the previous year. The comparative

figure for 2020/21 has been restated to align with the current definition of a Safe Day within SSE and the removal of Minor Environmental Incidents from the measure.

In addition to Safe Days, SSE continues to measure safety performance using the rolling Total Recordable Injury Rate (TRIR) for employees and contractors. This measure is used for benchmarking and trend analysis, and in 2022/23, it increased to 0.19 per 100,000 hours worked, compared to 0.17 in the previous year. This increase reflects a significant surge in investment and construction, and the associated rise in contractor hours worked. There will be a separate target TRIR for 2023/24 for SSE of 0.11, and contractors of 0.31, which, considering the increased activities and workload within all Business Units, will be a challenging task, but is believed to be achievable.

To enhance the safety of colleagues, immersive training programmes are being established at various locations in the UK. This involves deep immersion in an interactive environment that simulates real-world scenarios. The programme will be tailored to SSE's needs and attempts to change employees' perspective when working onsite. This will equip new starters as well as other colleagues with tools to support the overall goal of getting home safe.

## Committee evaluation

The actions identified from the evaluation of the SSHEAC in 2021/22 as reported on last year were monitored through to completion.

The annual review of Committee performance was facilitated by Lintstock (see [pages 140 to 141](#)) and the outputs considered by the full Committee. This saw confirmation by the Board of the Committee's continued effective operation and agreement by the Committee of a number of actions for progression across 2023/24.

### Evaluation themes

- Good coverage of the key aspects of safety, sustainability and environmental issues. Continue to define SSE's Environment Strategy and monitor environmental performance.
- Good recognition of the steps taken to improve SSE's Health offer to colleagues.
- The SSHEAC's contribution has supported and encouraged the ambition and direction taken on safety, sustainability, health and environmental matters.

### Actions for 2023/24

- **Safety.** Communication with contractors is a top priority.
- **Meetings.** Lengthen meetings and continue to undertake deep dives on specific topics.
- **Environment.** Continue to define SSE's Environment Strategy and monitor environmental performance. Continue to promote interactions with 3rd parties NGOs and regulators.
- **Sustainability.** Teachings on specific sustainability topics.

## Contractor safety

With the very sad news of the fatality of one of SSE's contractor's employees, and contractor incidents and contractor TRIR being higher than SSE's, the Committee discussed how SSE can provide more rigour and support, especially as the level of SSE's delivery through contract partners will increase.

SSE has formed a new central Contractor Safety Team supported by dedicated Contractor SHE Managers and Assurance Auditors to improve contractor safety performance. In SSE's plan for the next financial year, key actions have been captured in the following three categories: 1. Collaborate – how SSE aligns all parties to deliver; 2. Support – how to provide direct support; and 3. Check – conduct a comprehensive audit across all businesses and directly with contract partners to identify and address any issues systematically.

SSE has been working to continually improve SHE Specification for contractors and provide guidance for project management teams. In addition to the Contractor Safety Community, local SHE Communities are embedded across all SSE Business Units and the Committee saw good examples of their work on different sites during visits.

## Health and wellbeing

The SSHEAC has encouraged and endorsed a significant focus on health and wellbeing across SSE over 2022/23. The Committee reviewed employee absence data and trends to ensure that common reasons for absence and wellbeing in the workplace were considered and understood. Following this, a new Health Hub was developed to allow easy access to employee support services. A new feature of the Health Hub was the launch of the 'We Care' health app. Through this free of charge service, employees and their immediate families can access 24/7 GP consultations and other health related advice. A programme in partnership with the British Heart Foundation on cardiovascular assessments was also introduced and will continue into 2023/24.

In addition, in response to employee listening, a series of webinars has also broached sensitive subjects such as suicide, menopause and more, setting the wellbeing objectives and values to build a strategy that adapts to business needs. Initiatives to support employees' physical and mental health continue to be provided through Nuffield, SSE's Employee Assistance Programme and Thrive.

## Environment

SSE's Environment Strategy is underpinned by an ethos of compliance. It provides a pathway to engage internal and external stakeholders by holding SSE accountable for performance against targets and indicators as a measurement of success. Following a review of the environmental vision, a set of targets were agreed for 2022/23. Further details of these targets and performance against them in the year can be found in SSE's [Sustainability Report 2023](#) and on [pages 53 to 55](#).

The operational focus of SSE's Environmental Strategy is across three priority pillars:

1. Environmental Management and Governance; 2. Responsible Consumption and Production; and 3. Natural Environment.

In 2022/23, the total number of environmental incidents as a result of SSE's activities totaled 109 compared to 84 the previous year, the majority of which were minor. SSE's 2021/22 total environmental incident measure has been restated, attributed to: enhanced governance checks that have increased the accuracy of reporting; and implementing a new SEARS system which has helped in improving the visibility of incidents and ensuring their correct categorisation. This improved reporting has also supported enhanced oversight of environmental performance.

Following relatively stable performance over the past three years, there was a slight increase in serious environmental incidents in 2022/23, increasing to 31 from 24 the previous year. Of these incidents SSE saw an increase in the number of silt-related issues associated with the scale up of construction activities, offset by a reduction in the number and scale of fluid filled cable leaks of its assets. In order to address these issues and take into account the increased project activity, SSE has put in place deep dives in four areas: silt, fluid filled cables, SF<sub>6</sub> and waste.

The number of environmental permit breaches increased to nine in 2022/23 from seven the previous year, the majority of which were self-reported to the relevant environmental agencies. All incidents were dealt with quickly when identified.

## Engagement in action Suppliers, contractors and partners



# Partnering for safety and wellbeing

SSE's current growth phase, and the resulting increase in contractor hours worked, has sharpened focus on keeping the employees of our partners safe.

An example of this in action is an initiative within SSE Thermal to introduce on-site paramedics on large capital projects.

In partnership with SSE's principal contractors, it was decided paramedics should not just treat injuries but should also put a strong emphasis on prevention and awareness when it comes to safety, health and wellbeing.

By creating a positive safety culture, they are responsible for tasks such as setting up medical facilities, treatment and

wellness rooms, offering defibrillator and CPR training, administering medication and providing mental first aid services. This approach has already been put into action treating potential incidents across sites. A recent survey of SSE Thermal colleagues showed that on-site paramedics were one of the top three factors helping to create a positive Safety, Health and Environment culture on location.

## Engagement in action Employees



# Visit to Peterhead

Mark Patterson, the Safety, Health and Environment Director, and Helen Mahy, Chair of the SSHEAC, visited Peterhead Power Station in September 2022 to gain insight into SSE's Safety Family language in action. Below is a summary of the takeaways from the visit.

### If it's not safe, we don't do it

The station's team demonstrated openness, a deep sense of trust, and were supportive of each other and the environment. Safety was embedded across plant processes and Safety Family language was evident across discussions.

### We take pride in our work and our environment

The overall impression was that the station team are making good strides towards building a positive SHE culture and ensuring an engaged team.

### We take care of ourselves and each other

Overall housekeeping and station planning, control and permit work was positive and well ordered. Communication between operational teams, including apprentices, was strong and responsive.

### We plan, scan and adapt

There was a clear focus on building capability and skills across the existing team and getting the station in a position to support any future developments. It was positive to see new employees joining the station from other industries such as oil and gas.

### What would make it easier for people to do the right thing?

Covid-19 has presented some real challenges for SSE's sites. At the time of this visit, some controls at Peterhead were still in place to protect the control room operators from Covid-19, such as all visitors to the control room wearing masks. The site induction was also completed online to ensure the process was efficient and safe.



## Sustainability and ESG focus

Significant progress was made across the most material areas of sustainability in 2022/23, with the SSHEAC reviewing SSE's performance in key investor environment, social and governance (ESG) ratings, and the results of an ESG gap analysis of SSE's performance in two key ratings, approving areas for development and improvement in the next financial year. The Committee also approved the undertaking of a sustainability materiality assessment, with the objective of confirming the ESG issues most material to SSE. The focus areas from the materiality assessment and the ESG gap analysis align with the UN Sustainable Development Goals that SSE has previously identified as being material, and around which it has based its sustainability approach. The recommendations from the two exercises informed next steps, for example, at a multi-stakeholder event in April 2023, a first-of-a-kind, disclosure report was published and designed to establish a framework for measuring and disclosing progress against SSE's 20 Just Transition Principles to SSE's stakeholders.

In terms of SSE's approach to the disclosure of its sustainability impacts, the aim is to bring about continuous improvement in both the quality and quantity of information disclosed. The objective for the [Sustainability Report 2023](#) is to provide clarity around SSE's most material sustainability issues, including those which represent key areas of opportunity for the business, reinforcing SSE's sustainability

hierarchy. SSE will use the [Sustainability Report 2023](#) to communicate enhanced disclosures recommended by our materiality assessment and ESG gap analysis.

More information can be found on [pages 34 to 67](#) and in the [Sustainability Report](#) which is available at [sse.com/sustainability](https://sse.com/sustainability).

### Site visits

The SSHEAC completes an annual programme of site visits with the main objective of providing support to, and engaging with, colleagues working on different sites. Physical visits resumed in 2022/23, with Committee members looking at different sites in late summer and early autumn. Locations visited included Reading, Slough, Peterhead, Ridgeway (Oxford), Perth Training School, Chalvey, Canal Street in Willesden, SSE's joint venture Activ8, Leanamore wind farm, Galway wind park and Tarbert power station.

The feedback from visits was encouraging with teams working hard to have positive impacts on the environment and local communities and ensuring that a thorough safety briefing is in place. A report of the visit to Peterhead is provided above.


A structured approach to site visits ensures that feedback is collected and acted upon. This is facilitated by a dedicated feedback template which is completed following each site visit. The site visits agreed for 2023/24 will be reported on next year.



# Remuneration Committee Report


## Role of the Committee

- Determines and agrees SSE's broad policy for executive remuneration and reviews the ongoing appropriateness and relevance of the policy.
- Ensures remuneration is appropriate, enhances personal performance and rewards individual contributions towards the success of SSE.
- Ensures directors' remuneration policy is transparent, takes account of SSE's risk appetite and aligns to SSE's long-term goals.
- Designs and determines measures and targets for variable pay including LTIPs for Executives and approves payouts.
- Determines policy and scope of pension arrangements, service agreements, share ownership and share retention policies, termination payments and compensation commitments.
- Gives due regard to relevant legal requirements and corporate governance guidelines.
- Reports on executive remuneration through the Directors' Remuneration Report and puts forward for shareholder approval annually at the AGM.

The Terms of Reference for the Committee are available on [sse.com](https://www.sse.com) 




## Delivery and performance

Our operating model and portfolio remain highly complementary and balanced. Our efficient operation of flexible thermal generation and gas storage assets (see [page 78](#) ) contributed in a large part, to strong 2022/23 financial performance. We have historically tolerated weaker thermal returns given our long-term belief that the underlying value of thermal flexibility would be key to transitioning to net zero. That value was accentuated by the extreme levels of market volatility we saw this year.

Strategic delivery in the year was strong, with critical milestones delivered in SSE's flagship large capital projects (see [page 18](#) ). In light of 2022/23 performance, our financial strength and the available opportunity set, we have upgraded our plans and growth targets to the NZAP Plus, details on [page 16](#) .

## 2022/23 AIP outcomes

The AIP is determined against a broad range of financial, operational, personal and sustainability performance targets collectively designed to reflect financial and non-financial business performance each year. The measures were reviewed last year to support the delivery of the NZAP and longer-term goals. Changes included strengthening the cashflow measure, the introduction of operational measures and the addition of new sustainability metrics.

Performance in the year has been strong. Financial measures exceeded target levels, and good progress has been made in respect of operational performance related to the NZAP. Performance against external sustainability indices, a new measure for 2022/23, has also been strong with upper quintile ranking achieved across all indices. A summary of the detailed AIP scorecard is shown on [pages 172 to 173](#) .

Each year, the Committee considers whether there are appropriate reasons to apply discretion to the AIP outcome. The Committee was deeply saddened by the death of Liam McDonald, a young contractor working on Shetland, in June

## Dear Shareholder,

This is my first annual statement as Chair of SSE's Remuneration Committee, of which I have been a member since January 2020. On behalf of the Board, my thanks go to Dame Sue Bruce for her extraordinary contribution both as a member of the Committee from December 2017 and as its Chair from May 2018.

The Directors' Remuneration Report sets out the detail and rationale for Directors' remuneration and covers:

- Linking remuneration to strategy
- Delivery and performance
  - 2022/23 AIP outcomes
  - Vesting of 2020 PSP award
  - Wider workforce pay
  - Salary changes
- Changes to the Board
- Pension arrangements

## Linking remuneration to strategy

The current Directors' Remuneration Policy was approved at the July 2022 Annual General Meeting with over 91% support. Sue Bruce led an extensive consultation exercise with our largest shareholders and the Remuneration Committee is extremely grateful for their support. The policy is built on a set of enduring core reward principles:

1. Sustainability: reinforcing SSE's commitment to being a responsible employer.
2. Simplicity: maximising transparency and avoiding unnecessary complexity.
3. Stewardship: encouraging and fairly rewarding good decision-making for the long term.

4. Stakeholders: reflecting SSE's strategic goal of creating value for shareholders and society.

Our approach to pay is designed to support SSE's purpose to provide energy needed today while building a better world of energy for tomorrow. The performance measures and targets on which the Annual Incentive Plan (AIP) and the longer-term performance share awards are directly linked to execution of SSE's strategy – the Net Zero Acceleration Programme (NZAP).

Sustainability is at the heart of SSE's strategy. Progress is measured by science-based business goals for 2030 that align with four specific UN Sustainable Development Goals. Progress against these goals, which are detailed on [page 183](#) , was linked last year to the vesting of awards made under the Performance Share Plan (PSP). Shareholders also approved new 'strategic' measures which assesses progress towards the successful delivery of the NZAP. This means that 30% of the shares awarded under the new PSP are linked to sustainability, either directly through sustainability measures or through strategic measures by virtue of SSE's NZAP. The in-year focus on sustainability continues through measures which have a weighting of 40% within the 2023/24 AIP, with 10% assessed against sustainability indices and 30% relating to operational performance linked to the NZAP.

Our remuneration policy is structured to ensure that we have enough flexibility to attract world-class talent. This is particularly important as SSE is increasingly exposed to new markets and technologies.



2022. As a result, it used discretion to reduce the outturn of the AIP.

The outturn for the 2022/23 AIP is 88% of the maximum following the use of downward discretion.

### Vesting of 2020 PSP award

The PSP awards granted in June 2020 are due to vest following the 2022/23 financial year, subject to financial, operational, and value-creation performance conditions measured over the three-year performance period ending 31 March 2023.

The Remuneration Committee objectively assessed the vesting outcome against the performance measures and targets. This resulted in an outturn of 76% of the maximum award. The Committee then reviewed the quality of the overall performance and the number of shares awarded in 2020 in comparison with the number of shares awarded in 2019 and in 2018. The number of shares under award in 2020 was 85% of the number of shares awarded in 2019. The Remuneration Committee was satisfied that the Executive Directors have not benefited merely as a result of share price volatility. It agreed that the vesting outcome for these awards was appropriate and no discretion was required. More details on the performance measures, the targets, and the performance outturns are set out on [page 174](#).

### Wider workforce pay

In setting pay policy and agreeing pay outcomes for Executive Directors, the Committee is mindful of the pay arrangements of the wider workforce. Throughout the year, a number of initiatives were introduced as part of SSE's improved Employee Value Proposition including the introduction of a new skills-based pay system involving considerable investment, increases to salary ranges and car allowances, enhancements to 'family friendly' policies and the introduction of additional health benefits.

In recognition of SSE's 2021/22 performance employees below senior management level were offered a £500 one-off payment in May 2022. Later in response to the worsening cost of living crisis part of the annual salary increase was paid early in October 2022 to help people through the winter with the balance of CPI paid at yearend. Further details on the Employee Value Proposition and support offered to employees in response to the cost of living crisis can be found in the case study on [page 179](#).

### Salary changes

In reviewing the base salaries of Executive Directors, the Committee considered SSE's strong performance and shareholder returns, and NZAP progress. We also considered the increases granted to the

wider employee population which were linked to CPI expected to be in the region of 8%.

SSE's market capitalisation is in the FTSE 20-50 upper quartile (excluding financial services). SSE total pay potential is below the median for this benchmark set. SSE's market capitalisation is within the range of the median of the FTSE 50 (excluding financial services) and total pay potential compared to this group is in the lower quartile. As SSE scales and becomes more international, the Committee will increasingly keep a watching brief on pay trends and pay levels across the FTSE 50.

The Committee decided that the increase for each of the Executive Directors from 1 April 2023 should be 5% of salary.

### Changes to the Board

**Gregor Alexander** – SSE announced on 21 April 2023 that Gregor Alexander, who has served as Finance Director since 2002, would step down from the Board on 1 December 2023 and retire from SSE at the end of March 2024. Gregor will continue in his current positions as Chair of SSE Transmission's Board and as a Director on the Board of Neos Networks Limited, SSE's joint venture with Infracapital Partners. The Remuneration Committee without hesitation exercised its discretion to treat Gregor Alexander as a 'good leaver' in respect of his retirement, taking in to account his long and distinguished service. He will continue to be paid in the usual way until he steps down from the Board. He will be eligible for a time pro-rated bonus in respect of his service in the financial year 2023/24. One third of his bonus will be deferred into shares in the usual way. He will not receive an award in 2023 under the PSP. His outstanding share awards under the PSP will be time pro-rated to reflect the elapsed time between the start of the performance period and the date of cessation of employment, and the awards will vest in accordance with the usual timetable. He will be required to retain a shareholding for at least two years following the date of cessation of employment in accordance with the Directors' Remuneration Policy.

**Barry O'Regan** – It was announced on 21 April 2023 that Barry would take up the appointment of Chief Financial Officer from 1 December 2023. Barry will join the Board on the same date. As his home base will remain in Ireland, he will be paid a Euro base salary of the equivalent of £600,000 a year. It is planned that the base salary will increase by 8.3% to the equivalent of £650,000 with effect from 1 April 2024 and to the Euro equivalent of £700,000 (an increase of 7.7% of salary) with effect from 1 April 2025. The Committee believes that the planned phased increases set out are appropriate to achieve a competitive total

pay position and will be subject to review at each point to ensure they reflect Barry's development in the role. His maximum bonus under the AIP will be 130% of salary and his annual award under the PSP will be 225% of salary. It is expected that an award will be made under the PSP on 1 April 2024. He will be required over time to build up a shareholding to the value of 225% of salary and to retain this holding for two years after he leaves employment with SSE. His existing incentive arrangements, including in-flight share awards, will continue to run on their original terms.

### Pension arrangements

The Directors' Remuneration Policy is clear that any individual appointed to the Board will receive pension arrangements which are aligned, in terms of annual percentage contribution, to those of the majority of SSE employees.

During the year, the Committee considered the pension allowance of 15% of salary payable to the Chief Commercial Officer, Martin Pibworth, with effect from 1 January 2023 in the light of the UK Corporate Governance Code, the views of many investors and representative bodies on the alignment of executive pension arrangements with those for all employees. It has made no further changes to Martin's pension allowance of 15%, which is in line with the average employer cost for employees with similar service.

As Chief Financial Officer, Barry O'Regan will receive a cash allowance in lieu of contribution to his pension equivalent to 12% of salary aligned to the policy for new appointments and the contribution for the majority of employees in the UK and Ireland irrespective of length of service.

The defined benefit arrangements for the Chief Executive and the Finance Director reflect their long service with the business and, in terms of the benefits provided, are in line with the arrangements for other employees recruited at the same time.

### Summary

The Remuneration Committee plans to continue to apply SSE's core principles of transparency of decision-making and clarity of reporting and to be fully cognisant of the perspectives of SSE's stakeholder groups. I very much welcome any comments on the 2022 Directors' Remuneration Report or on any remuneration matters. I can be reached via Sally Fairbairn at [sally.fairbairn@sse.com](mailto:sally.fairbairn@sse.com).



**Melanie Smith CBE**  
Chair of the Remuneration Committee  
23 May 2023

# Remuneration at a glance

## Directors' Remuneration Policy in 2023/24

The illustration below shows how SSE intends to operate its Directors' Remuneration Policy in 2023/24.

	Element	Max	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Fixed pay	Salary	Set with reference to pay increases for the wider employee base	Salary paid					
	Benefits	Market competitive	Benefits paid					
	Pension	Final salary and top up/pension allowance	Pension accrual/allowance paid <sup>1</sup>					
Variable pay – at risk	Annual Incentive Plan (AIP)	CEO 150% of salary. FD and CCO 130% of salary 67% cash/33% deferred shares	Performance period	AIP cash paid AIP deferred share awards granted	Vesting period		Awards vest	
	Performance Share Plan (PSP)	CEO 250% of salary. FD and CCO 225% of salary 2-year holding period	PSP awards granted	Performance/vesting period		PSP awards vest	Holding period	Holding period ends
Additional governance	Share ownership requirement	250% of salary for CEO and 225% of salary for FD and CCO	Share ownership requirement					
	Recovery and withholding	All incentives	Malus and clawback: material misstatement or restatement of accounts; misconduct which results in a materially adverse financial effect; serious reputational damage including material environmental or safety issue, or material operational or business failing; factual error in calculating payment/vesting; serious misconduct; corporate failure; material risk failure; material detriment to stakeholders or to company's market reputation; unreasonable failure to protect stakeholders' interests					
	Post-employment	Career shares (up to 2022)	The holding requirement for career shares is until two years after cessation of employment. From 2022, PSP awards and deferred bonus shares will all count towards the two-year post cessation policy.					

1 The Finance Director ceases to accrue further pension at age 60 in April 2023 and will receive no cash allowance in lieu.

## Strategic performance

Executive Directors' remuneration is strongly linked to strategic performance. Some of SSE's strategic performance measures are detailed below, with an indication of how they link to remuneration. SSE has delivered against its dividend target and performed well against a range of financial and non-financial measures. Full details of SSE's financial and non-financial KPIs can be seen on [pages 24 and 25](#).

### Adjusted Earnings Per Share

**166.0p**

AIP and PSP  
(2021/22 – 94.8p)

### Cashflow (net debt/EBITDA)

**2.7**

AIP  
(2021/22 – 4.3)

### Dividend Per Share

**96.7p**

PSP  
(2021/22 – 85.7p)

### Total Shareholder Return (FTSE 100)

**Rank 24**

of 95 PSP  
(2021/22 – Rank 13 of 95)

### Total Shareholder Return (MSCI)

**Rank 7**

of 24 PSP  
(2021/22 – Rank 6 of 23)

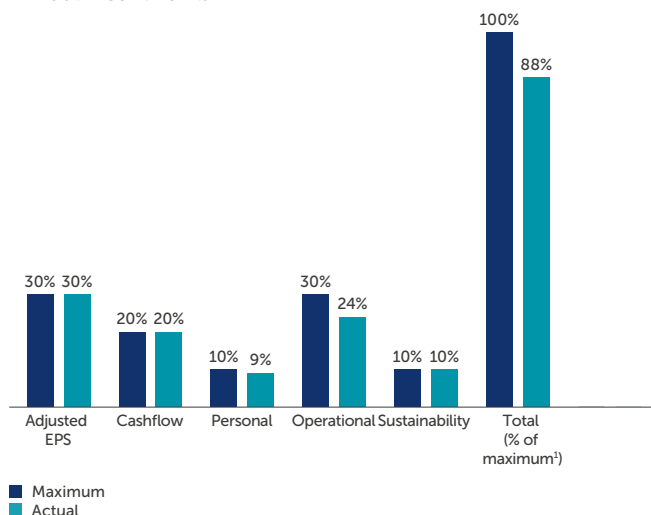
### Total Recordable Injury Rate

**0.19**

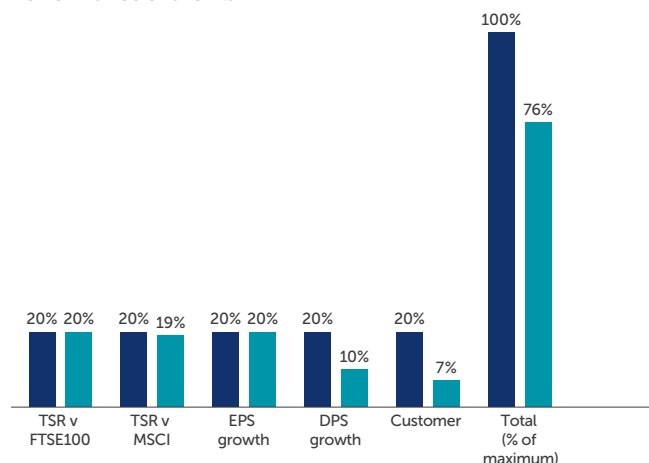
per 100,000 hours worked AIP  
(2021/22 – 0.17)

## Incentive Plan Performance in 2022/23

### Annual Incentive Plan



### Performance Share Plan



1 The overall total for AIP at 88% includes the Remuneration Committee's use of downward discretion. See [page 174](#).

## How pay links to the wider workforce at SSE

	Base Salary	Benefits	Pension	Short-term Incentive	Long-term Incentive
<b>Executive Directors (3 employees)</b>	Base salary is typically set with reference to the market, performance and wider workforce considerations.	A range of voluntary benefits in line with the wider workforce plus contractual car and private medical benefits.	All employees are members of a defined contribution pension scheme, or one of our legacy defined benefit pension schemes, unless they have opted out.	Annual Incentive Plan linked directly to business performance – 50% financial, 50% non-financial. 33% of the total award is deferred into shares for three years.	The Performance Share Plan is a share award with performance linked to strategic performance measures.
<b>Group Executive Committee (8 employees)</b>	Annual increases are typically in line with or less than those for the wider employee population.		The arrangements are diverse and the employer cost typically ranges from 4.5% to 32.5% of salary when both defined contribution and defined benefit schemes are taken into account.	Annual Incentive Plan considering performance of the Group (directly linked to the above), the business area and the individual. 25% of the total award is deferred as shares for three years.	The Leadership Share Plan is also linked to strategic performance measures over the longer-term and those with direct impact on strategic output are eligible.
<b>Senior Management (120 employees)</b>					
<b>Wider workforce (12,000 employees)</b>	Base salary levels are subject to negotiation with recognised trade unions and/or are set in line with market requirements.  Annual increases are either subject to negotiation or individual performance.	A range of voluntary benefits are available to all employees, such as a cycle to work scheme, a holiday purchase scheme, health benefits, and enhanced maternity, paternity and adoption leave.		All personal contract employees will participate in the Annual Incentive Plan (as above). 100% of the award is paid in cash.	All employees may participate in the Share Incentive Plan (SSE matches three shares for every three bought) and the Sharesave (SAYE) plan.

The above applies to employees across the UK and ROI where practically possible.

# Annual report on remuneration

## 1. Single total figure of remuneration (audited)

The table below shows the single total figure of remuneration for each Executive Director for the financial year ending 31 March 2023 relative to the previous year.

		Alistair Phillips-Davies		Gregor Alexander		Martin Pibworth		Total <sup>6</sup>	
		2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s	2022/23 £000s	2021/22 £000s
Fixed Pay	Base Salary <sup>1</sup>	952	924	736	714	655	636	2,343	2,274
	Benefits <sup>2</sup>	27	26	24	23	18	18	69	67
	Pension <sup>3</sup>	367	413	260	303	127	159	754	875
	Total Fixed Pay	1,346	1,363	1,020	1,040	800	813	3,166	3,216
Variable Pay	AIP <sup>4</sup>	1,256	1,150	841	771	750	678	2,847	2,599
	PSP <sup>5</sup>	2,025	2,142	1,369	1,449	1,025	1,084	4,419	4,675
	Total Variable Pay	3,281	3,292	2,210	2,220	1,775	1,762	7,266	7,274
Total		4,627	4,655	3,230	3,260	2,575	2,575	10,432	10,490

- SSE offers all employees a range of voluntary benefits some of which operate under a salary sacrifice arrangement. The salaries shown above are reported before any such adjustments are made.
- Benefits relate to company car, Share Incentive Plan company contributions and medical benefits. These benefits are non-pensionable.
- The pension values for Alistair Phillips-Davies and Gregor Alexander represent the increase in capital value of pension accrued over one-year times a multiple of 20 (net of CPI and Directors' contributions) in line with statutory reporting requirements.
- The AIP figures above show the value of the award including the portion deferred as shares.
- The PSP figures for 2021/22 have been readjusted in line with statutory reporting requirements, following last year's report to show the actual value upon vesting. The estimated value shown in the table for 2022/23 is based on the average share price in the three months to 31 March 2023 of £17.26, as required by the reporting regulations. The value generated through share price appreciation is £849,657 (full details shown on [page 175](#)). The award remains subject to service until May 2023 and so the prior year comparative will be restated in next year's report to show the actual value on vesting, as is required by the regulations.
- Directors have not received any other items in the nature of remuneration other than as disclosed in the table.

### Rationale for 2022/23 single total figure of remuneration

There has been very little year-on-year change in the single total figure of remuneration with just a 0.5% reduction. For the Executive Directors, total remuneration has either stayed the same or reduced by up to 0.9%. There have however, been changes in the individual elements of pay. Executive Directors received a base salary increase lower than the wider workforce and AIP outcomes were increased following a year of strong financial, operational and strategic performance. The single total figures reflect the Committee's decision to exercise discretion in relation to the AIP outturn. PSP outcomes also increased however, share price appreciation reduced from 52% in 2022 to 24% over the three years to the end of March 2023.

Values for pensions have all reduced during the year. Martin Pibworth's pension allowance was subject to a phased reduction to bring it in to line with the wider employee population from 1 January 2023. Alistair Phillips-Davies and Gregor Alexander participate in defined benefit pension arrangements and there has been a reduction in the pension service cost which is a function of the valuation regulations rather than any change in approach.

The Remuneration Committee is satisfied that the single total figure of remuneration for each Executive Director is appropriate.

### Base salary

In line with the average base salary increase for the wider employee population, Executive Directors' salaries were increased on 1 April 2022 by 3% from £923,924 to £951,642 for the Chief Executive, from £714,117 to £735,541 for the Finance Director and from £636,300 to £655,389 for the Chief Commercial Officer.

### Benefits

Benefits are provided at an appropriate level taking into account market practice at similarly sized companies and the level of benefits provided for other employees in the Company. Core benefits include car allowance, private medical insurance and health screening. The Executive Directors also participate in the Company's all-employee share schemes on the same terms as other employees.

### Pension

The Chief Executive and Finance Director are members of the Southern Electric Pension Scheme and the Scottish Hydro Electric Pension Scheme respectively, and their plan membership predates their Board appointments. They participate in the same defined benefit pension arrangements that were available to all employees recruited at that time. The schemes were closed in 1999 and the service costs are 32.5% of salary. These are both funded final salary pension schemes and the terms of these schemes apply equally to all members. The Executive Directors' service contracts provide for a possible maximum pension of two thirds final salary from the age of 60.

In relation to Executive Directors who are subject to the scheme-specific salary cap (which mirrors the provisions of the previous HMRC cap arrangements) the Company provides top-up (unfunded) arrangements which are designed to provide an equivalent pension on retirement from the age of 60 to that which they would have earned had they not been subject to the salary cap. From 1 April 2017 pensionable earnings increases were capped at RPI +1%. These are legacy arrangements and will not be used for any new external appointments.

The Chief Executive and Finance Director, in common with all other employees who joined at the same time (26 and 32 years ago respectively), have the following pension provisions relating to leaving the Company:

- for retirement through ill-health an unreduced pension based on service to expected retirement is paid;
- in the event of any reorganisation or redundancy an unreduced accrued pension is paid to a member who is aged 50 or above, with at least five years' service or, for a member who has not yet reached that age, it will be payable with effect from 50;
- and from the age of 55, a scheme member is entitled to leave the Company and receive a pension, reduced for early payment, unless the Company gives consent and funds this pension on an unreduced basis.

Dependent on the circumstances surrounding the departure of the Executive Director and financial health of the Company at the time, the Committee's policy is to give consideration to a cash commutation of the unfunded unapproved retirement benefit (UURB) pension at the time of leaving. Any cash commutation will limit SSE's liability, taking into account valuations provided by independent actuarial advisors, and will be calculated on what was judged to be a cost neutral basis to SSE.

The Finance Director will stop accruing pension under the scheme with effect from his 60th birthday in April 2023.

The Chief Commercial Officer, who has been with SSE since 1998, was already in receipt of a pension allowance of 30% of salary prior to his appointment as an Executive Director. While the arrangement was consistent with the approach used for all other members who have elected to receive a cash allowance in lieu of accruing future pension benefits, the Committee agreed that his future pension arrangements would be aligned with the level of contributions available to the wider workforce at 15% of salary on a phased basis over five years. Following confirmation of his expanded role from 1 November 2020, it was agreed that the phased reduction would be accelerated by two years. From 1 January 2023, his pension allowance has been in line with the employer contribution for the majority of SSE's employees, taking into account length of service, at 15% of salary.

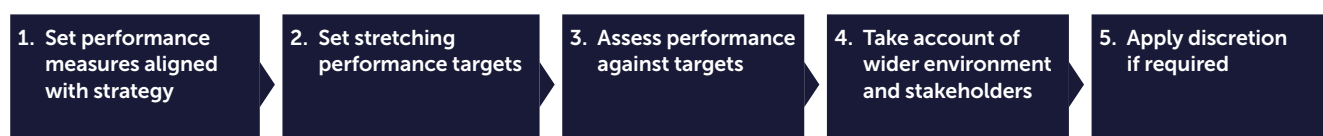
The table below details pension accrued for each of the Executive Directors as at 31 March 2023 and 2022.

	Accrued pension as at 31 March 2023 £000s	Accrued pension as at 31 March 2022 £000s
Alistair Phillips-Davies	549	513
Gregor Alexander	490	461
Martin Pibworth <sup>1</sup>	0	0

<sup>1</sup> Martin Pibworth received an allowance in lieu of a pension contribution of 20% of salary between 1 April and 31 December 2022, and 15% from 1 January 2023.

## Annual Incentive Plan and Performance Share Plan

In setting targets and assessing performance, the Committee followed the process below for both the AIP and PSP:



### 2022/23 Annual Incentive Plan

#### 1. Set performance measures aligned with strategy

AIP requires broad performance across financial metrics (Adjusted EPS and Cashflow) and strategic metrics (Personal, Operational and Sustainability). The performance measures and their weightings are shown below.

Financial (50%)		Personal (10%)	Operational (30%)				Sustainability (10%)		
Adjusted EPS (30%)	Cashflow (20%)	Individual Objectives (10%)	People	Renewables	Distribution	Transmission	Moody's	Sustainalytics	S&P Global
			Thermal	Customer	Other Growth & Transactions				

#### 2. Set stretching performance targets

The financial performance targets were set at the start of the financial year taking into account internal financial plans, external consensus where it exists and the expected impact of identified opportunities and threats to the business in the context of wider economic conditions. The performance target range is set on a realistic basis but requires true outperformance for Executive Directors to achieve the maximum. The Remuneration Committee has a history of setting challenging targets, evidenced by the average AIP payout of 60% since 2013/14 as shown on [page 178](#).

The Committee had originally intended to use four ESG ratings agencies as the basis for assessing performance in relation to Sustainability (as set out in the 2022 Annual Report). However, the provision of detailed comparative data for the MSCI ESG rating was not possible in 2022/23, and therefore, average performance over three indices rather than four has been used. SSE's performance against the MSCI ESG rating was in the upper quintile and as such, the Committee is satisfied that this issue has not made a material difference to the outcome of this performance measure.



## Annual report on remuneration continued

### 3. Assess performance against targets

The table below shows how performance measures are linked to strategy and how performance was ultimately delivered.

	Performance measure					
AIP	Adjusted EPS	Cashflow	Personal	Operational	Sustainability	Total
Link to strategy	Simple Stewardship Stakeholders	Simple Sustainable Stakeholders	Simple Sustainable Stewardship Stakeholders	Simple Sustainable Stewardship Stakeholders	Simple Sustainable Stewardship Stakeholders	
Rationale	Underlying measure of financial performance and strategic KPIs	Net debt/EBITDA	To reflect those activities which go beyond the responsibilities of the role	Operational goals relating to people, the businesses and other growth and transactions	Three external ratings agencies – Moody's, Sustainalytics, and S&P Global	
Weighting	30%	20%	10%	30%	10%	
Threshold	114p	5.0	See scoring framework below	See scoring framework below	Median	
Max	132p	4.5			Upper quintile	
Outcome	166.0p	2.7	See next section			
Performance	100%	100%	90%	79%	100%	
Outturn (% of max incentive)	30%	20%	9%	24%	10%	93%

The Personal and Operational goals will be assessed using the scoring framework as follows:

Score	Illustrative performance assessment	Illustrative outturn as % of maximum <sup>1</sup>
1	Below threshold	Zero
2	Threshold performance	20%
3	Majority of goals at target	40%
4	Substantial majority of goals at or above target	70%
5	All goals at or above target	100%

<sup>1</sup> The Remuneration Committee can decide to award an outturn between levels if warranted.

The tables below and on the following pages provide detail on each of the non-financial measures and the assessment of performance against each one.

High-level measure	Detailed measure	Factors to be assessed	Summary performance	Assessment (score 1-5)	Outcome (% of max)
<b>Personal 10%</b>	<b>Chief Executive</b>	Culture and the SSESET, Financial, People Development, Succession, Stakeholder Management, Strategy and Growth.	Overall, a strong year of performance. Financial performance exceeded targets. Delivered an updated and enhanced NZAP Plus strategy. Successful disposal of a 25% stake in the SSEN Transmission business. Acquisition of Triton Power and a Southern European onshore development platform from SGRE. Pipeline progress in solar and battery. Key appointments made during the year. Seagreen has faced some challenges and increased contractor hours have had an impact on safety.	4+	90%
	<b>Finance Director</b>			4+	90%
	<b>Chief Commercial Officer</b>			4+	90%

High-level measure	Detailed measure	Factors to be assessed	Summary performance	Assessment (score 1-5)	Outcome (% of max)
<b>Operations 30%</b>	<b>People</b>	Health and Safety performance as measured by Total Recordable Injury Ratio (TRIR); recruitment plans and inclusion and diversity as measured by time to hire, filling of vacancies and the percentage increase in gender diversity across SSE.	TRIR increased at 0.19 driven by contractor safety performance. Gender Pay Gap decreased. Female leadership increased. 4,400 vacancies filled (1,300 more than in 2021/22). Time to hire remains steady at 48 days. Simplified Board I&D scorecard introduced. Progress has been made across all diversity groups.	4+	83%
	<b>Renewables</b>	Cost per MW hour, plant availability, progress on renewables pipeline.	Production down by c.15% on plan due to weather. Plant availability at highest levels across onshore sites and improvements across offshore. 4GW of secured pipeline added. Total pipeline is now >20GW. 2nd in the balancing market.	3+	65%
	<b>Distribution</b>	Progress against ED2 business plan; incentive income against agreed target.	Good progress against ED2 business plan. SHEPD and SEPD both performing well following change activity. SSEN Distribution the most improved DNO of the year. Some good performance against incentive measures.	3+	65%
	<b>Transmission</b>	Contract awards achieved against agreed plan; delivery of outputs and approval of projects that maintain a trajectory of RAV greater than £6bn by 2026.	All T2 outputs are on track to be met. Delivery of outputs are expected to outperform despite challenging market conditions. Trajectory of RAV expected to be >£6bn.	4+	90%
	<b>Thermal</b>	Balancing market performance.	Rank 1 generator in the balancing market.	5	100%
	<b>Customer</b>	Finish above median in the Citizen's Advice non-domestic supplier league table.	Ranking in Citizen's Advice league around upper quartile performance level. Airtricity ranked 3rd out of 7 in annual CX survey but showed largest year-on-year improvement.	3+	65%
	<b>Other Growth and Transactions</b>	Progress building pipeline across business areas including solar, storage, hydrogen, and other priority business development areas; progress made on financial sell down of T&D businesses.	Solar and battery pipeline increased to 2GW+ incl 22 long-term/greenfield projects up to 500MW each. Progress in Distributed Energy. Delivery of first EV hub in Glasgow. Transmission stake sale complete. Decision to retain 100% of Distribution at this time.	4+	85%
<b>Total</b>					<b>79%</b>

High-level measure	Detailed measure	Factors taken into account in index scoring	Assessment	Outcome (% of max)
<b>Sustainability 10%</b>	<b>Moody's ESG rating (formerly V.E.)</b>	Environment; Human Resources; Human Rights; Community Involvement; Business Behaviour; Corporate Governance. Peer group: Electric & Gas Utilities	Upper quintile (Sep 2022)	
	<b>Sustainalytics sustainability index</b>	Carbon – own operations; Emissions, Effluents and Waste; Resource Use; Land Use and Biodiversity; Business Ethics; Corporate Governance; Product Governance; Community Relations; Human Capital; Occupational Health and Safety. Peer group: Electric Utilities	Upper quintile (Nov 2022)	
	<b>S&amp;P Global sustainability index</b>	27 different categories which cover all of the above and also additional issues such as Policy Influence, Information and Cyber Security, Talent Attraction and Retention, Stakeholder Engagement, and Climate Strategy. Peer group: ELC Electric Utilities	Upper quintile (Oct 2022)	
<b>Average performance across three assessments</b>			<b>85th percentile (upper quintile)</b>	<b>100%</b>

## Annual report on remuneration continued

### 4. Take account of wider environment

The Remuneration Committee believes that the range of measures used in the AIP ensures that performance is assessed using a balanced approach, without undue focus on a single metric which could be achieved at the expense of wider initiatives. AIP outturns for the wider employee population were also taken into account by the Committee.

### 5. Apply discretion if required

Consideration is given to performance outcomes in light of SSE's performance in the round and against our pay principles. The Committee is clear that no matter their role, getting everyone who works for SSE home safe at the end of each day remains our priority. That focus is all the keener following the tragic death of Liam Macdonald, a young contractor working on Shetland, in June 2022. More information on this including SSE's wider safety performance and response to this tragedy can be found on [page 162](#) onwards.

While safety performance is measured in the formulaic assessment of AIP, the Committee also considered the extent to which a discretionary adjustment should be applied. After careful consideration, the Committee decided to reduce the award outturn to 88%. The discount is greater than the impact of reducing to zero any bonus under the people (and safety) element of the AIP.

AIP earned for each of the Executive Directors is shown in the table below. The total award is made up of 67% cash and 33% which is deferred into shares and vests after three years.

	Maximum (% of salary)	AIP earned <sup>1</sup>	AIP cash	AIP deferred
Alistair Phillips-Davies	150%	1,256,167	841,632	414,535
Gregor Alexander	130%	841,459	563,777	277,681
Martin Pibworth	130%	749,765	502,343	247,422

1 Both the cash and deferred element are subject to clawback provisions.

## 2020 – 2023 Performance Share Plan

### 1. Set performance measures aligned with strategy

PSP performance measures are designed to encourage sustainable value creation, consistent with effective stewardship, encouraging good decision-making for the long term. The measures and their weightings are shown below:

Value Creation (40%)		Financial (40%)		Operational (20%)	
Total Shareholder Return relative to FTSE 100 (20%)	Total Shareholder Return relative to MSCI Europe Index (20%)	Adjusted EPS growth (20%)	DPS growth (20%)	Customer: Distribution (10%)	Customer: Business Energy (10%)

### 2. Set stretching performance targets

The performance target ranges for PSP are set each year to ensure they are stretching and represent value creation for shareholders.

### 3. Assess performance against targets

The vesting of shares under the PSP is subject to the performance measures and targets shown in the table below which also details the actual outturn for the 2020 PSP award vesting this year.

	Performance measure						Total
	TSR v FTSE 100	TSR v MSCI Europe	EPS growth	DPS growth	Customer (Distribution)	Customer (Business Energy)	
Link to strategy	Simple Stewardship Stakeholders	Simple Stewardship Stakeholders	Simple Stewardship Stakeholders	Simple Sustainable Stakeholders	Simple Stewardship Stakeholders	Simple Stewardship Stakeholders	
Rationale	Relative measure of performance	Relative measure of performance	Underlying measure of financial performance	Return on investment through payment of dividends	Meeting customers needs is at core of our business	Meeting customers needs is at core of our business	
Weighting	20%	20%	20%	20%	10%	10%	
Threshold	50th percentile	50th percentile	RPI	RPI	Median ranking	Median ranking	
Max	75th percentile	75th percentile	RPI +10%	RPI +5%	Rank 1	Rank 1	
Outcome	Rank 24 of 95 (above 75th percentile)	Rank 7 of 24 (just below 75th percentile)	In excess of RPI + 10%	RPI	Below median	Average rank 4 of 16	
Performance	100%	94%	100%	50%	0	68%	
Outturn (% of max)	20%	19%	20%	10%	0	7%	<b>76%</b>

#### 4. Take account of the wider environment

SSE's TSR has performed at the maximum level relative to the FTSE 100 and just below upper quartile against the MSCI European Utilities Index, and performance in relation to Business Energy customer service ranking is also above median. EPS growth over the performance period has exceeded the level for maximum vesting. SSE's dividend commitment has been met over the three-year period and therefore, threshold performance at RPI has been achieved.

While the PSP applies to Executive Directors only, the Committee is mindful of the outturns of the long-term incentive arrangement, the Leadership Share Plan (LSP), which applies to senior managers.

#### 5. Apply discretion if required

The Committee believes that the formulaic outcome is a fair reflection of wider performance over this three-year period, in particular the value created for shareholders and taking account of shareholders' interests.

The Committee reviewed the quality of the overall performance and the number of shares awarded in 2020 in comparison with the number of shares awarded in 2019 and in 2018. The number of shares under award in 2020 was 85% of the number of shares awarded in 2019. The Remuneration Committee was satisfied that the Executive Directors have not benefited merely as a result of share price volatility.

The table below shows the maximum number of shares available, the dividends accrued over the three-year performance period, the total number of shares vesting based on the performance outturn, the estimated value of these shares, and the value of any share price appreciation.

	Awards available (% of salary)	Awards available (number of shares)	Additional awards in respect of accrued dividends	Total number of shares vesting	Estimated value of awards vesting <sup>1</sup>	Share price appreciation <sup>2</sup>
Alistair Phillips-Davies	200%	131,244	23,143	117,334	£2,024,952	£389,315
Gregor Alexander	175%	88,761	15,651	79,353	£1,369,476	£263,294
Martin Pibworth	175%	66,430	11,712	59,388	£1,024,917	£197,049

1 The estimated value of the awards vesting has been calculated on the same basis as the PSP value in the single figure table on [page 170](#).

2 The share price at grant was £13.94 and £17.26 on vesting.

#### Other remuneration disclosures

Fees paid to the Chair and the other non-Executive Directors during 2022/23 were as follows:

Non-Executive Directors	Fees £000s	
	2022/23	2021/22
Elish Angiolini <sup>1</sup>	75	42
John Bason <sup>2</sup>	62	0
Sue Bruce <sup>3</sup>	104	101
Tony Cocker	109	105
Debbie Crosbie <sup>4</sup>	75	42
Peter Lynas	94	91
Helen Mahy	90	87
John Manzoni	412	400
Melanie Smith	75	73
Angela Strank	75	73
Total	1,171	1,014

1 Elish Angiolini joined the Board as a non-Executive Director on 1 September 2021.

2 John Bason joined the Board as a non-Executive Director on 1 June 2022.

3 Sue Bruce stepped down from the Board on 31 March 2023.

4 Debbie Crosbie joined the Board as a non-Executive Director on 1 September 2021.

## Annual report on remuneration continued

### Share interests and share awards (audited)

#### Directors' share interests

The table below shows the share interests of the Executive and non-Executive Directors at 31 March 2023.

Director	Shareholding requirement as a % of salary (Actual/% met) <sup>1</sup>	Number of shares			Number of options		Shares owned outright at 31 March 2022
		Shares owned outright at 31 March 2023	Interests in shares, awarded without performance conditions at 31 March 2023 (DBS Awards)	Interests in shares, awarded subject to performance conditions at 31 March 2023 (PSP Awards)	Interests in share options, awarded without performance conditions at 31 March 2023	Interests in share options, awarded subject to performance conditions at 31 March 2023	
Gregor Alexander	717% (225%-met)	292,815	40,798	265,550	130	-	248,434
Elish Angiolini		2,000	-	-	-	-	2,000
John Bason		0	-	-	-	-	-
Sue Bruce		2,484	-	-	-	-	2,484
Tony Cocker		5,000	-	-	-	-	5,000
Debbie Crosbie		2,000	-	-	-	-	2,000
Peter Lynas		5,000	-	-	-	-	5,000
Helen Mahy		3,310	-	-	-	-	3,310
John Manzoni		2,519	-	-	-	-	2,437
Alistair Phillips-Davies	680% (250%-met)	359,184	60,906	388,782	0	-	293,747
Martin Pibworth	357% (225%-met)	130,006	33,263	223,955	2,338	-	97,525
Melanie Smith		2,174	-	-	-	-	2,100
Angela Strank		2,152	-	-	-	-	1,669

1 The Shareholding requirement is 250% of base salary for the Chief Executive and 225% for other Executive Directors. It is expected that non-Executive Directors should build up a minimum shareholding of 2,000 shares. The share price at 31/03/2023 (£18.03) was used to calculate shareholding.

### Directors' Long-term Incentive Plan interests

#### Deferred Bonus awards granted in 2022 and PSP awards granted in 2022

The tables below shows the Deferred Bonus awards and PSP awards granted to Executive Directors in 2022.

#### Deferred Bonus awards granted 2022

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	22/07/2022	14,472	£17.2750	<b>£250,004</b>
Alistair Phillips-Davies	22/07/2022	21,604	£17.2750	<b>£373,209</b>
Martin Pibworth	22/07/2022	12,739	£17.2750	<b>£220,066</b>
				<b>£843,279</b>

#### PSP awards granted 2023

Recipient	Date of Grant	Shares Granted	Market Value on date of award	Face Value
Gregor Alexander	22/07/2022	94,192	£17.2750	£1,627,167
				<b>£1,627,167</b>
Alistair Phillips-Davies	22/07/2022	135,407	£17.2750	£2,339,156
				<b>£2,339,156</b>
Martin Pibworth	22/07/2022	83,928	£17.2750	£1,449,856
				<b>£1,449,856</b>



### Directors' Long-term Incentive Plan interests

The table below details the Executive Directors' Long-term Incentive Plan interests.

	Share Plan	Date of Award	Normal Exercise Period (or Vesting Date)	No. of Shares under award as at 1 April 2022	Option Exercise Price	Additional shares awarded during the year	No. of shares lapsed during the year incl. dividend shares	No. of shares realised during the year incl. dividend shares	No. of Shares under award at 31 March 2023
Gregor Alexander	DBP 2016 <sup>2</sup>	28/06/2019	28/06/2022	Nil Grant				0 <sup>4</sup>	
	DBP 2016 <sup>2</sup>	26/06/2020	26/06/2023	12,494					12,494
	DBP 2016 <sup>2</sup>	06/07/2021	06/07/2024	13,832					13,832
	DBP 2016 <sup>2</sup>	22/07/2022	22/07/2025			14,472 <sup>3</sup>			14,472
	PSP <sup>1</sup>	28/06/2019	28/06/2022	103,991			42,500	82,493 <sup>4</sup>	
	PSP <sup>1</sup>	26/06/2020	26/06/2023	88,761					88,761
	PSP <sup>1</sup>	06/07/2021	06/07/2024	82,597					82,597
	PSP <sup>1</sup>	22/07/2022	22/07/2025			94,192 <sup>3</sup>			94,192
	Sharesave	12/07/2019	24/11/2022 01/10/23	1,837	901p			1,837	
	Sharesave	21/07/2020	– 31/03/24	130	1,107p				130
Alistair Phillips-Davies	DBP 2016 <sup>2</sup>	28/06/2019	28/06/2022	Nil Grant				0 <sup>4</sup>	0
	DBP 2016 <sup>2</sup>	26/06/2020	26/06/2023	18,652					18,652
	DBP 2016 <sup>2</sup>	06/07/2021	06/07/2024	20,650					20,650
	DBP 2016 <sup>2</sup>	22/07/2022	22/07/2025			21,604 <sup>3</sup>			21,604
	PSP <sup>1</sup>	28/06/2019	28/06/2022	153,763			62,842	121,977 <sup>4</sup>	
	PSP <sup>1</sup>	26/06/2020	26/06/2023	131,244					131,244
	PSP <sup>1</sup>	06/07/2021	06/07/2024	122,131					122,131
	PSP <sup>1</sup>	22/07/2022	22/07/2025			135,407 <sup>3</sup>			135,407
	Sharesave	12/07/2019	26/01/2023	1,997	901p			1,997	
Martin Pibworth	DBP 2016 <sup>2</sup>	28/06/2019	28/06/2022	Nil Grant				0 <sup>4</sup>	
	DBP 2016 <sup>2</sup>	26/06/2020	26/06/2023	9,350					9,350
	DBP 2016 <sup>2</sup>	06/07/2021	06/07/2024	11,174					11,174
	DBP 2016 <sup>2</sup>	22/07/2022	22/07/2025			12,739 <sup>3</sup>			12,739
	PSP <sup>1</sup>	28/06/2019	28/06/2022	77,828			31,808	61,738 <sup>4</sup>	
	PSP <sup>1</sup>	26/06/2020	26/06/2023	66,430					66,430
	PSP <sup>1</sup>	06/07/2021	06/07/2024	73,597					73,597
	PSP <sup>1</sup>	22/07/2022	22/07/2025			83,928 <sup>3</sup>			83,928
	Sharesave	12/07/2019	24/11/2022 01/10/24	998	901p			998	
	Sharesave	12/07/2019	– 31/03/25 01/10/25	1,664	901p				1,664
	Sharesave	13/07/2022	– 31/03/26		1,335p	674			674

Shares which are released under the DBP (Deferred Bonus Plan) 2016 and PSP Awards attract additional shares in respect of the notional reinvestment of dividends. In addition to the shares released under these schemes, as indicated in the table above, the following shares were realised arising from such notional reinvestment of dividends. Note no awards under the DBP 2016 granted to the Executive Directors in the 2019 award year:

Gregor Alexander received 13,860 shares, Alistair Phillips-Davies received 20,495 shares and Martin Pibworth received 10,372 shares.

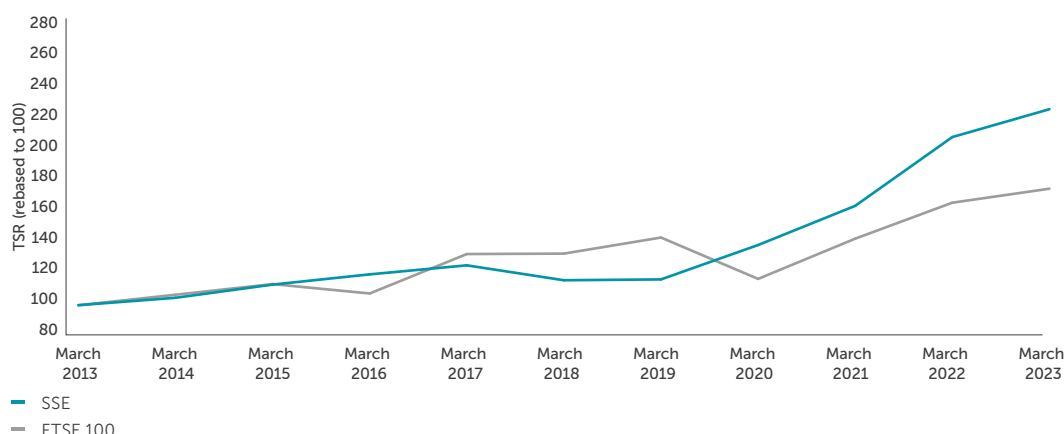
- 1 The current performance conditions applicable to awards under the PSP are described on [page 183](#). The 2018 awards under the PSP vested at 66%.
- 2 25% of annual bonus payable to Executive Directors and senior managers is satisfied as a conditional award of shares under the DBP 2016. Vesting of shares under the DBP 2016 is dependent on continued service over a three-year period. In view of the linkage to annual bonus. Note no awards under the DBP 2016 granted to the Executive Directors in the 2019 award year.
- 3 The market value of a share on the date on which these awards were made was 1,72750p.
- 4 The market value of a share on the date on which these awards were realised was 1,72750p.

The closing market price of shares at 31 March 2023 was 1,803p and the range for the year was 1,428p to 1,920p. Awards granted during the year were granted under the PSP. The aggregate amount of gains made by the Directors on the exercise of share options and realisation of awards during the year was £4,715,794 (2022 - £2,506,172).

## 2. Historical remuneration disclosures

### Change in Chief Executive total remuneration

The graph below shows SSE TSR performance over the last ten years relative to FTSE 100 performance.



The table below shows the Chief Executive's annual remuneration over the same period.

Directors	Single total figure of remuneration <sup>1</sup> (£'000)	Annual variable element award <sup>2</sup> (% of maximum)	Long-term incentive vesting <sup>3</sup> (% of maximum)	Application of discretion
2022/23 (Alistair Phillips-Davies)	4,627	88	76	Downward discretion applied to AIP
2021/22 (Alistair Phillips-Davies)	4,655	83	66	
2020/21 (Alistair Phillips-Davies)	3,045	69	28	Downward discretion applied to AIP
2019/20 (Alistair Phillips-Davies)	2,418	59	27	
2018/19 (Alistair Phillips-Davies)	1,639	0	26	Downward discretion applied to AIP
2017/18 (Alistair Phillips-Davies)	2,693	78	30	
2016/17 (Alistair Phillips-Davies)	2,917	72	46	Downward discretion applied to AIP
2015/16 (Alistair Phillips-Davies)	1,696	54	0	
2014/15 (Alistair Phillips-Davies)	2,311	64	0	
2013/14 (Alistair Phillips-Davies and Ian Marchant) <sup>4</sup>	2,546	63	22	

1 The single total figure of remuneration is calculated on the same basis as the 'single total figure of remuneration' table on [page 170](#).

2 The annual variable element award (AIP) is the figure shown on [page 174](#) and reflected in the 'single total figure of remuneration table' on [page 170](#).

3 The long-term incentive (PSP) vesting is the figure shown on [page 175](#), and reflected in the 'single total figure of remuneration table' on [page 170](#).

4 For 2013/14, an aggregate number has been applied by combining pro-rata values for each Chief Executive based upon their time in role.

### Alignment of Directors' Remuneration Policy with pay across the wider employee population

In setting Executive Directors' pay, a number of factors are taken into account including importantly, relative to the wider workforce. For a number of years, a Chief Executive pay ratio was disclosed voluntarily. In 2018/19, the methodology was revised to meet the new reporting requirements. The methodology used is a hybrid approach combining Gender Pay Gap (GPG) data (see [page 61](#)) with additional elements of pay which are important components of SSE employees' pay such as overtime, employer's contribution to pension and excluding salary sacrifice arrangements. This is believed to allow the most appropriate and consistent comparison.

As shown in the table on the following page, the pay ratio has changed from 102:1 at median in 2021/22 to 97:1 in 2022/23 even though the Chief Executive's remuneration has remained broadly unchanged. This is because employee remuneration at median has increased by almost 10% which can be attributed to a number of initiatives relating to wider employee pay during the year. A skills based pay system was introduced during 2021/22 for around 6,000 employees below senior management level, representing a significant investment in employee pay. In addition, over the course of the year steps have been taken to enhance employee terms and conditions through an improved Employee Value Proposition (EVP), and in response to the cost of living crisis. Further details can be found in the case study on the following page. Some of these initiatives will not impact on employee remuneration until next year's reporting on the CEO pay ratio.

Year	Calculation Methodology	25th percentile		Median		75th percentile		Total employee earnings (m) <sup>1</sup>
		Total Remuneration	Ratio	Total Remuneration	Ratio	Total Remuneration	Ratio	
2022/23	C	£34,881	133:1	£47,864	97:1	£65,199	71:1	£543.5
2021/22	C	£33,046	136:1	£43,793	102:1	£61,195	73:1	£591.0
2020/21	C	£32,268	93:1	£42,295	71:1	£59,454	51:1	£543.1
2019/20	C	£29,234	83:1	£40,908	59:1	£54,863	44:1	£510.0
2018/19	C	£28,611	57:1	£39,010	41:1	£54,066	30:1	£495.3

1 The reduction in total employee earnings in 2022/23 is due to a reduction in the number of employees at the snapshot date used for capturing this data.

SSE is committed to being a responsible employer, and the remuneration policy is designed with fairness in mind – fairness to Executive Directors in recognition of the extent of their responsibilities and fairness relative to the rest of the SSE team. More information on SSE's commitment to decent work and economic growth can be found within the [Sustainability Report](#) which includes information on our ambition to 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 the course of the year, the Remuneration Committee has had the opportunity to review the remuneration arrangements for the wider employee population. The impact of the cost of living crisis on employees was a key focus in the year and the Committee was given the opportunity to input on employee cost of living support and SSE's overall Employee Value Proposition.

## Engagement in action Employees



# SSE's Employee Value Proposition and response to the cost of living crisis

An internal working group was set up to tackle the challenge of improving SSE's Employee Value Proposition (EVP), making it fit-for-purpose to support the growth, attraction and retention challenges we face on our NZAP journey. As the year unfolded and the cost of living crisis took hold, the scope of the group expanded to also cover additional support for employees in light of this.

EVP is wide-ranging and covers areas such as terms and conditions, culture, policies and employee communication. Some of the activity carried out during the year has included:

- Salary ranges were increased by 12% for grades covering around 5,500 employees.
- In response to high levels of inflation and the cost of living crisis, an interim advance of the annual pay award of up to 5% was paid in October 2022. The remaining balance of year 3 of the pay deal was payable from 1 April 2023 and is expected to be in the region of 8% of salary.
- Annual Incentive Plan (AIP) was extended to include the lowest graded personal contract employees.
- Payment of a £500 'thank you' award was made to all employees below

senior management level in recognition of strong business performance.

- Car cash allowances were reviewed and subsequently increased.
- Electric vehicle business mileage rates were improved beyond HMRC levels to cushion varying fuel rates during the cost of living crisis.
- Improvements were made to family friendly policies, including:
  - Introduction of Partner's Leave – an additional 7 weeks' paid leave for partners on top of Paternity Leave.
  - Introduction of up to 2 weeks' full pay for pregnancy loss or fertility treatment.
  - Enhancement to the statutory allowance of 2 days' unpaid leave for partners to attend antenatal and adoption appointments, to paid leave and extended to fostering appointments.
  - Extension to our Gradual Return from Maternity and Adoption Leave to other types of leave for new parents for continuous leave of 3 months or more.
- Launch of 'My SSE Week' – a week of daily live Teams sessions showcasing existing benefits with themes around cost of living, wellbeing and career

development, attended by 7,600 employees with over 1,000 questions submitted.

- A comprehensive benefits review was carried out by an independent 3rd party and gaps were identified with a plan for implementation in 2023 and beyond.
- Agreement was made to introduce an Employee Recognition Platform.
- Enhanced default pension award for those in the Defined Contribution scheme was agreed.



## Annual report on remuneration continued

### Annual percentage change in remuneration of the Directors

Each year, when the Remuneration Committee is considering salary increases, incentive outcomes and benefits for Executive Directors, it is mindful of the treatment of the wider workforce. The table below shows how Executive and non-Executive Directors' changes in remuneration compares to that of the wider workforce.

Director <sup>1</sup>	2020/21 v 2019/20			2021/22 v 2020/21			2022/23 v 2021/22		
	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus
<b>Non-Executive Directors</b>									
Sue Bruce	2%			1%			3%		
Tony Cocker <sup>2</sup>	13%			11%			3%		
Peter Lynas	2%			1%			3%		
Helen Mahy	2%			1%			3%		
John Manzoni							3%		
Melanie Smith	3%			1%			3%		
Angela Strank							3%		
<b>Executive Directors</b>									
Alistair Phillips-Davies	3%	0	20%	1%	4%	21%	3%	3%	9%
Gregor Alexander	3%	0	22%	1	5%	22%	3%	6%	9%
Martin Pibworth	11%	6%	30%	11%	0%	32%	3%	1%	11%
<b>All employees</b>	6%	8%	10%	6%	3%	51%	22%	16%	6%

1 Elish Angiolini, Debby Crosbie and Jason Bason are excluded from this table as they have not been in post for a full two years to make a viable comparison.

2 Tony Cocker became the Senior Independent Director in October 2020 which accounts for the larger changes across the first two periods shown.

### Relative importance of the spend on pay

The table below indicates how the earnings of Executive Directors compare with SSE's other financial dispersals. For every £1 spent on Executive Directors' earnings by SSE in 2022/23, £48 was paid in tax, £74 was spent on employee costs and £270 was spent on capital and investment expenditure. In addition, £92 was made in dividend payments to shareholders for every £1 spent on Executive Directors' earnings.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Executive Directors' earnings <sup>1</sup>	5.3	3.6	5.1	6.8	10.4	10.4
Dividends to shareholders	926.1	973.0	948.5	836.4	862.3	955.8
Adjusted investment, capital and acquisition expenditure	1,503.0	1,422.9	1,371.9	912.0	2,067.8	2,803.3
Total UK taxes paid (profits, property, environment and employment taxes) <sup>2</sup>	484.1	403.7	421.6	379.0	335.3	501.7
Staff costs <sup>3</sup>	665.6	653.5	684.7	700.4	688.7	771.8

1 Calculated on the same basis as the 'single total figure of remuneration' table on [page 170](#).

2 Includes corporation tax, employers' National Insurance contributions and business rates.

3 Staff costs for all employees, as per [note 8.1](#) of the accounts, excluding Executive Directors.

## 3. Governance

### External appointments

Executive Directors are able to accept a non-Executive appointment outside SSE with the consent of the Board, as such appointments can enhance their experience and value to SSE. Any fees received are retained by the Director. Gregor Alexander was a non-Executive Director of Stagecoach Group plc during 2022 and received £61,000 in fees. Alistair Phillips-Davies joined the Board of Anglian Water Services Ltd as a non-Executive Director in November 2022 with an annual fee of £55,000.

### Payments for loss of office and payments to past Directors

There were no payments for loss of office or to former Directors during the year.

## Advice to the Remuneration Committee

The Chief Executive, the Director of Human Resources and Head of Reward advised the Committee on certain remuneration matters for the Executive Directors and senior executives although they were not present for any discussions related to their own remuneration.

The Director of Human Resources and Head of Reward advised on HR strategy and the application of HR policies across the wider organisation.

FIT Remuneration Consultants LLP (FIT) provided a range of information to the Committee which included market data drawn from published surveys, governance developments and their application to SSE, advice on remuneration disclosures and regulations and comparator group pay. FIT received fees of £76,391 in relation to their work for the Committee, calculated on a time and materials basis. FIT are founding members of, and adhere to, the Remuneration Consultants' Group Code of Conduct. The Code defines the roles of consultants, including the requirement to have due regard to the organisation's strategy, financial situation, pay philosophy, the Board's statutory duties and the views of investors and other stakeholders. The Committee reviews the advisers' performance annually to determine that it is satisfied with the quality, relevance, objectivity and independence of advice being provided. FIT provides no other services and has no other connection to SSE or individual Directors.

Freshfields LLP also provided advice on legal matters, such as share plan rules, during the year.

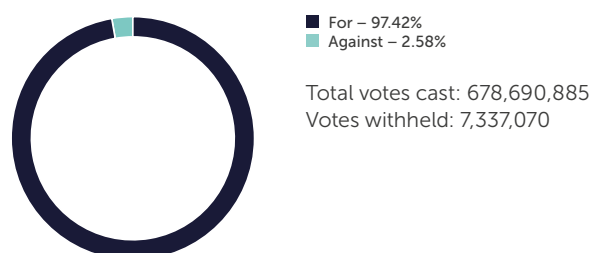
## Evaluation

The annual review of Committee performance was facilitated by Lintstock (see [pages 140 to 141](#)) and the outputs considered by the full Committee. This confirmed the Committee's continued effective operation and agreement of actions for 2023/24.

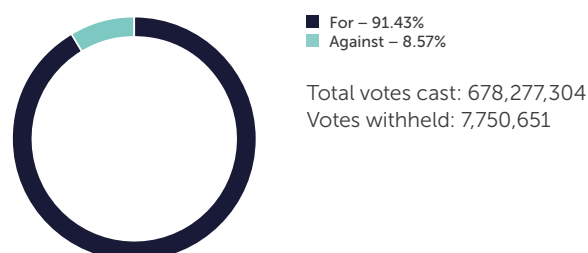
## Shareholder voting in 2022

On 21 July 2022, shareholders approved the Directors' Remuneration Policy and the Annual Remuneration Report for the year ended 31 March 2022. The results of the resolutions are shown below.

### Annual report on remuneration – shareholding voting in 2022



### Directors' Remuneration Policy – shareholder voting in 2022



## Remuneration Committee

The Terms of Reference for the Committee were reviewed during 2022/23 and are available on SSE's website ([sse.com](https://www.sse.com)). In summary, the Committee determines and agrees with the Board, SSE's framework and policy for executive remuneration including setting remuneration for all Executive Directors, the Company Chair, the Group Executive Committee and Company Secretary. No material changes were made to the Terms of Reference during the year.

The members of the Committee and the meetings attended are set out on [page 123](#). The following agenda items were considered:

Meeting date	Agenda items
May 2022	Market and governance update, shareholder consultation, Annual Incentive Plan, Performance Share Plan, Leadership Share Plan, below-Board pay, 2022 Directors' Remuneration Report, share-plan leaver's analysis, Remuneration Committee advisor's performance, 2022-24 Remuneration Committee plan.
November 2022	Market and governance update, AIP and PSP mid-year performance update, below-Board pay, Executive Director pensions, 2022-24 Remuneration Committee plan.
March 2023	Market and governance update, AIP and PSP performance update, Executive Directors' salaries and the Chair's fee, below-Board pay, 2023 Directors' Remuneration Report, Remuneration Committee Terms of Reference review, 2022-24 Remuneration Committee plan, Remuneration Committee evaluation.



## 4. Implementation of the Directors' Remuneration Policy for 2023/24

The table below sets out how the Remuneration Committee intends to operate the Remuneration Policy for the year ending 31 March 2024

Element of pay	Implementation for 2022/23	Comment
Base salary	Salaries will be increased by 5% with effect from 1 April 2023, as follows:  Alistair Phillips-Davies £951,642 to £999,224 Gregor Alexander £735,541 to £772,318 Martin Pibworth £655,389 to £688,158	The Committee took into account: <ul style="list-style-type: none"> <li>• Strong performance and progress made on the NZAP</li> <li>• TSR for the year</li> <li>• Negotiated increase for employees linked to CPI</li> <li>• The Committee's responsibility to stakeholders for ensuring total remuneration is competitive but not excessive</li> <li>• The flow through to other elements of pay</li> <li>• The increasingly competitive market for executive talent</li> <li>• Relativity against FTSE 50 peer group</li> </ul>
Benefits	No changes proposed.	In line with the wider employee population.
Pension	No changes proposed.	From 1 January 2023, the Chief Commercial Officer's pension is aligned with the majority of employees with a similar length of service at 15%.
Annual Incentive Plan	No changes in quantum. No changes proposed to performance measures which are shown in detail on the following page.	Current measures were revised ahead of the 2022/23 performance year and are considered appropriate.
Performance Share Plan	No changes in quantum. No changes proposed to performance measures which are shown in detail on the following page.	Current measures were revised last year in advance of the 2022 PSP grant and are considered appropriate.

### AIP – the measures for 2023/24

AIP measures for 2023/24 will remain largely unchanged. Adjusted Earnings Per Share and cash flow remain key measures for the AIP. Personal and operational targets are set annually and are aligned with the NZAP Plus. These will be disclosed in next year's Directors' Remuneration Report.

Performance measure	Adjusted EPS	Cash flow	Personal/Individual <sup>1</sup>	Operational <sup>2</sup>	Sustainability
Weighting	30%	20%	10%	30%	10%
Description	Underlying measure of financial performance and a strategic KPI.	Net debt divided by EBITDA.	Rewards actions which go beyond the normal responsibilities of the role. May be individual or team based.	Measures and targets are set in priority areas including people (safety and inclusion and diversity), renewables, distribution, transmission, thermal, customers and other growth and transactions.	SSE's performance will be rated by three external ratings agencies – Moody's, Sustainalytics and S&P Global. Performance at the median will be deemed the threshold and performance at the upper quintile or above, the maximum.

<sup>1</sup> Personal goals will take a holistic view of individual performance and will include measures related to safety, compliance, and regulation, stakeholder management, team and personal development, strategy and transformation, and financial and operational performance.

<sup>2</sup> Examples of the operational goals include: People: Health & Safety performance as measured by Total Recordable Injury Rate (TRIR); recruitment plans and inclusion and diversity as measured by time to hire, filling of vacancies and the percentage increase in gender diversity across SSE. Renewables: European projects in construction, cost per MW hour, plant availability, progress on renewables pipeline. Distribution: incentives against agreed targets. Transmission: contract awards achieved against agreed plan; delivery of outputs and approval of projects that maintain a trajectory of RAV greater than £5.6bn by 2024. Thermal: balancing market performance. Customer: finish above median in the Citizen's Advice non-domestic supplier league table. Other Growth & Transactions: progress building pipeline across business areas including solar, storage, hydrogen, and other priority business development areas; progress made on financial sell down of T & D businesses; progress review of Large Capital projects reported to the Board.

The personal and operational goals will be assessed using a scoring framework as follows:

Score	Illustrative performance assessment	Illustrative outturn as % of maximum <sup>1</sup>
1	Below threshold	Zero
2	Threshold performance	20%
3	Majority of goals at target	40%
4	Substantial majority of goals at or above target	70%
5	All goals at or above target	100%

1 The Remuneration Committee can decide to award an outturn between levels if warranted.

### The measures for awards under the Performance Share Plan for 2023

PSP measures for the 2023 award will remain largely unchanged. Relative Total Shareholder Return (TSR) and EPS account for 50% and 20% respectively of the total and the new sustainability and strategic measures 30% of the total award as follows:

Performance measure	Total Shareholder Return relative to the FTSE 100	Total Shareholder Return relative to the MSCI European Utilities	Adjusted Earnings Per Share	Strategic	Sustainability
Weighting	20%	30%	20%	15%	15%
Threshold performance	50th percentile (20% outturn)	50th percentile (20% outturn)	149p (20% outturn)	See below	See below
Maximum performance	80th percentile (100% outturn)	80th percentile (100% outturn)	178p (100% outturn)	See below	See below

The TSR performance targets were strengthened last year with 20% of that element vesting for median performance (previously 25%) and full vesting of that element only achieved at 80th percentile ranking (increased from 75th percentile).

The growth targets for EPS have been set based on SSE's plan over the next three years and represents a CAGR between 12% and 17% based off FY22 EPS of 94.8p. The top end of the range exceeds the Board's expectations and is considered stretching. The Committee will assess the growth targets for future awards under the PSP to ensure that they remain challenging and linked to the business plan.

### Strategic measures and targets for the 2023 PSP award

The measures and targets for this element are linked to the Remuneration Committee's assessment of SSE's performance over the three years to 31 March 2025 in the three main areas of the implementation strategy which have been updated this year to reflect the NZAP Plus.

Strategic area in NZAP	Measures and targets
Renewables	8GW pipeline of net installed capacity potential and 0.5GW of international under construction by FY26.
Networks growth	Transmission and Distribution to exceed the NZAP Plus RAV growth targets of £7 and £6 billion respectively.
Energy businesses	Solar and battery installed capacity to meet 1GW by FY26.
Customer	On course to be a leading ppa player in the market by 2026.

### Sustainability measures and targets for the 2023 PSP award

SSE's UN SDG 2030 Goal	Measure and Targets
<b>SDG 13 Climate Action:</b> Reduce scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO <sub>2</sub> e/kWh.	Scope 1 carbon intensity reduction to 61gCO <sub>2</sub> e/kWh
<b>SDG 7 Affordable and Clean Energy:</b> Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.	Renewables output TWh tracked to 2026/27. Renewables output TWh by 2030/31.
<b>SDG 9 Industry, Innovation and Infrastructure:</b> 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.	GW renewable generation capacity connected to SSEN's electricity transmission network by 2026. Low-carbon technologies connected to SSEN's local electricity distribution networks by 2028.
<b>SDG 8 Decent Work and Economic Growth:</b> 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.	Achieve performance in the top 10% of rankings on average for progress on Just Transition, including in the World Benchmarking Alliance (WBA) and others as they emerge.

Performance against the strategic and sustainability measures and targets will be assessed using the same scoring framework shown above in respect of the personal and operational measures and targets for the AIP.

## Annual report on remuneration continued

### Chair's and non-Executive Directors' fees

Last year, Sir John Manzoni's fee was increased by 3%, in line with the wider employee population, to £412,000. For 2023/24, his fee will be increased by 5%, in line with Executive Directors, to £432,600.

Non-Executive Directors' fees were also increased by 3% last year in line with the wider employee population. For 2023/24, it was agreed that the base fee will increase by 5% to £78,610. In addition, the Board reflected on the time commitments of the various Committee Chairs and agreed to slightly larger increases to these fees. The fees for the Senior Independent Director, Audit Committee Chair and Remuneration Committee Chair will increase by 7% to £20,000. The SSHEAC Chair and Energy Markets Risk Committee Chair will increase to £17,000, an increase of 14%.

The non-Executive Director for Employee Engagement's fee will be brought into alignment with the SSHEAC and Energy Markets Risk Committee Chairs as the time commitment is considered to be equivalent, and will increase from £11,223 to £17,000.

Chair and non-Executive Director fee levels for 2023/24 are shown in the table below. Non-Executive Directors receive a base fee plus an additional fee for chairing a Committee or for performing the role of Non-Executive Director for Employee Engagement.

Fee	2023/24
Chair	£432,600
Base fee	£78,610
Senior Independent Director	£20,000
Audit Committee Chair	£20,000
Remuneration Committee Chair	£20,000
SSHEAC Chair	£17,000
Energy Markets Risk Committee Chair	£17,000
Non-Executive Director for Employee Engagement	£17,000

# Directors' Remuneration Policy – a summary

## Introduction

SSE's Directors' Remuneration Policy (the 'Policy') was approved with over 91% of shareholders support at the AGM on 21 July 2022. It is intended that the Policy will apply for a period of up to three years and will need to be re-approved at the 2025 AGM at the latest. The full Policy is provided in the [2022 Annual Report](#).

## Principles

The Committee believes it is essential that our overall Remuneration Policy is strongly aligned to SSE's purpose and strategy. It aims to ensure this by focusing on our core principles which are: Sustainable, Simple, Stewardship, Stakeholder-focused. In addition, we believe that SSE's Directors' Remuneration Policy, practice and engagement with employees and shareholders complies fully with the UK Corporate Governance Code which encourages a description of how the policy addresses the following:

### Clarity

- Our Directors' Remuneration Policy is designed to be sustainable and simple and to support and reward diligent and effective stewardship that is vital to the delivery of SSE's core purpose of providing energy needed today while building a better world of energy for tomorrow, and our strategy of creating value for shareholders and all stakeholders.
- The Policy updates the previous Policy, with minimal structural changes so is already embedded into the business and is well understood by participants and shareholders alike.
- The Policy clearly sets out the terms under which it can be operated including appropriate limits in terms of quantum, the measures which can be used and discretions which could be applied if appropriate.
- Transparency in approach has been a cornerstone of our Policy. Detailed disclosure of the relevant performance assessments and outcomes is provided for shareholders to consider.

### Simplicity

- Our pay arrangements include a market standard annual incentive and long-term share plan, each of which is explained in detail in our Policy.
- No complex or artificial structures are required to operate the plans.
- We explain our approach to pay clearly and simply.

### Risk

- Appropriate limits are stipulated in the Policy and within the respective plan rules.
- The Committee also has appropriate discretions to override formulaic outcomes under the assessment of the variable incentive plans.
- The Committee undertakes an annual risk review of the Policy and its operation. Identified risks are considered with appropriate mitigation strategies or tolerance levels agreed.
- Regular interaction with the Audit Committee and the SSHEA Committee ensures relevant risk factors are considered when setting or assessing performance targets.
- Clawback and malus provisions are in place across all incentive plans and the 'triggers' have been reviewed and strengthened.

### Predictability

- The possible reward outcomes can be easily quantified, and these are reviewed by the Committee.
- The graphical illustrations provided in the Policy clearly show the potential scenarios of performance and pay outcomes which would result.
- Performance is reviewed regularly so there are no surprises when performance is assessed at the end of the period.

### Proportionality

- Variable incentive pay outcomes are clearly dependent on delivering the strategy.
- Performance is assessed on a broad basis, including a combination of financial, operational and sustainability which ensures there is no undue focus on a single metric which may be at the detriment of other stakeholders.
- The Committee also has the discretion – which it has used – to override formulaic outcomes if they are deemed inappropriate in light of the wider performance of the Company and considering the experience of stakeholders.

### Alignment to culture

- At the heart of the Policy is a focus on the long-term sustainability of the business.
- This reflects the whole business culture which is aligned to effective stewardship which creates value for all stakeholders.
- Our incentive plans and, in particular the approach to measuring performance, reflects our values which means doing the right thing, promoting fairness at work and paying our fair share.

## Directors' Remuneration Policy – a summary continued

### Policy summary

The Policy is summarised in the table below. There are no changes to the operation of the Policy for 2023/24 aside from changes in wording or presentation which are considered to be immaterial.

#### Base Salary

Purpose and link to strategy	Supports the retention and recruitment of Executive Directors of the calibre required to develop the Company's strategy.
Operation and maximum opportunity	Base salary is normally reviewed annually with changes effective from 1 April.  Salary increases will normally be capped at the typical level of increases awarded to other employees in the Company, although increases may be above this level in certain circumstances.
Performance measures	Broad review of performance is included in the annual review process.

#### Pension

Purpose and link to strategy	Pension planning is an important part of SSE's remuneration strategy because it is consistent with the long-term goals of the business.
Operation and maximum opportunity	For the Chief Executive and Finance Director, funded final salary and top-up unfunded arrangements up to the maximum two-thirds of final salary at age 60. From 1 April 2017, future pensionable pay increases are capped at RPI + 1%.  The Chief Commercial Officer receives a pension contribution of 15% of base salary (effective from 1 January 2023) which reflects the wider employee population taking length of service into account.  For new appointments, employer's pension contributions are capped at 12% of base salary in line with arrangements for SSE employees.
Performance measures	Not applicable.

#### Benefits

Purpose and link to strategy	To provide a market-competitive level of benefits for Executive Directors.
Operation and maximum opportunity	Core benefits – currently include car allowance, private medical insurance and health screening.  Participation in the Company's all-employee share plans on the same terms as UK colleagues. Relocation assistance if required.  Reimbursement of travel and business-related expenses incurred.  The cost will depend on the cost to the Company of providing individual items and the individual's circumstances and there is no maximum benefit level.
Performance measures	Not applicable.

#### Annual Incentive Plan (AIP)

Purpose and link to strategy	Reward Executive Directors for achievement of performance targets linked to SSE's strategy and core purpose.
Operation and maximum opportunity	Maximum annual incentive opportunity is 150% of base salary for the Chief Executive and 130% of base salary for the Finance Director and Chief Commercial Officer.  The award will normally be delivered: <ul style="list-style-type: none"> <li>• 67% in cash; and</li> <li>• 33% in deferred shares.</li> </ul> Subject to malus and/or claw back provisions.
Performance measures	The annual incentive is normally based on a mix of financial, operational, strategic and stakeholder measures reflecting the key values and priorities of the business.  A minimum of 50% of the annual incentive will be based on financial performance.



### Performance Share Plan (PSP)

Purpose and link to strategy	Reward Executive Directors for their part in delivering the sustained success of SSE and to ensure that their interests are aligned with those of the shareholders.
Operation and maximum opportunity	<p>Maximum value of award is 250% of base salary for the Chief Executive and 225% of base salary for the Finance Director and Chief Commercial Officer.</p> <p>Shares are awarded which normally vest based on performance over a period of three years with an additional two-year post-vesting holding period during which time the Executive must retain the post-tax number of shares vesting under the award.</p> <p>Subject to malus and/or claw back provisions.</p>
Performance measures	<p>Awards vest based on relative total shareholder return, financial, operational, strategic, or stakeholder-based measures.</p> <p>At least 70% of the award will be based on financial and relative total shareholder return measures.</p>

### Share Ownership Policy

Purpose and link to strategy	Align the interests of Executive Directors with those of shareholders who invest in the Company.
Operation and maximum opportunity	<p>The Chief Executive is expected to maintain a shareholding equivalent to 250% of base salary. The Finance Director and Chief Commercial Officer will be expected to maintain a shareholding of 225% of base salary. Shareholding should be built up within a reasonable timescale.</p> <p>Normally built up via shares vesting through the PSP, deferred shares from the AIP and all employee share schemes and Executive Directors may also choose to buy shares.</p> <p>The requirement to retain shares continues after employment and Executive Directors are required to hold their in-employment shares for a further two years following cessation of employment.</p>
Performance measures	Not applicable.

### Chair and non-Executive Directors' Fees

Purpose and link to strategy	Reward for undertaking the role and are sufficient to attract and retain individuals with the calibre and experience to contribute effectively at Board level.
Operation and maximum opportunity	<p>The aggregate level of non-Executive Director fees shall not exceed the maximum limit set out in the Articles of Association.</p> <p>Fees are reviewed at appropriate intervals against companies of a similar size and complexity. Fees are set in a way that is consistent with the wider remuneration policy.</p> <p>The fee structure may be made up of:</p> <ul style="list-style-type: none"> <li>• a basic Board fee or Chair fee;</li> <li>• an additional fee for any committee chairship or membership; and</li> <li>• an additional fee for further responsibilities e.g. Senior Independent Director, non-Executive Director for Employee Engagement or periods of increased activity.</li> </ul> <p>Reasonable travelling and other expenses for costs incurred in the course of the non-Executive Directors undertaking their duties are reimbursed (including any tax due on the expenses).</p> <p>It is also expected that all non-Executive Directors should build up a minimum of 2,000 shares in the Company.</p>
Performance measures	There are no direct performance measures relating to Chair and non-Executive Director fees.

The full Policy also includes further information on:

- Performance measures and targets.
- Committee discretion.
- Legacy commitments.
- Directors' service contracts and non-Executive Directors' letters of appointment.
- Loss of office policy.
- Recovery provisions.
- Recruitment policy.
- Shareholders' views.
- Remuneration engagement across the Group.
- Illustration of the Policy.

**Melanie Smith CBE**  
**Chair of the Remuneration Committee**  
 23 May 2023

# Other statutory information

The Directors submit their Annual Report and Accounts for SSE plc, together with the consolidated Financial Statements of the SSE Group of companies, for the year ended 31 March 2023.

The Strategic Report is set out on [pages 1 to 109](#) and the Directors' Report, which is also SSE's corporate governance statement, is set out on [pages 110 to 191](#). The Strategic Report and the Directors' Report together constitute the management report as required under Rule 4.1.8R of the Disclosure Guidance and Transparency Rules.

As permitted by section 414C (11) of Companies Act 2006 the below matters have been disclosed in the Strategic Report:

	Page reference
An indication of likely future developments in the business of the Company	<a href="#">pages 1 to 109</a>
Particulars of important events affecting the Company since the financial year end	<a href="#">page 275</a>
Greenhouse gas emissions	<a href="#">page 49</a>
Energy consumption	<a href="#">page 54</a>
Energy efficiency action	<a href="#">page 54</a>
Employee engagement and involvement	<a href="#">pages 28 and 134 to 138</a>
Engagement with suppliers, customers and others in a business relationship with the Company	<a href="#">pages 30, 33 and 56 to 66</a>
A summary of the principal risks facing the Company	<a href="#">pages 68 to 77</a>

Information required to be disclosed under Listing Rule 9.8.4R is contained on the pages detailed below.

	Page reference
Statement of amount of interest capitalised by the Group during the financial year	<a href="#">pages 236 to 237</a>
Details of any long-term incentive schemes	<a href="#">pages 168 to 169</a>

## Results and dividends

The Group's results and performance highlights for the year are set out on [pages 24 to 25 and 78 to 94](#). An interim dividend of 29.0 pence per Ordinary Share was paid on 9 March 2023. The Directors propose a final dividend of 67.7p per Ordinary Share. Subject to approval at the AGM 2023, the final dividend will be paid on 21 September 2023 to shareholders on the Register of Members at close of business on 28 July 2023.

## Board of Directors

### Director appointment and retirement

The Company's Directors who served during the financial year ending 31 March 2023 are provided within the attendance table on [page 123](#). The biographies of those individuals who were Directors of the Company on 23 May 2023 are on [pages 116 to 120](#). Details of Board changes are confirmed on [page 115](#).

The rules governing the appointment and retirement of Directors are set out in the Company's Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and other related legislation.

## Indemnification of Directors and insurance

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association. In addition, the Directors have been granted a qualifying third-party indemnity provision which was in force throughout the financial year and remains in force. Also, throughout the financial year, the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

## Political donations and expenditure

SSE operates on a politically neutral basis and does not make any donations to political parties, political organisations, or independent election candidates. During the year, no political expenditure was incurred, and no political donations were made by the Group.

## Accounting policies, financial instruments, and risk

Details of the Group's accounting policies, together with details of financial instruments and risk, are provided in [note 24](#) to the Financial Statements and [notes A6 to A8](#) of the Accompanying Information.

## Research and development

SSE is involved in a range of innovative projects and programmes which are designed to progressively transform the energy system. A number of these projects and programmes are referred to in the Strategic Report in [pages 1 to 109](#).

## Employment of disabled people

SSE has a range of employment policies which clearly detail the standards, processes, expectations and responsibilities of its people and the organisation. These policies were in place for the duration of the year, and are designed to ensure that everyone, including those with existing or new disabilities and people of all backgrounds, are dealt with in an inclusive and fair way from the recruiting process on through their career at SSE. This includes access to appropriate training, development opportunities and job progression. Further details of this approach can be found on [pages 58 to 62](#).

## Shares

### Share capital

The Company has a single share class which is divided into Ordinary Shares of 50 pence each. The issued share capital of the Company as of 31 March 2023, together with details of any changes during the year, is set out in [note 22](#) to the Financial Statements. As of 31 March 2023, the issued share capital of the Company consisted of 1,093,938,615 Ordinary Shares. This figure includes 3,602,178 ordinary shares which are held in treasury (representing 0.33% of the Company's issued share capital), with these shares voting and dividend rights automatically suspended.

The Company was authorised at the AGM 2022 to allot shares or grant rights over shares up to an aggregate nominal amount equal to £177,945,283 (representing 355,890,566 Ordinary Shares of 50 pence each excluding Treasury Shares), representing one-third of its issued share capital. A renewal of this authority will be proposed at the AGM 2023.

The Company was authorised at the AGM 2022 to allot up to an aggregate nominal amount of £26,691,792 (representing 53,383,584 Ordinary Shares of 50 pence each and 5% of issued share capital) for cash without first offering them to existing shareholders in proportion to their holding. A renewal of this authority will be proposed at the AGM 2023.

### Transfer of Ordinary Shares

There are no restrictions on the transfer of Ordinary Shares in the Company other than certain restrictions which may from time-to-time be imposed by law. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

### Substantial shareholdings

At 31 March 2023, the following percentage interests in the Ordinary Share capital of the Company, had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules, ('DTR 5'). The Company is not aware of any changes in the interests disclosed under DTR 5 between 31 March 2023 and 23 May 2023.

Shareholder	Date of receipt of notification	Voting rights attached to shares*		Voting rights through financial instruments*		Total of both in %	Nature of holding
BlackRock, Inc.	19 January 2023	60,792,041	5.62%	15,780,780	1.63%	7.25%	Indirect, ADR, Securities Lending, CFD
The Capital Group Companies, Inc.	17 September 2020	50,981,817	4.90%	–	–	4.90%	Indirect, ADR
Invesco Limited	7 May 2014	45,775,918	4.69%	–	–	4.69%	Indirect
Caisse de dépôt et placement du Québec	7 January 2021	41,492,159	3.98%	–	–	3.98%	Direct
Barclays Bank Plc	1 August 2022	35,834,843	3.35%	19,978,657	1.87%	5.22%	Indirect, ADR, Options, Right to Recall (loan and collateral)
JPMorgan Chase & Co.	19 January 2023	54,673,418	5.06%	374,155	0.14%	5.2%	Indirect, Depository Receipt, Physically Settled Call Option

\* At date of disclosure by relevant entity.

### Authority to purchase shares

At the AGM 2022, the Company obtained shareholder approval to purchase up to 106,767,170 of its own Ordinary Shares (representing 10% of its issued share capital) up until the earlier of the conclusion of the AGM 2023 and close of business on 30 September 2023.

There was one active share repurchase programme during the year in light of the SCRIP take-up of the final dividend for the year ended 31 March 2022 exceeding 25% announced on 28 September 2022. The programme was carried out in accordance with the authority granted by shareholders at the Company's Annual General Meeting on 21 July 2022 (being 106,767,170 shares), the Market Abuse Regulation (596/2014) and Chapter 12 of the Listing Rules. The details of the shares repurchased under the programme are set out below and can also be found on [sse.com](https://www.sse.com). All shares purchased were cancelled.

Share repurchase programme	Number of shares repurchased	Nominal value of shares purchased	Aggregate amount paid	Percentage of called-up share capital as at 23 May 2023 represented by shares repurchased
Scrip take-up	6,904,083	£3,452,041.50	£106,927,042.11	0.63%

During the financial year, and up until 31 March 2023, the Company used 1,856,282 of the treasury shares acquired under the 2016/17 share repurchase programme to satisfy the requirements of the all-employee Sharesave scheme.

The Directors will, again, seek renewal of their authority to purchase in the market the Company's own shares at the AGM 2023.

## Other statutory information continued


### Voting

Each Ordinary Share of the Company carries one vote at general meetings of the Company. Any Ordinary Shares held in treasury have no voting rights.

A shareholder entitled to attend, speak and vote at a general meeting may exercise their right to vote in person or electronically, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the general meeting at which the person named in the proxy notice proposes to vote. The Directors may in their discretion determine that in calculating the 48-hour period, no account be taken of any part of a day which is not a working day.

Employees who participate in the Share Incentive Plan whose shares remain in the schemes' trust give directions to the trustees to vote on their behalf by way of a Form of Direction. SSE also has a Share Plan Account service with Computershare available to employees with shares arising from a SAYE option maturity, which are voted through the nominee.

### Annual General Meeting (AGM)

The AGM of the Company will be held at the Perth Concert Hall, Mill Street, Perth PH1 5HZ on Thursday 20 July 2023 at 12.30pm. Shareholders will also be able to attend the meeting electronically via the use of an electronic platform and ask questions and vote in real time. Details of the full arrangements for the AGM, resolutions to be proposed, how to vote and ask questions are set out in the Notice of Annual General Meeting 2023 which accompanies this report for shareholders receiving hard copy documents, and which is available at [sse.com](https://sse.com)  for those who elected to receive documents electronically.

### Articles of Association changes

The Company's latest Articles of Association were adopted at the 2021 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.

### Change of control

The Company is party to several agreements that take effect, alter or terminate upon a change of control of the Company following a takeover. At 31 March 2023, change of control provisions were included in agreements for committed credit facilities, EIB debt, US Private Placements, Senior Bonds and Hybrid instruments. The Company is not aware of any other agreements with change of control provisions that are significant in terms of their potential impact to the business.


### Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that ought to have been taken in his or her duty as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

### Related party transactions

Related party transactions are set out in [note A5](#)  of the Accompanying Information.

### Post-balance sheet events

Information relating to post balance sheet events is provided on [page 275](#) .

The Directors' Report set out on [pages 110 to 191](#)  has been approved by the Board of Directors in accordance with the Companies Act 2006.

By order of the Board



**Sally Fairbairn**  
**Company Secretary, SSE plc**  
23 May 2023

# Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards ('IFRS'), and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101, 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant and reliable;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and parent Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent Company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company, or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.



**Alistair Phillips-Davies**  
Chief Executive

23 May 2023



**Gregor Alexander**  
Finance Director