Right action. Right now.

SSE plc Annual Report 2023

SSE develops, builds, operates and invests in low-carbon electricity infrastructure in support of the transition to net zero.

Its businesses are engaged in onshore and offshore wind, hydro power, flexible thermal generation, solar and battery technologies, electricity transmission and distribution, and localised energy systems. It also provides energy products and services to businesses and other customers.

SSE at a glance on page 2

Inside this report

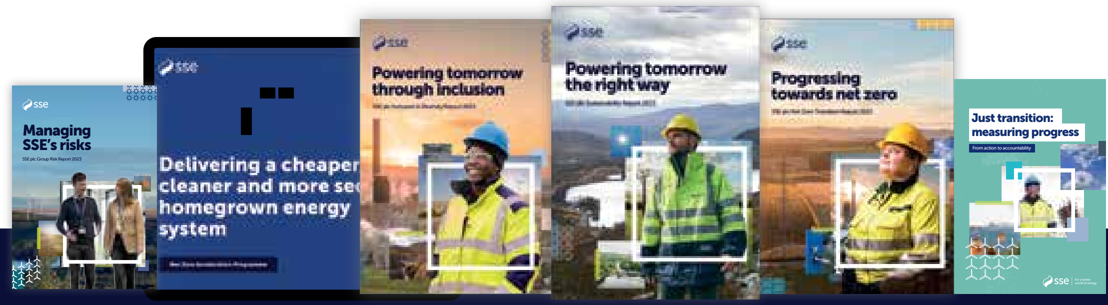
SECTION I

The purpose of this report

Strategic Report
Seeks to give a fair, balanced and understandable record of strategic progress and summarises operational and financial performance. It sets out SSE's long-term goals and associated risks, and provides open disclosure of material issues impacting SSE's stakeholders and the environment. It is complemented by the standalone Sustainability Report 2023 which gives enhanced disclosures of the impact of SSE's policies, practices and performance on people and the planet.

Directors' Report
Demonstrates the standards of corporate governance set by the Board and which have been applied across the work of the Board and its Committees. This includes details of Board decision-making and how stakeholder views have informed the broad spectrum of Board work, including setting strategy and assessing options for future growth.

Financial Statements
Are prepared in accordance with UK-adopted international accounting standards (IFRS), audited by external auditors, and approved by the Board as a true and fair view of the financial state of the Company in a given year.



Electronic tagging (ESEF)
In accordance with European Single Electronic Format ('ESEF') requirement that UK-listed companies publish primary financial statements in machine-readable format, SSE's 2023 Annual Report and Accounts, and notes to the Financial Statements, are published as an XHTML tagged document on sse.com

APM Alternative Performance Measures
SSE assesses the performance of the Group using a variety of performance measures. These measures are not all defined under IFRS and are therefore termed 'non-GAAP' measures. A reconciliation from these non-GAAP measures to the nearest prepared measure in accordance with IFRS is presented and described on pages 194 to 201. The Alternative Performance Measures SSE uses might not be directly comparable with similarly titled measures used by other companies.

Measurement restatements
There has been an immaterial restatement to the Financial Statements for the year ended 31 March 2022. For further details, please see page 209.

Using our complete reporting suite
Throughout this report you can find links to our complementary suite of reporting by following these icons:

- online at sse.com/annualreport2023
- in other SSE publications
- within another section of this report

Help us cut paper
Printing of this Annual Report is carbon balanced, with trees planted to help offset the climate impact of its production. While SSE has sought to reduce the environmental impact of this publication as far as possible, it encourages readers to opt out of receiving printed copies and make use of SSE's digital reporting suite at sse.com/investors, in order to reduce material and resources used.

Glossary
While every effort is made to explain technical terms and abbreviations where they appear in the text of this Annual Report, a glossary is provided to further assist the reader on page 347.

SSE at a glance

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

Financial highlights

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

Group operating profit/loss
£2,529.2m
Adjusted
£(146.3)m
Reported

Profit/loss before tax
£2,183.6m
Adjusted
£(205.6)m
Reported

Earnings/Losses Per Share
166.0p
Adjusted
(14.7)p
Reported

Dividend
96.7p

Adjusted investment and capex
£2,803.3m
(after refunds, including acquisitions)

Non-financial highlights

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

Safety (TRIR) per 100,000 hours worked
0.19

Economic contribution UK/ROI
£6.04bn/ €429m

Market based | **Economically regulated**

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

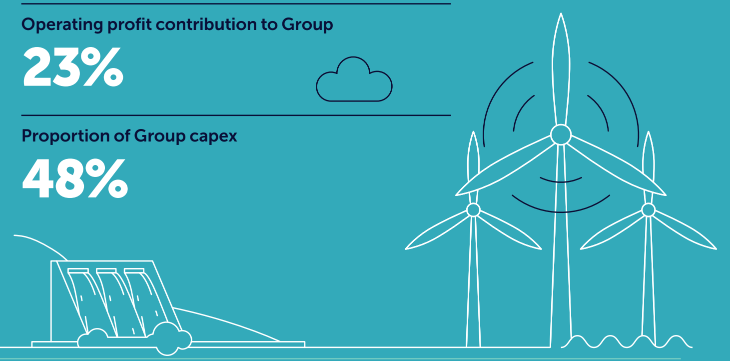
SSE Renewables

Onshore and offshore wind; flexible, run-of-river and pumped storage hydro; solar and battery.

Operating profit
£580.0m
Adjusted
£446.3m
Reported

Operating profit contribution to Group
23%

Proportion of Group capex
48%



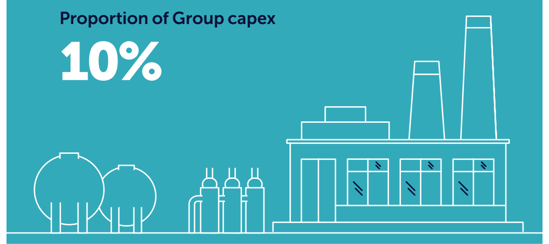
SSE Thermal

Gas-fired power stations; hydrogen carbon capture and storage; gas storage.

Operating profit
£1,031.9m
Adjusted
£1,089.5m
Reported

Operating profit contribution to Group
41%

Proportion of Group capex
10%



Balance between renewables and thermal output/earnings provides a natural hedge against market volatility and weather variability.

SSEN Transmission

Connecting power generation to urban areas of demand.

Operating profit
£372.7m
Adjusted
£405.5m
Reported

Operating profit contribution to Group
15%

Proportion of Group capex
18%

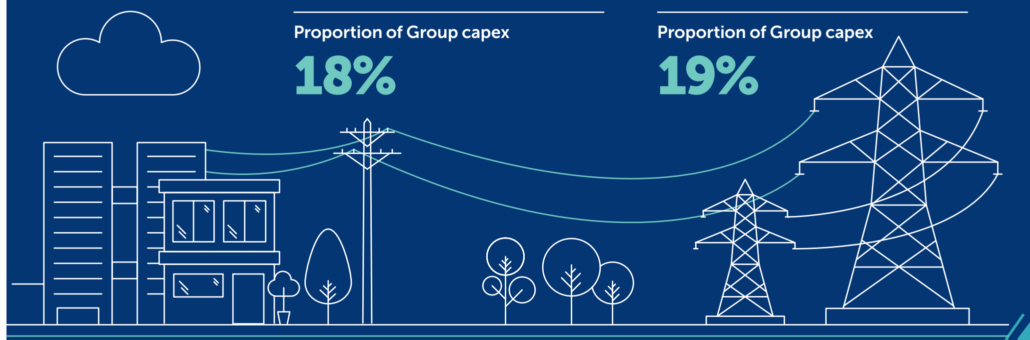
SSEN Distribution

Powering 3.9m homes and businesses.

Operating profit
£382.4m
Adjusted
£382.4m
Reported

Operating profit contribution to Group
15%

Proportion of Group capex
19%

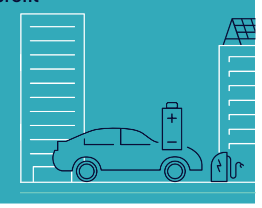


Energy Customer Solutions

Providing access to green energy for households and businesses.

SSE Airtricity operating profit
£5.6m
Adjusted
£5.2m
Reported

SSE Business Energy operating profit
£17.9m
Adjusted
£17.9m
Reported



SSE Distributed Energy

inc Solar and Battery*

Operating profit/loss
£(27.4)m
Adjusted
£33.5m
Reported

Energy Portfolio Management

Procuring the fuel required for, and trading the power output from, SSE's generation assets, as well as trading on behalf of its supply businesses.

Operating profit/loss
£80.4m
Adjusted
(£2,626.0)
Reported

* From April 2023 the Solar and Battery business is part of SSE Renewables.

Chair's statement

Right action. Right now.

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

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

Responding to uncertainty

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

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

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

The people driving our delivery

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

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

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

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

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

Getting everyone who works for SSE home safe at the end of each working day has always been our top priority, but it has been a difficult year. The devastating death in June of Liam Macdonald, a young contractor working on Shetland, has caused us to refocus our efforts. A new contractor safety team has been established to ensure our partners are supported and performance is closely monitored across all our large capital projects (See pages 63 and 162).

Right strategy at the right time

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

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

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

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

The opportunities and options for SSE to deploy its capabilities and resources have grown substantially since the programme launch in November 2021.

We have since refreshed the programme with the launch of a more stretching 'NZAP Plus' which includes plans for £18bn of investment out to 2027.

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

Going further, and faster

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

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

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

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

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

Leaving no-one behind

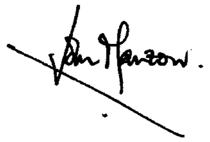
A truly just transition to net zero will leave no-one behind and that means bringing our stakeholders with us. SSE was an early adopter of the principles of a just transition and we recognise that continued consensus in favour of net zero will, in part, depend on the fairness, perceived and experienced,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

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

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

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

A key objective of this Strategic Report and the associated Section 172 Statement (See page 26) is to build on disclosures we have provided in recent years and reflect on the work being done to promote SSE's long-term success. Both reports are approved by the Board in accordance with the Companies Act 2006 and we welcome comments on the matters covered within the following pages.



Sir John Manzoni
Chair, SSE plc
23 May 2023

Chief Executive's review

Raising the bar on net zero.

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

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

There is no doubt that the year also brought its challenges. But progress made in the face of exceptional macro-economic conditions, government intervention in energy markets and the continued impact of the war in Ukraine gives us immense confidence in our strategic direction and optimism about meeting our ambitious 2030 Goals. (See pages 22 to 23).

We have always said our Net Zero Acceleration Programme (NZAP) represents the floor, not the ceiling, of our ambitions. Backed by excellent growth options and strong financial performance, we are well placed to explore further investments to support an accelerated transition to net zero with the revised 'NZAP Plus' we announced in May 2023.

Commitment and resilience

In volatile times SSE continues to be resilient thanks to our very deliberate mix of market-based and economically regulated businesses, world class assets, natural hedges, balance sheet strength and, above everything else, the quality of our people.

The nature of our business means everyone at SSE has been keenly aware of, but not immune to, the inflationary pressure of high energy prices in the past year. With this in mind we introduced a number of measures, including bringing forward a proportion of the 2023 pay settlement, to ease the burden on employees over winter. We also know difficult times bring emotional pressures too, and I'm pleased that we have taken what we learned from Covid-19 and continued to improve the mental health and wellbeing support we offer colleagues.

On behalf of the executive team, I would like to thank all SSE's direct employees and contractors – not just for their achievements in 2022/23 – but for their unremitting passion, commitment and dedication to our purpose of building a better world of energy.

No matter their role, getting everyone who works for SSE home safe at the end of each day remains our number one priority and that focus is all the keener following the tragic death of Liam Macdonald on Shetland in June 2022. As our operational activities increase so too does our focus on delivering industry leading safety programmes with our partners. (See pages 63 and 162).

> "Backed by excellent growth options and strong financial performance, we are well placed to explore further investments to support an accelerated transition to net zero with the revised 'NZAP Plus' we announced in May 2023."

Clean, secure, affordable energy

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

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

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

Delivering record investment

The NZAP Plus is the platform to achieve these aims, giving us a pathway to invest £38bn in GB and Ireland by the end of the decade. SSE is on course to deliver 20% of both the electricity networks and offshore wind needed to meet the UK's net zero targets for 2030. And opportunities associated with net zero continue to accelerate across the value chain, not least in SSE's networks businesses.

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

The final RIIO-ED2 determination sees baseline allowances for SSEN Distribution increasing by £300m from draft determinations, representing a 22% increase in allowed expenditure compared to an equivalent period in RIIO-ED1.

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

A year of milestones

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

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

It was also a particularly strong year for our thermal business, which officially welcomed Keadby 2 into the fleet with commercial operations at Europe's most efficient CCGT commencing in March 2023. SSE Thermal's portfolio was further bolstered by the acquisition of 1.3GW Triton Power with Equinor, which holds significant CCS and hydrogen potential and has already created value for the Group.

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

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

Options for strategic growth

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

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

An optimistic future

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

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

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

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

Our strategy

OUR PURPOSE

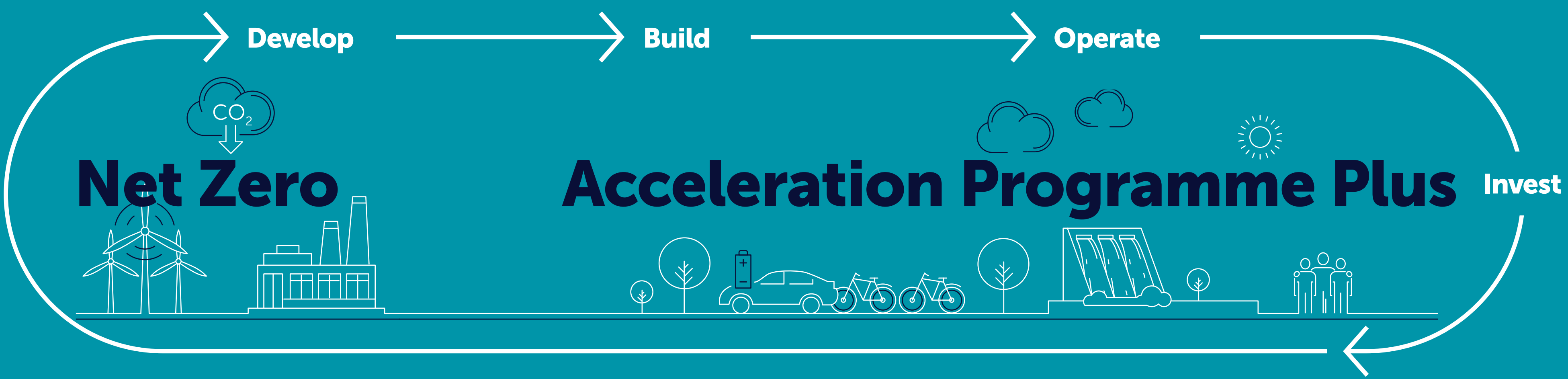
To provide energy needed today while building a better world of energy for tomorrow.

OUR VISION

To be a leading energy company in a net zero world.

OUR STRATEGY

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



OUR GOALS

SSE's 2030 Goals, aligned to the UN's SDGs, provide important milestones on the journey to net zero.

More about our progress on page 22

Cut carbon intensity by 80%

Reduce scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to $61gCO_2e/kWh$.

Increase renewable energy output fivefold

Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

Enable low-carbon generation and demand

Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030.

Champion a fair and just energy transition

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

OUR VALUES

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

Safety
If it's not safe, we don't do it.

Service
We are a company that customers can rely on.

Efficiency
We focus on what matters.

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

Excellence
We continually improve the way we do things.

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

Our business model

WHO AND WHAT WE RELY ON — HOW WE DO IT — WHY WE DO IT — THE VALUE WE CREATE

Key stakeholder groups

Employees
SSE's strategy and success are dependent on the shared talent, diversity, innovation and values of the people it employs.
Direct employees
c.12k

Shareholders and debt providers
SSE must be well-financed, with the ability to remunerate shareholders for their investment, secure debt at competitive rates and grow the business.
Market cap
£19.6bn
at 31 March 2023

Energy customers
Consumers create demand for the energy and services SSE provides and set the tone for our purpose.
Networks and supply customers
4.98m

Government and regulators
SSE relies on policy frameworks and public services that support investment in critical national infrastructure, are fair on customers and maintain the momentum behind net zero.
Investment in infrastructure (capex)
£2.8bn

NGOs, communities, society
SSE needs the support of the communities it works in and the backing of civil society in pursuit of a just transition to net zero.
Investment in communities
£16.5m

Suppliers, contractors and partners
SSE relies on a healthy supply chain and works with partners whose capabilities offer synergies for innovative project development and efficient ownership structures.
Number of suppliers
c.9,000

More on pages 26 to 33

Natural environment

From wind and water used to produce energy, to materials used to build energy infrastructure, natural resources are essential to SSE's value creation.
Science-based carbon targets aligned to
1.5°C

More on pages 52 to 55

Develop

SSE identifies opportunities in domestic and overseas markets where it can best use its capability in providing the clean, affordable energy infrastructure needed to decarbonise the economy.

It works with partners with relevant technical and geographic expertise in the deployment of proven and innovative technologies to grow a development pipeline that creates lasting value and benefits all stakeholders.

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

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

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

Build

SSE consistently delivers highly complex electricity infrastructure in a timely manner and within budget.

It draws on a proud heritage of construction and utilises modern technologies in the building of assets that are critical to a cleaner, cheaper, more secure energy system.

As a national clean energy champion, SSE takes seriously the role it has to play in decarbonising the energy system and has published the world's first business strategy for a just transition to net zero.

It is providing the renewables, the enabling networks and the flexible thermal generation that will be needed in a smooth transition.

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

Operate

SSE operates its assets in a responsive and responsible way. It promotes a culture of continuous improvement and stakeholder engagement to provide quality customer service.

It invests in asset resilience to meet consumer demand and strives to ensure the safety and wellbeing of the people and places impacted by its activities.

As a critical service provider, SSE works to ensure the generation plant availability and networks resilience needed to support security of supply in the UK and Ireland.

It also operates its assets efficiently through the implementation of innovation, learning and technology to maximise shareholder return and optimise customer value.

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

Invest

SSE invests in low-carbon infrastructure as part of its net zero-focused strategy. Its investments are fully funded and underpinned by partnering which unlocks value, and debt secured at efficient rates.

In May 2023, SSE announced it would be enhancing its investment programme as part of an updated 'NZAP Plus' amounting to £18bn of capital expenditure.

SSE invests to fulfil its core purpose and support the Board's endeavours to promote the long-term success of the Company.

It invests to create lasting value for shareholders and society, exercising financial discipline that commits only to projects that are expected to offer returns that are greater than the cost of capital.

And it invests to help meet its social obligations by contributing to GDP growth through payment of tax and creating quality jobs and supporting the supply chain through growth of the Company.

At a Business Unit-level, SSE also invests in innovation and R&D that is furthering the cause of decarbonisation. More detail on this can be found in the SSE Sustainability Report 2023.

Employees
Jobs advertised
3,732
Internal and external roles. SSE expects to create 1,000 new jobs a year up to 2026.

Shareholders and debt providers
Dividend
96.7p
SSE has a clear dividend policy and growth opportunities to support long-term shareholder value.

Energy customers
SSE Airtricity customer support
€25m
Most comprehensive customer support package offered on the island of Ireland.

Government and regulators
Taxes paid UK/ROI
£502m/€53.8m

NGOs, communities, society
Community projects supported
1,160
Covering renewables and networks projects.

Suppliers, contractors, partners
Economic contribution UK/ROI
£6.04bn/€429m
PwC analysis of SSE's contribution to GDP.

Natural environment
Scope 1 and 2 GHG emissions up
4.5%
While SSE's total carbon emissions increased in 2022/23, emissions intensity has remained relatively constant as investment delivers increasing levels of renewable energy.

Sector review

Navigating through instability

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

Households squeezed as impact of war reverberates across Europe

The cost of living crisis in 2022/23 further underlined the importance of continued investment in homegrown sources of energy to reduce national exposure to external global forces.

Simultaneously, governments across Europe and the world looked to recalibrate and expedite their renewable energy ambitions. In tandem with government policy, SSE continues to take direct aim at the long-term causes of the current crisis by investing billions in domestic low-carbon infrastructure.

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

In response to the cost pressures facing its customers, SSE spent much of the year working closely with policymakers to develop and embed government support schemes. SSE Airtricity established the largest customer support fund in Ireland, with provision for up to €25m in affordability funding, before later giving each customer a €35 rebate to honour its commitment to not making a profit in 2022/23. Meanwhile, SSE Business Energy applied customer discounts to the value of £721m in the year under the UK Government's Energy Bill Relief Scheme.

The cost of living is directly linked to SSE's exposure to the Principal Risk of Energy Affordability – details of how this is mitigated are on page 73.

Energy security tops the political agenda

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

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

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

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

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

Market intervention in unprecedented times

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

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

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

SSE's Principal Risks of Energy Affordability and Political and Regulatory Change are interconnected. See pages 73 and 76 for details of how SSE's manages its exposure to these risks.

International competition heats up

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

In response, other jurisdictions raced to send unambiguously positive messages to investors, with the European Commission instituting a wide-ranging scheme of its own. The REPowerEU programme seeks to ramp up the bloc's domestic renewable energy generation capacity to 1,236GW by 2030. This was positive news for SSE's recently acquired Southern European development platform which already offers a secured pipeline of 2.2GW with additional future prospects.

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

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

Supply chains tested as costs climb

As global demand for low-carbon projects exponentially grows, so too must the supply chain to deliver it. In the next seven years, the UK alone is targeting more than 100GW of renewables capacity. Like other industries that have experienced high growth, the massive expansion of projects to date is already putting pressure on supply chains – with significant demand growth still to come.

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

After decades of driving down costs, in the case of offshore wind from £140/MWh to less than £40/MWh, a clear inflection point was reached in 2022/23. Industry and government are beginning to think differently about procuring renewables with a focus on value and deliverability, not simply cost. The UK, like other countries, will need to build all its projects if it is to meet its energy security and net zero targets; a race to the bottom on costs risks projects not being built and supply chain investments going elsewhere.

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

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

Supply chain pressures influence SSE's exposure to its Principal Risk of Large Capital Projects Management. See page 75.

Global opportunities emerge as net zero resolve hardens

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

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

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

Aiming for 61% of total electricity generation to come from renewables by 2030, the International Energy Agency (IEA) estimates that renewable energy capacity will have to triple, with a huge chunk of this growth to come from wind, solar and hydro. Beyond the installation of renewable power, this also means installing transmission lines, building local smart grids and electricity storage, and rolling out technologies that enable system flexibility.

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

Adapting to extreme weather events

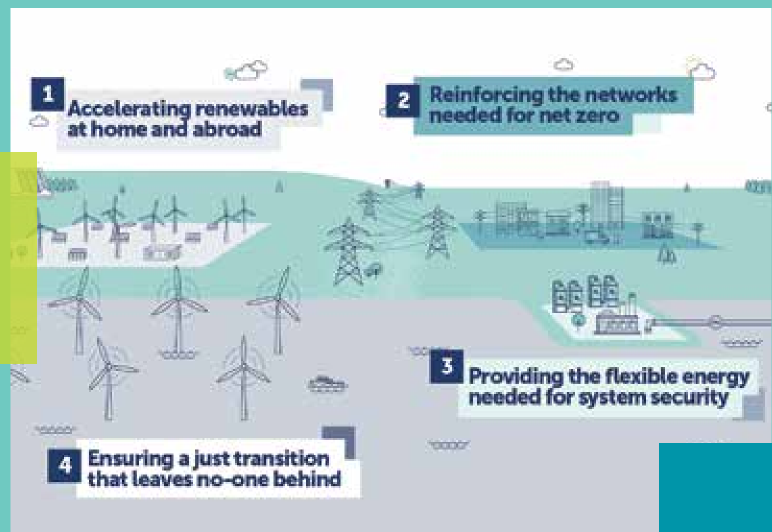
As the world adapts to more extreme weather patterns associated with climate change the energy sector finds itself on the front line. Changes in rainfall and wind patterns are felt right across the SSE Group, with lower levels of wind impacting SSE Renewables' output for the second year running in 2022/23.

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

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

Extreme weather influences SSE's exposure to its Principal Risks of Energy Infrastructure Failure and Portfolio Exposure. See pages 74 and 76.

SSE's place in the future energy world



For more detail on the work SSE is doing to meet the challenges of the energy sector of tomorrow, go to www.sse.com/annualreport2023/.

Net Zero Acceleration Programme Plus

Optimal pathway to growth

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

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

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

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

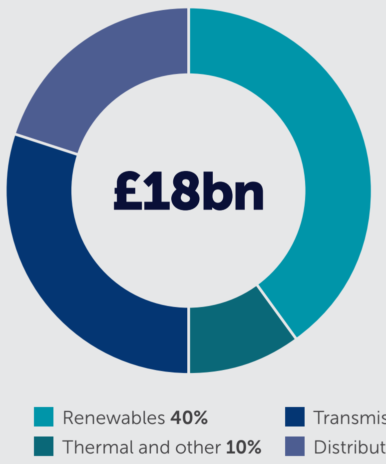
The new NZAP Plus includes investment of £18bn over the five years to 2027 and a balanced allocation of investment across the Group.

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

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

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

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



Renewables
~40%

Electricity networks
~50%

Sharper focus on climate solutions

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

Updated dividend plan

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

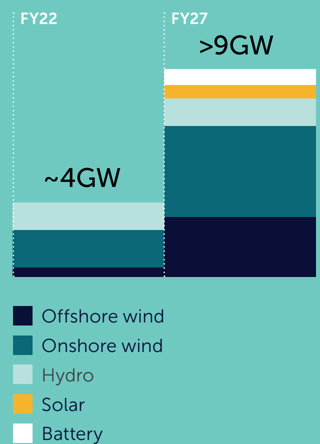
Medium-term targets

... delivering accelerated growth at attractive returns out to 2027...

Renewables

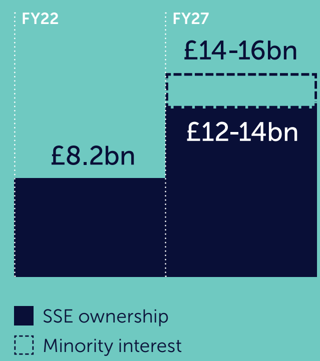
Net capacity
>9GW

Pipeline
>15GW



Electricity networks

Gross RAV CAGR
~14%



Adjusted EPS CAGR
13-16%

Net debt/EBITDA
3.5-4.0x

Forecast annual dividend growth
5%-10%

Long-term targets

... with 2030 Goals aligned to four UN SDGs ...

See page 22 for SSE's progress against these

... enhanced 2032 growth targets in the NZAP Plus ...

Net installed renewables capacity
>16GW

Net low-carbon flexible thermal
>2GW

Net networks RAV
>£20bn

Science-based carbon targets aligned to
1.5°C

... and a Net Zero Transition Plan for net zero emissions on scopes 1 and 2 by 2040, and scope 3 by 2050 at the latest.

A year of strategic progress

Delivering on net zero

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

Building for clean, secure, affordable energy

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

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

Seagreen (1,075MW, 49% SSE stake), overcame difficult weather conditions and installation vessel availability problems in 2022/23. The world's deepest fixed-bottom offshore wind farm, it achieved first power in August 2022 and is due for completion in summer 2023.

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

Flexible thermal generation plant like SSE's Keadby 2 power combined-cycle gas turbine (CCGT) station in North Lincolnshire will also be needed to meet net zero ambitions.

After four-and-a-half years in construction, Keadby 2 entered commercial operation in March 2023. Fitted with a Siemens Energy 9000HL 50Hz turbine, Keadby 2 is the most efficient CCGT plant of its type in Europe and work is already under way exploring the potential for hydrogen blending at the plant.

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

Pursuing opportunities at home and abroad

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

The acquisition of a Southern European development platform in 2022 increased SSE's secured pipeline from 11GW to around 14GW.

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

In Japan, the SSE-Pacifico platform is preparing projects for offshore auctions in a market with huge potential whilst in Northern Europe and the US, SSE is working with local partners to gear up for future auctions.

Closer to home, Coire Glas, a pumped storage hydro project that has long been on the drawing board awaiting a supportive policy environment for long-duration electricity storage, moved a step closer to reality in March 2022 with a commitment by SSE to £100m of exploratory work. The project, which received planning consent from the Scottish Government in 2020, would more than double Britain's total current electricity storage capacity. Subject to good development progress and prevailing policy, SSE hopes to make a final investment decision in 2024.

A framework for transmission growth

SSEN Transmission operates one of the fastest growing regulated electricity networks in Europe. The second year of RIIO-T2 saw delivery milestones on the Shetland HVDC (see separate case study) and SF_6-free Kintore substation projects.

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

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

This projection is based on confidence provided by Ofgem's Accelerated Strategic Transmission Investment framework and its updated Holistic Network Design, which recognise the need for significant networks investment to meet the UK's ambition for 50GW of offshore wind by 2030.

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

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

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

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

A year of strategic progress continued

Connecting Scotland's islands

Scotland's three main island groups hold untapped reserves of renewable energy and unlocking that potential moved closer in 2022/23 thanks to progress made on SSEN Transmission's HVDC link to Shetland and Ofgem's 'minded to' decision on a subsea connection to Orkney.

The £660m Shetland HVDC link involves around 260km of cabling, all but 10km of which will be in the sea. The project also requires a 320/132kV substation and HVDC convertor station at Upper Kergord and an HVDC switching station at Noss Head in Caithness to connect to the mainland.

The first 100km of cable was successfully installed in July 2022 by a specialist vessel, the NKT Victoria. A further 60km was laid in March 2023 and the remainder will be in place in the North Sea later this year, completing the full subsea link.

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

The proposal for Orkney would enable the connection of up to 220MW of new renewables and consists of a new substation at Finstown and around 57km of subsea cable connecting at Dounreay in Caithness.

Powering communities through RIIO-ED2

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

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

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

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

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

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

Backing up the energy system of tomorrow

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

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

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

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

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

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

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

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

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

2030 Goals

Progress in action

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

Accelerating business ambition

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

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

Measures of progress

Reinforcing SSE's commitment to the achievement of its 2030 Goals, performance against them is linked to the long-term incentive element of executive remuneration. 2022/23 is the first year progress is measured against SSE's new, more stretching 2030 Goals announced in February 2022. A summary of this progress is outlined opposite, with more detail available in the Remuneration Committee's Report from page 166.

SUSTAINABLE DEVELOPMENT GOALS

More on page 35

Cut carbon intensity by 80%

Reduce Scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to $61gCO_2e/kWh$.

The scope 1 GHG intensity of electricity generated remained relatively stable, falling by 2% between 2021/22 and 2022/23. Progress was made in renewables growth and in developing lower-carbon thermal generation options. While SSE Thermal's Keadby 3 Carbon Capture Power Station project was not progressed to the final stages of the UK Government's Cluster Sequencing Process, a similar development at Peterhead attracted the Government's 'Tier 2' status. Keadby 2 began commercial operations in March 2023, which is Europe's most efficient CCGT. SSE Thermal also secured 10-year capacity contracts – subject to planning permission and final investment decisions – for two new low-carbon power stations fuelled by sustainable biofuel in Ireland.

$254gCO_2e/kWh$
Scope 1 GHG intensity of electricity generated

17%
Decrease in Scope 1 GHG intensity of generated electricity from the 2017/18 baseline

UN SDG: 13 CLIMATE ACTION

Increase renewable energy output fivefold

Build a renewable energy portfolio that generates at least 50TWh of renewable electricity a year by 2030.

Having experienced exceptionally still and dry conditions in the prior year, SSE's renewable generation volumes in 2022/23 rose by 7% but were 13% behind plan due to Seagreen project delays and unfavourable weather. SSE Renewables made progress with its key flagship projects. First power was achieved at the 1,075MW Seagreen offshore wind project (49% SSE stake) and progress was made on Dogger Bank offshore wind farm (3,600MW, 40% SSE stake). Onshore, the 443MW Viking wind farm was successful in securing a Contract for Difference (CfD) in July 2022 and construction has progressed well, with the first turbine successfully installed in April 2023.

10.2TWh
Renewable generation output 2022/23*

2.6GW
Renewable energy capacity in construction at 31 March 2023

* Includes pumped storage, biomass and constrained off wind in GB.

UN SDG: 7 AFFORDABLE AND CLEAN ENERGY

Enable low-carbon generation and demand

Enable at least 20GW of renewable generation and facilitate around 2 million EVs and 1 million heat pumps on SSEN's electricity networks by 2030.

At the end of 2022/23, there was just over 9GW of renewable capacity connected to SSEN Transmission's network, up from 7.9GW the previous year. In the same period, SSEN Distribution had around 208,500 pure electric vehicles or plug-in hybrid vehicles registered in its licence areas and had connected around 52,500 heat pumps to its networks. SSEN Distribution continued to progress several key innovation projects with partners to support flexible markets and future infrastructure provision for the mass adoption of electric vehicles (EVs).

>9GW
Renewable generation capacity connected to SSEN Transmission network

c.52,500
Heat pumps connected to SSEN Distribution's network

c.208,500
Pure electric or plug-in hybrid vehicles registered in SSEN Distribution's licence areas

UN SDG: 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Champion a fair and just energy transition

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

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

1st year
Accredited with the Fair Tax Foundation's new Global Multinational Business Standard

10th year
Of being a real Living Wage accredited employer

UN SDG: 8 DECENT WORK AND ECONOMIC GROWTH

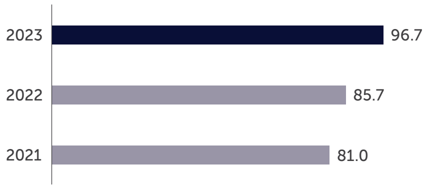
Key Performance Indicators

Resilience and growth

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

Financial KPIs

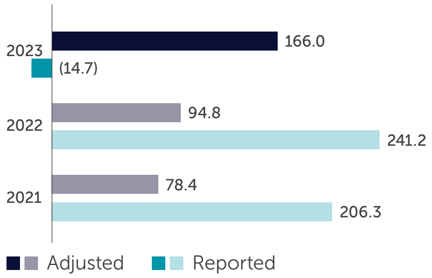
DIVIDEND PER SHARE (PENCE)



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

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

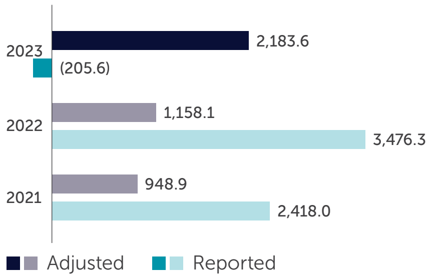
ADJUSTED AND REPORTED EARNINGS/LOSSES PER SHARE (PENCE) APM



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

Performance: Results in 2022/23 are attributable to strong performance of SSE's business mix in volatile market conditions.

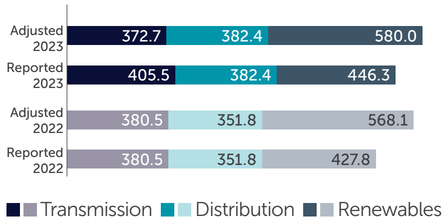
ADJUSTED AND REPORTED PROFIT/LOSS BEFORE TAX (£M) APM



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

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

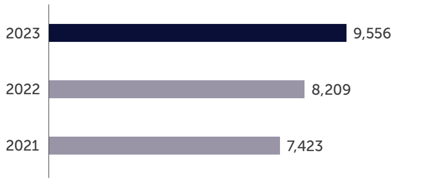
ADJUSTED AND REPORTED OPERATING PROFIT BY BUSINESS (£M)



Strategic relevance: SSE's purpose is built on the strategic logic of electricity businesses and assets that share common skills and capabilities in pursuit of net zero.

Performance: Combined, SSE's renewables and electricity networks businesses accounted for 53% of Group adjusted operating profit.

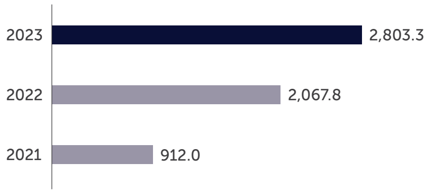
COMBINED NETWORKS REGULATED ASSET VALUE (£M)



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

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

ADJUSTED INVESTMENT, CAPITAL AND ACQUISITIONS (£M)



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

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

More information

SSE's social contribution
See pages 56 to 66

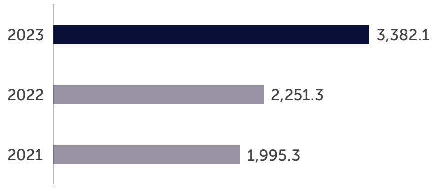
Financial Review
See pages 78 to 94

SSEN Transmission Operating Review
See pages 96 to 97

SSEN Distribution Operating Review
See pages 98 to 99

SSE Renewables Operating Review
See pages 100 to 102

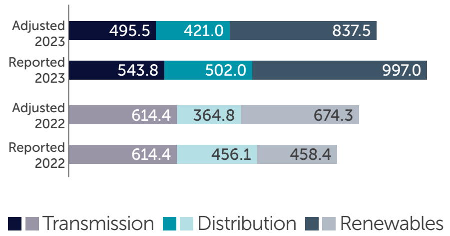
ADJUSTED EBITDA (£M) APM



Strategic relevance: Extracting interest, tax, depreciation and amortisation from earnings provides a useful measure of SSE's operational performance.

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

ADJUSTED AND REPORTED CAPEX BY CORE BUSINESS, BEFORE REFUNDS (£M)

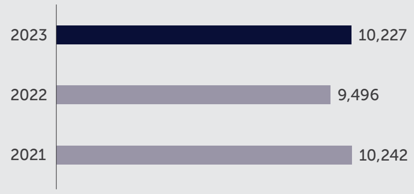


Strategic relevance: The primary focus of SSE's capex plans is investment in the low-carbon electricity assets and infrastructure needed to achieve net zero.

Performance: SSE's renewables and networks businesses accounted for around 81% of capex in the year.

Non-financial KPIs

RENEWABLE GENERATION OUTPUT (GWH)*

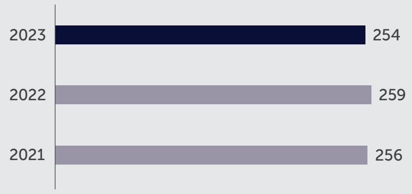


Strategic relevance: Renewables assets and increasing renewables output over time are core to SSE's business strategy, which is centred around the net zero transition.

Performance: Volumes increased slightly year-on-year but output finished behind plan due to variable weather and Seagreen project delays.

* Includes pumped storage, biomass and constrained off wind in GB.

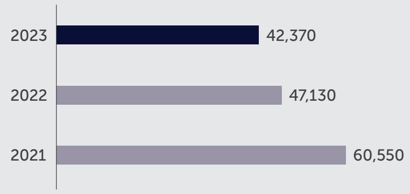
SCOPE 1 GHG INTENSITY (GCO_2E/KWH)



Strategic relevance: As a significant generator of electricity, SSE must reduce the impact of its operations and has set science-based targets aligned to a 1.5°C pathway.

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

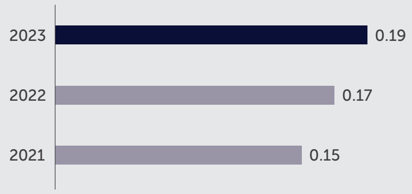
JOBS SUPPORTED IN UK AND IRELAND



Strategic relevance: SSE relies on the people that work for it in order to operate, with its activities supporting jobs in both urban and rural areas.

Performance: Through its operations in the UK and Ireland, SSE supported 39,940 and 2,430 jobs respectively.

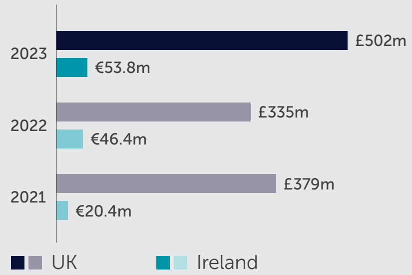
TOTAL RECORDABLE INJURY RATE PER 100,000 HOURS WORKED (EMPLOYEES AND CONTRACTORS COMBINED)



Strategic relevance: Safety is SSE's No 1 value and getting everyone home safe after each working day remains its top priority.

Performance: There was a rise in contractor hours worked in construction, which represents a higher-risk environment than normal operations. Data includes the sad death in June 2022 of a young contractor, Liam Macdonald, working on Shetland.

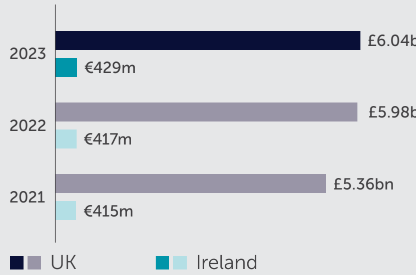
TAXES PAID IN THE UK/IRELAND



Strategic relevance: Taxes support the public services everyone relies on. SSE is accredited to the Fair Tax Foundation's Global Multinational Business Standard and believes in paying the right amount of tax, at the right time and in the right place.

Performance: An increase in total taxes paid reflects increased profitability and corresponding corporation taxes paid during 2022/23.

ECONOMIC CONTRIBUTION IN UK/IRELAND*



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

Performance: SSE's GDP contribution in its home markets remained fairly consistent between 2021/22 and 2022/23.

* Previous years figures have been adjusted to current prices.

Our stakeholders

Creating lasting societal value

Our key stakeholder groups

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

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

Energy customers
Consumers create demand for the energy and services SSE provides and set the tone for our purpose.

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

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

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

Section 172 statement

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

Central to this contract are SSE's key stakeholders; identified as the people, communities and organisations with an interest in its purpose, strategy, operations and actions and who may be affected by them. The relationship with key stakeholders is two-way and an overview of the reciprocal nature is set out in SSE's business model and across the pages 28 to 33.

Strategic stakeholder engagement underpins the understanding of issues material to each group and includes a combination of business-led and Board-level interaction. This approach is reflective of legislative and regulatory requirements and is designed to ensure all views are heard. The result is stakeholder influence within, and validity of, business plans and supporting objectives. Situations will exist where not every stakeholder interest can be addressed in full, however stakeholder regard continues to the greatest extent possible in decision-making at every level. The framework set by the Board in which decision-making takes place is explained on page 124.

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

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

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

Considering long-term consequences
s172 link (a)

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

Relevant S172(a) disclosures
Pages 8 to 9 Board-agreed purpose, vision and strategy.
Pages 126 to 129 Board strategy work and decisions 2022/23.
Pages 68 to 77 Approach to risk-informed decision-making.

Fostering stakeholder relationships
s172 links (b, c)

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

Relevant S172(b,c) disclosures
Page 124 SSE's decision-making framework.
Pages 28 to 33 Stakeholder engagement and actions.
Pages 56 to 66 Ensuring a just transition.

Protecting communities and environment
s172 link (d)

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

Relevant S172(d) disclosures
Pages 36 to 55 Accelerating climate action and Protecting the natural environment.
Page 130 to 131 Board-level oversight of sustainability and climate.
Page 156 Audit Committee and TCFD.
Pages 162 to 165 SSE's SSHEAC.

Setting culture and conduct
s172 link (e, f)

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

Relevant S172(e,f) disclosures
Pages 137 to 138 Board focus on culture.
Pages 58 to 63 SSE's approach to fair and decent work, inclusion and diversity, and health, safety and wellbeing.

Our stakeholders continued

Employees

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

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

Value created
Inclusive, fulfilling and high-performing workplace.

How we engage

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

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

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

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

More on pages 58 to 63

2022/23 Actions
- In response to the cost of living crisis an interim salary increase of 5% for all eligible employees was agreed from 1 October 2022 (see **page 179**).
- To maximise the opportunity presented by full Board attendance at the AGM, an all-employee Q&A session followed the main business of the day (see **page 135**).
- Following relaxation of covid restrictions, the Board resumed a full programme of engagement across sites (see **pages 135 and 163**).

Shareholders and debt providers

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

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

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

How we engage

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

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

More on pages 132 to 133

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

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

2022/23 Actions
- Provided deeper insight into the SSE Renewables and SSEN Transmission businesses, including exposure to wider management through a two-day investor event (see **page 132**).
- Chair and Chief Sustainability Officer held a virtual ESG investor seminar focusing on the 2022 Net Zero Transition Report (see **page 133**).
- Re-established physical overseas roadshows with Executive Directors following investor demand.
- Initiated an annual Chair roadshow focused on Corporate Governance.
- Engaged with debt providers to raise £1.7bn of new hybrid capital and long-term debt over the last 12 months.

MEASURING ENGAGEMENT AND VALUE CREATED

Employee engagement score

2021	2022	2023
82%	82%	84%

Combined attendance at in-person and virtual employee events

43,000
employees attended

Employee sentiment towards SSE's net zero-focused strategy

92%

Dividend Per Share

	Dividend Per Share
2023	96.7p
2022	85.7p
2021	81.0p

Earnings Per Share

	Earnings Per Share
2023	166.0p
2022	94.8p
2021	78.4p

One-to-one investor sessions 2022/23

182

Our stakeholders continued

Energy customers

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

Input to SSE
Customer priorities, expectations and ultimate remuneration.

Value created
Reliable and inclusive provision of service.

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

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

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

More on pages 64 to 65

Material issues in 2022/23
Networks customers
- Benefits and costs of RIIO-ED2 settlement.
- Increased resilience and greater support for all household customers in vulnerable situations.
- Improved customer service/connections processes in Distribution.
- Impact of extreme storms with a particular focus on investment, communications and support for vulnerable customers.
- Impact of potential rota load disconnections (RLD).

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

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

2022/23 Actions
- SSE Airtricity announced measures in response to the cost of living crisis, and made no profit, returning €35 to every customer in April 2023 (see **pages 64, 82 and 107**).
- SSEN Distribution responded to two storms which impacted its network, working to restore power to customers swiftly (see **page 98**).
- SSEN Distribution led the creation of a new Priority Services Register website, to better support customers (see **page 65**).

Government and regulators

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

Input to SSE
Public policy and regulatory frameworks.

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

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

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

More on page 13

Material issues in 2022/23
- Accelerating infrastructure delivery to improve energy security and decarbonise the sector.
- Strategic investment in networks to facilitate net zero and improve energy resilience.
- Navigating the energy crisis to support consumers and businesses facing high energy costs whilst protecting investor confidence in the UK.
- Policy frameworks to bring forward investment in CCS and hydrogen.
- The evolution of the electricity market and support mechanisms to continue to deliver investment in energy infrastructure.
- Building support for Coire Glas and the need for policy support mechanisms for long duration storage.

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

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

MEASURING ENGAGEMENT AND VALUE CREATED

Customers on SSEN Distribution's Priority Services Register (PSR)

2021	2022	2023
770,844	768,104	853,416

Stakeholder engagement events held by SSEN Distribution

2021	2022	2023
870	827	715

SSE Airtricity's support scheme on the island of Ireland was worth up to

€25m

Meetings with political or regulatory stakeholders

81

Stakeholder mentions of SSE and its projects

65

Shared platforms with stakeholder representatives

34

Our stakeholders continued

NGOs, communities and civil society

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

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

Value created
Robust social contract through which value is shared.

How we engage

Group engagement
- Partnering with key NGOs to deliver social and environmental benefits for the communities in which SSE operates.
- Community consultation events throughout the year to gather feedback on projects and business plans.
- Collaboration with academic partnerships to inform strategic decision-making and knowledge sharing on policy, energy systems and innovation.

Board engagement
- Review of SSE's 2030 Goals set aligned to UN Sustainable Development Goals framework and oversight of associated strategic delivery plans.
- Due consideration of the local community benefits of large capital project investment.

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

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

More on page 57

2022/23 Actions
- Multi-stakeholder event held to promote just transition (see **page 56**).
- SSE invested £16.5m in communities across the UK and Ireland (see **page 57**).
- SSE contributed a total of £6.47bn to the UK and Irish economies and supported 42,370 jobs (see **page 57**).

Suppliers, contractors and partners

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

Input to SSE
Quality goods and services and investment.

Value created
Sustainable relationships, value creation and partnership expertise.

How we engage

Group engagement
- SSE's primary method of engagement is through its Supplier Relationship Management (SRM) programme. This is aligned to SSE's Business Units and encompasses around 40 suppliers who are key to the growth and success of business ambitions.
- A forum of 21 supply chain partners, called the Powering Net Zero Pact, supports collaborative, pre-competitive work on sustainability challenges.
- Monthly engagement sessions with sustainability professionals in supply chain organisations, led by Business Unit Sustainability and Procurement and Commercial sustainability teams.
- Consultations with strategic suppliers, senior leaders, Business Units and internal Procurement and Commercial teams on current and future supply chain needs.

Board engagement
- SSE's Executive Directors meet with suppliers and strategic partners, including shareholders in joint ventures.
- Regular Board updates on joint venture project strategy and progress in domestic and international markets.

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

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

More on page 66

2022/23 Actions
- Collaboration with partners on SHE performance with the establishment of central team in 2022/23 to drive forward a strategy to support performance among principal contractors working on large capital projects (see **page 164**).
- Launch of the Coalition for Wind Industry Circularity to support the re-use, refurbishment and re-engineering of broken wind turbine parts (see **page 55**).
- Continued engagement on supply chain learnings at COP27 (see **page 66**).

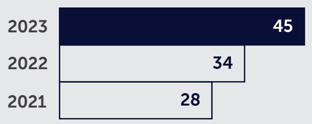
MEASURING ENGAGEMENT AND VALUE CREATED

Communities directly engaged with through SSE Renewables' community investment funds
150

Strategic academic partnerships
5

SSE Airtricity's donation to EnergyCloud will help divert surplus energy to up to
10,000
fuel poor homes

Participants in SSE's Supplier Relationship Management programme



Members of the Powering Net Zero Pact
21
(vs 11 2022)

Leadership status maintained for supply chain engagement with CDP for its 2022 submission

A sustainable approach

Embedding sustainability

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

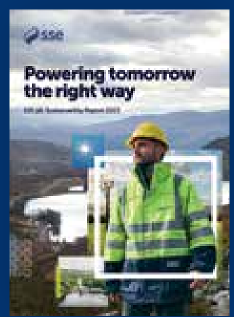
Rachel McEwen
Chief Sustainability Officer

SSE's approach to sustainability reporting

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

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

Further disclosures can be found at sse.com/sustainability.



A sustainable business strategy

The UN's 17 Sustainable Development Goals (SDGs) are the global blueprint for a sustainable future and provide a powerful framework to align SSE's strategic business objectives with societal ones.

Since 2019, SSE has aligned its business strategy to the SDGs most material to its business. The schematic below depicts the flow of sustainability from SSE's objective set in its strategy statement to "create value for shareholders and society", with UN SDGs providing the framework to guide the creation of that shared value. Within this framework SSE has identified four SDGs which are highly material to the business, and to which it has linked its four core 2030 Goals, and a further three material SDGs, which are focused on the environment and guide the pillars of SSE's environmental strategy. More information on SSE's sustainability framework can be found in the Sustainability Report 2023.

Focusing on the most material issues

SSE's stakeholders expect meaningful information relating to its social and environmental impacts. That means disclosures must be focused on the issues most material to its business activities. This principle is further reinforced through recent developments in standardised sustainability reporting frameworks which require disclosures against material sustainability-related issues.

Over 2022/23, SSE undertook a double materiality assessment, supported by a third-party, with the objective of confirming the environmental, social and governance (ESG) issues most material to its business activities. Following a process of stakeholder consultation and analysis, the assessment identified 21 sustainability issues material to SSE. The top five of these material issues are outlined below, alongside where further detail can be found.

1. Carbon emissions (see pages 49 to 51).
2. Sustainable energy generation (see pages 100 to 102).
3. Affordable and reliable energy (see pages 64 and 65).
4. Supply chain management (see page 66).
5. Skilled workforce (see page 58).

The results confirm that SSE's approach to sustainability remains focused on the most material issues from both an internal and external perspective. Carbon emissions align to the SDG 13, sustainable energy generation and affordable and reliable energy align to the SDG 7 and SDG 9. The issues arising from supply chain management and a skilled workforce predominantly align to SDG 8.

Full detail of both the process and the results of the double materiality assessment can be found in SSE's Sustainability Report 2023.

Aligning with external frameworks

SSE is a signatory to the United Nations Global Compact (UNGC), incorporating the Ten Principles of the UNGC into its approach to business, and aligns disclosures and KPIs in its Sustainability Report to international non-financial reporting standards, including the Global Reporting Initiative (GRI) and the SASB Standards. SSE also actively engages with key investor ESG ratings agencies and investor-led initiatives. Detail of SSE's performance in these ratings can be found at sse.com/sustainability.

Developments in standardised sustainability disclosures have continued at pace over 2022/23, including the International Sustainability Standards Board (ISSB) consultation on its first two frameworks, expected to be finalised in summer 2023, and the EU Corporate Sustainability Reporting Directive (CSRD) coming into force in January 2023. While these frameworks will not impact SSE this year, SSE continues to monitor developments and remains mindful of these frameworks in its 2022/23 reporting, working towards preparedness for upcoming disclosure requirements.

Driven by SSE's strategy "...creating value for shareholders and society..."

Aligned to shared value global framework United Nations Sustainable Development Goals (SDGs)

Four highly material SDGs linked to SSE's 2030 Goals

SSE's 2030 Goals

13 Climate action	7 Affordable and clean energy	9 Industry, innovation and infrastructure	8 Decent work and economic growth
Cut carbon intensity by 80%	Increase renewable energy output fivefold	Enable low-carbon generation and demand	Champion a fair and just energy transition

Three further material SDGs linked to SSE's Environmental Strategy

Resource use	Natural environment	
12 Responsible consumption and production	14 Life below water	15 Life on land

Accelerating climate action

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

Climate-related financial disclosures

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

Mandated climate-related financial disclosure in the UK

The Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) requires organisations to report against the TCFD recommendations, recommended disclosures and the Annex and guidance (published 2021) in annual reports.

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

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

Task Force on Climate-related Financial Disclosures (TCFD) recommendations

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance
Disclose the organisation's governance around climate-related risks and opportunities.

More on pages 37 and 38

Compliant ✓

Strategy
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

More on pages 39 to 47

Compliant ✓

Risk Management
Disclose how the organisation identifies, assesses, and manages climate-related risks.

More on page 48

Compliant ✓

Metrics and Targets
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

More on pages 49 to 51

Compliant ✓

Governing climate-related risks and opportunities

Board oversight of climate issues

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

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

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

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

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

The Board's Schedule of Reserved Matters; the Terms of Reference of the Board Committees and the Group Executive Committee; and the role profiles for key Board roles present the division of responsibilities across SSE relating to climate matters (sse.com and pages 114 to 141).

Board climate expertise and training

Collectively, and individually, members of the Board possess a depth of long-standing energy sector experience. The specific expertise required to lead SSE's net-zero aligned strategy within the external operating context, including considering of the impact of climate change, is set out in the SSE's skills matrix on page 115. Amongst other matters, knowledge deemed material to the Board's role includes clean energy technologies and climate science, alongside understanding of the policy framework required to support society transition to a net zero world. The skills matrix details the individual non-Executive Directors who support these attributes. The Executive Directors are deemed to meet all of the criteria in the skills matrix and lead the delivery of SSE's strategy, science-based targets and a set of 2030 Goals, which is supported by extensive engagement on climate-related issues with SSE's stakeholders.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Governance recommendations:

Governance

a) Describe the board's oversight of climate-related risks and opportunities. ✓

b) Describe management's role in assessing and managing climate-related risks and opportunities. ✓

Structured governance pathways

See the Corporate Governance framework on page 122.

Level		
Board Level	**Board of Directors** Sets SSE's purpose, vision and strategy. Oversees SSE's material sustainability matters including climate change.	
Board Level	**Nomination Committee** Responsible for Board appointments to support SSE's strategy.	**Audit Committee** Oversees SSE's climate-related financial disclosures in SSE's Annual Report.
Board Level	**Safety, Sustainability, Health and Environment Advisory Committee** Oversees SSE's climate adaptation and resilience plans.	**Remuneration Committee** Responsible For Remuneration Policy that includes climate factors.
Executive Level	**Group Executive Committee** Implements SSE's strategy which includes climate change policies and practice.	**Group Risk Committee** Reviews the processes, controls and content of climate-related financial disclosures.
Business Level	**TCFD Steering Group** Advises on the development of comprehensive, fair, balanced and understandable climate-related financial disclosures.	
Business Level	**TCFD Working Group** Responsible for the production of SSE's climate-related opportunity and risk disclosures with appropriate stakeholder input.	

A sustainable approach continued
Accelerating climate action continued

In 2022/23, SSE's Board alongside members of the executive team received updates on climate reporting (including the Taskforce on Climate-related Financial Disclosures (TCFD) and Corporate Sustainability Reporting Directive (CSRD)), as well as deep dives on technical topics including the future of hydrogen, the role of carbon capture and storage and distribution networks and net zero. These are detailed in the discussion of how the Board sets SSE's strategy on page 125.

Role of senior management

Strategy is implemented by the Group Executive Committee through SSE's Business Units. This includes ensuring that business decisions are aligned with SSE's strategy and objectives, such as its 2030 Goals and science-based targets.

As Chair of the Group Executive Committee the Chief Executive is responsible for climate-related initiatives. The Chief Executive agrees the annual objectives for the Chief Sustainability Officer who is a direct report. The Chief Sustainability Officer advises the Board, Group Executive Committee, Group Risk Committee and Business Units on climate-related matters and progress against SSE's Net Zero Transition Plan.

The Group Risk Committee (GRC) monitors all Group risks on a regular basis and ensures that the Business Units are managing the risks for which they are responsible. The GRC has overall responsibility for ensuring the right mechanisms are in place for managing all risks, including climate-related risk and opportunities.

Reporting to the GRC is a TCFD Steering Group, comprising representatives from Group Finance, Group Risk, Investor Relations, Company Secretary, Corporate Affairs and Sustainability, focused on advising, steering and governing the development of fair, balanced and understandable climate-related financial disclosures. The TCFD Working Group supports the TCFD Steering Group to produce SSE's TCFD disclosures.

Aligning incentives to climate outcomes

SSE's approach to Executive Director remuneration reflects the role of sustainability and climate-related considerations within SSE's purpose and strategy, with sustainability-linked metrics and targets forming an element of performance-related pay. The framework of SSE's 2030 Goals has been used since 2019 to assess performance, which was linked to the performance based Annual Incentive Plan until 2021/22. The updated Directors' Remuneration Policy, approved by shareholders at the 2022 AGM, has seen performance against these Goals now linked to the longer-term Performance Share Plan, which will vest for the first time in 2025. More information can be found in the Remuneration Committee Report on **pages 173 and 183**.

Climate governance activity in 2022/23

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

	MAY 2022	OCT 2022		FEB 2023	MAR 2023
Board-level	Board approval of management-sponsored climate resolution proposed at the 2022 Annual General Meeting.	SSHEAC review of climate adaptation plans.	Board approval of the updated Net Zero Transition Plan.	Audit Committee approval of SSE's approach to climate-related financial disclosures and associated assurance arrangements.	Board approval of SSE's Just Transition priorities for 2023/24.
Executive-level		Safety, Health and Environment Committee review of climate adaptation plans.	Recommended Board approval of SSE's updated Net Zero Transition Plan.	Group Risk Committee approval of SSE's governance and controls for SSE's TCFD disclosures.	Recommended Board approval of SSE's Just Transition priorities for 2023/24.

A strategy to support net zero

Providing profitable solutions to climate change

SSE's purpose is to build a better world of energy for tomorrow and, by doing this, SSE is helping directly to address the energy transition to net zero. It achieves this through its strategy of developing, building, operating and investing in the electricity infrastructure and businesses needed to decarbonise the power sector.

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

A plan for a net zero transition

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

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

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

With climate-related disclosure provided within SSE's Annual Report and Sustainability Report, its annual Net Zero Transition Report provides a summary and navigation tool from which shareholders vote each year. SSE's Net Zero Transition Report can be found at sse.com/sustainability. Progress in 2022/23 is disclosed across this Annual Report and SSE's Sustainability Report 2023.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Strategy recommendations:

Strategy

- a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. ✓
- b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. ✓
- c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. ✓

Engagement in action
Government and regulators

Engaging on policy interventions

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

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

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

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

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

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

A sustainable approach continued
Accelerating climate action continued

Advocating for climate action

SSE actively and positively advocates for more ambitious climate change policy to achieve net zero and conducts its advocacy in line with the goals of the Paris Agreement and its own net zero strategy.

In 2022/23 SSE's climate advocacy was focused on the acceleration of renewables deployment to deliver net zero and avoid future cost-of-living crises. The importance of progress on decarbonising thermal generation, heat, and transport has also been an advocacy priority for the Group in 2022/23.

To maintain momentum towards achieving net zero ambitions in the UK SSE engaged the UK's Department for Environment and Rural Affairs on matters relating to climate adaptation and resilience planning, and responded to UK government consultations on the Electricity Networks Strategic Framework and the Review of Electricity Market Arrangements (REMA). In Ireland, SSE successfully advocated for an increase to the 2030 offshore wind target from 5GW to 7GW and responded to the Government's hydrogen strategy for Ireland.

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

Detail of advocacy activities undertaken across 2022/23 can be found throughout the Strategic Report of this Annual Report (pages 2 to 109) and in SSE's Sustainability Report 2023 available on sse.com/sustainability.

Aligning capital deployment to a 1.5°C pathway

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

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

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

Financing climate strategies

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

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

Material climate impacts

The most material climate-related opportunities and risks are described in detail on pages 42 to 45 and have the potential to significantly impact SSE's business, strategy and financial planning.

The opportunities (pages 42 and 43) relate to the role that renewables, transmission and distribution electricity networks, and thermal generation play in supporting the transition to net zero. The material risks (pages 44 and 45) are associated with the physical impacts of extreme or changing weather conditions on renewable and network operations; alongside transition risks related to renewable wholesale prices and resilience of thermal power generators to changing policy.

Net Zero Transition Plan pathway

S1 Scope 1 S2 Scope 2 S3 Scope 3

Target	2025 Short term (to 2025)	Medium term (2025–2035)			2035 Long term (2035–2050)	2050
	Engage with 50% of suppliers by spend to set an SBT by 2024. S3	Reduce the carbon intensity of scope 1 GHG emissions by 80% by 2030, from 2017/18 baseline. S1	Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year. S1 S2	Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year. S3	Net zero for SSE's scope 1 and 2 emissions by 2040. S1 S2	Net zero for all SSE's remaining scope 3 emissions by 2050. S3

Note: for definitions of scopes 1, 2 and 3 SSE follows the GHG Protocol.
For further information on SSE's GHG and Water reporting criteria see sse.com/sustainability.

Further information on each climate-related opportunity and risk is also presented in SSE's CDP Climate Change Programme submission, available at sse.com/sustainability.

Conducting climate scenario analysis

In 2022/23, SSE conducted scenario analysis of its material climate-related opportunities and risks. SSE introduced 'impact pathways' to map each potential climate event and its effect on SSE's business activities. To calculate the potential financial impact a combination of data sources were used involving historical internal business data, external independent climate-related scenario data alongside current and approved forecast financial data.

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

1. International Energy Association's (IEA) Net Zero Emissions by 2050 scenario shows a pathway to limit global temperature to 1.5°C and aligns with the International Panel on Climate Change (IPCC) sixth assessment report; and IEA Stated Policies Scenario (STEPS) which reflects current policy settings based on 'sector by sector' and 'country by country' assessments of the specific policies that are in place, as well as those that have been announced by governments around the world and is consistent with a global temperature rise of 2.5°C.
2. National Grid Future Energy Scenarios which involve four different, credible pathways for the future of energy between now and 2050. SSE uses the 'Leading the Way' and 'Consumer transformation' pathways, which are aligned to the UK Net Zero emissions by 2050 target that aims to keep global temperature rise to below 1.5°C, for its 1.5°C scenario. SSE uses the National Grid Future Energy Scenario 'Falling short' pathway for its 2.5°C scenario, this does not achieve the UK net zero emissions by 2050 target and is therefore assumed to represent a pathway that leads to a warmer global temperature outcome of 2.5°C.

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

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

A sustainable approach continued
Accelerating climate action continued

Understanding climate-related opportunities and risks

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

Pages 42 and 43 assesses SSE's climate opportunities and pages 44 and 45 considers SSE's identified climate risks.

Potential financial impact of assessed climate opportunities

Opportunities	2030 (EBIT £bn)		2050 (EBIT £bn)	
	1.5°C	2.5°C	1.5°C	2.5°C
1. Accelerated wind investment[1]	0.48 – 0.66	0.35 – 0.47	1.09 – 1.50	0.63 – 0.86
2. Accelerated transmission growth[2]	0.46 – 0.62	0.21 – 0.28	1.10 – 1.50	0.82 – 1.11
3. Valuable flexible hydro[1]	0.00 – 0.01	0.00 – 0.01	0.15 – 0.20	0.13 – 0.17
4. Valuable flexible thermal[1]	0.14 – 0.20		0.66 – 0.99	0.05 – 0.07
5. Driving distribution transformation[3]	0.09 – 0.12	0.04 – 0.06	0.31 – 0.42	0.28 – 0.37

The potential financial impact of all scenarios is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each climate scenario. For each opportunity, the annualised EBIT is adjusted for the capacity or other growth assumptions from the noted scenarios. Further adjustments for price changes based on increased system capacity were made for opportunities 1 and 3.

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

Resilience after scenario analysis

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

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

Climate opportunity impacts

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

1. Accelerated wind investment

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

Key assumptions included the wind capacity projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios, SSE's current and pipeline wind investment projections and internal wind capture price factors.

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

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

Link to strategy
Develop | Operate | Build | Invest

2. Accelerated transmission growth

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

Projected renewables generation capacity for Scotland from the National Grid Future Energy Scenarios 'Leading the way' and 'Falling short' and SSE's investment in the north of Scotland electricity transmission network assumptions have been used in the scenario analysis.

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

Strategic alignment
While SSEN Transmission has completed the first year of its five-year RIIO-T2 investment plan, making progress with key strategic investments under the Ofgem uncertainty mechanism, the scale of growth to 2030 has become clear. Ofgem's 'Pathway to 2030' identified £7bn of further investment required in the north of Scotland establishing confidence that both national climate targets can be met, and that SSEN Transmission's growth will more closely align with the 'Leading the way' climate scenario.

3. Valuable flexible hydro

Context
A renewables-led electricity system will require support from flexible generators that provide system services, such as short-term reserve, frequency and long-duration storage services. The opportunity exists to use low-carbon flexible hydro capacity and invest in pumped storage capacity to support the GB electricity system.

Key assumptions included the projected hydro generation capacity from the IEA Net Zero Emissions and STEPS scenarios, SSE's renewable investment projections and internal price factors to take account of market volatility.

Impact to SSE
The scenario analysis assessed the optimisation of SSE's existing hydro assets and the development of Coire Glas a large scale, long-duration pumped storage project. The 1.5°C scenario indicated a greater opportunity for SSE's hydro assets in 2050 reflecting the impact of investing in Coire Glas, with a range of £0.15bn to £0.20bn, when compared to the warmer 2.5°C scenario.

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

4. Valuable flexible thermal

Context
A renewables-led electricity system requires support from flexible generators that provide system services, such as short-term reserve, frequency, security of supply and price stability. There is the opportunity to repurpose SSE's existing gas-powered electricity generators, as well as invest in new low-carbon thermal generation assets.

Natural gas with carbon capture and storage generation projections from the IEA Net Zero Emissions by 2050 and STEPS scenarios and SSE's current and future investment plans in low-carbon thermal generation assumptions have been used in the scenario analysis.

Impact to SSE
The scenario analysis assessed current and future capital investment plans for SSE's Thermal business. The 1.5°C scenario indicated a significantly greater opportunity in 2050, with a range of £0.66bn and £0.99bn, when compared to a warmer 2.5°C scenario. The opportunity highlights that investment in low-carbon thermal technologies in the short and medium term present greater growth in the long term.

Strategic alignment
SSE is actively developing options to decarbonise its fleet, most notably in carbon capture and storage and hydrogen technologies. Projects include carbon capture and storage projects as part of the UK cluster sequencing programme at Keadby in the Humber and Peterhead in the North of Scotland alongside hydrogen projects at Keadby and Saltend and the repurposing of SSE's Aldbrough Gas Storage site for the safe storage of hydrogen. These plans are therefore aligned to the opportunities arising from a 1.5°C scenario.

5. Driving distribution transformation

Context
To deliver net zero targets across all sectors and countries requires a shift to zero emission vehicles and electric heating. In the UK this requires the transformation of the distribution system to ensure the system is fit to manage the potential five to ten-fold increase in annual load expected between now and 2038.

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

Impact to SSE
As part of the scenario analysis, SSE assessed the current capital investment plans for its SSEN Distribution business. The National Grid 'Consumer transformation' Future Energy Scenario indicated a significantly greater opportunity in 2030 and 2050, with ranges of £0.09bn to £0.12bn and £0.31bn to £0.42bn respectively, when compared to the 'Falling short' scenario.

Strategic alignment
SSEN Distribution's current RIIO-ED2 business plan for 2023 to 2028 sets out the flexibility and network investment required to accelerate net zero and therefore is aligned to the opportunities arising from a 1.5°C scenario.

A sustainable approach continued
Accelerating climate action continued

Potential financial impact of assessed physical risks of climate change

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

Physical climate risks from a changed climate

Risks	2050 (EBIT £bn)		2080 (EBIT £bn)	
	1.5°C	4°C	1.5°C	4°C
1. Variable renewable generation risk[1]	(0.10) – (0.14)	(0.13) – (0.17)	(0.15) – (0.20)	(0.20) – (0.27)
2. Storm, wind and heat damage to networks assets risk[2]	(0.07) – (0.09)	(0.07) – (0.10)	(0.13) - (0.18)	(0.15) - (0.20)

The potential financial impact of all scenarios is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT) and presented as a range to reflect sensitivities applied to each climate scenario. Storm, wind and heat damage to networks assets risk is stated in GBP billion (£bn) based on one year annualised storm costs. External climate models have inherent limitations, with a lack of data on extreme climate events, and lower confidence levels on certain climate variables such as wind. SSE's assessments account for uncertainties by extracting average wind speed data to assess the impact.

1 The 1.5°C scenario draws from the IEA Net Zero Emissions by 2050 pathway and the UK Met Office Climate Projections (UK CP18) 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws the IEA Net Zero Emissions by 2050 pathway and the UK Met Office CP18 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.
2 The 1.5°C scenario draws from the National Grid Future Energy Scenario 'Consumer transformation' pathway and the UK Met Office Climate Projections (UK CP18) 1.6°C temperature pathway which is consistent with the IPCC RCP 2.6 pathway. The 4°C scenario draws the National Grid Future Energy Scenario 'Falling short' pathway and the UK Met Office CP18 4.3°C temperature pathway which is consistent with the IPCC RCP 8.5 pathway.

Resilience after scenario analysis

The scenario analysis completed by SSE on its material climate physical risks indicates that SSE is reasonably resilient to identified climate-related scenarios including 1.5°C and 4°C pathways. For SSE, the potential financial impact at a 1.5°C pathway presents a lower risk in the scenarios than a 4°C pathway. This reflects the potential impact of greater global warming and the associated weather impacts of sustained higher temperatures and extreme weather events (including storms, heat waves and flooding) associated with a warming world.

Due to SSE's strategy and the key controls that it employs to manage and mitigate the climate risks, SSE is positioned well to respond to the risks presented in both a 1.5°C pathway and 4°C pathway.

Physical climate risk impacts

1. Variable renewable generation

Context
Longer term changes in climate patterns cause sustained higher temperatures that may result in lower rainfall and reduced wind levels. These changes may impact SSE's renewable output and associated earnings in the short, medium and long term.

Key assumptions included the IEA Net Zero Emissions by 2050 wind generation projections and the Met Office UK Climate projections for average wind speed times.

Impact to SSE
This is a perennial risk that impacts SSE. For instance, in the first half of 2021/22 SSE experienced one of the driest and calmest summer periods (April to September) on record which reduced adjusted operating profit through the summer period and impacted financial plans for the year. For the future, with a five-fold increase in renewables capacity by 2031 and prospects beyond 2031, this risk will continue to impact SSE.

The 4°C scenario indicated a greater risk in 2050, with a range of £0.13bn and £0.17bn and a more significant risk in 2080 with a range of £0.20bn to £0.27bn, when compared to a 1.5°C scenario for the same time horizons.

Strategic alignment
The technical and geographical nature of SSE's renewable capacity alongside meteorological monitoring, crisis management and business continuity plans are some of the ways that SSE manages and mitigates its business against this risk.

2. Storm, wind and heat damage to networks assets

Context
Increased severity of extreme weather events, such as storms, floods and heat waves bring prolonged extreme temperatures, wind or rainfall. This may damage or stress network assets and result in additional costs to repair and maintain the network and the loss of incentive revenue for distribution operators.

Projected electricity consumer demand from National Grid Future Energy Scenarios 'Consumer transformation' and 'Falling short', Met Office UK Climate projections for average wind speed times and internal assumptions on the projected frequency of extreme storms and heat waves have been used in the scenario analysis.

Impact to SSE
This risk has the potential to impact SSE's networks assets in the medium and long term. For example, in the 2021/22 winter season, SSE experienced five storms named by the Met Office that became Red Alert events and impacted over 100,000 customers with many impacted for a multi-day period.

The 4°C scenario indicated a more significant risk in the longer term, with a range of £0.15bn to £0.20bn when compared to a 1.5°C scenario for the same time horizons.

Strategic alignment
A programme of investment into the strengthening and improvement of SSE's networks alongside meteorological modelling, crisis management and business continuity plans are some of the ways that SSE manages and mitigates its business against this risk.

Link to strategy

Develop | Operate | Build | Invest

Potential financial impact of assessed transition risks

Transition risks arising from policy and market change

Risks	2030 (EBIT £bn)		2050 (EBIT £bn)	
	1.5°C	2.5°C	1.5°C	2.5°C
3. Accelerated gas closure risk[1]	(0.34) – (0.51)	(0.17) – (0.26)		
4. Wind capture market risk[2]	(0.11) – (0.15)	(0.03) – (0.04)	(0.38) – (0.52)	(0.10) – (0.14)

The potential financial impact for the accelerated gas closure risk is stated in GBP billion (£bn) based projected Net Present Value for each gas-fired power station and the wind capture market risk is stated in GBP billion (£bn) based on one-year annualised earnings before interest and tax (EBIT). All scenarios are presented as a range to reflect sensitivities applied to each climate scenario. Further adjustments for price changes based on increased system capacity were made for risk 4.

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

Resilience after scenario analysis

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

Climate transition risk impacts

3. Accelerated gas closure

Context
More aggressive climate change policy may bring forward the closure of unabated gas generation from 2030.

Key assumptions included the National Grid Future Energy Scenarios 'Leading the way' and 'Falling short' for installed unabated natural gas generation capacity decline projections in 2030 and 2035 and the net present value of existing gas-fired power stations with a life expectancy post 2030.

Impact to SSE
SSE's existing 5.3GW fleet of installed gas- and oil-fired generation will be nearing the end of its expected life by the end of the 2020s. However, 2.3GW of Combined Cycle Gas Turbine (CCGT) capacity will still be in operation in 2030. The climate scenario analysis assessed the impact of this capacity not being able to generate beyond 2030 without low-carbon abatement technology.

Under the 1.5°C scenario all remaining gas-fired capacity closes by 2030 whilst the 2.5°C scenario assumes some gas-fired power stations are still able to operate beyond 2030 but expects any remaining power stations to close by 2035. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.34bn and £0.51bn when compared to a warmer 2.5°C scenario for the same time horizon.

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

4. Wind capture market

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

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

Impact to SSE
The wind capture market risk has the potential to be greater in a 1.5°C scenario than in the 2.5°C scenario due to the expectation that the 1.5°C scenario expects new renewable capacity to be built at a greater pace to meet the net zero by 2050 goal.

The climate scenario assessed SSE's current and future renewables capacity against the future IEA projections for both pathways. The 1.5°C scenario indicated a greater risk in 2030, with a range of £0.11bn and £0.15bn and a more significant risk in 2050 with a range of £0.38bn to £0.52bn, when compared to a warmer 2.5°C scenario for the same time horizons.

Strategic alignment
SSE's balanced portfolio of generation capacity, power hedging strategies and the fact that SSE factors wind capture price into its long term price forecasts are some of the ways that SSE manages and mitigates its business against this risk.

A sustainable approach continued
Accelerating climate action continued

Classifying sustainable investments

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

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

Assessing SSE's eligible activities
To provide stakeholders with an indication of the scale of SSE's green economic activities, SSE has taken a best efforts approach to consider its alignment to the EU Taxonomy. Key strategic activities (ie onshore wind, offshore wind, transmission, distribution) from SSE's Reporting Segments were assessed against the technical screening criteria. While an internal assessment against the Do No Significant Harm and minimum safeguards criteria was undertaken, a second party opinion has not yet been sought.

The financial metrics disclosed continue to be classified based on SSE's reportable segments. Table 1 on page 47 provides the output from this principle-based assessment of SSE's taxonomy aligned activities.

Taxonomy eligible activities in 2022/23 are from SSE's onshore and offshore wind generation, hydro (run of river and pumped storage) as well as its networks transmission and distribution activities. In 2022/23, the proportion of SSE's taxonomy-eligible activities across the different measures were: adjusted operating profit, 55%; adjusted investment and capital expenditure, 81%; and, revenue, 26%.

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

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

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

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

Taxonomy eligible activities at a glance

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

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

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

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

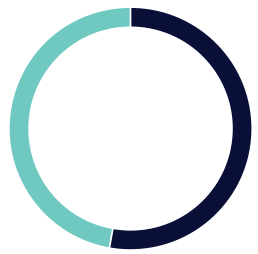
Table 1: Assessment of SSE's taxonomy aligned activities

SSE's reported segments (a)	Taxonomy eligible activity (a)	Revenue (b)		Adjusted operating profit (c)		Adjusted investment and capital expenditure (d)	
		£m	%	£m	%	£m	%
SSEN Transmission	Transmission of electricity	656.1	5.3	372.7	14.7	495.5	22.9
SSEN Distribution	Distribution of electricity	1,102.7	8.8	382.4	15.1	421.0	19.5
SSE Renewables	Electricity generation	334.8	2.7	580.0	22.9	837.5	38.7
EPM	As route to market for SSE Renewables	1,150.2	9.2	62.3	2.5	1.2	0.1
Total taxonomy eligible activities		**3,243.8**	**26.0**	**1,397.4**	**55.2**	**1,755.2**	**81.2**
SSE Thermal	Thermal Generation	740.4	5.9	1,031.9	40.8	153.2	7.1
Gas Storage	Supply of energy	12.2	0.1	212.5	8.4	6.3	0.3
EPM	As route to market for SSE Thermal	3,198.6	25.6	(3.0)	(0.1)	1.2	0.1
Taxonomy non-eligible activities		**3,951.2**	**31.6**	**1,241.4**	**49.1**	**160.7**	**7.5**
Business Energy		3,313.5	26.6	17.9	0.8	38.9	1.8
SSE Airtricity		1,776.9	14.2	5.6	0.2	10.5	0.5
EPM		–	–	21.1	0.8	2.3	0.1
Distributed Energy		139.1	1.1	(27.4)	(1.1)	124.7	5.7
Corporate unallocated		66.2	0.5	(126.8)	(5.0)	68.3	3.2
Total taxonomy partially/not-aligned activities		**5,295.7**	**42.4**	**(109.6)**	**(4.3)**	**244.7**	**11.3**
Total continuing operations		**12,490.7**	**100.0**	**2,529.2**	**100.0**	**2,160.6**	**100.0**

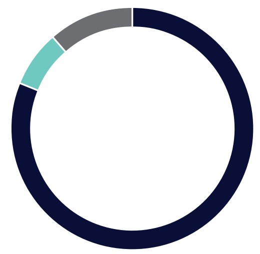
Notes:
(a) Alignment is based on segmental reporting in SSE's financial year end statements.
(b) Revenue: derived from the disaggregation of revenue from contracts by customers, in line with the requirements of IFRS 15 'Revenue from Contracts with Customers' (see note 5.1.1).
(c) Adjusted operating profit/loss: calculated as adjusted operating profit/loss related to the businesses aligned with the taxonomy categories (see note 5.1.2).
(d) Adjusted investment and capital expenditure: calculated as adjusted capital expenditure related to assets or processes associated with taxonomy-eligible economic activities that is accounted for based on IAS 16, IAS 38 and IFRS 16 and thereby included within adjusted capital expenditure (see note 5.1.3).

Revenue

Adjusted operating profit



Adjusted investment and capital expenditure



■ Eligible
■ Not eligible
■ Not aligned

A sustainable approach continued
Accelerating climate action continued

Climate opportunity and risk management

Identifying and assessing climate opportunities and risks

SSE's Group Risk Management Framework (pages 156 and 157) is complemented by a specialist TCFD climate assessment that identifies and assesses climate opportunity and risk in the short, medium and long term.

The climate risk assessment involves senior business leader interviews supported by ongoing business unit risk assessments to capture and understand a long list of climate opportunities and risks. A materiality test is completed, and a final list of significant climate opportunities and risks defined.

SSE identifies the climate impact on its operations over the short (up to three years), medium (four to 10 years) and long term (up to 30 years) from the perspective of market, policy or regulatory transition opportunities and risks. Climate impacts to SSE's operations from the physical risks of climate change are assessed over the short (up to three years), medium (four to 10 years) and long term (up to 80 years). SSE's time horizons for assessing climate-related opportunities and risks are aligned with other business practice time horizons. The three climate-related time horizons mirror the investment, capital and regulatory time horizons that govern SSE's financial, operational and capital plans.

Materiality is tested for each climate opportunity or risk based on its ability to have a substantive potential financial impact on SSE's strategy or significant impact on SSE's stakeholders.

In 2022/23, the assessment process reconfirmed that the material climate-related opportunities and risks (on pages 50 to 53 of SSE's Annual Report 2022) remained relevant to SSE with some minor amendments to a few such as, the 'storm damage network risk' was updated to more precisely account for the impact of wind and heat (page 44).

Managing climate opportunities and risks

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

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

Integrated climate-related risk assessment

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

Climate change is a Group Principal Risk to SSE and has the ability to affect the achievement of agreed strategic objectives and the long term success of SSE (see page 72). Scenarios related to physical risks associated with climate change form part of SSE's viability assessment (page 71). Climate-related influencing factors and key developments are also considered against all relevant Group Principal Risks (pages 68 to 77).

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Risk Management recommendations:

Risk Management

- a) Describe the organisation's processes for identifying and assessing climate-related risks. ✓
- b) Describe the organisation's processes for managing climate-related risks. ✓
- c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. ✓

Climate metrics and targets

GHG emissions preparation

SSE's GHG inventory is prepared in accordance with the UK Government's environmental reporting guidelines (BEIS, March 2019); the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition)* developed by the World Resources Institute and the World Business Council for Sustainable Development (2004); and *ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.*

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

GHG emissions inventory

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

SSE's inventory details its direct and indirect GHG emissions (scopes 1, 2 and 3) performance (measured in million tonnes of carbon dioxide equivalent – $MtCO_2e$), provided as total emissions as well as split out by UK and Irish activity. It also provides a carbon intensity measure based on direct GHG emissions released for each unit of electricity SSE produced.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD Metrics and Targets recommendations:

Metrics and Targets

- a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. ✓
- b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. ✓
- c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. ✓

More on sse.com/sustainability

Table 2: SSE's GHG inventory

	Unit	2022/23	2021/22
Total GHG emissions[1]	$MtCO_2e$	11.33[(A)]	9.93[(B)]
Scope 1 GHG emissions[1] – total (UK/Ire)	$MtCO_2e$	6.08[(A)] (5.35/0.73)	5.75[(B)] (4.22/1.53)
Scope 2 GHG emissions – total (UK/Ire)	$MtCO_2e$	0.44[(A)] (0.44/<0.01)	0.49[(B)] (0.49/<0.01)
Scope 3 GHG emissions – total (UK/Ire)[1,4]	$MtCO_2e$	4.81[(A)] (4.12/0.69)	3.69[(B)] (2.86/0.83)
Scope 1 GHG emissions intensity of electricity generated	gCO_2e/kWh	254[(A)]	259[(B)]
Total renewable generation output[2] – total (UK/Ire)	GWh	9,665 (8,308/1,357)	8,799 (7,602/1,197)
Total non-renewable generation output[3] – total (UK/Ire)	GWh	14,302 (12,770/1,532)	13,356 (10,394/2,962)
Total generation output – total (UK/Ire)	GWh	23,967 (21,078/2,889)	22,155 (17,996/4,159)

1 Excludes immaterial GHG emissions from Keadby 2 gas-fired power station, which was in the final stages of testing from September 2022 and was handed over to SSE on 15 March 2023.
2 Total includes pumped storage and biomass output and excludes constrained-off wind in Great Britain.
3 Includes 50% output from Seabank power station reflecting the end of SSE's power purchase agreement on 30 September 2021 and SSE's 50% ownership share from October 2021 onwards. Also includes 50% output from Saltend power station and Indian Queens power station from the date of SSE's acquisition of Triton Power on 1 September 2022. Excludes output from Keadby 2 gas-fired power station which was handed over to SSE on 15 March 2023.
4 Includes GHG emissions associated with gas generation through Joint Venture holdings according to equity share. They are: Seabank gas-fired power station and Triton Power (which includes Saltend gas-fired power station, Indian Queens gas-fired power station and the decommissioned Deeside Power station. This reflects the fact that under SSE's operational control method of reporting GHG emissions, Joint Venture equity share of GHG emissions is classed under the scope 3 'investment' category in accordance with the GHG Protocol.

(A) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.
(B) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report in SSE's Sustainability Report 2022 and SSE's GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability.

A sustainable approach continued
Accelerating climate action continued

Absolute GHG emissions in 2022/23

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

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

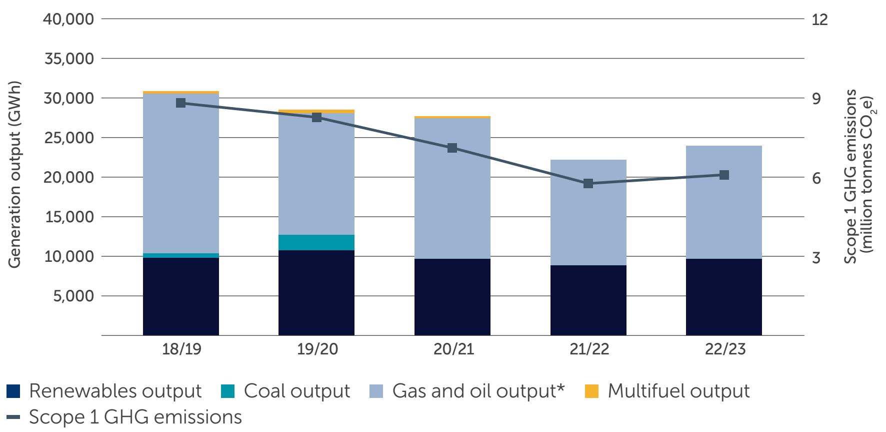
SSE's scope 2 GHG emissions were 0.44MtCO_2e in 2022/23, representing an 11% reduction from the previous year. This reduction in scope 2 emissions is largely a result of a fall in the greenhouse gas emissions associated with losses on the electricity network, which is a result as a fall in the grid electricity factor by 9% over the same period.

Total scope 3 emissions increased by 30% between 2021/22 and 2022/23. The two material contributing factors include:

- The inclusion of 0.6MtCO_2e GHG emissions from Saltend gas-fired power station from September 2022 onwards. This reflects SSE's 50% purchase of Triton which completed in September 2022. The emissions from Triton are defined as scope 3 emissions according to SSE's 50% ownership share.
- 12 months of GHG emissions data from Seabank (50% equity share) contributing 0.9MtCO_2e following the end of SSE's power purchase agreement in September 2021. It should be noted that, prior to September 2021, 100% of Seabank GHG emissions were accounted in SSE's scope 1 emissions according to the GHG Protocol.

The increase in scope 3 emissions is partly offset by a reduction of 5.5% in gas sold GHG emissions between 2021/22 and 2022/23.

With scope 3 emissions increasingly becoming a greater proportion of SSE's GHG emission inventory as a result of the approach it is taking to delivery its strategy, SSE is working with its Joint Venture partners to ensure each put in place their own Net Zero Transition Plans. SSE's scope 3 emissions represent 42% of its total GHG emissions inventory and the emissions associated with Joint Venture thermal generation contributes to 32% of the scope 3 GHG inventory.



* In 2022/23, oil-fired generation output contributed around 2% of gas and oil output.

Scope 1 GHG intensity in 2022/23

SSE's scope 1 GHG emissions intensity fell by 2% to 254gCO_2e/kWh from 259gCO_2e/kWh the previous year, which is a fall of 17% since the 2017/18 base year of 307gCO_2e/kWh.

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

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

Output from SSE's thermal generation also increased, however this was by a lesser extent than for renewables output. This meant that the proportion of total generation output contributed to by renewable generation continued to represent 40% of the total portfolio in 2022/23.

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

Performance against targets

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

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

SSE's total scope 1 and 2 GHG emissions combined were 6.52MtCO_2e in 2022/23, this is a reduction of 41% from the 2017/18 base year of SSE's SBTi-approved absolute scope 1 and 2 GHG target. Overall, SSE's scope 1 and 2 GHG emissions have reduced significantly compared to the base year, reflecting lower output from thermal power stations and the closure of SSE's last coal-fired power plant in March 2020. SSE aims to reduce absolute scope 1 and 2 GHG emissions by 72.5% between 2017/18 and 2030.

GHG emissions from gas sold to customers, which contribute around 45% of SSE's scope 3 emissions in 2022/23, decreased by 5.5%. This was a result of lower market demand reflecting increased market prices. This means GHG emissions from gas sold have reduced by 15% from 2017/18. SSE's SBTi-approved target is to reduce GHG emissions from gas sold by 50% between 2017/18 and 2034.

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

Target	Unit	2017/18	2021/22	2022/23	Target	Progress against target
Reduce the GHG intensity of scope 1 GHG emissions by 80% by 2030, from a 2017/18 base year	gCO_2e/kWh	307	259	254	61	17% reduction in GHG intensity since 2017/18
Reduce absolute scope 1 and 2 GHG emissions by 72.5% by 2030 from a 2017/18 base year	MtCO_2e	11.06	6.24	6.52	3.04	41% reduction in absolute scope 1 and 2 GHG emissions since 2017/18
Reduce absolute GHG emissions from use of products sold by 50% by 2034 from a 2017/18 base year	MtCO_2e	2.53	2.29	2.16	1.27	15% reduction in GHG emissions from gas sold since 2017/18
Engage with 50% of suppliers by spend to set an SBT by 2024	%	0	48	51	50	52% of SSE's suppliers (by value) that set or committed to set their own science-based targets through the SBTi

Working with supply chain partners to drive climate action

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

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

Carbon pricing

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

SSE's generation activities in the GB are subject to the UK Emissions Trading Scheme (UK ETS), which is a cap-and-trade emissions scheme. In addition, SSE's generation assets in GB are subject to the Carbon Price Support mechanism which sets a price per tonne of carbon emitted and combined with the UK ETS allowance price, makes up the Total Carbon Price paid by electricity generators. In Ireland SSE's generation assets are subject to the EU Emissions Trading Scheme (EU ETS). At the time of reporting, SSE used carbon prices of £78/tCO_2 in GB and €86/tCO_2 in the EU. Our future plans include assumptions on low, central and high carbon range forecasts.

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

Protecting the natural environment

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

Emerging nature frameworks

2022/23 saw a continued international focus on nature and biodiversity and some significant steps forward for biodiversity were made, including the landmark deal made at the UN Convention on Biological Diversity (UNCBD) in Canada in December 2022, to protect a third of the planet for nature by 2030.

While frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the EU Corporate Sustainability Reporting Directive (EU CSRD) are emerging, there remains room for greater clarity on best practice measurement and disclosure of nature-related information. Increasing meaningful disclosures around nature-related impacts is a key focus for SSE, and it will monitor how these frameworks and standards develop and work to improve its own disclosures, including against its biodiversity net gain metrics.

Governing environmental performance

SSE's Chief Executive has overall lead responsibility for environmental performance, including at Board-level. The Safety, Health and Environment Committee (SHEC) advises the Board on matters relating to safety, health and environment (SHE). The work of the SHEC is designed around SSE's eight SHE Enduring Goals, one of which is Environment: Protecting the environment and operating in a sustainable way. The SHEC is responsible for setting SHE performance targets, which include environmental performance.

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

At business level, Managing Directors are accountable for effective environmental performance and for managing environmental impacts by applying SSE's SHE Management System.

SSE's Group Environment Policy guides decision making within the company and outlines its commitments around protecting the environment, preventing pollution and operating in a sustainable way. This policy is approved by the SSE Board and is available publicly for SSE's stakeholders at sse.com/sustainability.

A strategic approach to environmental protection

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

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

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

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

OUR TARGET

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

Understanding SSE's nature impacts and dependencies

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

Targeting biodiversity net gain

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

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

Managing water use

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

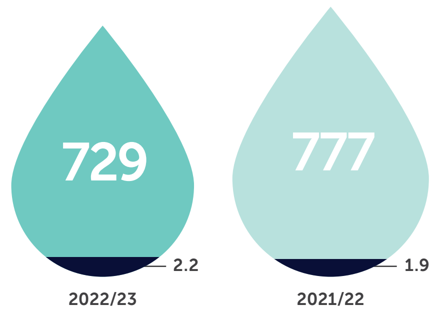
SSE has policies and processes in place, and works closely with environmental regulators, to ensure that it uses water in a sustainable way in its operations. SSE has an ongoing investment programme within its hydro operations to improve efficiency, enhance water capture and minimise spill from its plant.

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

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

SSE's total water abstracted excluding hydro operations also fell slightly over this period. This was predominantly due to an unplanned outage at a thermal power station that uses a once through (direct) cooling water system. Such assets have higher abstraction rates than stations with cooling tower systems.

Total water abstracted by SSE (excluding hydro generation) (million m³)



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

Table 4: SSE's water data

	Unit	2022/23	2021/22
Water use			
Total water abstracted	Million m³	**23,354**(A)	23,896(B)
Total water abstracted (exc. Hydro generation)	Million m³	**731**	779
Freshwater abstracted (rivers and groundwater) (exc. hydro generation)	Million m³	**2.2**	1.9
Total water returned	Million m³	**23,353**(A)	23,895(B)
Total water consumed	Million m³	**1.4**(A)	0.8(B)

(A) This data is subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report and SSE's GHG and Water Reporting Criteria 2023 on sse.com/sustainability.
(B) This data was also subject to external independent limited assurance by PricewaterhouseCoopers LLP ('PwC'). For the results of that assurance, see PwC's assurance report in SSE's Sustainability Report 2022 and SSE's GHG and Water Reporting Criteria 2022, both available on sse.com/sustainability.

A sustainable approach continued
Protecting the natural environment continued

Managing air emissions
In 2022/23, emissions of nitrogen oxides (NOx), sulphur dioxide (SO_2) and particulate matter (PM10) all reduced compared to the previous year, with emissions of SO_2 reducing by more than a half. The falling trend across three of these key air emission sources, reflects a reduction in output from oil-fuelled peaking plant in Ireland compared to the previous year.

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

Sulphur hexafluoride (SF_6) is a highly effective insulating gas used for safety in electrical transformers and in 2022/23, SSE's SF_6 emissions increased by almost 40% compared to the previous year. This was due to a combination of factors, including more robust reporting of minor leakages and increasing numbers of assets (to deliver net zero) that still requires SF_6 as an insulating gas. SSE has a number of initiatives to reduce its dependency on SF_6 in its networks, including working with suppliers to install SF_6-free alternatives across its electricity transmission network. You can read more about what SSE is doing to reduce the impact of SF_6 in its business activities in its Sustainability Report 2023 and its Net Zero Transition Plan.

SSE's energy consumption
Between 2021/22 and 2022/23, the energy SSE purchased for use in its assets (offices, depots, thermal power stations, gas storage facilities, and data centres) increased by 5%, from 196GWh to 206GWh.

A large contributor to this trend was a 60% increase in energy consumed in SSE's gas storage facilities compared to 2021/22. This was largely due to increased gas storage activities at SSE's Aldbrough facility to ensure security of supply.

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

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

Table 5: SSE's air emissions data

	Unit	2022/23	2021/22
Air emissions			
Sulphur dioxide (SO_2) – thermal generation	Tonnes	**1,336**	3,021
Nitrogen oxide (NOx) – thermal generation	Tonnes	**3,870**	4,573
Sulphur hexafluoride (SF_6) – thermal generation and electricity transmission and distribution activities	Kg	**424**	305
Particulates emissions (PM10) from thermal generation assets	Tonnes	**116**	277
Mercury emissions from thermal generation assets	Kg	**10.6**	2.2

Table 6: SSE's energy use data

	Unit	2022/23	2021/22
Energy use*			
Purchased heat from non-renewable sources – UK/Ire	GWh	**3.3/0.06**	3.3/0.08
Purchased electricity from renewable sources – UK/Ire	GWh	**103.7/1.1**	73.3/0.98
Purchased electricity from non-renewable sources – UK/Ire	GWh	**97.9/0**	118.6/0

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

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

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

Table 7 outlines SSE's key waste data, including by end destination. In 2022/23, SSE managed 6,063 tonnes of waste, up from 5,287 tonnes in 2021/22. This increase was due to SSE widening the scope and improving the accuracy of its waste data. SSE's target for 2022/23 was to divert 85% of waste by tonnage from landfill and recycle 40% of waste by tonnage. It exceeded these targets, with 65% of SSE's total waste being recycled/composted and only 5% being sent to landfill. The proportion of waste sent to landfill more halved compared to the previous year, with a higher proportion of waste being processed as energy from waste and an increase in recycled waste as well, as a result of improved recycling processes implemented at sites and as the inclusion waste recycling data such as metals.

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

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

Table 7: SSE's waste data by end destination

		2022/23	2021/22
Total waste produced	Tonnes	**6,063**	5,287
Proportion of total waste:			
Sent to landfill	%	**5%**	12%
Processed as energy from waste	%	**29%**	25%
Recycled	%	**62%**	59%
Composted/sent to anaerobic digestion	%	**3%**	1%
Treated	%	**2%**	4%
Hazardous waste	Tonnes	**144.4**	147.9

Data excludes waste data from contractors for large capital projects, minor works contracts and some specialised waste streams.

Engagement in action
Suppliers, contractors and partners

A coalition for circularity in the wind sector

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

SSE Renewables is driving forward a strategy to increase the use of refurbished and remanufactured minor component parts for the maintenance and repair of existing components across its wind portfolio, with particular focus on its onshore portfolio in the immediate term. Through a partnership with Scottish-based SME, Renewable Parts Ltd, rather than replacing broken turbine gears with newly manufactured gears, Renewable Parts refurbish and repair existing components to a high standard, with high-performance outcomes. This practical solution has been instructive to establishing a wider circular model throughout the wind industry supply chain.

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

Ensuring a just transition

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

Leading on a just transition

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

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

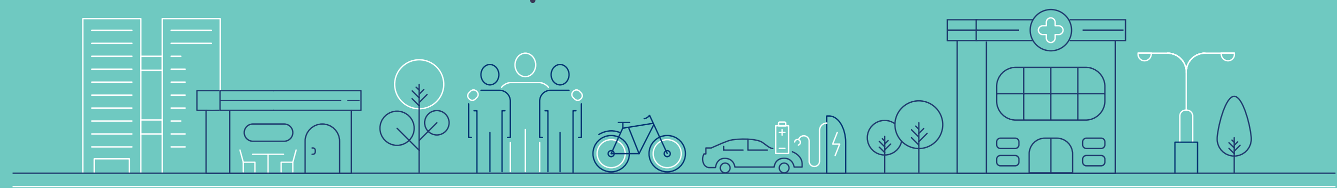
This has taken several different forms including:

- **Just transition documentary**: A short documentary featuring voices of SSE employees with the lived experience of transitioning from high- to low-carbon work, supplemented by the perspectives of the Prospect trade union and environmental NGO WWF aimed to bring the notion of a just transition to life. The film explains that a just transition is about protecting workers and communities in the face of substantial industrial change and that people must be at the centre of efforts to tackle climate and nature crises. This documentary has been shared widely with stakeholders including trade unions, investors, and NGOs, and was also shown to over 1,660 employees.
- **Multi-stakeholder event:** An event in London in April 2023 aimed to normalise the just transition within corporate climate discourse, enhancing accountability and bringing the just transition from concept to action.
The objectives included establishing a sense of collaboration and openness around a just transition; showing SSE's good stewardship of its own transition to net zero and highlighting the business benefits that come from establishing the world's first business strategy for a just transition.
- **Measuring progress report:** A progress update published in April 2023 in which SSE set out to demonstrate the impact its 20 principles for a just transition have had across the business. These specifically aim to promote a smooth, fair and just transition to net zero by disclosing progress (or otherwise) against the Just Transition Strategy.

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

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

UK contribution to GDP	UK jobs supported	UK taxes paid
£6.04bn	**39,940**	**£502m**
2021/22: £5.98bn	2021/22: 45,290	2021/22: £335m
Ireland contribution to GDP	**Ireland jobs supported**	**Ireland taxes paid**
€429m	**2,430**	**€53.8m**
2021/22: €417m	2021/22: 1,840	2021/22: €46.4m



2021/22 contribution to GDP figures have been adjusted to current prices.

Sharing the benefits from net zero

Contributing to jobs and GDP

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

Every year SSE commissions an independent assessment of the value it adds to GDP and the jobs it supports across the UK, Scottish and Irish economies. Over 2022/23, SSE contributed an estimated £6.04bn to UK and €429m to Irish GDP. This represented a slight increase compared to 2021/22 figures, which were £5.98bn and €417m respectively (adjusted for current prices). Jobs supported in these countries fell from 47,130 in 2021/22 to 42,370 in 2022/23, due to a reduction in supply chain spend. More detail on SSE's contribution to GDP and jobs supported in 2022/23 can be found in SSE's Sustainability Report 2023.

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

Paying a fair share of tax

SSE considers the responsible payment of tax a core element of how it shares value with society. While SSE was the first FTSE 100 company to be Fair Tax accredited in 2014, in 2022/23, SSE also became the first company to transition from the Fair Tax Foundation's UK HQ Multinational accreditation to the Foundation's new Global Multinational accreditation.

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

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

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

Sharing value directly with local communities

An integral part of a just transition is being a positive contributor to local communities by sharing the economic value from its assets and its business activities. During 2022/23, SSE invested around £16.5m in communities across the UK and Ireland. This included £10m awarded through SSE Renewables community funds, £1.4m awarded through SSEN's Resilient Communities Fund, and around £5m of donations made directly to charitable groups by SSE Airtricity to support with the cost of living crisis (see page 64), alongside smaller contributions from employee-led initiatives.

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

£16.5m

SSE recognises the exceptional challenges faced by communities because of the cost of living crisis and in 2022/23 consulted with a wide range of stakeholders to understand where community funding could make the biggest difference. With stakeholder approval, SSE focused on investing in projects which would directly help improve energy efficiency and reduce fuel poverty. In November 2022, SSE Renewables' Sustainable Development Fund panel awarded its largest-ever single award of £1m to support the Highland Energy Efficiency Programme which provides energy efficiency measures including solar, battery, air source heating and insulation to households in extreme fuel poverty.

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

A sustainable approach continued
Ensuring a just transition continued

A guarantee of fair and decent work

Jobs for net zero

With the scale of growth in energy investment over the next decade, it is essential that action is taken to attract more people into STEM (Science, Technology, Engineering, Maths) careers, whilst training existing talent to ensure the sector has a future-fit workforce with the skills and talent to deliver net zero.

Within SSE, at least 1,000 new jobs are expected to be created every year to 2025. Opportunities will be created in a range of role types, which will mean adding to existing skills and delivering new skills as SSE moves into new technologies. To fill these roles, SSE's recruitment strategy seeks to bring new talent into the organisation immediately, at the same time as developing a longer-term pipeline to meet the skills needs of the future.

New jobs expected to be created every year to 2025

1,000

For the jobs of today, SSE focuses on recruiting new talent through its early careers and pipeline programmes, as well as attracting those from sectors like oil and gas as part of the just transition, and reaching those in wider industries with similar skills such as mining, construction, transport and logistics.

To support a long-term pipeline, SSE works to inspire young people into STEM careers through strategic partnerships with secondary and primary schools (see SSE's Sustainability Report 2023 for details), and over 2022/23 has performed a skills gap analysis to understand key training requirements for existing talent (see 'Developing the future skills required for net zero' on this page for more details).

At 31 March 2023, SSE's headcount was 12,180, up from 10,754 at 31 March 2022. This includes 100 employees in locations outside the UK and Ireland. To meet the demand of its growing Business Units, the total number of people joining SSE rose from 2,290 in 2021/22, to 3,226 for the same time period in 2022/23. This means that SSE filled a total of 4,401 positions across internal and external recruitment over 2022/23, an increase of 38% from 2021/22. For information about SSE's approach to inclusive and diverse hiring, see its Inclusion and Diversity Report 2023.

SSE's employee retention level in 2021/22 was 90.5%, which remained slightly elevated compared to pre-pandemic rates. In 2022/23, retention decreased to 89.5% reflecting a return towards pre-pandemic labour market conditions. SSE's 2022/23 voluntary turnover rate was 7.0%, compared to 7.8% in 2021/22.

Developing the future skills required for net zero

SSE's investment in learning, training and development increased to £10.4m in 2022/23 from £7.5m in 2021/22. Average training hours per full-time employee was 19.8, a decrease from 20.7 in 2021/22, with 85.5% of SSE's employees receiving some form of training over the year.

Core to SSE's strategy to build its future workforce is consistent investment in its pipeline programmes. These pipeline programmes include apprenticeships, technical skills trainee programmes and graduate programmes. The number of people on one of SSE's pipeline programmes increased to 564, compared to 465 individuals in 2021/22. Investment in pipeline programmes increased to £12.8m in 2022/23 from £9.8m in 2021/22. This brings SSE's total investment in pipeline programmes over the last three years to just over £30m.

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

£23.2m

Over 2022/23, SSE identified the critical skills of its workforce required to deliver its Net Zero Acceleration Programme (NZAP). Actions have been identified to develop the skills of new and existing talent for the key roles it recognises as facing potential skills shortages. This approach to development and training is especially important for skills gaps that recruitment alone will not solve.

Targeted investment and focus was given to a series of specific skills gaps and shortages across the SSE Group, from upskilling existing electrical jointers, to developing new roles in system planning to support smart grids. Simultaneously, SSE is working to understand the skills required for new technologies of the future, for jobs that may not exist today, but which may be required to be implemented at pace to deliver net zero by 2030.

SSE has also continued to develop its graduate offering to ensure that it attracts future talent into this key early career pipeline. SSE has significantly expanded the number of graduate placements, from 60 participants in 2020/21 to 220 graduates enrolled for the September 2023 scheme which covers 13 different programmes.

More information on SSE's approach to learning and development and its training programmes can be found in its Sustainability Report 2023.

Paying a fair wage

Fair remuneration is a cornerstone of SSE's approach to being a responsible employer and providing good jobs. SSE is actively involved in the living wage movement. Having been a real Living Wage accredited employer in the UK since 2013, it has also paid the Living Wage in Ireland since 2016 and continues to chair the Living Wage Scotland's Leadership Group.

In September 2022 in response to the cost-of-living crisis, the Living Wage Foundation announced the new real Living Wage for the UK two months earlier than usual. This saw a 10.1% increase from the 2021 UK rate. SSE welcomed the action taken by the Living Wage Foundation and implemented the increase in November 2022, backdated to the 1 October 2022.

Since its accreditation as a Living Hours employer in March 2021, SSE has been working to roll out this enhanced standard across its supply chain.

The right to freedom of association and collective bargaining

Everyone in SSE has the fundamental right to freedom of association and to join a trade union. SSE has four recognised trade union partners (Prospect, Unite, Unison and the GMB) which it works with through the Joint Negotiating and Consultative Committee and through regular ongoing dialogue. In 2022/23, 50.3% of SSE's total direct workforce were covered by collective bargaining agreements. Broader incorporation of employee voice is recognised by SSE as an important part of decision-making and strategy. See the stakeholder engagement section on employees on page 28 of this report.

A growing package of employee benefits

SSE offers a wide range of employee benefits, including flexible working arrangements, 21 weeks of fully-paid maternity leave, all-employee share plans, a holiday purchase scheme, cycle-to-work schemes, salary sacrifice low emissions car scheme, and technology loans, amongst other initiatives.

In November 2022, SSE announced significant improvements to its family leave offering, well beyond the statutory minimum specified in UK and Irish employment law. The enhancements aimed to ensure that all new and prospective parents at SSE feel supported, regardless of personal or family circumstances and where they are on the journey to becoming a parent. This includes an additional seven weeks paid leave for partners, two weeks' full pay pregnancy loss leave, and two weeks' full paid leave for fertility treatment. See SSE's Inclusion and Diversity Report 2023 for more information.

Over the course of 2022/23, SSE also enhanced its offering around health and wellbeing support. More detail can be found (see page 63).

Embedding a healthy business culture

SSE has well established processes and procedures to embed a healthy business culture at all levels of its business, to support people to do the right thing. SSE's 'Doing the right thing' guide to good business ethics applies to direct employees and those that work on SSE's behalf, and covers a wide range of topics, including bribery and corruption, fair competition, engagement with politicians and regulators, and cyber security. It is supported by a number of internal and external documents to help colleagues to do the right thing, which are outlined throughout the guide. The guide is available publicly at sse.com/sustainability and is promoted to all employees through SSE's internal communication channels and mandatory e-learning modules, as well as being highlighted to suppliers in SSE's Sustainable Procurement Code.

SSE also has a suite of mandatory ethics and compliance training modules, including modules on fraud awareness, bribery and anti-corruption, and anti-money laundering and financial sanctions, which all employees must complete bi-annually. Additional modules on competition law and REMIT are required for selected employees.

A review of cultural metrics is undertaken twice annually by the Board supported by a cultural dashboard (see pages 137 and 138).

Table 8: Reported incidents of suspected wrongdoing by category

Category of incident reported	2022/23	2021/22
Health and safety (General Safety/Covid-19/Environmental/Product Contamination)	8	9
Dishonest behaviour (Fraud/Theft/Bribery/Integrity/Money laundering/Corruption)	16	12
Conduct (Bullying/Harassment/Victimisation)	10	15
Inclusion and diversity (Racism/Discrimination/Unfair Treatment)	2	2
Drugs/alcohol	5	0
Regulatory Compliance	1	0
General (Data Protection/Policy/Reputation/Corporate Governance/ Failure to Investigate)	8	11
Total	50	49

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

Outcome of investigation	2022/23	2021/22
Dismissal/Resignation	10	1
Warning issued	1	5
No action taken	0	4
Investigated as grievance	1	3
Investigated and partly substantiated but with no action taken	16	15
Investigated but case not proven	12	13
Initial investigation established insufficient evidence to proceed further	4	4
Unable to investigate due to insufficient information to establish the nature, cause, location or otherwise of the allegation	1	4
Cases Still Under Investigation	5	0
Total	50	49

Reporting and investigating wrongdoing

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

The number of reports of suspected wrongdoing has remained stable year-on-year, with 50 reports made through SSE's speak up channels in 2022/23, compared to 49 the previous year. Every report is triaged and considered for investigation. SSE monitors the trends of Speak Up cases closely. The outcomes of reported incidents and investigations for 2021/22 and 2022/23 are outlined in Table 8 and Table 9.

Supporting whistleblowers

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

SSE's Group Whistleblowing Policy is available on sse.com/sustainability, with the effectiveness of SSE's whistleblowing arrangements reviewed twice yearly by the Group Executive Committee and the Board.

A sustainable approach continued
Ensuring a just transition continued

Promoting inclusion and diversity

SSE's approach to inclusion and diversity

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

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

Developing leadership to drive inclusion from the top

SSE's has a number of leadership programmes in place, which are designed to build leadership confidence and raise awareness for all to create an inclusive workplace. This includes SSE's Igniting Inclusion Programme, which supports managing directors and Business Unit executive committees to learn about key inclusion and diversity themes, and how these can be practically applied in the workplace. Over 2022/23, SSE also embedded inclusivity throughout its existing Leadership Blueprint, ensuring that leaders build proud and inclusive teams.

Creating an inclusive employee culture

Listening to employees enables SSE to focus business priorities and improve initiatives, whilst also ensuring employees feel valued and have increased opportunities for development. SSE gains insight on employee voice through its 'Belonging in SSE' communities, each of which is sponsored by a Managing Director, and which aim to bring people together across the organisation for open and constructive employee-led discussion. Over 2022/23, SSE increased its members in the 'Belonging in SSE' communities to just over 2,000 and continued to listen to, and engage with, employees on subjects such as intersectionality, culture, ethnicity, and neurodiversity. Each Belonging in SSE community has developed an action plan and every two months they meet with SSE's Group Executive sponsors to discuss progress and opportunities to move forward with their action plans.

Measuring progress

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

Inclusion and Diversity Report 2023

SSE publishes an annual Inclusion and Diversity Report, which provides comprehensive information around SSE's Inclusion and Diversity Strategy and progress against it.

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

Ambition	Education and development
Setting measurable goals Setting ambitions and KPIs, and using external benchmarking.	**Focusing on behaviours** Building leadership confidence and raising awareness for all to create an inclusive workplace.

Inclusive processes	Employee voice
Embedding best practice Ensuring policies and processes are inclusive and support everyone.	**Actively listening** Understanding what matters to employees to inform and shape the improvements needed.

SSE's 2023 gender pay gap

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

The reduction in SSE's UK median gender pay gap between 2021/22 and 2022/23 has been driven by three main contributing factors:

- **Interim cost-of-living pay increase:** In recognition of the cost-of-living pressures affecting its employees, on 1 October 2022 SSE brought forward part of its trade union negotiated cost of living increase for 2023, by awarding up to a 5% increase to all employees earning less than £100,000 annually. The structure of this pay award was to prioritise helping those on lower salaries who are most affected by the rise in living costs, therefore employees received either a 5%, 3%, or 0% increase depending on their salary, with those in the lower pay brackets receiving the highest percentage increase. At SSE representation of women is highest in the lower and lower-middle pay quartiles, resulting in a higher percentage of female employees receiving a 5% pay award. However, the full impact of the 2022/23 pay award on SSE's gender pay gap will not be fully understood until the second part of the award is made for full-year in the first quarter of 2023/24 (backdated to 1 April 2023).
- **Salary uplift for employees on Joint Agreement contracts:** SSE introduced a new skill-based Pay Progression model in 2021, which saw employees' salaries being mapped according to their skill-level. This resulted in many employees receiving salary uplifts, mainly those in the lower pay quartile. As SSE has higher female representation in this quartile, this meant a high number of women received a pay increase. Over 2022/23, the positive impact of this new pay model on the gender pay gap has continued with a slightly higher proportion of female employees progressing through the pay progression framework.
- **Increasing representation of women in high-paid roles:** Over 2022/23, female representation in high-paid roles, classed as those earning over £100,000 per year, has more than doubled from 25 to 53 female employees, compared to a 50% increase for male employees, from 145 to 217. Due to SSE's female population representing 30% of its workforce, changes such as these have an impact on the median pay gap.

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

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

SSE's 2023 UK gender pay gap performance

	UK gender pay gap	UK bonus gender pay gap
Median	**15.3%** (2022: 18.0%)	**14.7%** (2022: 17.6%)
Mean	**12.1%** (2022: 13.2%)	**44.3%** (2022: 45.9%)

SSE's 2022/23 recognition

- Ranked #30 in the top 100 Globally for Gender Equality by Equileap. ✓
- Included in the Bloomberg Gender Equality Index for the 6th consecutive year. ✓
- Performed in the top decile of WDI responders for 2022 submission. ✓

A sustainable approach continued
Ensuring a just transition continued

Making progress with women's representation

In 2021/22, SSE simplified its gender reporting and set stretching gender ambitions in line with the FTSE Women Leaders Review. These are outlined in Table 10 and are approved by the Group Executive Committee (GEC) and Board-level Nomination Committee.

Over 2022/23, progress has been made across the business, moving SSE closer to achieving its medium- and long-term targets. Female representation on the Board is currently 42%, following changes to the Board which took effect post 31 March 2023, which remains above the 40% Board Policy target. Full details of changes across membership and Nomination Committee focus are set out on pages 115 and 142 to 149. The representation of women in the GEC and direct reports has increased from 22.4% at 31 March 2022 to 34% at 31 March 2023, representing maintenance of the progress disclosed in the 2022 Annual Report and offering a strong platform for continued work towards the 2025 ambition of 40%.

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

	Year	Ambition	**2022/23 % Female (Male/ Female headcount)**	2021/22 % Female (Male/ Female headcount)
Board[1]	Ongoing	50%, with no less than 40% female representation	**46% (7/6)**	50% (6/6)
Group Executive Committee (GEC)[2]	–	–	**27% (8/3)**	25% (6/2)
GEC[2] and direct reports (excl. administrative roles)	2025	40% female	**34% (54/28)**	22.4% (45/13)
Leadership Group[3]	2030	40% female	**25% (812/274)**	23.7% (681/212)
All employees	2030	33% female	**30% (8,525/3,655)**	28.8% (7,658/3,096)

1 As at 23 May 2023, the Board has 42% female representation (seven men and five women), see page 149 for more detail.
2 In the context of gender reporting, the GEC includes all members of the GEC and the Company Secretary. This is the definition of senior managers in SSE for the purposes of s414C(8)(c)(ii).
3 Employees in SSE's senior level pay grades.

Wider diversity targets

SSE tracks progress against a range of diversity metrics, including the proportion of ethnic minority, disabled, and LGBTQIA+ employees. Senior leaders focus on progress as part of broad internal inclusion and diversity ambitions quarterly, and these metrics are reviewed twice yearly by the GEC and the Board. SSE understands that transparency supports inclusion and diversity progress, and therefore is working to increase the proportion of employees disclosing their diversity data to SSE, so that it can improve external disclosure as it becomes feasible to do so.

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

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

Table 11: SSE's wider diversity data at 31 March in each year*

Diversity category	Year	Ambition (% of employees)	**2022/23 (% of employees)**	2021/22 (% of employees)
Disability	2030	8	**8.9**	6.8
Ethnic Minority	2030	15	**8.1**	6.3
LGBTQIA+	2030	8	**3.8**	3.6

* Data is collected on SSE's HR data reporting system 'Harmony'. Gender has a 100% completion rate, and is based on biological sex. Disability, Ethnic Minority, and LGBTQIA+ data is voluntarily disclosed by employees, with a 39% disclosure rate at 31 March 2023 and a 32% disclosure rate at 31 March 2023. Data excludes those without facility to share information on Harmony.

.

Protecting health, safety and wellbeing

Monitoring health and safety performance

Safety remains SSE's first priority with the objective that 'everyone gets home safe' and that focus is all the keener following the tragic death of Liam Macdonald, a young contractor working on Shetland, in June 2022.

The Total Recordable Injury Rate (TRIR) for direct employees and contractors combined was 0.19 per 100,000 hours worked, up from 0.17 in 2021/22. This increase reflects a significant surge in investment and construction, and an associated rise in contractor hours worked. Further detail on SSE's TRIR is outlined in Table 12, with additional information on contractor safety outlined on pages 66 and 164.

SSE seeks to embed a strong safety culture and to ensure that all those working on its behalf feel confident to speak up around safety. In SSE's 2022 all-employee survey, which had a 79% response rate, 92% of employees said that their manager sets the right example when it comes to Safety, Health and Environment and 94% said that SSE makes it easy for people to do the right thing on Safety, Health and Environment.

Detailed information on SSE's health and safety performance over 2022/23 is provided in the Safety, Sustainability, Health and Environment Advisory Committee report on pages 162 to 165 of this report and in the Sustainability Report 2023.

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

	Unit	**2022/23**	2021/22
Total Recordable Injury Rate – employees and contractors	Per 100,000 hours worked	**0.19**	0.17
Total Recordable Injury Rate – employees	Per 100,000 hours worked	**0.10**	0.09
Total Recordable Injury Rate – contractors	Per 100,000 hours worked	**0.34**	0.32

Taking a holistic approach to wellbeing

In 2021/22, SSE undertook a strategic review of occupational benefits which also included recruitment of a dedicated Head of Health and Wellbeing. The review recognised that while a very good range of support was already in place, there were opportunities for some services to be used more and/or expanded upon.

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

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

Increased investment in employee health

Over 2022/23, SSE made a significant investment to enhance the health support it provides to its employees. One of the key investments it made was the launch of a new service, WeCare, which enables employees in the UK and Northern Ireland to access free online GP appointments within 48 hours and access to a private prescription service, to help colleagues receive the medical care they need. WeCare can be used by all UK and Northern Ireland employees, as well as their immediate family who live in the same home, and it also offers 24/7 support on physical and mental health issues, general wellbeing and financial and legal matters. Employees in Ireland can receive similar support through SSE's partnerships with VHI Healthcare.

In 2022, SSE also launched a pilot scheme in partnership with the British Heart Foundation providing employees with free health assessments. The service was accessed by over 150 colleagues in 2022/23 and SSE plans to make it more widely available in 2023/24.

These initiatives build upon a strong foundation of existing support services including Nuffield mental health and musculoskeletal support, comprehensive Employee Assistance Programmes, a suite of toolkits covering mental health, menopause and other health issues, a series of health and wellbeing webinars and Nudge, a financial education resource.

Safety and the Environment remains as a Principal Risk to the Group, further details on how this is mitigated can be found on page 77.

WeCare

- Free online GP appointments within 48 hours. ✓
- Access to a private prescription service. ✓
- 24/7 support on physical and mental health issues, general wellbeing and financial and legal matters. ✓
- Can be used by all UK and Northern Ireland employees, as well as their immediate family. ✓

A sustainable approach continued
Ensuring a just transition continued

Providing affordable and clean energy

Avoiding the next energy crisis

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

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

Powering greener homes and businesses

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

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

Engagement in action
Energy customers

Supporting customers through exceptional times

SSE Airtricity provided a holistic range of practical measures up to the value of €25m, including targeting families who are struggling financially. This has included:

- **Price promise:** SSE Airtricity held energy costs at June 2022 levels until the end of March 2023, for up to 60,000 financially vulnerable customers.
- **Discretionary fund:** a €1m discretionary fund was created to provide direct support to customers in difficulty.
- **Energy efficiency measures:** to help tackle one of the root causes of fuel poverty, SSE Airtricity supported vulnerable households with energy efficiency. This has included delivering home energy upgrades for up to 600 vulnerable households, at no cost, and a €2.5m donation to not-for-profit organisation EnergyCloud, which will help divert surplus renewable energy to up to 10,000 fuel poor homes across Ireland.
- **Working with partners to support households:** over 2022/23, SSE Airtricity made donations to trusted charity partners to support households in need of financial assistance across the island of Ireland, regardless of who their supplier is. This included a €1m donation to St Vincent de Paul (SVP) and donations totalling £2m to Bryson Charitable Group.
- **Energy Bill Relief Scheme:** Airtricity also applied discounts to the value of £116m in the year to customers under the UK Government's Energy Bill Relief Scheme.

The number of customers benefiting from Airtricity holding prices at June 2022 levels was

60,000

Providing an inclusive service to network customers

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

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

Unlocking a just transition for network customers

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

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

In addressing these critical issues, SSEN Distribution has created an action plan for delivering a just transition for energy consumers. With 10 commitments, it will progress alongside further recommendations for the energy industry and policy makers to help unlock the benefits of net zero for all consumers.

SSEN Distribution's commitments cover a range of areas, including: supporting knowledge-sharing and collaboration; addressing emerging vulnerabilities resulting from the transition to net zero; ensuring equal access to electricity infrastructure; and, supporting remote and rural communities, which may be off-grid, to benefit from the electricity system of the future.

The full report can be found at ssen.co.uk.

Creating new standards in equal EV access

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

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

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

A sustainable approach continued
Ensuring a just transition continued

Supporting a sustainable supply chain

An increasing focus on contractor safety

In 2022/23 there was a significant rise in contractor hours worked on SSE's large capital projects, which represent a higher-risk environment than for SSE's operational activity. SSE's contractor TRIR increased slightly compared to 2021/22 performance and there was a contractor fatality on Shetland in June 2022. See the Safety, Sustainability, Health and Environment Advisory Committee report on pages 162 to 165 of this report for more information around SSE's response to this incident.

Given the rise in contractor hours worked in SSE's current growth phase, there is a need for a strategy that builds stronger, more collaborative relationships with supply chain partners to keep everyone safe.

A dedicated, Group-level contractor safety team was established in early 2023 to ensure partners are fully supported and performance is monitored across all of SSE's large capital projects.

Mitigating modern slavery in the supply chain

Over 2022/23, SSE continued to deliver its Modern Slavery Action Plan. Key developments over the year included the rolling out its updated modern slavery clause and Living Hours clause into supplier contracts, and completion of onsite modern slavery audits.

SSE finalised the programme of onsite modern slavery audits for three of its key sites, which have been undertaken by third party organisation Stronger Together since 2021/22. Findings showed that health, safety, and labour standards were very high on all three sites assessed and that risk of modern slavery was very low. The gap analysis highlighted key improvement areas, including around risk identification, supplier due diligence and training, which have been embedded in SSE's Action Plan.

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

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

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

Healthy supply chains influence SSE's exposure to the Principal Risks of Large Capital Projects Management and Speed of Change – further details on how these are managed can be found on pages 75 and 77.

Engagement in action
Suppliers, contractors and partners

Supply chain learnings from COP27

SSE participated in climate debates on the fringe of COP27 in Egypt in November 2022. SSE's objective in its attendance was to further the case for net zero through the practical demonstration and example of its investments in low-carbon infrastructure in the UK, Ireland and beyond.

One further objective was to learn from international experiences in relation to the mining and extraction of metals and minerals critical to the technology required by SSE's investments.

SSE actively participated in discussions and panels on the just transition, considering issues through the lens of indigenous communities, many of whom host the commercial mining of minerals such as cobalt, lithium and silicon.

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

The engagement at COP27 was particularly instructive to SSE and has led to the development of a workstream that can deliver a transition to net zero in a responsible and ethical way. This work, directly with suppliers, is in addition to ongoing human rights work with the Sustainability Supply Chain School and industry collaborations including Utilities Against Modern Slavery and Scotland Against Modern Slavery.

Non-financial information statement

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

Reporting requirement and SSE's material areas of impact	Relevant Group Principal Risks, pages 72 to 77	Relevant Group Policies on sse.com	Policy embedding, due diligence, outcomes and key performance indicators
Environmental matters • Delivering net zero • Managing climate-related issues • Carbon performance, metrics and targets • Responsible resource use – water and energy use, air emissions • Managing impacts on the natural environment and biodiversity	Climate Change Safety and the Environment	Group Climate Change Policy Group Environment Policy	2030 Goals progress, pages 22 to 23 A year of strategic progress, pages 18 to 21 Accelerating climate action, pages 36 to 51 Protecting the natural environment, pages 52 to 55 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 162 to 165
Employees • Protecting health, safety and wellbeing • Investing in training and learning • Culture and ethics • Reward and benefits • Employee voice • Promoting inclusion and diversity	People and Culture Safety and the Environment	Group Employment Policy Group Safety and Health Policy	2030 Goals progress, pages 22 to 23 Ensuring a just transition, pages 56 to 66 Focusing on culture, pages 59 and 137 to 138 Empowering the employee voice, pages 134 to 136 Safety, Sustainability, Health and Environment Advisory Committee Report, pages 162 to 165
Social matters • Ensuring a just transition • Contributing to jobs and GDP • Sustainable procurement and supporting local supply chains • Paying a fair share of tax • Supporting customers through the cost of living crisis • Sharing value with local communities	People and Culture Speed of Change Energy Affordability	Group Sustainability Policy Group Taxation Policy Group Procurement Policy	2030 Goals progress, pages 22 to 23 Ensuring a just transition, pages 56 to 66
Human rights, anti-corruption and anti-bribery • Reinforcing an ethical business culture • Speaking up against wrongdoing • Prevention of bribery and corruption • Approach to human rights and modern slavery	People and Culture Large Capital Projects Management	Group Human Rights Policy Group Corruption and Financial Crime Prevention Policy Group Whistleblowing Policy	SSE's social contribution, pages 58 to 59 Focusing on culture, pages 59 and 137 and 138

Risk-informed decision making
Managing SSE's risks

The execution of SSE's strategy and the creation of value from the opportunities arising from net zero are dependent on the effective identification, understanding and mitigation of the Group's Principal Risks.

Throughout 2022/23 SSE has met and managed unprecedented challenge in the markets in which it operates. As highlighted in the Chair's Statement on pages 4 and 5, issues such as safety programmes, affordability, sectoral risks (such as extremely volatile commodity prices and inflationary pressures), extreme weather and climate change have featured heavily in strategic risk discussions.

While managing these external challenges, SSE has continued to make substantial progress on the execution and delivery of it's Net Zero Acceleration Programme (NZAP), with in excess of £2.8bn of capital investment including acquisitions delivered during the course of the year. Supporting a just transition through continuing to create options for investment and growth by boosting energy security, supporting communities and creating green jobs, coupled with its balanced mix of businesses, uniquely positions SSE for the transition to net zero and resilience against volatility. These factors along with the ongoing geopolitical crisis in Ukraine having a significant impact on energy affordability and security of supply concerns, formed the basis of the full review of SSE's Principal Risks that took place during the financial year.

SSE's risk management process is comprised of four main stages summarised in the diagram below. Continued maturity and refinement of our risk management framework ensures that it remains aligned with SSE's strategy and this year included the review and redrafting of the Group Risk Management Policy which is available to view on sse.com.

SSE's sector review on pages 12 to 15 provides more detail on the range of external factors that influenced the risk exposures to the Group over the course of the year.

Board considerations

Effective identification, understanding and mitigation of Principal Risks underpins the Board's approach to setting strategic objectives for SSE and informing strategic decision making (please see page 124 for SSE's decision making context). The Board aims to consider all material influencing factors and key external trends in the energy market, including those relating to climate change, technological developments and government policy and aims to do so in a way that reflects the expectations of SSE's key stakeholder groups.

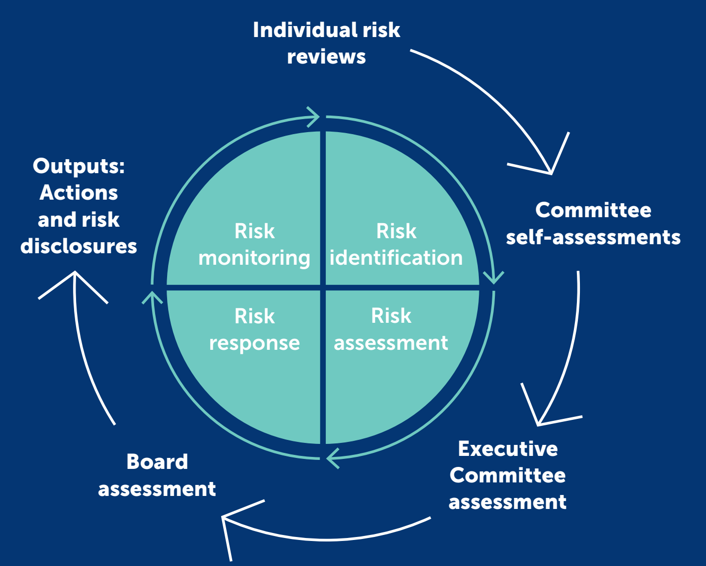
These material influencing factors also have an impact on the nature and extent of risks the Board is willing to take to meet these objectives, and related mitigation strategies adopted by the Group. Material changes in the nature, proximity and potential impacts of SSE's Group Principal Risks are regularly assessed by the oversight committees and the Business Unit executive committees with appropriate mitigations implemented where necessary.

Overseeing risk

The Group Executive Committee and its subcommittees (as detailed on page 122) have responsibility for overseeing SSE's Principal Risks. During the third quarter of SSE's financial year, an assessment of each Principal Risk is completed by the assigned oversight committee. This assessment requires committee members to provide commentary on contextual changes to the risks, consider whether over the course of the year the risks have become more or less material based on impact and likelihood and to confirm effective mitigations are in place for controlling risks. Consideration is also given to emerging risks and whether any of those identified have the potential to become a Principal Risk to the business in the medium to long-term.

These responses are then consolidated into reports, one for each Principal Risk, which are presented back to the committees along with the results of provisional viability testing and analysis of relevant, current management information and key information relating to Business Unit Principal Risks and controls. These reports form the basis for the committees to discuss and confirm the risk trend (more, less or equally material), overall effectiveness of the risk control and monitoring environment, and whether any additional control improvement actions are required. This is an inclusive and iterative process that results in considered and objective outputs and a robust assessment of the Principal Risks. The outputs from these committee assessments are then presented to the Group Executive Committee for full review.

Principal Risk assessment processes



Group Principal Risks

As reflected throughout the Strategic Report, this year exposures to a number of external factors, particularly those driven by macro-economic and geopolitical events, have increased materially. This, in turn, has increased the residual exposures of a number of the Group Principal Risks set out on the following pages, primarily Energy Affordability, Cyber Security and Resilience, Portfolio Exposure and Political and Regulatory Change.

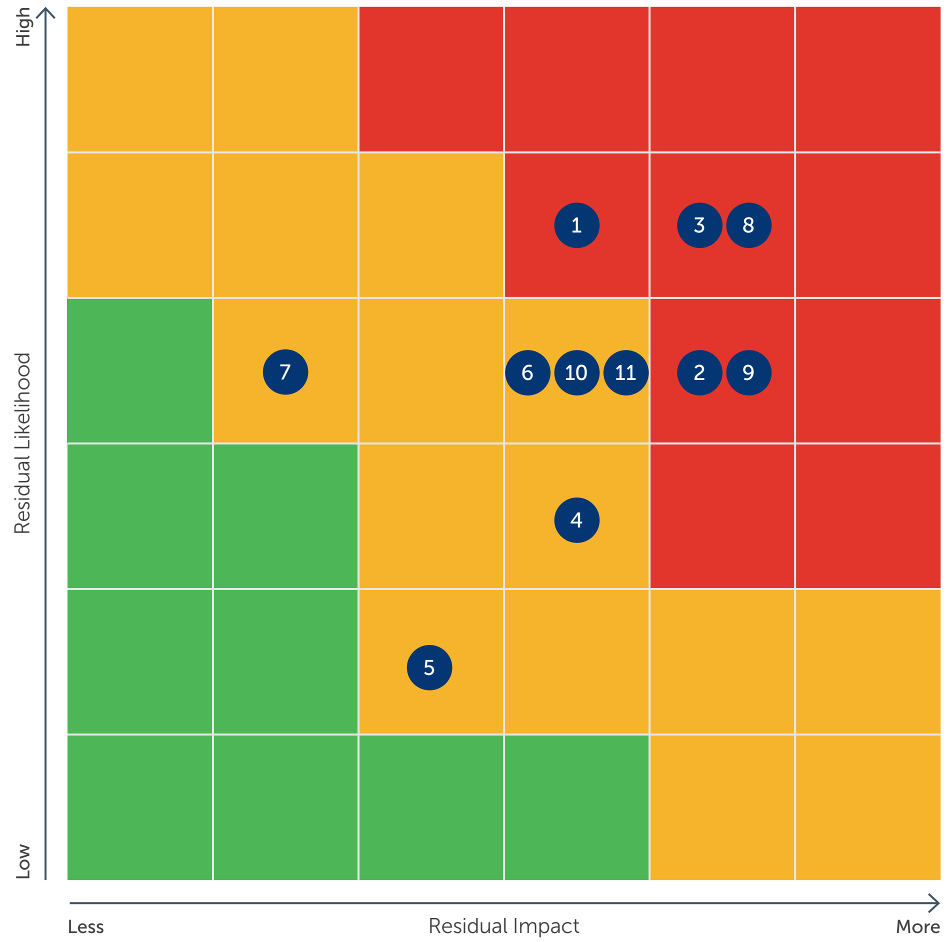
The graphic below illustrates SSE's 11 Group Principal Risks positioned to highlight the residual risk impact scores against residual likelihood scores following completion of the Principal Risk Self Assessment process.

Risk trend key

▲	Increased in materiality
■	Not changed significantly
▼	Reduced in materiality

Change to individual risk rating

1. Climate Change	■
2. Cyber Security and Resilience	▲
3. Energy Affordability	▲
4. Energy Infrastructure Failure	▲
5. Financial Liabilities	▲
6. Large Capital Projects Management	■
7. People and Culture	▲
8. Political and Regulatory Change	▲
9. Portfolio Exposure	▲
10. Safety and the Environment	▲
11. Speed of Change	▲



* Safety remains SSE's most important value, and management of this risk remains SSE's highest priority.
** It should be noted that Energy Affordability is particularly closely linked to – and therefore impacted by – Political and Regulatory Change and Portfolio Exposure.

This year, due to the pace of change in the markets in which SSE operates, an additional assessment of the Principal Risks was undertaken by the relevant subject matter experts and the Group Executive Committee during the last quarter of the financial year. The output of this was then considered, with any emerging risks or additional material changes resulting from this being proposed to the Board.

2022/23 Review Outcome

Following the 2022/23 annual review process, the number of Principal Risks to the Group remains at 11 with two revisions of note. The previously named Group Principal Risk of '**Commodity Prices**' has been redefined and renamed '**Portfolio Exposure**'. The second revision relates to the previously named Group Principal Risk of '**Politics, Regulation and Compliance**' which has been redefined and renamed '**Political and Regulatory Change**', both of these revisions have been made in order to better reflect and articulate the risk exposures to the Group.

An essential tenet of SSE's Risk Management process is the consideration of potential emerging risks and whether any of those identified have the potential to become a Group Principal Risk in the medium to long term. While no new emerging Principal Risks have been identified this year important revisions have been made to the descriptions of each of the Principal Risks to take account of key changes and corresponding mitigations that were introduced during the year.

Full details of the Group Principal Risks are available on pages 72 to 77. Key developments that have influenced the risk exposures to the Group have also been highlighted in detail throughout the Strategic Report.

Risk-informed decision making continued
Managing SSE's risks continued

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

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

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

Fundamentally:

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

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

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

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

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

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

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

	£bn	Matures	Comment
SSE plc	1.30	March 2026	
SSE plc	0.20	October 2026	
SSE plc	1.00	February 2024	Collateral facility with 1 year extension option (in favour of the banks)
SSEN Transmission*	0.75	November 2025	2, 1 year extension options (in favour of the Group)
SSEN Distribution	0.25	November 2025	2, 1 year extension options (in favour of the Group)
	3.50		

* The Transmission facility is available to that Business Unit only.

The Group is an owner and operator of critical national infrastructure and has a proven ability to maintain access to capital markets during stressed economic conditions. The Group has demonstrated this through securing £3.0bn of funding since April 2021 including the issuance of a 1bn Euro Hybrid bond in April 2022 and €650m bond in July 2022. Further detail relating to planned funding is available in A6.3 Accompanying Information to the Financial Statements in the Annual Report and Accounts.

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

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

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

Upon the basis of the analysis undertaken, and on the assumption that the fundamental regulatory and statutory framework of the markets in which the Group operates does not substantively change, and the Group continues to be able to refund its debt at maturity, the Directors have a reasonable expectation that the Group will be able to continue to meet its liabilities as they fall due in the period to March 2027.

Group Principal Risks

Climate Change

Risk trend: Not changed significantly

What is the risk?
The risk that SSE's strategy, investments or operations are deemed to have an unacceptable future impact on the natural environment and on national and international targets to tackle climate change.

Oversight
Group Risk Committee

Link to strategy
Develop, Build, Operate, Invest

Material influencing factors
- The impact of physical risks associated with climate change, such as severe adverse weather that causes damage or interrupts energy supply or generation.
- The speed of technological developments.
- Transitional risks relating to developments in political and regulatory requirements related to the products and services that SSE provides.
- Ensuring the continuation of Large Capital Projects which are fundamental to Group net zero targets.
- Global and domestic policies including those published by the UK's Committee on Climate Change relating to the 6th carbon budget for the period 2032 and 2037.
- Political and regulatory engagement.
- Plans to transition to a decarbonised energy system.
- Geopolitical events relating to the security of supplies and macro-economic stress.

Key mitigations
- Policy link: SSE Climate Change Policy and SSE Sustainability Policy.
- SSE is investing on average £10m a day on decarbonising infrastructure over a five-year period to FY27 as part of its Net Zero Acceleration Programme Plus.
- SSE provides transparent disclosures of its governance around climate-related risks and opportunities to allow its stakeholders to properly assess its performance in managing climate related issues.
- The Group Executive Committee is responsible for implementing the Group strategy set by the Board and driving climate-related performance programmes across the organisation. The Chief Sustainability Officer is responsible for advising the Board, Group Executive Committee and businesses on climate related matters and provides support in the implementation of relevant initiatives across the Group.
- The TCFD Steering Group, which consists of representatives from Finance, Group Risk and Sustainability conducts an annual review of the outputs of the climate-related risk and opportunity assessment process and assesses the potential financial impact of key risks and opportunities in a fair, balanced and understandable way. This is then reviewed and approved by the Group Risk Committee.
- SSE's approach to executive remuneration reflects the role of sustainability and climate-related considerations within SSE's purpose and strategy, with sustainability-linked metrics and targets an element of performance related pay. As part of the 2022 Directors' Remuneration Policy review, the Remuneration Committee further strengthened the link between sustainability and executive pay by introducing sustainability measures in the long-term incentive (PSP) for the first time. Performance is assessed against SSE's 2030 Goals and also against strategic performance in relation to the implementation of the NZAP strategy. These measures are worth a combined 30% of the overall award.

Risk trend key

- ▲ Increased in materiality
- ■ Not changed significantly
- ▼ Reduced in materiality

Link to strategy

Develop | Operate | Build | Invest

Cyber Security and Resilience

Risk trend: Increased in materiality

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

Oversight
Group Risk Committee

Link to strategy
Develop, Operate, Invest

Material influencing factors
- Software or hardware issues, including telecoms networks, connectivity and power supply interruption.
- Heightened threat of cyber-attacks due to geopolitical events.
- Increased sophistication and likelihood of ransomware attacks.
- International expansion.
- Ineffective operational performance, for example, breach of information security rules or poor management of resilience expertise.
- Employee and contractor understanding and awareness of information security requirements.
- Malicious cyber attack.

Key mitigations
- Policy link: SSE Cyber Security Policy and SSE Data and Information Management Policy.
- Key technology and infrastructure risks are incorporated into the design of systems and are regularly appraised with risk mitigation plans recommended.
- SSE conducts regular internal and third-party testing of the security of its information and operational technology networks and systems.
- Continued strengthening and embedding of the cyber risks and controls framework to continue to identify threats and reduce exposures through, for example, improved use of data analytics and further migration from unsupported systems.
- Significant longer term Security Programme investment and planning which seeks to strengthen the resilience of the systems on which SSE relies.
- IT Service Assurance works with individual Business Units to form and agree appropriate service level agreements for business-critical IT services.
- Business continuity plans are reviewed in response to changes in the threat to the Group and regularly tested.
- Over the course of the year an updated Cyber Security Culture Strategy was launched. This has been designed to continue to improve the cyber security maturity across the Group and build positively on the existing, strong cyber culture. The implementation of this strategy will be assessed and monitored to measure its impact on the levels of cyber security awareness and culture across the Group.

Energy Affordability

Risk trend: Increased in materiality

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

Oversight
Group Executive Committee

Link to strategy
Develop, Build, Operate, Invest

Material influencing factors
- Technology changes and innovations to develop sustainable infrastructure and energy solutions.
- Supply chain cost management.
- Public policies, including those aimed at reducing carbon emissions and energy consumption.
- Accessibility to energy and related services for all.
- Increased focus on energy security in response to current geopolitical events.
- Required investment in the upgrading of the UK's energy infrastructure to achieve net zero.
- Political interventions.
- Fluctuations in the cost of fuels.
- Supplier and customer failures and related bad debt.

Key mitigations
- Policy link: SSE Sustainability Policy.
- SSE Airtricity established the largest customer support fund in Ireland, with provision for up to €25m in affordability funding, and SSE Business Energy has implemented the Energy Bill Relief Scheme.
- Robust stakeholder engagement across government, regulators and relevant counterparties.
- SSE is focused on fixing the long-term causes, not the short-term symptoms of the current energy crisis, as such it continues to advocate for progressive policies that will help bring forward necessary investment in low-carbon infrastructure at lowest cost to reduce customers' exposure to gas price volatility and deliver net zero affordability.

Group Principal Risks continued

Risk trend key

Increased in materiality | Not changed significantly | Reduced in materiality

Link to strategy

Develop | Operate | Build | Invest

Energy Infrastructure Failure

Risk trend: Increased in materiality

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

Oversight
Group Executive Committee

Link to strategy

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

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

Financial Liabilities

Risk trend: Increased in materiality

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

Oversight
Group Risk Committee

Link to strategy

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

Key mitigations
- Policy link: SSE Financial Management Policy.
- Committed borrowings and facilities are always available equal to at least 105% of forecast borrowings over a rolling 6-month period.
- Detailed and continuous financial modelling and forecasting on a Group and Business Unit basis.
- SSE seeks to maintain a diverse and innovative portfolio of debt to avoid over-reliance on any one market. This allows it to build relationships with, and create competition between, debt providers.
- Each of SSE's defined benefit pension schemes has a Board of Trustees which acts independently of the Group.
- The approval of all material counterparty credit limits is a matter reserved for the Board.
- The newly formed Collateral Committee meet weekly to monitor ongoing collateral requirements.
- SSE has a proven ability to maintain access to capital markets during stressed economic conditions. The Group has demonstrated this through securing £3.0bn of funding since April 2021 including the issuance of a 1bn Euro Hybrid bond in April 2022 and €650m bond in July 2022.

Large Capital Projects Management

Risk trend: Not changed significantly

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

Oversight
Group Large Capital Projects Committee

Link to strategy

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

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

People and Culture

Risk trend: Increased in materiality

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

Oversight
Group Executive Committee

Link to strategy

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

Key mitigations
- Policy link: SSE Employment Policy and SSE Whistleblowing Policy.
- SSE has a detailed Inclusion and Diversity plan, progress against which is reviewed and monitored by SSE's Group Executive Committee on a regular basis. Further details are available on pages 60 to 62 and on page 136 of the Directors' report.
- SSE Governance arrangements, including those relating to JV and Partner Management.
- There are a wide range of tools and services available to all employees to support mental health and wellbeing, including those provided as part of the Employee Assistance Programme. Further details on careers sse.com/employee-benefits.
- "Doing the Right Thing, a guide to ethical business conduct", explicitly outlines the steps employees should take to ensure their day-to-day actions and decisions are consistent both with SSE's values and ethical business principles. All SSE employees can report incidents of wrongdoing through both internal and external mechanisms. SSE uses an independent 'Speak Up' phone line and email service, hosted externally by SafeCall, through which incidents can be reported.
- SSE's business leaders are required to undertake regular succession planning reviews. At a Group level, SSE continues to develop its approach to the management of talent.

Group Principal Risks continued

Political and Regulatory Change

Risk trend ▲

What is the risk?
The risk associated with operating in a fast-paced, highly regulated environment which is subject to constantly changing political, regulatory and legislative expectations and interventions.

Oversight
Group Executive Committee

Link to strategy
Operate

Material influencing factors
- SSE's most significant contribution is to align with the Paris Agreement goal and aim to achieve net zero greenhouse gas emissions by at least 2050.
- Material changes to regulatory frameworks in any jurisdiction in which SSE operates.
- Government intervention into the structure of the energy sector in any jurisdiction in which SSE operates.
- Constitutional uncertainty in any jurisdiction in which SSE operates.
- Changes in financial, employment, safety and consumer legislation and/or regulation and the impact of these changes on business-as-usual activities in any jurisdiction in which SSE operates.

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

Portfolio Exposure

Risk trend ▲

What is the risk?
The risk to the Group's portfolio value associated with fluctuations in both the price and physical volume of key energy market indices or drivers– primarily gas, carbon and electricity – as well as foreign exchange values, CO_2 permits and oil.

Oversight
Group Risk Committee

Link to strategy
Operate

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

Key mitigations
- Policy link: An asset-by-asset approach to hedging strategy that ensures trading positions cannot have a material impact on SSE Group earnings. The latest update on SSE's hedging approach can be found on sse.com.
- The Group Energy Markets Exposure Risk Committee has operational oversight of commodity positions; reporting to the Board Energy Markets Risk Committee that has responsibility for monitoring the ongoing effectiveness of Group hedging arrangements. For further details please see pages 160 to 161.
- SSE uses VaR and PaR measures to monitor and control exposures. Trading limits are reviewed regularly by the Energy Markets Risk Committee, with consideration given to changes in the material influencing factors noted above, before being approved by the Board.
- SSE's Energy Economics team provides commodity price forecasts which are used to inform decisions on trading strategy and asset investment.
- SSE utilises hedging instruments to minimise exposure to fluctuations in foreign exchange markets, details of which are available in the Financial Statements section of the Annual Report and Accounts.
- SSE monitors the impact from recent reforms in Europe (e.g., the European Market Infrastructure Regulation (EMIR), Markets in Financial Instruments Directive (MiFID) and Regulation on Energy Market Integrity and Transparency (REMIT)) and those resulting from the Electricity Market Reform (EMR) process.

Risk trend key

▲ Increased in materiality | ■ Not changed significantly | ▼ Reduced in materiality

Link to strategy

Develop | Operate | Build | Invest

Safety and the Environment

Risk trend ▲

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

Oversight
Group Safety, Health and Environment Committee

Link to strategy
Build, Operate

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

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

Speed of Change

Risk trend ▲

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

Oversight
Group Executive Committee

Link to strategy
Develop, Build, Operate, Invest

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

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

Financial Review

Platform for growth.

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

SSE's performance in 2022/23 showed yet again the real value of a balanced portfolio of businesses, with 65% of Group adjusted operating profit contributed by our market-facing generation businesses and 30% from our index-linked regulated electricity networks.

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

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

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

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

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

We expect to report adjusted EPS of more than 150p for 2023/24, dependent upon market conditions, plant availability and weather conditions. And – as announced in May 2022 – our recent performance, financial strength and growth opportunities give us confidence in the 'NZAP Plus' plans outlined on pages 16 and 17 and in the following Financial Review.

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

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

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

Gregor Alexander
Finance Director, SSE plc
23 May 2023

Financial Review

Year ended 31 March 2023

This Group Financial Review sets out the financial performance of the SSE Group for the year ended 31 March 2023. See also the separate sections on Group Financial Outlook, 2023/24 and beyond and Supplemental Financial Information.

The definitions SSE uses for adjusted measures are consistently applied and are explained in the Alternative Performance Measures section of this document before the Financial Statements.

Key financial metrics (continuing operations)

	Adjusted		Reported	
	March 2023 £m	March 2022 £m	**March 2023 £m**	March 2022 £m
Operating profit/(loss)	**2,529.2**	**1,530.9**	**(146.3)**	**3,749.5**
Net Finance (costs)/income	(345.6)	(372.8)	(59.3)	(273.2)
Profit/(loss) before tax	**2,183.6**	**1,158.1**	**(205.6)**	**3,476.3**
Current tax (charge)/credit	(358.8)	(107.1)	110.0	(881.3)
Effective current tax rate (%)	*16.4*	*9.2*	*12.7*	*26.2*
Profit/(loss) after tax	**1,824.8**	**1,051.0**	**(95.6)**	**2,595.0**
Less: hybrid equity coupon payments	(38.8)	(50.7)	(38.8)	(50.7)
Less: profits attributable to minority interests	–	–	(23.6)	–
Profit/(loss) after tax attributable to ordinary shareholders	**1,786.0**	**1,000.3**	**(158.0)**	**2,544.3**
Earnings/(loss) per share (pence)	**166.0**	**94.8**	**(14.7)**	**241.2**
Number of shares for basic/reported and adjusted EPS (million)	1,075.6	1,055.0	1,075.6	1,055.0
Shares in issue at 31 March (million)*	1,090.3	1,067.6	1,090.3	1,067.6

* Excludes treasury shares.
2021/22 numbers above restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use.

Dividend Per Share (pence)

	March 2023	March 2022
Interim dividend	**29.0**	25.5
Final dividend	**67.7**	60.2
Full Year dividend	**96.7**	85.7

Impact from market volatility

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

SSEN Transmission and **SSEN Distribution** operate under a regulatory price control framework which is set by Ofgem. Returns under this framework have no direct relationship to power and gas market prices. However, both allowed revenues and Regulated Asset Values are index linked (Transmission to CPI(H) for the RIIO-T2 price control period which lasts from 1 April 2021 to 31 March 2026, and Distribution to RPI (for RIIO-ED1 which ended on 31 March 2023) and CPI(H) (for RIIO-ED2 which lasts from 1 April 2023 to 31 March 2028).

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

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

Whilst this hedging approach provides relatively stable realised power prices, market volatility in periods where wind volumes are significantly lower than expected can necessitate 'buy-backs' of excess forward sales contracts at higher prices, which would reduce the trading result, as has also been seen in 2022/23.

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

The last twelve months has seen the Thermal business navigate extreme volatility in the forward power markets. Whilst some of this volatility is directly attributable to the war in Ukraine and ensuing gas crisis, there are other more fundamental drivers relating to price uncertainty which are longstanding.

Financial Review continued

These longer-term price drivers include liquidity, carbon price basis risk, regulatory or political interventions, and the availability of risk capital and collateral within the markets. This business therefore aims to reduce earnings volatility by establishing a hedge for the expected economic output in the six months prior to delivery, although this approach is closely monitored for any unexpected changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

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

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

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

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

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

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

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

In relation to Airtricity, vertical integration of generation and customer businesses in the Irish market limits commodity exposures with some benefit received through Renewable Energy Feed-in Tariffs ('REFIT') receipts on legacy wind assets.

Finally, **SSE Group** is well funded with a strong investment grade credit rating; a high proportion of the £8.9bn adjusted net debt (c.92%) is fixed rate and the average maturity of SSE's debt is 6.4 years. The Group has been successful despite challenging debt markets, issuing €1bn of Hybrid Bonds, a £350m Private Placement and a €650m Eurobond earlier in the financial year at well-below current market prices. SSE's balance sheet strength allows the Group to meet additional collateral requirements on higher and more volatile commodity contracts, while the high proportion of fixed-rate debt provides robust financing in an inflationary environment.

Operating profit

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

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

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

SSEN Distribution: Adjusted and reported operating profit increased by 9% to £382.4m in the period. Higher allowed revenues including previously under-recovered allowances following the impact of coronavirus on Distribution Use of System 'DUoS' volumes in 2020/21, were broadly offset by a negative timing impact on lower-than-expected volumes in 2022/23. In addition, 2022/23 operating costs were lower than prior year mainly driven by a reduction in fault costs, given the impact of severe weather on the network during 2021/22.

SSE Renewables: Adjusted operating profit increased by 2% to £580.0m in the year. Having experienced exceptionally still and dry weather in he prior year, volumes increased 0.7TWh or 7% in the current year but were still around 1.5TWh or 13% behind planned levels due to less favourable weather than the long-term average and delays to construction of the Seagreen project.

In line with SSE's hedging approach, SSE Renewables entered the financial year with around 40% of its wind volume hedged in gas and carbon equivalents, rather than electricity. The conversion of those gas and carbon trades into electricity ahead

Operating profit performance for the year to 31 March 2023

Business-by-business segmental

	Adjusted		Reported	
	March 2023 £m	March 2022 £m	**March 2023 £m**	March 2022 £m
Operating profit/(loss)				
SSEN Transmission	372.7	380.5	405.5	380.5
SSEN Distribution	382.4	351.8	382.4	351.8
Electricity networks total	**755.1**	**732.3**	**787.9**	**732.3**
SSE Renewables	**580.0**	**568.1**	**446.3**	**427.8**
SSE Thermal	1,031.9	300.4	1,089.5	624.2
Gas Storage	212.5	30.7	249.2	125.4
Thermal total	**1,244.4**	**331.1**	**1,338.7**	**749.6**
SSE Business Energy (GB)	17.9	(21.5)	17.9	(21.5)
SSE Airtricity (NI and Ire)	5.6	60.4	5.2	60.4
Energy Customer Solutions total	**23.5**	**38.9**	**23.1**	**38.9**
Energy Portfolio Management	**80.4**	**(16.8)**	**(2,626.0)**	**2,083.6**
Distributed Energy	**(27.4)**	**(10.9)**	**(33.5)**	**(29.2)**
Neos Networks	**(39.8)**	**(16.1)**	**(56.0)**	**(140.0)**
Corporate unallocated	**(87.0)**	**(95.7)**	**(26.8)**	**(113.5)**
Total operating profit/(loss) from continuing operations	**2,529.2**	**1,530.9**	**(146.3)**	**3,749.5**
Net finance (costs)/income	(345.6)	(372.8)	(59.3)	(273.2)
Profit/(loss) before tax from continuing operations	**2,183.6**	**1,158.1**	**(205.6)**	**3,476.3**

Notes: Table above excludes any result from discontinued operations, being the Group's investment in Scotia Gas Networks Limited which was disposed on 22 March 2022 (2022/23: £nil; 2021/22: adjusted operating profit of £21.0m) and the Group's Gas Production operations which were disposed on 14 October 2021 (2022/23: adjusted operating profit of £nil; FY2021/22: adjusted operating profit of £101.4m).

2021/22 restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use.

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

Following the acquisition in the year of Triton Power Limited (JV with Equinor, SSE's share 50%), the definitions SSE uses for adjusted measures have been refined to consider the treatment of fair value gains arising from acquisition of a business or a joint venture interest. Aside from this refinement, the definitions are consistently applied and a reconciliation of adjusted operating profit by segment to reported operating profit by segment can be found in note 5.1(ii) to the Financial Statements.

Segmental EBITDA results are included in note 5.1(v) to the Financial Statements.

of delivery in the year – combined with an unusually high and volatile electricity price attributable to factors such as the war in Ukraine and French nuclear outages – drove a significant uplift in the achieved price on hedged volumes in the year, with approximately £216m additional benefit captured. This uplift more than offset a £(143)m net loss from Seagreen which mainly reflected the buy-back costs of undelivered hedged volumes in a higher price environment.

Elsewhere, the higher and more volatile price environment was beneficial for flexible hydro and pumped storage, as those assets efficiently responded to capture peak prices in the market. Finally, the adjusted result also includes a net £43m charge relating to the Electricity Generator Levy, which came into effect from 1 January 2023 and is charged on receipts generated from eligible generation sources which are in excess of a £75/MWh benchmark.

Reported operating profits have increased by 4% to £446.3m in the year. In addition to the factors noted above, the reported result also reflects a £18.6m reduction in exceptional charges mainly as a £28.6m exceptional tax charge recognised in the prior year – driven by the impact on Joint Venture deferred tax balances from the substantive enactment of the UK Corporation Tax rate change, which – was non-recurring.

Financial Review continued

However, this reduction in exceptional charges was partially offset by a £10.1m increase in Joint Venture share of interest and tax charges driven by higher profitability in these entities.

SSE Thermal Generation: Adjusted operating profit increased 244% to £1,031.9m, compared to £300.4m in the prior year. SSE has continued to invest in optimising its thermal generation fleet despite many years of low returns and significant write-downs because it believed the inherent value the fleet offers the energy system through its flexibility would eventually be recognised. As noted previously, the last twelve months has seen the Thermal business navigate extreme volatility in the forward power markets through the flexibility it offers. The increase in adjusted operating profit reflects additional capacity in the year from Triton Power (acquired on 1 September 2022, £220m adjusted operating profit) and Keadby 2 (entered commercial operation on 15 March 2023, £37m adjusted operating profit), and additional generation volumes from SSE Thermal's existing feet together with higher power prices and a strong performance in the balancing market. In addition, capacity market revenues – which are unaffected by market prices – were £33m higher compared to the prior year.

This was partially offset by £97m of hedge buy-back losses due to unplanned outages – mainly arising from Great Island CCGT but also the reduction in capacity from Tarbert oil-fired station – as well as higher operating costs and increases in depreciation charges due to historic impairment reversals recognised in September 2021 and March 2022.

Reported operating profit increased by 75% to £1,089.5m in the year. The acquisition in September 2022 of Triton Power has resulted in a number of exceptional items being recognised: a £140.7m fair value uplift on acquisition and a £172.0m fair value remeasurement on operating derivatives (net of tax) were mostly offset by a £(291.6)m impairment charge reflecting the profitability delivered to date by that business. These movements, combined with a £89.1m gain on disposal of Fiddlers Ferry land, a £17.8m reversal of historic Great Island CCGT impairment and an increase in the Joint Venture share of interest and tax charges of £50.9m account for the majority of the difference. The prior year result included £333.3m of exceptional items, mainly comprising the reversal of historic impairment charges relating to the Groups' CCGT plants.

Gas Storage: Adjusted operating profit increased by 592% to £212.5m, compared to £30.7m in the prior year. The higher and more volatile gas market price environment during the year benefitted these assets which operated on a merchant basis to capture positive gas price spreads. In normal market conditions, the seasonal price spread occurs between summer and winter which results in minimal profitability for this segment in the first half of the year. However, due to low Russian gas supplies and increased European demand as gas stores were built up for winter, the usual spread was inverted, with summer gas prices higher than winter at points during the period. That inversion led to around £46m of incremental profitability in the first six months of the year. Aside from that one-off benefit, the assets continued to capture the usual summer-winter spread while supporting vital energy security in times of high gas demand across the winter. Again, the strong performance of the Gas Storage business affirms SSE's decision during previous years when earnings were weaker to continue investing in these critical assets.

Reported operating profit increased by 99% to £249.2m in the year. In addition to the movements above, the prior year included an impairment reversal of £97.3m compared to a £45.7m further reversal during 2022/23 as historic impairment charges against these assets were partially reversed. In addition, the reported results include a £(9.0)m revaluation loss on gas held in storage, compared to a £(2.6)m loss in the prior year.

SSE Business Energy: Adjusted and reported profitability increased to £17.9m of profit in 2022/23 compared to a £(21.5)m loss in the prior year. Market volatility since the start of 2022 continues to create a challenging environment for consumers and consumer-facing businesses such as Business Energy and Airtricity. With the prior year loss including around £34m of one-off charges relating to non-recoverable Balancing System use of Service 'BSUoS' costs and additional mutualisation costs, 2022/23 has demonstrated a recovery in underlying profitability as the economy continued to emerge from the impact of coronavirus.

However, even with the UK Government's EBRS support scheme, bad debt expenses have increased by £(89.5)m from prior year reflecting the deterioration of aged debt as consumers' finances are stretched.

SSE Airtricity: Adjusted profitability decreased to £5.6m from £60.4m in the prior year. Airtricity responded to the hugely challenging circumstances faced by its domestic energy customers during the 2022/23 financial year and – through a combination of keeping tariffs as low as possible for all consumers through not passing through the full impact of wholesale costs, a price freeze for financially vulnerable consumers, customer support funds and finally, in April 2023, a €35 rebate to each customer – honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. The cost of the €35 rebate will be reflected in Airtricity's financial results for 2023/24.

Reported profitability has decreased to £5.2m from £60.4m in the prior year reflecting the movements above as well as a £(0.4)m share of interest and tax in the current year from Joint Ventures.

Energy Portfolio Management: Adjusted operating profit has increased to £80.4m from a £(16.8)m loss in the prior year. EPM continues to generate a relatively low level of baseline operating earnings through service provision to those SSE businesses requiring access to the energy markets. However, in addition to this, the business is permitted to take small optimisation opportunities whilst managing liquidity and shape on external trades. As outlined above, these optimisation opportunities are subject to strict internal VAR limits and controls. The increase in profitability is mainly due to the heightened volatility and price of power and gas trades in the market, which has driven higher profits from the trading and optimisation activities for this business.

A reported operating loss of £(2,626.0)m was recognised in the year, compared to a £2,083.6m profit in the prior year. In addition to the movements above, the reported operating result includes the net remeasurement loss on forward commodity derivatives in the period which are fair valued in accordance with IFRS 9. In line with previous years, this excludes any remeasurement on 'own use' contracts and is unrelated to underlying operating performance.

Distributed Energy: An adjusted operating loss of £(27.4)m was recognised, compared to a loss of £(10.9)m in the prior year. The business continues to incur losses as it invests to support business growth, particularly in the solar and battery storage business which will be reported under SSE Renewables from April 2023.

The reported operating loss of £(33.5)m has increased from a prior year loss of £(29.2)m which reflects the above factors partially offset by a smaller £(6.1)m charge mainly related to the sale of the Contracting and Rail business in June 2021 compared to the £18.3m charge recognised in the prior year.

Neos Networks: SSE's remaining 50% share in the Telecoms business Neos Networks Limited recorded an adjusted operating loss of £(39.8)m compared to £(16.1)m in the prior year, and a reported operating loss of £(56.0)m compared to a loss of £(140.0)m in the prior year. This result reflects the losses incurred to support future business growth, and includes a £37.7m impairment of the Group's investment in that business of which £31.8m has been treated as non-exceptional.

Corporate unallocated: Adjusted operating loss of £(87.0)m compares against a loss of £(95.7)m in the prior year. Whilst there continues to be an unwind of historic transitional service agreements with SSE Energy Services (disposed to Ovo in January 2020), Neos Networks (part-disposed in January 2019) and SSE Contracting (disposed to Aurelius in July 2021), the segment has also benefited from a review of the corporate cost base at the start of the year.

Reported operating loss of £(26.8)m compares against a loss of £(113.5)m in the prior year which included a £(13.1)m adverse revaluation adjustment relating to the legacy Gas Production decommissioning provision. In the current year, a £50.5m positive revaluation adjustment was recognised on the same provision.

Adjusted Earnings Per Share

To monitor its financial performance over the medium term, SSE reports on its adjusted Earnings Per Share measure. This measure is calculated by excluding the charge for deferred tax, interest costs on net pension liabilities, exceptional items, depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation and the impact of certain remeasurements.

SSE's adjusted EPS measure provides an important and meaningful measure of underlying financial performance. In adjusting for depreciation on fair value adjustments, revaluation adjustments to the retained 60% Gas Production decommissioning obligation, exceptional items and certain remeasurements, adjusted EPS reflects SSE's internal performance management, avoids the volatility associated with mark-to-market IFRS 9 remeasurements and means that items deemed to be exceptional due to their nature and scale do not distort the presentation of SSE's underlying results. For more detail on these and other adjusted items please refer to the Adjusted Performance Measures section of this statement.

In the year ended 31 March 2023, SSE's adjusted Earnings Per Share on continuing operations was 166.0p. This compares to 94.8p for the previous year and reflects the movements in adjusted operating profit outlined in the section above.

Group financial outlook – 2023/24 and beyond

Financial outlook for 2023/24

The 2022/23 financial year saw SSE's balanced portfolio of market-based and economically-regulated businesses successfully navigate the risks and opportunities arising from the higher and more volatile price environment. In particular, the strong performance from flexible thermal and hydro plant more than offset the impact of the challenges faced by onshore and offshore wind, namely lower than expected windspeeds and construction delays and the associated buy-back costs on Seagreen offshore wind farm.

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

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

- For SSEN Transmission, increases to the allowed revenue under RIIO-T2 combined with timing effects from under-recoveries in the prior year are expected to more than offset both increases to the cost base as well as the impact from an additional eight months of earnings attributable to minority interests.
- For SSEN Distribution, increases to the operational cost base are not expected to be recovered until future periods under the tariff setting process, with allowed revenue therefore expected to be broadly flat.
- For SSE Renewables, assuming normal weather and plant availability, SSE expects to report around 12.5TWh of generation output during 2023/24, excluding any output from the Dogger Bank A wind farm which is expected to achieve first power during the year and remains unhedged.
- For SSE Thermal and Gas Storage, assuming normal plant availability, SSE expects adjusted operating profit to be more than £750m as the full-year effect from the additional Keadby 2 and Triton Power capacity is combined with a sustained higher price environment in the medium-term.

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

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

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

Net Zero Acceleration Programme Plus

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

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

This plan and the targets contained within it – which were partially updated in May 2022 to reflect the evidence of increasing value creation potential – represented a floor, not a ceiling, and were intended to position SSE to take other opportunities as they emerge.

In the time since the NZAP was launched, the global green transition has accelerated as countries look towards providing energy security by increasing their renewables and low-carbon generation ambitions.

Financial Review continued

NZAP Plus highlights

Key targets and ambitions Five-year targets:	NZAP (previous) to 2025/26	NZAP Plus (new) to 2026/27
– Capital investment (net)	£12.5bn	£18.0bn
– Adjusted Earnings Per Share CAGR	7 – 10%	13–16%
	From 2020/21 87.5p	From 2021/22 94.8p
– Dividend growth beyond 2023/24 60p rebase	At least 5% to 2025/26	Between 5–10% to 2026/27
– Net debt/EBITDA expectations	Below 4.5x	Between 3.5–4x
– Net installed Renewable capacity	Around 8GW	More than 9GW
– Net Networks RAV	>£9bn	£12–14bn
Ten-year ambition:	**to 2030/31**	**to 2031/32**
– Net installed Renewable capacity	>13GW	>16GW
– Net installed low-carbon flexible capacity	>3GW*	>2GW
– Net Networks RAV	>£14bn	>£20bn

* Included Distributed Energy capacity from Solar & Battery, now included within Renewable capacity ambition.

It is against this backdrop, and in light of recent business performance, that SSE now expects to meet or exceed the original NZAP financial targets. SSE has therefore announced an 'NZAP Plus' which rolls the plan forward by 12 months and upgrades the targets, ambitions and investment mix to match the enhanced opportunity.

Upgraded capital investment plan to 2027
The NZAP Plus is a five-year £18.0bn capital investment plan to 2026/27 – mainly driven by new growth (c.£2.2bn or c.20%) but also updating for supply chain cost increases (c.£2.0bn or c.15%), removal of the Distribution minority interest assumption (c.£0.6bn or c.5%) and project phasing (c.£0.7bn or c.5%). This increase – which collectively represents an increase of over 40% on the NZAP – is focused on:

- **Regulated electricity networks (c.50%)**
  SSEN Transmission (c.30%) will comprise the majority of expected investment in electricity networks, as the RIIO-T2 baseline investment programme has increased through uncertainty mechanism projects such as the Skye and Orkney subsea links. Whilst the majority of Ofgem's Accelerated Strategic Transmission Investment (ASTI) framework will be delivered towards the end of the decade, the five-year plan also includes early construction costs as these projects are progressed. As such, SSEN Transmission investment is expected to increase to over £5bn from over £3bn in the previous plan, net of the 25% Minority Interest share, driving the gross Regulatory Asset Value ('RAV') to between £8–9bn by the end of 2026/27, and deliver expected adjusted operating profits of at least £400m on average across the five year plan.

  Whilst SSEN Distribution (c.20%) has a lower share of networks investment, the absolute amount of investment is increasing with around £3.5bn of expected investment compared to around £2bn in the previous plan. This increase reflects 100% ownership of the business over the period, and is driven by the £3.6bn of totex in the RIIO-ED2 Final Determination, which runs from April 2023 to March 2028, with the potential for additional investment in other net zero-aligned projects to meet the increasing electrification demands of consumers. This investment is expected to drive the gross RAV to between £6–7bn by the end of 2026/27, and deliver expected adjusted operating profits of at least £450m on average across the five year plan.

  Overall, as **SSEN Transmission and SSEN Distribution** continue to form a key part of the low-carbon electricity core in SSE, the total electricity networks RAV is expected to increase from £8.2bn at the start of the plan to between £14–16bn by the end, of which SSE's share after Minority Interest is expected to be between £12–14bn. On a gross basis, this equates to a c.14% compound average growth rate ('CAGR') over the five-year plan.

- **Renewable energy generation (c.40%)**
  Since November 2021, **SSE Renewables** has continued to grow its secured pipeline of projects – which currently stands at c.15GW – and also the quality and diversity of these prospects. With a continued focus on financial discipline through targeting attractive returns on new projects, it is expected that around 5GW of additional net capacity will be added across the five-year plan, with net installed capacity of more than 9GW by March 2027. This growth will be fulfilled through a diverse mix of technologies, with an increasing number of attractive battery and solar projects adding to SSE Renewables' core hydro, onshore and offshore wind projects. The incremental capacity, combined with changing mix and inflationary impacts, means around £7bn of net investment is expected across the five-year period – a £2bn increase on the expected investment in the previous plan – and is expected to drive a c.20% adjusted operating profit CAGR across the five year plan subject to normal weather and a c.£85/MWh baseload power price in 2026/27.

- **Low-carbon flexible thermal generation and other businesses (c.10%)**
  The extreme volatility seen in energy markets over the last year has made it clear that investment in flexible, low-carbon thermal generation – such as sustainable biofuels, carbon capture and storage and ultimately hydrogen – will be critical to society in the transition to net zero as a counterbalance for increasing intermittent renewables generation. The NZAP Plus expects to invest up to £2.5bn in **SSE Thermal's** increasing pipeline of low-carbon flexible generation prospects, which currently stands at around 5GW across a range of technologies, and deliver expected adjusted operating profits of around £500m on average across the remaining four years to 2026/27.

  The remaining capital investment will be spent across SSE's corporate centre, distributed energy and customers businesses, which remain part of a very deliberate business model with each playing its own role in delivering SSE's net zero-focused strategy.

With around 90% of the NZAP Plus expected to be invested in renewables and networks, the substantial majority of the investment plan is focused on climate solutions to achieve SSE's interim 2030 Goals which are linked to material UN Sustainable Development Goals (SDGs), and it is aligned to the Technical Screening Criteria of the EU Taxonomy.

Maintaining disciplined investment at attractive returns
The changing investment mix within the NZAP Plus reflects SSE's focus on allocating capital based on clear internal investment criteria intended to maximise total shareholder returns whilst ensuring strategic alignment with SSE's net zero electricity focus. This investment criteria includes:

- **Strategic fit** – aligned with SSE's commitment to its 1.5-degree science-based carbon targets, business mix and capabilities;
- **Optimum mix** – balancing risk and returns through a mix of economically regulated and unregulated, market-based assets; and
- **Targeted returns** – focusing investment on high-quality assets where SSE's capabilities can deliver favourable risk-adjusted project returns, namely targeting:

  – **Onshore wind and solar:** returns between 50–300bps over WACC for unlevered projects, depending on the balance of merchant, technology and construction risk for each project;
  – **Offshore wind:** more than 11% equity returns (excluding developer profits) for project financed developments;
  – **Networks:** between 7–9% return on equity, assuming a level of outperformance, CPIH inflation of 2% p.a. and an average gearing ratio of 60%;
  – **Emerging technologies:** between 300–500bps over WACC for unlevered projects, reflecting the expected increased risk on newer, first-of-a-kind technologies including carbon capture and storage, hydrogen-fuelled generation and battery storage.

These investment criteria – and targeted returns – are applied in both domestic and overseas markets.

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

The Board has delivered on this dividend commitment for 2021/22 and 2022/23 and continues to consider that the rebased dividend to 60 pence in 2023/24 supports SSE's ongoing ambitions to accelerate investment in the assets required to reach net zero.

The capital allocation outlined in the NZAP Plus is expected to drive a 13-16% Group adjusted Earnings Per Share CAGR over the five-year plan – against the 2021/22 baseline of 94.8 pence – with around 50% of adjusted EBITDA expected to be underpinned by index-linked revenue streams.

The NZAP Plus extends the original NZAP dividend plan to 2027 and, reflecting the SSE Board's confidence in future earnings growth, now sets out a commitment to target dividend increases of between 5 to 10% per year in 2024/25, 2025/26 and 2026/27. This updated dividend plan aims to balance income to shareholders with funding and a strong investment grade credit rating alongside an upgraded investment plan that will ultimately create greater value and total returns for shareholders over the long term. This plan also retains the scrip dividend option for shareholders with the cap on take-up still set at 25% and implemented if necessary by means of a share buyback.

A fully-funded plan, supported by a strong balance sheet
Through effective capital allocation, raising debt at highly attractive terms, capital recycling and unlocking value through partnerships, SSE continues to demonstrate that it can take advantage of the accretive opportunities it creates. It has a proven ability to realise value from disposals, create sustainable earnings growth and maintain strong investment grade credit ratings – all whilst aligning with a 1.5-degree pathway.

The Group's business mix, future capital investment and funding plans are designed to ensure that it retains an investment grade credit rating which provides capacity to reach a 4.5x net debt/EBITDA ratio. The financial strength of the Group means that it expects to be within an average of 3.5–4.0x net debt/EBITDA across the five-year plan.

More ambitious targets to 2032
The upgraded targets and ambitions within the NZAP Plus provide the platform for SSE's businesses to grow substantially through the remainder of the decade, and are necessary to deliver the Group's 2030 Goals and associated 1.5 degree aligned carbon targets.

Looking further ahead, SSE is therefore also rolling forward and upgrading key targets for the 10 years to 2032 as set out below:

- A fourfold increase in SSE's owned renewables capacity to over 16GW (net) from c.4GW today;
- Delivering more than 2GW of net installed low-carbon flexible thermal capacity;
- An increase to more than £20bn (net) in SSE's electricity networks RAV, from £8.2bn (gross) in March 2022, equivalent to a 14% gross RAV CAGR.

Disposal of minority stake in networks

The selected use of partnerships remains a key part of SSE's strategy: to spread risk and financial exposure; to unlock value whilst avoiding non-earning debt; and to enable future investment and growth.

During 2022/23, the Group completed a 25% minority interest disposal of the SSEN Transmission business to Ontario Teachers' Pension Plan Board for consideration of £1,465m at a premium to RAV of around 1.9x at 30 September 2022.

Supplemental financial information

Adjusted investment and capex summary

	March 2023 Share %	**March 2023 £m**	March 2022 £m
SSEN Transmission (excluding 25% MI from 1 Dec 2022)	23%	495.5	614.4
SSEN Distribution	19%	421.0	364.8
Regulated networks total	**42%**	**916.5**	**979.2**
SSE Renewables	**39%**	**837.5**	**811.0**
SSE Thermal	7%	153.2	123.4
Gas Storage	–	6.3	2.1
Thermal Total	**7%**	**159.5**	**125.5**
Energy Customer Solutions	2%	49.4	39.8
Energy Portfolio Management	–	4.7	2.4
Distributed Energy	6%	124.7	26.6
Corporate unallocated	4%	68.3	78.7
Adjusted investment and capital expenditure, before refunds	**100%**	**2,160.6**	**2,063.2**
Project finance development expenditure refunds		–	(136.7)
Adjusted investment and capital expenditure		**2,160.6**	**1,926.5**
Acquisitions		642.7	141.3
Adjusted investment, capital and acquisitions expenditure		**2,803.3**	**2,067.8**

Notes: 2021/22 restated to recognise Keadby 2 pre-commissioning revenues and costs in Income Statement following adoption of amendments to IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use.

Financial Review continued

This successful transaction reflected both the current value and significant growth potential of SSEN Transmission as one of Europe's fastest growing transmission networks, with the proceeds released by the sale supporting the significant growth and investment across the Group.

While the November 2021 NZAP assumed that a similar 25% minority stake in the SSEN Distribution business would be disposed by the 2025/26 financial year, SSE consistently reviews strategic options and direction and the NZAP Plus plan now reflects retaining 100% of the business. Strategies evolve and a significant strengthening of SSE's balance sheet and an upgraded NZAP Plus investment plan which remains well balanced are the main factors contributing to the Board assessment that continuing to hold 100% of SSEN Distribution is the right strategy at this time.

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

SSE's capital expenditure programme

During the year to 31 March 2023, SSE's adjusted investment, capital and acquisitions expenditure totalled £2,803.3m, representing an increase of 36% versus the prior year. Included within the amount recorded are acquisitions totalling £642.7m of which £519.5m is in respect of the Southern European onshore wind development platform acquisition and £123.2m in respect of SSE's share of the purchase of Triton Power, both transactions completed on 1 September 2022.

The remaining investment was delivered mainly by SSE's Renewables, Networks and Thermal business units including the highlights discussed below.

In **SSEN Transmission**, the second year of RIIO-T2 saw deployment of a further £495.5m of capex (SSE share, excluding 25% from 1 December 2022 onwards), including £152m on the Shetland connection with 160km of the total 260km subsea cable which will connect the Shetland islands to the GB Transmission system now installed. In addition, £144m of spend was invested progressing the East Coast development project which will increase the overhead lines from 132kV to 275kV and ultimately to 400kV, as well as a further £55m on the Argyll project.

In the final year of RIIO-ED1, **SSEN Distribution** invested £178m in the North networks across a broad range of projects, with additional reinforcement spend needed following storm damage in FY22. SSEN Distribution's SHEPD network delivered investment of £10m to upgrade infrastructure at Aultbea-Ullapool and £5m on Islay to maintain and enhance network reliability to these island communities. Both projects are under way and will be complete by 2023/24. Further south, major capital investment continued in the SEPD network with a total spend of £243m in the period, including upgrades to the network in Bordon and Alton to enhance resilience and future proof it for predicted uptake in consumer led low-carbon-technology.

Significant expenditure was delivered on **SSE Renewables'** flagship construction projects, including £339m of equity drawdown for Seagreen Offshore Windfarm, as the development progresses towards commercial operations over the summer of 2023. Construction of Viking wind farm on the Shetland islands has continued according to plan, with an additional £202m deployed, the first turbine erected in April 2023 and the project on track to achieve commercial operations in Summer 2024, while all spend on the Dogger Bank wind farm in the year was funded by debt raised at the project level, and therefore not included in SSE's adjusted investment, capital and acquisitions expenditure.

In **SSE Thermal**, around £88m was invested on the development of the 50MW Slough Multifuel station, a joint venture with CIP, which is progressing towards handover during 2024/25. As well as around £20m of residual spend on Europe's most efficient gas fired station at Keadby 2, which entered commercial operation on 15 March 2023, limited early development expenditure on Keadby 3 was included within Thermal's reported number.

SSE's hedging position at 31 March 2023

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

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

SSE Renewables – GB wind and hydro

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

		2021/22	2022/23	2023/24	2024/25	2025/26
Wind	Expected volume – TWh	4.2	5.3	6.5	6.8	6.8
	Volume hedged – %	85%	91%	85%	77%	17%
	Proportion of hedge in electricity – %	100%	62%	68%	30%	20%
	Hedge price - £MWh	£48	£54	£75	£115	£116
Hydro	Expected volume – TWh	3.6	3.5	3.5	3.6	3.6
	Volume hedged – %	83%	85%	85%	68%	23%
	Proportion of hedge in electricity – %	100%	100%	84%	31%	10%
	Hedge price – £/MWh	£50	£63	£86	£113	£113

Note: where gas and carbon trades have been used as a proxy for electricity, a constant 1MWh : 69.444 th and 1MWh : 0.3815 te/MWh conversion ratio between commodities has been applied.

The expected volumes include SSE's equity share of forecast pre-CFD volumes from Seagreen offshore wind farm. No volumes have yet been included for Viking onshore wind farm nor Dogger Bank offshore wind farm as hedging for these assets has not commenced.

The table excludes additional volumes and income for BM activity, ROCs, ancillary services, capacity mechanism and shape variations and optimisations. It also excludes volumes and income relating to Irish wind output, pumped storage and CfDs.

Energy output hedges for both wind and hydro are progressively established over the 36 months prior to delivery (although the extent of hedging activity for future periods depends on the level of available market depth and liquidity). Normal target hedge levels continue to be achieved through the forward sale of either electricity, or gas and carbon equivalents. Where the market depth and liquidity significantly differs between gas and carbon, the hedging approach allows – for any time period – for the separate forward sale of either commodity where it is believed that it would reduce risk against or secure value for generation assets. This has not been applied to date.

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

For wind energy output, SSE's established approach to hedging seeks to account for the effect of the 'wind capture price' by targeting a hedge of less than 100% of its anticipated wind energy output for the coming 12 months. The targeted hedge percentage is reviewed and adjusted as necessary to reflect any changes in future market and wind capture insights. The last such revision occurred in March 2022, with around 90% of the anticipated energy output from wind for the coming twelve months being hedged from that date.

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

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

This hedging approach is adjusted to take into account any changes in exposures as a result of current market conditions, such as the plant availability exposure, counterparty credit risk, and changes to cost of capital for collateral.

Hedging activity also depends on the availability of sufficient market depth and liquidity, which can be limited, particularly for periods further into the future.

Gas Storage: The assets are being commercially operated to optimise value arising from changes in the spread between summer and winter prices, market volatility and plant availability. At 31 March 2023, 125.6mTh of gas inventory was physically held which represents c.65% of SSE's share of capacity (at 31 March 2022, 0.9mTh of gas inventory representing c.1% of SSE's share of capacity).

UK Business Energy: The business supplies electricity and gas to business and public sector customers. Sales to contract customers are hedged: at point of sale for fixed contract customers; upon instruction for flexi contract customers; and on a rolling hedge basis for tariff customers.

Given the pricing and macro-economic context, Business Energy is dynamically monitoring nearer term consumption actuals for any early signs of demand variability and adjusting future volumes hedged accordingly.

Energy Portfolio Management (EPM): EPM provides the route to market and manages the execution for all of SSE's commodity trading outlined above (spark spread, power, gas, oil and carbon). This includes monitoring market conditions and liquidity and reporting net Group exposures. The business operates under strict position limits and VAR controls. There is some scope for small position-taking to permit EPM to manage around shape and liquidity whilst taking small optimisation opportunities. This is contained within a total VAR limit of £5m.

Ireland: Vertical integration of the generation and customer businesses in Ireland limits the Group's commodity exposure in that market.

Summarising movements on exceptional items and certain remeasurements

Exceptional items

In the year ended 31 March 2023, SSE recognised a net exceptional charge within continuing operations of £(0.4)m before tax. The following table provides a summary of the key components making up the net charge:

Exceptional credits/(charges) within continuing operations	Total £m
Thermal Electricity Generation historic impairment reversal	17.8
Gas Storage historic impairment reversal	45.7
Fiddlers Ferry land sale	89.1
Triton Power Joint Venture bargain purchase gain and impairment	(150.9)
Neos Networks impairment	(5.9)
Reversal of previously recognised exceptional charges or judgements	3.8
Total exceptional charge	**(0.4)**

Note: The definition of exceptional items can be found in note 3.2 of the Financial Statements.

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

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

Certain remeasurements

In the year ended 31 March 2023, SSE recognised an adverse net remeasurement within continuing operations of £(2,351.5)m before tax. The following table provides a summary of the key components making up the adverse movement:

Certain remeasurements within continuing operations	Total £m
Operating derivatives (including Joint Ventures, net of tax)	(2,544.4)
Commodity stocks held at fair value	(9.0)
Financing derivatives	201.9
Total net adverse remeasurement	**(2,351.5)**

Financial Review continued

Operating derivatives

SSE enters into forward purchase contracts (for power, gas and other commodities) to meet the future demands of its energy supply businesses and to optimise the value of its generation assets. Some of these contracts are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value as at the date of the financial statements.

SSE shows the change in the fair value of these forward contracts separately as this mark-to-market movement does not reflect the realised operating performance of the businesses. The underlying value of these contracts is recognised as the relevant commodity is delivered, which for the large majority of the position at 31 March 2023 is expected to be within the next 6 – 12 months.

The change in the operating derivative mark-to-market valuation was a £(2,544.4)m adverse movement from the start of the year, reflecting a £(2,708.2)m adverse movement on fully consolidated operating derivatives offset by a £163.8m share of positive movement on derivatives in jointly controlled entities (net of tax) which mainly results from commodity hedging within the Triton Power Joint Venture.

The adverse movement of £(2,708.2)m on fully consolidated operating derivatives includes:

- Settlement during the year of £272.0m of previously net 'out-of-the-money' contracts in line with the contracted delivery periods; and
- An adverse net mark-to-market remeasurement of £(2,980.2)m on unsettled contracts, largely entered into during the course of 2021/22 and 2022/23 and in line with the Group's stated approach to hedging. This mark-to-market remeasurement – which compares to a £3,527.2m positive movement in the prior year – reflects the extreme volatility seen in commodity markets during the period.

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

Commodity stocks held at fair value

Gas inventory purchased by the Gas Storage business for secondary trading opportunities is held at fair value with reference to the forward month market price. The £(9)m adverse movement in the year reflects the increase in the underlying volumes of gas held at year end have been negatively impacted by lower forward market prices.

However, whilst this movement reflects the net change in fair value of physical gas inventory held at the year end, it does not take into account any positive or negative mark-to-market movement on forward contracted sales. Therefore, similar to derivative contracts held at fair value, we do not expect that all of this valuation movement will be realised by the business.

Financing derivatives

In addition to the movements above, a positive movement of £201.9m was recognised on financing derivatives in the year ended 31 March 2023, including mark-to-market movements on cross-currency swaps and floating rate swaps that are classed as hedges under IAS 39. These hedges ensure that any movement in the value of net debt is predominately offset by a movement in the derivative position. The adjustment was primarily driven by higher interest rates driving significant reductions in the 'out of the money' position on SSE's fixed rate swaps, in addition to settlement of previously 'out-of-the-money' contracts in line with the contracted delivery periods.

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

Reported profit before tax and Earnings Per Share

Taking all of the above into account, reported results for the year to 31 March 2023 are significantly lower than the previous year. In addition to the £(2,351.5)m net pre-tax loss on forward commodity, gas inventory and financing derivative fair value remeasurements and the £(0.4)m net pre-tax exceptional charge noted above – reported results also include £16.2m of interest income on the net pension asset.

Reported results in the prior year reflected pre-tax certain re-measurement gains of £2,118.8m mainly driven by the significant volatility in commodity markets in the prior year, as well as pre-tax exceptional items of £305.0m mainly driven by the reversal of historic SSE Thermal and Gas Storage impairment charges, and £7.6m of interest income on the net pension asset.

Financial management and balance sheet

Debt metrics

	March 2023	September 2022	March 2022
Net Debt/EBITDA*	**2.7x**	**N/A**	**4.0x**
Adjusted net debt and hybrid capital (£m)	**(8,894.1)**	**(9,988.6)**	**(8,598.2)**
Average debt maturity (years)	6.4	6.5	6.8
Adjusted interest cover	7.6x	4.2x	4.0x
Average interest rate for the period (excluding JV/assoc. interest and all hybrid coupon payments)	3.35%	3.25%	3.29%
Average cost of debt at period end (including all hybrid coupon payments)	3.92%	3.83%	3.81%

* Note: Net debt represents the group adjusted net debt and hybrid capital. EBITDA represents the full year group adjusted EBITDA, less £147m (at March 2023) for the proportion of adjusted EBITDA from equity-accounted Joint Ventures relating to project financed debt.

Net finance costs reconciliation

	March 2023 £m	March 2022 £m
Adjusted net finance costs	**345.6**	**372.8**
Add/(less):		
Lease interest charges	(29.4)	(30.4)
Notional interest arising on discounted provisions	(22.1)	(5.7)
Hybrid equity coupon payment	38.8	50.7
Adjusted finance costs for interest cover calculation	332.9	387.4

SSE principal sources of debt funding

	March 2023	September 2022	September 2021
Bonds	54%	52%	55%
Hybrid debt and equity securities	18%	18%	21%
European investment bank loans	5%	7%	7%
US private placement	10%	10%	9%
Short-term funding	9%	10%	5%
Index-linked debt	4%	3%	3%
% Of which has been secured at a fixed rate	**92%**	**92%**	**96%**

Rating Agency	Rating	Criteria	Date of Issue
Moody's	Baa1 'stable outlook'	'Low teens' Retained Cash Flow/Net Debt	March 2023
Standard and Poor's	BBB+ 'positive stable'	About 18% Funds From Operations/Net Debt	December 2022

Maintaining a strong balance sheet

A key objective of SSE's long-term approach to balancing capital investment, debt issuance and securing value and proceeds from disposals is by maintaining a strong net debt/EBITDA ratio. SSE calculates this ratio based on a methodology that it believes best reflects its activities and commercial structure, in particular its strategy to secure value from partnering by using Joint Ventures and non-recourse project financing.

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

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

SSE's S&P credit rating were updated in December 2022 to at BBB+ 'positive outlook' and its Moody's rating remains at Baa1 with 'stable outlook'.

Adjusted net debt and hybrid capital

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

- In September 2022, SSE Renewables completed the acquisition from Siemens Gamesa Renewable Energy of an onshore development platform across Spain, France, Italy and Greece for a consideration of €580m (£519.5m); and
- In September 2022, SSE Thermal, alongside Equinor as 50/50 partners, completed the acquisition of the Triton Power portfolio with SSE's share of the purchase being £123.2m.
- In December 2022, a 25% Minority Interest stake in SSEN Transmission was disposed of, with £1.46bn of proceeds received from Ontario Teachers Pension Plan.

Debt summary as at 31 March 2023

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

- In March 2022, the SSE Group through its SSEN Transmission entity priced and committed to a £350m dual tranche private placement, being a £175m 10-year tranche at 3.13% and £175m 15-year tranche at 3.24% giving an all-in average rate of 3.19%. The proceeds were received on 30 June 2022.

Financial Review continued

- In April 2022, SSE plc issued a €1bn NC6 equity accounted hybrid bond at 4% to refinance the dual tranche debt accounted hybrid bonds issued in March 2017. SSE has taken advantage of the 3-month par call option on these 2017 hybrid bonds, meaning they were repaid on 16 June 2022 in advance of the first call date. The €1bn equity accounted hybrid bond has been kept in Euros and the proceeds were used to cover the portion of the maturing hybrid that was originally swapped to Euros (€575m) and to finance a portion of SSE Renewables' European onshore development platform acquisition as noted above.
- In August 2022, SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% which was left in Euros as part of our net investment hedge in overseas assets held in that currency. The bond was 8 times oversubscribed which allowed SSE to secure a highly competitive rate for the issuance.
- Over the course of the year, SSE plc rolled maturing short-term debt in the form of Commercial Paper in addition to raising a further £0.4bn, which takes the total outstanding Commercial Paper at 31 March 2023 to €1,376m (£1,048m). Commercial Paper has been issued in Euros and swapped back to Sterling at an average cost of debt of 4.53% and matures between April 2023 and June 2023.

In addition to the March 2017 hybrid bonds which were called in June 2022 as noted above, a further £613m of medium-to-long-term debt has matured in the year comprising £163m (US Private Placement) which matured in April 2022, £300m (Eurobond) which matured in September 2022 and £150m European Investment Bank fixed rate loan which matured in October 2022. In the next twelve months, there is a further £719m of medium-to-long-term debt maturing being £50m (European Investment Bank) maturing in August 2023, £35m maturing in April 2023 and £120m maturing in September 2023 (both US Private Placements) and a €700m bond maturing in September 2023. Despite this, the Group expects to have minimal long-term debt refinancing requirements to 2024/25, given expected asset disposal proceeds. As noted above, a further €1,048m (£929m) of short-term debt in the form of Commercial Paper is also due to mature in the second half of 2023/24, however the current intention is to roll this maturing short-term debt forward throughout the 2023/24 financial year.

Hybrid bonds summary as at 31 March 2023

Hybrid bonds are a valuable part of SSE's capital structure, helping to diversify SSE's investor base and most importantly to support credit rating ratios, with their 50% equity treatment by the rating agencies being positive for SSE's credit metrics.

A summary of SSE's hybrid bonds as at 31 March 2023 can be found below:

Issued	Hybrid Bond Value[1]	All in rate[2]	First Call Date	Accounting Treatment
July 2020	£600m	3.74%	Apr 2026	Equity accounted
July 2020	€500m (£453m)	3.68%	July 2027	Equity accounted
April 2022	€1bn (£831m)	4.00%	Apr 2028	Equity accounted

1 Sterling equivalents shown reflect the fixed exchange rate on date of receipt of proceeds and is not subsequently revalued.
2 All in rate reflects coupon on bonds plus any cost of swap into sterling which currently only applies to July 2020 Hybrid.

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

Hybrid coupon payments

	2023/24		2022/23	
	HYe	FYe	HYa	FYa
Total equity (cash) accounted	£74m	£74m	£39m	£39m
Total debt (accrual) accounted	–	–	£21m	£21m
Total hybrid coupon	**£74m**	**£74m**	**£60m**	**£60m**

SSE's July 2020 and April 2022 hybrid bonds are perpetual instruments and are therefore accounted for as part of equity within the Financial Statements but, consistent with previous years, have been included within SSE's 'Adjusted net debt and hybrid capital' to aid comparability. The March 2017 hybrid bonds which were called and settled in 2022/23 had a fixed redemption date and were therefore debt accounted and included within Loans and Other Borrowings; as such they were already part of SSE's adjusted net debt and hybrid capital.

The coupon payments relating to the equity accounted hybrid bonds are presented as distributions to other equity holders and are reflected within adjusted Earnings Per Share when paid. The coupon payments on debt accounted hybrid bonds are treated as finance costs under IFRS 9 'Financial Instruments'.

Managing net finance income/(costs)

SSE's adjusted net finance costs – which includes interest on debt accounted hybrid bonds but not equity accounted hybrid bonds – were £345.6m in the year ended 31 March 2023, compared to £372.8m in the previous year. The lower level of finance costs from year to year mainly reflects lower levels of net debt during the financial year given proceeds from the disposal of Scotia Gas Networks on 22 March 2022 (£1,225m) and a 25% minority interest stake in SSEN Transmission on 30 November 2022 (£1,465m).

Reported net finance income was £59.3m compared to a reported net finance cost of £273.2m in the previous year, reflecting the movements above as well as the £201.9m positive movement on financial derivatives previously referenced.

Summarising cash and cash equivalents

At 31 March 2023, SSE's adjusted net debt included cash and cash equivalents of £0.9bn, down from £1.0bn at March 2022.

The cash collateral position has increased from £74.7m of cash provided as collateral at 31 March 2022 to £316.3m of cash provided at 31 March 2023. Cash collateral is only required for forward commodity contracts traded through commodity exchanges, and generally comprises an 'initial margin' element based on the size and period of the trade and a 'variation margin' element which will change from day to day depending on the fair value of that trade each day. The level of cash collateral either provided or received therefore depends on the volume of trading through the exchanges, the periods being traded and the associated price volatility. As collateral is only required on a portion of trades, the movement in collateral provided or received will not correlate to the IFRS 9 fair value movement recognised, which also only covers a portion of the total Group trading activity. The cash collateral position had increased at 31 March 2023 due to the continued higher forward power and gas price environment, alongside heightened price volatility in those markets. The collateral position is lower than earlier in the financial year as volatility and risk factors have reduced, although prices do remain heightened when compared to previous years.

Revolving credit facility/ short-term funding

SSE has £3.5bn of committed bank facilities in place to ensure the Group has sufficient liquidity to allow day-to -day operations and investment programmes to continue in the event of disruption to Capital Markets preventing SSE from issuing new debt for a period of time. These facilities are set out in the table below.

Date	Issuer	Debt type	Term	Value
Mar 19	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2026	£1.3bn
Oct 19	SSE plc	Revolving Credit Facility with Bank of China	2026	£200m
Nov 22	SHET plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2025	£750m
Nov 22	SHEPD plc and SEPD plc	Syndicated Revolving Credit Facility with 11 Relationship Banks	2025	£250m
Feb 23	SSE plc	Syndicated Revolving Credit Facility with 10 Relationship Banks	2024	£1.0bn

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

The new £1bn facility signed in February 2023 was executed to cover potential cash collateral requirements required to cover commodity position on exchanges or via credit support annex's on bilateral contracts.

The facilities can also be utilised to cover short-term funding requirements; however, the majority remain undrawn for most of the time and at 31 March 2023, £100m was drawn on the new £750m Scottish Hydro Electric Transmission plc facility.

The two SSE plc facilities totalling £1.5bn that mature in 2026 are classified as sustainable facilities with interest rate and fees paid dependant on SSE's performance in environmental, social and governance matters, as assessed independently by Moody's ESG Solutions. The new £750m Transmission facility is also classified as a sustainable facility with interest rate and fees paid dependant on four ESG KPI's being achieved.

In addition to the above, a $300m private placement shelf facility exists with NY Life which can be drawn in approximately two equal tranches 12 months apart over the next three years. At 31 March 2023 no drawings have been made on this facility.

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

Maintaining a prudent treasury policy

SSE's treasury policy is designed to be prudent and flexible. In line with that, cash from operations is first used to finance regulatory and maintenance capital expenditure and then dividend payments, with investment and capital expenditure for growth generally financed by a combination of cash from operations, bank borrowings and bond issuance.

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

Borrowings are mainly in Sterling and Euros to reflect the underlying currency denomination of assets and cash flows within SSE. All other foreign currency borrowings are swapped back into either Sterling or Euros.

Transactional foreign exchange risk arises in respect of procurement contracts, fuel and carbon purchasing, commodity hedging and energy portfolio management operations, and long-term service agreements for plant.

SSE's policy is to hedge any material transactional foreign exchange risks through the use of forward currency purchases and/or financial instruments. Translational foreign exchange risk arises in respect of overseas investments; hedging in respect of such exposures is determined as appropriate to the circumstances on a case-by-case basis.

Ensuring a strong debt structure through medium- and long-term borrowings

The ability to raise funds at competitive rates is fundamental to investment. SSE's fundraising over the past five years, including senior bonds, hybrid capital and term loans, now totals £9.5bn and SSE's objective is to maintain a reasonable range of debt maturities. Its average debt maturity, excluding hybrid securities, at 31 March 2023 was 6.4 years, down from 6.8 years at 31 March 2022. This movement reflects the £1.7bn of new hybrid capital and long-term debt issued in the last twelve months but has been offset by a higher short-term funding position via Commercial Paper. SSE's average cost of debt is now 3.92%, compared to 3.81% at 31 March 2022.

Going Concern

The Directors regularly review the Group's funding structure and have assessed that the Full Year Financial Statements should be prepared on a going concern basis.

In making their assessment the Directors have considered sensitivities on the forecast future cashflows of the Group for the period to 31 December 2024 resulting from the current volatile market conditions; the Group's credit rating; the success of the Group's disposal programme through 2020/21 to 2022/23; the successful issuance of £1.7bn of hybrid equity, Eurobond and private placement debt issued during the period; and the likelihood of disposal of assets which have been announced as in progress and related debt funding. The Directors have also considered the Group's obligations under its debt covenants, with projections to 31 December 2024 supporting the expectation that there will be no breaches.

Financial Review continued

The Directors have assessed that the Group remains able to access Capital Markets, as demonstrated by the £3.6bn of debt issued over the last 24 months. There is also an expectation of continued availability of the Commercial Paper market along with future available liquidity in the private placement market in addition to the Group's existing liquidity with £3.5bn of undrawn committed borrowing facilities which has been increased by £2.0bn during the 2022/23 financial year.

Operating a scrip dividend scheme

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

Following approval of the dividend at the Annual General Meeting on 20 July 2023, the scrip reference price will be determined across the period from 27 July to 2 August 2023, with notification of the final scrip reference price issued on 3 August 2023. Following receipt of the final dividend scrip elections on 24 August 2023, the overall scrip dividend take-up for the financial year will be calculated and any intention to initiate a buy-back will be announced. It is intended that any scrip buy-backs in respect of 2022/23 will be completed before 31 March 2024.

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

SSE's principal joint ventures and associates

SSE's financial results include contributions from equity interests in joint ventures ('JVs') and associates, all of which are equity accounted. The details of the most significant of these are included in the table below. This table also highlights SSE's share of off-balance sheet debt associated with its equity interests in JVs which totals around £3bn as at 31 March 2023.

SSE principal JVs and associates[1]	Asset type	SSE holding	SSE share of external debt as at 31 Mar 2023	SSE Shareholder loans as at 31 Mar 2023
Marchwood Power Ltd	920MW CCGT	50%	No external debt	£26m
Seabank Power Ltd	1,234MW CCGT	50%	No external debt	No loans outstanding
SSE Slough Multifuel Ltd	50MW energy-from-waste facility	50%	No external debt	£128m
Triton Power Holdings Ltd	1,200MW CCGT & 140MW OCGT	50%	No external debt	No loans outstanding
Beatrice Offshore Windfarm Ltd	588MW offshore wind farm	40%	£681m	Project financed
Dogger Bank A Wind Farm	Up to 1,200MW offshore wind farm.	40%	£745m	Project financed
Dogger Bank B Wind Farm	Up to 1,200MW offshore wind farm.	40%	£616m	Project financed
Dogger Bank C Wind Farm	Up to 1,200MW offshore wind farm.	40%	£344m	Project financed
North Falls Offshore Wind Farm Ltd	Offshore wind farm extension	50%	No external debt	No loans outstanding
Ossian Offshore Windfarm Ltd	ScotWind seabed	40%	No external debt	No loans outstanding
Seagreen Offshore Windfarm Ltd	1,075MW offshore wind farm	49%	£628m	£816m[2]
Seagreen 1a Ltd	Offshore wind farm extension	49%	No external debt	£16m
Cloosh Valley Wind Farm	105MW onshore windfarm (part of Galway Wind Park)	25%	No external debt	£26m
Clyde Windfarm (Scotland) Ltd	522MW onshore wind farm	50.1%	No external debt	£127m
Dunmaglass Windfarm Ltd	94MW onshore windfarm	50.1%	No external debt	£46m
Lenalea Wind Energy DAC	30MW of onshore windfarm	50%	No external debt	£8m
Stronelairg Windfarm Ltd	228MW onshore wind farm	50.1%	No external debt	£88m
Neos Networks Ltd	Private telecoms network	50%	No external debt	£56m

Notes:
1 Greater Gabbard, a 504MW offshore windfarm (SSE share 50%) is proportionally consolidated and is reported as a Joint Operation with no loans outstanding.
2 For accounting purposes, £223m of the £816m of SSE Shareholder loans advanced to Seagreen Windfarm Limited as at 31 March 2023 have been classified as equity.

Taxation

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

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

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

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

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

As part of the Spring Finance Bill, released on 23 March 2023, the UK Government published the final draft legislation behind the Electricity Generator Levy ('EGL'). This measure introduces a temporary 45% charge on exceptional receipts generated by specific generation sources which are in excess of a £75/MWh benchmark price (adjusted in line with Consumer Price Index). The levy will be in effect from 1 January 2023 to 31 March 2028, and therefore a net charge of £43m has been recognised in respect of the EGL within the 2022/23 financial year which has been excluded from the Income Tax disclosure in line with current accounting practice.

In the year to 31 March 2023, SSE paid £501.7m of profit taxes, property taxes, environmental taxes, and employment taxes in the UK, compared with £335.3m in the previous year. The increase in total taxes paid in 2022/23 compared with the previous year was primarily due to higher levels of corporation tax being paid on UK profits and higher levels of Climate Change Levy being paid as a result of fewer outages at SSE's gas-fired power stations compared with the previous year.

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

As with other key financial indicators, SSE's As with other key financial indicators, SSE's focus is on adjusted profit before tax and, in line with that, SSE believes that the adjusted current tax charge on that profit is the tax measure that best reflects underlying performance. SSE's adjusted current tax rate, based on adjusted profit before tax, was 16.4%, compared with 9.2% in 2021/22 on the same basis. The increase in rate is primarily as a result of higher profit before tax, partly mitigated by increased capital allowances. In addition, a decision finding in SSE's favour was released by the Supreme Court on 17 May 2023 on the group's long-running capital allowances case in relation to Glendoe Hydro Electric Station. The successful outcome has resulted in the release of a £27.9m corporation tax provision, which in turn reduced SSE's adjusted underlying current tax rate for the year by 1.3%.

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

Pensions

Contributing to employees' pension schemes – IAS 19

	March 2023	March 2022
Pension scheme asset recognised in the balance sheet before deferred tax £m	**541.1**	584.9
Pension scheme liability recognised in the balance sheet before deferred tax £m	**–**	–
Net pension scheme asset recognised in the balance sheet before deferred tax £m	**541.1**	**584.9**
Employer cash contributions Scottish Hydro Electric scheme £m	**1.0**	1.0
Employer cash contributions SSE Southern scheme £m	**52.1**	58.0
Deficit repair contribution included above £m	**38.0**	40.9

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

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

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

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

Operating Review

Business Unit Operating Review

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

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

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

SSEN Transmission

SSEN Transmission owns, operates and develops the high voltage electricity transmission system in the North of Scotland and its islands. Following a minority stake sale completed in November 2022, the business is owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. All capex and RAV references in this update relate to 100% of the business unless otherwise stated. The business is well placed to capture significant long-term growth opportunities from investment in enhancing energy security and enabling the development of renewables across the North of Scotland.

Who SSEN Transmission serves

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

How it supports SSE's strategy

SSEN Transmission invests in the critical infrastructure needed for a network for net zero that connects sources of renewable electricity to the national grid and transports it to areas of demand.

How it is remunerated

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

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

Rob McDonald
Managing Director, SSEN Transmission

Operational delivery

In 2022/23, SSEN Transmission delivered another year of exceptional operational performance, achieving the maximum reward available through the Energy Not Supplied Incentive of £0.8m for the third consecutive year, which will be reflected in revenue in 2024/25. This strong operational performance is underpinned by a robust programme of inspection, maintenance, refurbishment and replacement of its transmission assets, keeping the lights on for communities around the North of Scotland and ensuring reliable network access for its electricity generation customers to support security of supply.

SSEN Transmission's capital investment programme remains on track with good progress being made on all major projects. This includes the second phase of the Inveraray-Crossaig overhead line replacement project, with the installation of all steel towers now complete and the project on track for energisation this summer. As well as maintaining and enhancing network reliability to the communities it serves, the Inveraray-Crossaig project will also enable the growth in renewable electricity generation across the region as part of the wider Argyll and Kintyre 275kV Strategy.

The Shetland High Voltage Direct Current (HVDC) transmission link also continues to make excellent progress with the second phase of the subsea cable installation works, which commenced in March 2023, now complete. 160km of the total 260km of subsea cable is now installed. Noss Head Switching Station in Caithness, which the Shetland HVDC link will connect to, was successfully energised in April 2023. Upon competition, the Shetland HVDC link will connect to the existing Caithness-Moray HVDC link, becoming the world's first multi-terminal HVDC system outside of China. It is a key innovation to support the future development of integrated HVDC grids, with HVDC links to date largely point-to-point connections. The project remains on track for completion and energisation in 2024.

Good progress continues to be made to increase the capacity of the North East transmission network to 400kV, with this phase of network upgrades remaining on track for energisation by the end of 2023. Work to incrementally increase the east coast transmission network also remains on track, to 275kV by the end of 2023 and then to 400kV by 2026.

These strategic investments in new and upgraded infrastructure are key to help enable the continued growth in renewable electricity generation across the North of Scotland. These renewable connections includes the completion of the third circuit of the Seagreen offshore wind farm connection to Tealing substation in Angus which completed in November 2022.

As at 31 March 2023, the total installed capacity of the North of Scotland transmission network was around 10.5GW, of which just over 9GW is from renewable sources. This includes the successful energisation of the Creag Rhiabhach wind farm (92MW) near Lairg in December 2022 and the successful completion of all three phases of the Seagreen (1,075MW) grid connection. Factoring in the forecast growth in renewables in the remaining years of the RIIO-T2 period, SSEN Transmission remains well on track to meeting, and likely exceeding, its goal to transport the renewable electricity that powers 10m homes.

For financial performance commentary please refer to the Financial Review.

SSEN Transmission key performance indicators

	March 2023	March 2022
SSEN Transmission		
Transmission adjusted operating profit[1] – £m	**372.7**	380.5
Transmission reported operating profit – £m	**405.5**	380.5
Gross Regulated Asset Value (RAV) – £m	**4,836**	4,155
SSE Share Regulated Asset Value (RAV)[1] – £m	**3,627**	4,155
Renewable Capacity connected to SSEN Transmission Network[2] – MW	**9,208**	7,790
Transmission adjusted investment and capital expenditure[1] – £m	**495.5**	614.5

1 Excludes 25% minority interest from 1 December 2022.
2 Includes full Seagreen Transmission Entry Capacity.

Growth opportunities in RIIO-T2

SSEN Transmission continues to make tangible progress in unlocking several investments over and above its baseline investment case secured at the start of RIIO-T2. These additional projects, which are being taken forward through Ofgem's Uncertainty Mechanisms, will be key to delivering a pathway to net zero and helping support energy security.

In October 2022, SSEN submitted to Scottish Ministers its Section 37 planning application for the replacement and upgrade of the Fort Augustus to Skye transmission line, with Highland Council's Planning Committee unanimously supporting the application in March 2023. The replacement line is required to maintain security of supply and enable the connection of renewable electricity generation along its route. In May 2023, Ofgem published for consultation its response to SSEN Transmission's FNC, setting out its 'minded-to approve' provisional decision. Subject to timely planning and regulatory approvals, the project is on track for completion in 2026.

Following Ofgem's approval of SSEN Transmission's Initial Needs Case for the Argyll 275kV Strategy in December 2022, in May 2023, SSEN Transmission submitted its FNC. This followed a direction from Ofgem to allow submission in advance of securing all main planning consents due to the risk of delay and likely increase in cost that would otherwise have been the case, alongside providing certainty to support the project's procurement process. The Argyll and Kintyre 275kV Strategy is required to upgrade the local transmission network from 132kV to 275kV operation, supporting the forecast growth in renewables in the region.

The decision in October 2022 by Argyll and Bute Council's Planning Committee to raise an objection to SSEN Transmission's proposed overhead line between Creag Dhubh and Dalmally has resulted in a Public Local Inquiry (PLI), which is now under way. SSEN Transmission remains extremely disappointed by the decision, which went against the recommendations of the Council's own Planning Officer, with no other statutory stakeholder objections received, and continues to review what this means for its delivery programme and will work with all stakeholders to minimise the impact of this on new renewable generation connections.

In March 2023, Ofgem provisionally approved long established plans to provide a 220kV subsea transmission link to Orkney, the timing of which remains subject to Ofgem's final decision and ongoing discussions with the supply chain.

Further expenditure to connect new renewable generation, enable rail electrification and support system security is also expected throughout the RIIO-T2 period and beyond when the need for this investment becomes certain.

Subject to regulatory and planning approvals, SSEN Transmission's expenditure across the price control period could take its RAV to between £8bn to £9bn by 2027.

Further growth opportunities

In July 2022, the National Grid Electricity System Operator (ESO) published the Pathway to 2030 Holistic Network Design (HND). It set out the onshore and offshore electricity transmission network infrastructure required to deliver the UK Government's 50GW by 2030 offshore wind target.

In December 2022, Ofgem published its Accelerated Strategic Transmission Investment (ASTI) framework decision, which provided the regulatory framework under which those investments will be taken forward. Ofgem's ASTI decision is a major step forward in strategic network planning for electricity transmission infrastructure and included 'approval of need' of all investments in SSEN Transmission's network region set out in the HND report as 'required' to enable 2030 targets. The ASTI framework also unlocks early pre-construction expenditure to help secure the supply chain, alongside allowances to support early construction activities.

In light of these developments, SSEN Transmission has upgraded its long term RAV target, which is now expected to exceed £15bn by 2032. Subject to timely and positive planning decisions and the outcome of competitive tenders for delivery of these projects, SSEN Transmission is committed to 2030 delivery of these projects.

Beyond these investments, in October 2022, Ofgem published its decision on the onshore and offshore classification of the offshore HND assets. It confirmed that a proposed subsea connection from Fetteresso to a new substation in Lincolnshire will be classed as an onshore electricity transmission asset, which is likely to support further growth.

With the HND enabling around 11GW of ScotWind's 28GW ambition, a follow-up exercise is now under way which will set out how ScotWind's full offshore wind ambition will be realised, the outcome of which is expected before the end of 2023. The Scottish Government is also consulting on its Draft Energy Strategy and Just Transition Plan, which includes proposals for an additional 8-12GW of onshore wind by 2030.

Recognition by Ofgem and the ESO of these further potential growth and investment opportunities, alongside ever-increasing UK and Scottish Government energy targets and ambitions, underlines the importance of the Transmission network, particularly in the North of Scotland, in transitioning the GB energy system to net zero.

Given the scale of investment required to deliver net zero, it is crucial that the policy landscape and regulatory framework, particularly financial parameters, continue to attract the investment required to support delivery of the most ambitious investment plan in low-carbon infrastructure for a generation.

SSEN Distribution

SSEN Distribution, operating under licence as Scottish Hydro Electric Power Distribution plc (SHEPD) and Southern Electric Power Distribution plc (SEPD), is responsible for safely and reliably maintaining the electricity distribution networks supplying over 3.9m homes and businesses across central southern England and the North of Scotland. SSEN Distribution's networks cover the greatest land mass of any of the UK's Distribution Network Operators with over 75,000km^2 of extremely diverse terrain. The business has significant growth opportunities as a key enabler of the local and national transition to a net zero future.

Who SSEN Distribution serves

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

How it supports SSE's strategy

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

How it is remunerated

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

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

Chris Burchell
Managing Director, SSEN Distribution

Operational delivery

In December 2022, Ofgem published its Final Determinations for the RIIO-ED2 price control outlining its response to SSEN's Business Plan 'Powering Communities to Net Zero'. SSEN Distribution accepted Ofgem's Final Determination in March and will continue to work closely with the regulator to ensure the price control has the agility and flexibility required to keep pace with net zero requirements. The price control began in April 2023 and will run until March 2028.

Major capital investment

The new price control period will see the acceleration of SSEN Distribution's major capital investment programme across both its networks, delivering significant improvements for customers and supporting future earnings through RAV growth. This builds on continued capital delivery in the final year of RIIO-ED1, where SSEN Distribution invested £421m, bringing the total investment since the beginning of the price control to £2.7bn.

Customer interruptions and incentive score

Under the RIIO regulatory regime and the Interruptions Incentive Scheme (IIS), SSEN Distribution is incentivised on its performance against the loss of electricity supply through the recording of Customer Interruptions (CI) and Customer Minutes Lost (CML), which includes both planned and unplanned supply interruptions. These incentives will typically be collected two years after they are earned.

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

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

In response to the security of supply concerns across GB and possibility of emergency disconnections, Distribution was the first Distribution Network Operator (DNO) to develop an emergency planning portal for customers and conducted engagement with over 2,500 stakeholders to help ensure preparedness and community resilience.

SSEN Distribution key performance indicators

	March 2023	March 2022
SSEN Distribution		
Distribution adjusted and reported operating profit – £m	**382.4**	351.8
Regulated Asset Value (RAV) – £m	**4,720**	4,054
Distribution adjusted investment and capital expenditure – £m	**421.0**	364.8
Electricity Distributed – TWh	**36.1**	37.6
Customer Minutes Lost (SHEPD) average per customer	**59**	57
Customer Minutes Lost (SEPD) average per customer	**46**	42
Customer Interruptions (SHEPD) per 100 customers	**60**	56
Customer Interruptions (SEPD) per 100 customers	**44**	42

Improving customer satisfaction

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

In 2022/23 SSEN Distribution received its highest ever league table position in the Stakeholder Engagement and Customer Vulnerability (SECV) standings, resulting in an estimated revenue of £1.5m. Support for customers in vulnerable situations also increased with registrations to SSEN's Priority Services Register rising by 11% compared to the previous financial year through targeted communications and partnerships. In addition, over 14,500 households were supported by fuel poverty and energy efficiency measures, an increase of almost 70% on 2021/22.

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

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Delivering in the new RIIO-ED2 price control period

SSEN Distribution's RIIO-ED2 Business Plan, which was co-created with stakeholders, is a core component of SSE Group's NZAP Plus. The Final Determination from Ofgem provides SSEN Distribution with a proposed total base expenditure of £3.6bn, an uplift of over 22% on the equivalent period in RIIO-ED1, including potential additional investment opportunities of up to £0.7bn over the period through uncertainty mechanisms and reopeners.

Accelerating connections

With the transition to net zero gathering pace, SSEN Distribution is seeing a significant rise in the uptake of low-carbon technologies, particularly EV charge points, heat pumps, and battery storage. The business has seen a 75% uplift in the number of electric vehicle charge points connected compared to last year.

The SEPD network is experiencing rapid growth in both generation and demand requests, with significant large load requests coming from data centres and contracted batteries doubling over the past year. In SHEPD, generation demand has tripled from 3.7GW to 9.5GW over the past 18 months.

Empowering local investment and growing flexibility

Project LEO, SSEN Distribution's industry-leading project established to replicate the future energy system and test flexibility services at the 'grid edge', has concluded. Insights are now being used to facilitate extensive engagement with local authorities and stakeholders to support local net zero planning. This includes collaborative work with the Isle of Wight Council and local generators to produce a first-of-its-kind local net zero island study, which has identified core network development needed to unlock renewables and meet future demands. This provides a robust case to unlock further investment through uncertainty mechanisms early in the price control.

SSEN Distribution is also increasing tendering its flexibility services in areas where localised high demand can be offset to extend overall network capacity. SSEN's RIIO-ED2 Distribution System Operator Strategy targets delivery of 5GW in flexible services and 3.7GW of flexible connections by 2028. Overall, SSEN will invest around £70m in DSO capabilities in the five-year period, enabling greater consumer take-up of low-carbon technologies while delivering an estimated £460m of benefits through deferred reinforcement and avoided capital expenditure.

Building a workforce for the future

During the RIIO-ED2 price control period, SSEN Distribution will increase its workforce materially as it delivers the infrastructure required for net zero, safely, efficiently and in line with customers' expectations. In the last year alone, its graduate intake increased by 180% and trainee engineers by 90%, with specific pipelines for digital skills, alignment to and a focus on recruiting for difference, including neurodiversity.

Operating Review continued

SSE Renewables

SSE Renewables develops and generates zero carbon electricity at scale from wind farms and provides clean flexible power from its hydro schemes. The business comprises existing operational assets and those under development in onshore wind, offshore wind, flexible hydro electricity, run-of-river hydro electricity, pumped storage, as well as solar and battery technology co-located on existing UK and new international markets. In April 2023, the standalone Solar and Battery business, that had previously reported alongside SSE Distributed Energy, was integrated into SSE Renewables to optimise technological, planning and development synergies.

Who SSE Renewables serves

Electricity customers across markets in GB, Ireland and abroad who are increasingly seeking lower-carbon sources of energy.

How it supports SSE's strategy

SSE Renewables is driving the net zero transition through the development, financing, construction and operation of world-class renewables.

How it is remunerated

Through the wholesale electricity market, ancillary services market, Capacity Market, Balancing Mechanism revenue from hydro output, power purchase agreements, and government support schemes for renewable energy.

"We are working to keeping global warming to a 1.5°C pathway through the development, construction and operation of renewables. We are currently building more offshore wind energy than any other company in the world and we have ambitions to do more, delivering our diverse pipeline of over 11GW across wind, hydro, solar and batteries."

Stephen Wheeler
Managing Director, SSE Renewables

Operational delivery

SSE Renewables' operational offshore wind installed capacity is 487MW with its onshore wind and hydroelectric installed capacity at 1,969MW and 1,459MW respectively. SSE Renewables is currently leading the construction of more offshore wind than any other company in the world. Whilst availability across all technologies has remained high, the lower-than-expected wind and rainfall observed over the last three years continued in the last financial year, resulting in lower than normal production.

SSE Renewables' hydro assets play an increasingly critical role in delivering cost-effective, low-carbon flexibility to the system, providing additional diversified revenue streams. Following a very dry summer, autumn rain was above average followed by drier than average conditions over the winter months resulting in output for the year being behind plan. Plant availability, however, was very strong and following an intensive period of summer maintenance outages, which were delivered to plan, winter plant availability was exceptional with the fully flexible plant and the pumped storage asset at Foyers performing particularly well.

SSE Renewables is actively progressing plans to enhance assets across its operational hydro fleet, including the addition of pumping capacity, generation capacity increases and grid services capabilities.

SSE Renewables is the leading owner, operator and developer of onshore wind farms across the UK and Ireland. Operational onshore wind fleet availability was high throughout the year. Volumes finished at 93% of plan at year end with lower than forecast wind resource in Q4 impacting volumes.

While the end of the financial year saw lower wind resource than anticipated, autumn and winter saw an improved performance with Beatrice and Greater Gabbard offshore wind farms achieving 91% of plan overall, reducing to 73% when including Seagreen and the impact of its construction delay. There are now 50 turbines generating at Seagreen producing significant volumes and a new-build Vestas operational service vessel has been mobilised to site.

For financial performance commentary please refer to the Financial Review.

Construction programme

All three phases of the world's largest offshore wind farm at Dogger Bank (each 1,200MW, SSE share 40%) continue to progress. Onshore works are continuing on all three phases, with the three convertor stations at various stages of construction and the onshore HVDC cables already installed on Dogger Bank A and B. The operation and maintenance base at Port of Tyne is complete and was officially opened in March.

Offshore work is well under way for Dogger Bank A with successful installation of the first monopiles and transition pieces and the 175km offshore export cable. In April, Dogger Bank A reached another milestone with the installation of the world's first unmanned HVDC offshore substation, making it the first project in the UK to use this technology to transmit the electricity produced back to shore, ensuring that the electricity is transmitted efficiently over long distances while minimising losses.

Dogger Bank A is still expecting to achieve first power during Summer 2023, assuming normal weather. However, due to delays to the manufacturing of nacelles for the GE Haliade X turbine, the commercial operations date for Dogger Bank A has been pushed back by a few months to Q3 2024. The project is working with GE to assess whether impacts on Dogger Bank B and C are likely, as well as options to mitigate.

On Seagreen 1 (1,075MW, SSE share 49%), which will be Scotland's largest and the world's deepest fixed-bottom offshore wind farm once operational, installation of all 114 foundations ('jackets') was completed in April 2023 including the world's deepest jacket at a depth of 58.6m. With 84 turbines installed and 53 turbines exporting power to the grid as of 18 April 2023, the project continues to make significant progress towards its commercial operations date during the summer of 2023.

Onshore, construction is progressing well on Viking (443MW) in Shetland with turbine installation under way and all turbines expected to be up by the end of 2023. Viking is expected to be fully operational by Autumn 2024.

In Ireland, Lenalea wind farm (30MW, SSE share 50%) construction is progressing and it is due to be completed by the end of 2023. Following a final investment decision in August, Yellow River (101MW) started construction at the beginning of November 2022 and will proceed on a merchant basis.

In hydro, phase one of the Tummel Bridge power station refurbishment was completed on schedule. The two existing 'camelback' turbines and accompanying machinery were removed in preparation for the installation of two new, bespoke turbines in Q2 2023.

SSE Renewables key performance indicators

	March 2023	March 2022
SSE Renewables		
Renewables adjusted operating profit – £m	**580.0**	568.1
Renewables reported operating (loss) – £m	**446.3**	427.8
Renewables adjusted investment and capital expenditure before acquisitions – £m	**837.5**	811.0
Generation capacity – MW		
Onshore wind capacity (GB) – MW	**1,285**	1,285
Onshore wind capacity (NI) – MW	**117**	122
Onshore wind capacity (ROI) – MW	**567**	567
Total onshore wind capacity – MW	**1,969**	1,974
Offshore wind capacity (GB) – MW	**487**	487
Conventional hydro capacity (GB) – MW	**1,159**	1,159
Pumped storage capacity (GB) – MW	**300**	300
Total renewable generation capacity (inc. pumped storage) – MW	**3,915**	3,920
Contracted capacity	**2,787**	2,792
Generation output – GWh		
Onshore wind output (GB) – GWh	**2,770**	2,502
Onshore wind output (NI) – GWh	**286**	264
Onshore wind output (ROI) – GWh	**1,357**	1,196
Total onshore wind output – GWh	**4,413**	3,962
Offshore wind output (GB) – GWh	**1,846**	1,430
Conventional hydro output (GB) – GWh	**3,037**	3,107
Pumped storage output (GB) – GWh	**301**	227
Total renewable generation (inc. pumped storage) – GWh	**9,597**	8,726
Total renewable generation (also inc. constrained off) – GWh	**10,159**	**9,423**

Note 1: Capacity and output based on 100% of wholly owned sites and share of joint ventures.
Note 2: Contracted capacity includes sites with a CfD, eligible for ROCs, or contracted under REFIT.
Note 3: Onshore wind output excludes 456GWh of constrained off generation in FY2022/23 and 469GWh in FY2021/22; Offshore wind output excludes 106GWh constrained off generation in FY2022/23 and 228GWh in FY2021/22.
Note 4: Biomass capacity of 15MW and output of 68GWh in FY2022/23 and 73GWh FY2021/22 is excluded, with the associated operating profit or loss reported within Distributed Energy.
Note 5: Onshore NI and contracted capacity reduced by 5MW in the period following the sale of Bessy Bell I in July 2022.

Growth opportunities – Domestic

SSE Renewables' core markets of the UK and Ireland continue to offer considerable growth opportunities.

In March, the UK Government opened the application window for Allocation Round 5 (AR5). SSE Renewables projects Seagreen 1A Strathy South, Bhlaraidh Extension, Aberarder and Viking are all eligible to bid for the auction, with results expected by September 2023. However, the low administrative strike price (caps) in the auction, particularly for offshore wind, do not reflect the cost increases faced by projects. As a result, SSE Renewables will not be entering Seagreen 1A into the auction. It will continue to seek an alternative route to market to progress this project.

Located in the North Sea, in the outer Firth of Forth, Berwick Bank wind farm has the potential to deliver 4.1GW of installed capacity, making it one of the largest offshore opportunities in the world. A consent application was submitted to the Scottish Government in December 2022. The first connection date is in 2027 and the full project could be complete around the end of the decade.

Ossian offshore wind farm, owned by the SSE Renewables (3.6GW, share 40%), Marubeni Corporation and Copenhagen Infrastructure Partners (CIP) consortium, is one of the largest floating offshore wind projects in development worldwide and could play a key role in meeting the UK Government's floating wind targets. The project continues to progress through the early stages of development with the Environmental Impact Assessment Scoping Report for the Ossian Array submitted to the Scottish Government in March 2023.

North Falls offshore wind farm (up to 504MW, SSE Renewables share 50%), an extension to Greater Gabbard off the east coast of England, continues to progress through development ahead of planning submission next year. North Falls could be operational by 2031, depending on the grid connection solution.

In February, SSE Renewables announced early scoping work to explore options for developing a fourth phase of Dogger Bank wind farm. There are two options being explored for the energy generated: a grid connection and/or green hydrogen production. The project's progression remains subject to agreement with the Crown Estate.

In March 2023, SSE Renewables' Gordonbush Hydrogen project was shortlisted for funding from the UK Government's Net Zero Hydrogen Fund.

SSE Renewables recently announced additional plans to adapt its existing conventional 152.5MW Sloy hydro power plant with pumping capabilities. Subject to final design, the converted Sloy scheme could be capable of delivering up to 25GWh of long-duration electricity storage capacity, providing vital reserve capacity for an increasingly renewables-led energy system as well as critical energy security back-up.

In March, SSE Renewables confirmed a £100m commitment to further develop plans for the Coire Glas pumped hydro storage project (c. 1,300MW). The project, which received planning consent from the Scottish Government in 2020, would more than double Britain's total current electricity storage capacity. Subject to a favourable revenue stabilisation mechanism for long duration electricity storage, Coire Glas could reach a final investment decision by the end of 2024 with the objective of being fully constructed and commissioned by 2031 and therefore play a significant role in the UK Government's 2035 target for a decarbonised power system.

Operating Review continued
SSE Renewables continued

SSE Renewables remains committed to delivering Arklow Bank Wind Park 2 (up to 800MW), despite being unsuccessful in Ireland's first Offshore Renewable Energy Support Scheme (ORESS) auction in May 2023. It will proceed to submit a planning application later this year to Ireland's planning board, An Bord Pleanála, whilst it explores future ORESS contracts and other routes to market.

The Irish Government has confirmed a new target of 20GW of offshore wind by 2040 with at least four ORESS auctions starting next year with 'plan-led' designated zones identified by the Government based on grid capacity.

Building on its existing Irish offshore development portfolio (Setanta (1,000MW) and Celtic Sea Array (1,200MW), SSE Renewables has submitted an application for an investigative foreshore licence for surveys of the seabed for a possible new 1GW offshore wind farm in the Atlantic Ocean off the coast of Tarbert, Co. Kerry.

In January, SSE Renewables announced plans for its first solar and battery installation, co-located at its existing operational wind farm in Co. Wexford, Ireland. The planning application for the project, a 21MW solar photovoltaic (PV) array and a 10MW/2hr battery energy storage system, will be submitted in the coming months.

Growth opportunities – International

Europe

SSE Renewables is progressing its Southern Europe development portfolio with at least three projects (totalling c.100MW) aiming for a final investment decision this year. The first two projects (in France and Spain) are targeting construction commencing in Summer 2023, with at least one further project targeting a final investment decision later in the financial year.

SSE Renewables remains focused on offshore wind in Northern Europe, despite missing out on the Dutch and Polish tender processes. In the Netherlands, SSE Renewables is now focused on the upcoming Ijmuiden Ver zone tenders (2 x 2GW), with bids now expected in Q1 2024 following finalisation of the sites and tender process by the Dutch authorities later this year. SSE Renewables has partnered with APG, acting on behalf of Dutch pension fund ABP (the Netherlands' largest), for the tenders. And in Poland, the business continues to look at offshore partnering opportunities.

Asia-Pacific

SSE Renewables continues to pursue offshore wind development activities in Japan through its joint venture SSE Pacifico (80% stake). It is assessing participation in the upcoming Round 2 auction whilst also targeting future auctions. The Japanese Government has announced its intention to open up its Exclusive Economic Zone to potential future floating wind projects. SSE Renewables has formed a 50/50 joint venture with Equis to bid for a feasibility licence for an offshore wind farm project in Australia's first Federal Government declared offshore wind zone of Gippsland, in waters off the coast of Victoria. The outcome of the bid is expected by the end of 2023.

North America

SSE Renewables views the United States as an attractive growth market, particularly following the introduction of the Inflation Reduction Act. It continues to actively explore US market entry opportunities across onshore and offshore wind and adjacent technologies.

SSE Renewables project pipeline

Project	Location	Technology	Capacity (MW)	SSE Share (MW)
In construction				
Dogger Bank A	GB	Offshore wind	1,200	480
Dogger Bank B	GB	Offshore wind	1,200	480
Dogger Bank C	GB	Offshore wind	1,200	480
Seagreen 1	GB	Offshore wind	1,075	527
Viking	GB	Onshore wind	443	443
Yellow River	Ireland	Onshore wind	101	101
Lenalea	Ireland	Onshore wind	30	15
Littleton	GB	Solar	30	30
Salisbury	GB	Battery	50	50
Ferrybridge	GB	Battery	150	150
Total in construction – GW				**2.8GW**
Late-stage development				
Seagreen 1A	GB	Offshore wind	500	245
Bhlaraidh Extension	GB	Onshore wind	99	99
Strathy South	GB	Onshore wind	208	208
Other GB & Ireland	GB & Ire	Onshore wind	–	137
Spanish projects	Spain	Onshore wind[1]	281	291
France, Italy and Greece projects	Various	Onshore wind[1]	125	125
Coire Glas	GB	Pumped storage	1,300	1,300
ByPass	GB	Solar	50	50
Monk Fryston	GB	Battery	320	320
Tawnaghmore	GB	Battery	100	100
Total late-stage development – GW				**2.9GW**
Early-stage development				
Berwick Bank	GB	Offshore wind	4,100	4,100
Ossian (ScotWind lease)	GB	Offshore wind	3,600	1,440
Arklow Bank 2	Ireland	Offshore wind	800	800
North Falls	GB	Offshore wind	504	252
Cloiche	GB	Onshore wind	125	125
Other GB & Ireland	GB & Ire	Onshore wind	–	311
Spanish projects	Spain	Onshore wind[1]	808	808
France, Italy and Greece projects	Various	Onshore wind[1]	1,190	1,190
Fiddler's Ferry	GB	Battery	150	150
Staythorpe	GB	Battery	350	350
Total early-stage development – GW				**9.5GW**
Total secured pipeline – GW				**15.1GW**
Other future prospects				
Dogger Bank D	GB	Offshore wind	1,320	660
Setanta (Braymore Point)	Ireland	Offshore wind	1,000	1,000
Celtic Sea Array	ROI	Offshore wind	1,200	1,200
Tarbert	Ireland	Offshore wind	1,000	1,000
Japanese projects	Japan	Offshore wind	~6,000	~4,800
Other GB	GB	Onshore wind	–	~550
Other Ireland	Ire	Onshore wind	–	~200
Spanish projects	Spain	Onshore wind[1]	~1,750	~1,750
France, Italy and Greece projects	Various	Onshore wind[1]	~700	~700
Other GB Hydro	GB	Hydro	75	75
Other Solar	GB	Solar	~400	~400
Other Battery	GB	Battery	~900	~900
Total future prospects				**>13,000**

Notes: All capacities are subject to change as projects refined. Table reflects ownership and development status as at May 2023. Late-stage is consented in GB and grid or land security elsewhere, early-stage has land rights in GB and some security over planning or land elsewhere. Future prospects are named sites where non-exclusive development activity is under way. Additional solar and battery storage projects reflects Solar and Battery team now forming part of SSE Renewables.
Note 1: Includes solar hybridisation.

SSE Thermal

SSE Thermal owns and operates conventional flexible thermal generation in GB and Ireland, and around 40% of GB's conventional underground gas storage capacity. These assets provide much-needed system flexibility. SSE Thermal is actively developing options to progressively decarbonise its portfolio, most notably in carbon capture and storage and hydrogen technologies, with biofuel as a bridge into hydrogen.

Who SSE Thermal serves

Electricity suppliers, traders and other generators through the energy market; the national grid, and ultimately electricity customers.

How it supports SSE's strategy

SSE Thermal is providing critical flexibility to offset renewables variability as the energy system transitions to net zero. The strategic importance of its Gas Storage assets has been highlighted by recent world events and the increasing focus on national energy self-sufficiency.

How it is remunerated

The wholesale energy market, Capacity Market and ancillary services market provide the core revenue streams. The fleet also responds to forward market volatility and within day demand, providing flexible generation and storage.

"The performance of our flexible generation and gas storage assets this past year underlines the value that SSE Thermal can create for the Group, the GB energy system and society more broadly. We will continue to optimise these assets while progressing with new, lower-carbon opportunities that will help smooth the transition to net zero."

Catherine Raw
Managing Director, SSE Thermal

Operational delivery

In a year of record performance, SSE Thermal's fleet delivered strong availability in the GB market, which increased in the second half. The impact of unplanned outages, most notably at Great Island, more than offset by strong operational availability across the portfolio. This enabled the fleet to use its inherent flexibility to sell output to the market and contract forward ahead of delivery, capturing value through forward spark spreads. The fleet has also been able to optimise in response to market conditions, particularly during periods of low wind. Robust asset management allowed the fleet to meet availability expectations and capture market value through a volatile period, despite outages at Medway, Marchwood and Great Island. Managing availability responsibly is and continues to be a key focus for SSE Thermal, both within year and when taking a view of future system needs.

In March 2023, Keadby 2, Europe's most efficient CCGT, entered commercial operation following a full commissioning phase which started in October 2021. Keadby 2 includes a first-of-a-kind turbine that displaces older, more carbon intensive plant on the system. Before entering commercial operation, Keadby 2 had been generating intermittently across the year, capturing early value. Keadby 2's 15-year Capacity Market agreement is due to commence in October 2023 and all milestones to secure this agreement have been completed.

Following an agreement in June, SSE Thermal, alongside Equinor as 50/50 partner, completed the acquisition of the Triton Power portfolio on 1 September in a £341m transaction, providing additional flexibility and decarbonisation options. The portfolio includes the 1.2GW Saltend power station in the Humber along with two smaller plants, Indian Queens power station, a 140MW OCGT in Cornwall, and Deeside power station in North Wales, a decommissioned CCGT which provides carbon-free inertia to the system. While the Triton portfolio delivered value on an unhedged basis immediately after acquisition, a hedging strategy has since been implemented to reduce ongoing merchant exposure.

In July, SSE Thermal completed the sale of the closed and decommissioned Fiddlers Ferry power station.

In March, in line with requirements under the Industrial Emissions Directive, SSE Thermal announced the closure of Tarbert oil-fired power station in Ireland by the end of December 2023. Great Island CCGT and Rhode and Tawnaghmore peaking plant continue to play an important role in a tight system, where increased dispatchable capacity is required to meet system needs.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Developing decarbonised alternatives to the existing CCGT fleet will be vital to deliver SSE's goal to cut carbon intensity by 80% by 2030 and achieve its science-based carbon reduction targets, aligned with a 1.5°C global warming scenario.

In GB, SSE Thermal is developing projects that include carbon capture and storage (CCS) and hydrogen; technologies that will be critical to the transition to net zero, enabling enhanced renewables deployment by balancing the system. CCS and hydrogen remain at the heart of the UK Government's plans. In the past year, the UK Government has committed to

Operating Review continued
SSE Thermal continued

SSE Thermal key performance indicators

	March 2023	March 2022
SSE Thermal		
Thermal adjusted operating profit – £m	**1,031.9**	300.4
Thermal reported operating profit – £m	**1,089.5**	624.2
Thermal adjusted investment and capital expenditure, before acquisitions – £m	**153.2**	123.4
Generation capacity – MW		
Gas- and oil-fired generation capacity (GB) – MW	**5,538**	3,975
Gas- and oil-fired generation capacity (ROI) – MW	**1,292**	1,292
Total thermal generation capacity – MW	**6,830**	5,267
Generation output – GWh		
Gas- and oil-fired output (GB) – GWh	**16,781**	11,303
Gas- and oil-fired output (ROI) – GWh	**1,532**	2,962
Total thermal generation – GWh	**18,313**	14,265

Note 1: Capacity is wholly owned and share of joint ventures, and reflects Transmission Entry Capacity; March 2023 capacity reflects share of Triton Power portfolio with acquisition completed 1 September 2022.
Note 2: Output is based on SSE 100% share of wholly owned sites and 100% share of Marchwood PPAs due to the contractual arrangement. In September 2021 SSE's offtake agreement for 100% of output from its Seabank CCGT JV expired, with output following that date only recognised to the extent of its 50% equity share.
Note 3: Output in GB in year to March 2023 excludes 1,184GWh of pre-commissioning output from Keadby 2 CCGT which commissioned 15 March 2023.

SSE Thermal capacity contract awards

The following agreements have been awarded through competitive auctions:

Station	Asset type	Station capacity	SSE share of contract	Capacity obligation
Medway (GB)	CCGT	735MW	100%	To September 2027
Keadby (GB)	CCGT	755MW	100%	To September 2027
Keadby 2 (GB)	CCGT	893MW	100%	16 years commencing October 2022
Peterhead (GB)	CCGT	1,180MW	100%	To September 2027
Seabank (GB)	CCGT	1,234MW	50%	To September 2027
Marchwood (GB)	CCGT	920MW	100%	To September 2027
Saltend (GB)	CCGT	1,200MW	50%	To September 2027
Indian Queens (GB)	OCGT	140MW	50%	To September 2027
Slough Multifuel (GB)	Energy from Waste	50MW	50%	15 years commencing October 2024
Burghfield (GB)	OCGT	45MW	100%	To September 2027
Chickerell (GB)	OCGT	45MW	100%	To September 2027
Great Island (Ire)	CCGT	464MW	100%	To September 2027
Rhode (Ire)	Gas/oil peaker	104MW	100%	To September 2027
Tawnaghmore (Ire)	Gas/oil peaker	104MW	100%	To September 2027
Tarbert (Ire)	Oil	620MW	100%	To September 2023
Tarbert (Ire)	Biofuel	300MW	100%	10 years commencing October 2026
Platin (Ire)	Biofuel	150MW	100%	10 years commencing October 2026

Capacity contracts are based on de-rating factors issued by the delivery body for each contract year, therefore will not directly match SSE's published station capacity.
Capacities stated reflect Transmission Entry Capacity.
Marchwood (SSE equity share 50%) tolling arrangement means SSE receives 100% of economic benefit from capacity contract.
Keadby 1 has capacity obligation in 2023/24, 2025/26 and 2026/27 but none in 2024/25.
Medway has capacity obligation in 2023/24 and 2026/27 but none in 2024/25 and 2025/26.
Keadby 2 16 year obligation comprised of a T-1 and a 15 year contract.

deliver hydrogen transport and storage business models by 2025 to support its 10GW hydrogen production ambition, it has indicated that it will consult on the potential for hydrogen-to-power market interventions later in 2023 and issued a call for evidence on future support for power-CCS projects.

Aldbrough Hydrogen Pathfinder, SSE Thermal's hydrogen value chain proof-of-concept project, was shortlisted to progress to a due diligence phase after submitting a bid for funding and Hydrogen Production Business Model support through the Net Zero Hydrogen Fund. Aldbrough Hydrogen Pathfinder seeks to unite hydrogen production, hydrogen storage and a 100% hydrogen-fired open-cycle gas turbine (OCGT) on one site by the middle of the 2020s. This project will enable and inform the scaling up of SSE's, the wider Humber, and the UK's hydrogen ambitions and help de-risk further hydrogen investment. With the role of small-scale peaking plant expected to increase, this integrated concept also delivers expertise and experience in low-carbon OCGTs.

SSE is continuing to develop options for hydrogen blending into Keadby 2, with pre-FEED activity under way. Option assessment and scoping activity for a further 100% hydrogen-fired CCGT at Keadby 3 also continues. Pre-FEED activity is also under way for Aldbrough Hydrogen Storage. The Triton Power portfolio adds to this hydrogen pipeline, with plans to blend up to 30% low-carbon hydrogen by 2027.

In December Keadby 3 Carbon Capture Power Station became the first power-CCS project to secure planning consent in the UK. Alongside the contract awarded in June for the completion of FEED (Front End Engineering Design), this demonstrates the project's advanced development. In March the UK Government announced the first carbon capture projects to be supported by government-backed contracts – this included projects located in Teesside and the northwest of England. As a Humber-based project, Keadby 3 has not progressed to the final stage of negotiations for a Dispatchable Power Agreement. The UK Government has instead identified the Humber as a region to be supported through subsequent phases of its cluster sequencing process by 2030 at the latest. There are opportunities for Keadby 3 to access CO_2 storage in either the Endurance store (a Track-1 CO_2 transport and storage system) or Viking (identified as a minded-to Track-2 CO_2 transport and storage system by UK Government). Next steps on cluster sequencing are expected later in 2023, with work progressing to complete FEED for Keadby 3.

The UK Government also set out further detail for Track-2 clusters. Acorn was identified as a 'minded-to' Track-2 CO_2 transport and storage system, alongside Viking, for deployment by 2030. Acorn would provide CO_2 storage for Peterhead Carbon Capture Power Station. Further expressions of interest for Track-2 clusters are being accepted by the UK Government ahead of next steps being communicated later in 2023. Peterhead Carbon Capture Power Station is continuing to develop with a planning application submitted in March 2022 and announcement of the award of a FEED contract in July. It remains well-placed to participate in future Dispatchable Power Agreement allocation processes.

SSE Thermal is seeking opportunities to expand its GB low-carbon pipeline. It continues to explore the decarbonisation of the Medway site through hydrogen or CCS. It has identified a potential new location for low-carbon power generation in northwest England, where CCS and hydrogen operations are being developed, well-located relative to the HyNet cluster. It is also investigating options to use alternative fuels, such as hydrogen derivatives. Construction activity for Slough Multifuel remains on track to complete in summer 2024.

In Ireland, SSE Thermal is advancing projects using sustainable biofuel as a lower carbon alternative to fossil-fuels and as a bridge to hydrogen. In March it provisionally secured 10-year Capacity Market agreements for two new low-carbon power stations to commence in 2026/27 delivery year:

- 260MW of de-rated electricity generation at Tarbert (€129,000/MW)
- 140MW de-rated electricity generation at Platin (€177,000/MW)

The proposed low-carbon units at Tarbert in Co. Kerry and Platin in Co. Meath would help to protect security of supply and provide flexible backup to Ireland's growing renewables sector. The proposed units will initially run on Hydrotreated Vegetable Oil (HVO), which is produced by processing waste oils to create a fossil-free alternative to diesel in accordance with EU sustainability standards. This would provide a bridge to a hydrogen future with both units having the potential to convert to the fuel. As with Aldbrough Hydrogen Pathfinder, these projects reflect the expected role peaking generation will play in the system.

Low-carbon projects in Ireland are progressing alongside activity to deliver a Temporary Emergency Generation unit, at the request of the Irish authorities. Following legislation and a site selection process undertaken by EirGrid, approved by the Commission for the Regulation of Utilities, the Tarbert site was selected to host 150MW of generation capacity, to run on distillate oil. It will operate as an emergency plant with a maximum running time of 500 hours per annum. Under the Irish Government's emergency generation legislation, this capacity is to cease operations as soon as the temporary electricity emergency has been addressed, and no later than March 2028. The unit would only be utilised when it is clear that market-sourced generation will not be sufficient to meet system needs.

Gas Storage

Operational delivery

SSE Gas Storage performed strongly, navigating highly volatile gas markets and optimising assets to help ensure security of gas supply for the UK whilst providing important liquidity to the market. These assets are a significant risk management tool to the portfolio by offering short-notice flexibility to mitigate exposures from wind speeds and demand variability.

SSE's gas storage assets have made a substantial contribution this year, with high withdrawals and the technical ability to cycle quickly in response to market signals. Over the past three years the equivalent of two caverns of storage have been added through studies into maximum and minimum operating pressures. Aldbrough Caverns 6 and 9 were successfully returned to service ahead of winter 2022/23, adding further capacity. As a result of an increase in future market revenues forecast from these types of assets, the historical impairments have been almost fully reversed on Aldbrough at the year-end.

For financial performance commentary please refer to the Financial Review.

SSE Gas Storage key performance indicators

	March 2023	March 2022
Gas Storage		
Gas Storage adjusted operating profit – £m	**212.5**	30.7
Gas Storage reported operating profit – £m	**249.2**	125.4
Gas storage adjusted investment and capital expenditure – £m	**6.3**	2.1
Gas storage level at period end – mTh	**123**	1
Gas storage level at period end – %	**65**	1

Growth opportunities

Underlining the clear societal value these assets provide, the UK Government's Powering Up Britain Energy Security Plan, published in March, highlighted that gas storage had operated successfully over the winter helping to meet demand caused by cold weather spells. The UK Government will consider the future role that storage can play in the longer term, considering the need to align with future plans for hydrogen and CO_2 storage. SSE Thermal remains committed to working with UK Government departments and Ofgem to ensure the critical role of UK storage is properly valued, and low-carbon options can be delivered in tandem.

Plans to develop an innovative hydrogen storage project at Aldbrough with Equinor, announced in July 2021, are progressing. Following the commitment in the British Energy Security Strategy to deliver hydrogen transport and storage business models by 2025, the UK Government published a consultation on this at the end of August 2022. This consultation notes the importance of storage as a 'system balancer' and envisages underground hydrogen storage becoming important to the functioning of the hydrogen economy by the end of the decade. As described in the previous section, Aldbrough Hydrogen Pathfinder has progressed to due diligence following a bid into the Net Zero Hydrogen Fund.

Operating Review continued

Energy Customer Solutions

SSE Business Energy in GB (non-domestic) and SSE Airtricity on the island of Ireland (domestic and non-domestic) provide a shopfront and route to market for SSE's generation, renewable green products and low-carbon energy solutions. Across Great Britain and Ireland, focus remains on supporting customers to reduce energy consumption, modernise systems and expand the green energy product offering to ensure the business grows its position as a trusted partner to customers on their net zero journey.

Who Energy Customer Solutions serves

700,000 domestic and business customers in the all-island Ireland energy supply market, and around 469,000 non-domestic customers in GB.

How it supports SSE's strategy

By responding to the climate emergency through the provision of green energy solutions to customers who are increasingly focused on the transition to net zero.

How it is remunerated

By competing for customers and direct billing to them and third party intermediaries (in GB) and through state-supported schemes (in ROI).

"In response to the cost inflation associated with events of the past year, SSE's customer businesses have focused on managing risk to ensure the best possible outcomes for our customers, supporting those that are vulnerable and working with governments on assistance packages."

Nikki Flanders
Managing Director, Energy Customer Solutions

SSE Business Energy key performance indicators

	March 2023	March 2022
SSE Business Energy		
Business Energy adjusted and reported operating profit/(loss) – £m	**17.9**	(21.5)
Electricity sold – GWh	**12,108**	12,645
Gas sold – mtherms	**200**	218
Aged debt (60 days past due) – £m	**167**	79.3
Bad debt expense – £m	**108**	18.5
Energy customers' accounts – m	**0.43**	0.47

SSE Business Energy

Operational delivery

The primary focus of the last year has been on delivering support to customers during a period of extreme market instability. This included implementing government bill supports for customers at an administrative cost of £2m that the business absorbed.

Targeted support for customers included reducing contract lengths to help manage customers' exposure to high prices and providing flexible repayment options for customers struggling to pay. Under the UK Government's Energy Bill Relief Scheme, Business Energy applied customer discounts to the value of £721m in the year and was compensated for the reduction in wholesale gas and electricity unit prices that was passed on. In other support measures, in October 2022, the business voluntarily implemented a disconnection ban for businesses (with a cumulative debt of £5m) where end-users were either vulnerable or living in a residential setting aligned to a non-domestic contract.

Additional supports included the decision not to pass on £12m of non-commodity costs to some customers with flexible contract terms.

Business Energy has continued to make progress on our Smart programme in 2022/23 installing more smart meters in proportion to our market share. Focus remains on driving Smart adoption throughout 2023/24, building on our engaging smart propositions and incentives to encourage adoption and helping customers to manage and reduce demand.

The business launched a suite of new and enhanced digital offerings in the period to improve the customer journey, including a small business sustainability content hub, providing help to customers with net zero guidance, and a free and easy-to-use carbon footprint calculator.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Business Energy will continue to focus on giving customers increased choice and flexibility to improve their green credentials and help with their paths to net zero. This includes extending its product range and giving customers greater transparency over the provenance of their renewable energy supply.

SSE Airtricity key performance indicators

	March 2023	March 2022
SSE Airtricity		
Airtricity adjusted operating profit – £m	**5.6**	60.4
Airtricity reported operating profit – £m	**5.2**	60.4
Aged debt (60 days past due) – £m	**11.0**	7.3
Bad debt expense – £m	**7.8**	4.6
Airtricity electricity sold – GWh	**5,795**	5,219
Airtricity gas sold – mtherms	**193**	177
All Ireland energy market customers (Ire) – m	**0.74**	0.70

SSE Airtricity

Operational delivery

The primary focus of 2022/23 has been on supporting customers, resulting in the establishment of the most comprehensive customer support fund of any supplier in Ireland, up to the value of €25m. Measures included a €2.5m donation made to non-profit organisation EnergyCloud, which promotes system efficiency, utilising surplus renewable energy to supply fuel-poor households. Airtricity also applied discounts to the value of £116m in the year to customers under the UK Government's Energy Bill Relief Scheme. Furthermore, as referenced in the Group Financial Review, SSE Airtricity honoured its commitment not to make a profit in the year in recognition of the cost-of-living crisis. Residual profits of €8.6m were distributed to domestic customers in full, with accounts credited after the year-end in April 2023. The cost of the rebate will be reflected in financial results for 2023/24.

The business continued to enhance service offerings as customer engagement levels tripled year-on-year at their peak. The introduction of enhanced digital service capabilities such as Live Chat resulted in a greater than 90% reduction in customer wait times below peak levels.

During the period SSE Airtricity continued to evolve product offerings to support demand reduction including the launch of a market-leading premium microgeneration solar offering via our joint venture with Activ8 Solar Energies. Through its pioneering Generation Green Home Upgrade home retrofit proposition the business completed 1,500 solar installs, supplied over 300 batteries and retrofitted 650 homes this financial year, representing an estimated carbon saving of 8.9GWh.

Partnerships with RTÉ's DIYSOS, increasing our support for the women's game through partnership with the Football Association of Ireland, and funding LGBT Ireland's advice helpline are examples of Airtricity's values and active community support.

For additional financial performance commentary please refer to the Financial Review.

Growth opportunities

SSE Airtricity has laid solid foundations and led the way in proposition innovation to more easily enable customers to reduce carbon emissions and energy usage. It has ambitions plans for energy services across the island of Ireland, aiming to deliver 45,000 home retrofits by 2030 and expanding the offering into the (ROI) B2B and NI markets.

SSE Distributed Energy

Distributed Energy brings low-carbon energy solutions to business-to-business markets – including major regional and partnership opportunities. With private wires, heat networks, behind-the-meter solar and battery, EV charging and competitive networks all part of the UK's net zero plans it is well positioned for future growth. As mentioned on previous pages, grid-scale Solar and Battery will report under the SSE Renewables segment from 1 April 2023, but progress in 2022/23 is outlined below.

Who SSE Distributed Energy serves

For the public sector and commercial markets in GB and Ireland. It provides smart digital solutions for assets deployed and for businesses, buildings, and cities.

How it supports SSE's strategy

Distributed energy, solar and battery storage assets have an increasingly important role to play in the GB energy system as electrification accelerates and generation is increasingly led by intermittent wind output. They also provide valuable diversity and optionality to the SSE portfolio.

How it is remunerated

By competing for customers and direct billing to them and third party intermediaries (in GB) and through state-supported schemes (in ROI).

"Enterprise continues to identify and grow new ventures that complement SSE's core portfolio both to public sector and commercial markets. The success of Solar and Battery is proof of our key role for SSE Group in incubating new areas of growth that will help drive net zero."

Neil Kirkby
Managing Director, SSE Enterprise

SSE Distributed Energy key performance indicators

	March 2023	March 2022
SSE Distributed Energy		
SSE Distributed Energy adjusted operating (loss) – £m	**(27.4)**	(10.9)
SSE Distributed Energy reported operating (loss) – £m	**33.5**	(29.2)
SSE Heat Network customer accounts	**11,431**	11,291
Biomass, heat network and other capacity – MW[1]	**26**	33
Biomass, heat network and other output – GWh	**96**	104

1 Capacity in March 2023 reflects sale of 8MW Chippenham gas-fired power station and changes to capacity installed on heat networks.

Operational delivery

SSE's Distributed Energy team has opened its first EV charging hub in Glasgow with plans to roll out a further 300 such hubs across the UK and Ireland. It has also launched its 'Enhance' technology platform which schedules, dispatches, and controls flexible assets to facilitate trading or Grid balancing actions.

SSE announced significant milestones in its solar and battery storage business in the reporting period which now has a 1.2GW solar and battery pipeline secured and a further 1.3GW of other prospective sites under development. These milestones include breaking ground in September at its first 50MW battery storage project at Salisbury with construction starting this summer at a 30MW solar farm at Littleton in Worcestershire. Construction of a new 150MW battery storage project at Ferrybridge in Yorkshire is also getting under way with the assets expected to be fully operational in late 2024.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Distributed Energy has significant growth opportunities including supporting gigafactories and landmark redevelopment projects like Teesside. It is also developing heat network technologies including a new £25m low-carbon district heating and electricity scheme in Aire Valley, Leeds.

Following its acquisition of the Imperial Park private wire network in Wales; Distributed Energy will continue to explore opportunities to help businesses cut carbon and costs as well as supporting the transition to net zero at a local level.

Transferring the Solar and Battery business to SSE Renewables allows it to scale up and develop opportunities both domestically and internationally, as well as take on co-location projects. Solar is a cost-effective low-carbon technology and the UK Government has reaffirmed its commitment to its 70GW target by 2035; whilst battery storage is a key part of the net zero jigsaw with its ability to rapidly store and discharge energy when needed most by the grid.

Energy Portfolio Management (EPM)

Energy Portfolio Management (EPM) trades commodities for SSE's market-based Business Units, securing value on behalf of SSE's asset portfolios in wholesale energy markets and managing volatility through risk managed trading of energy-related commodities for SSE's market-based Business Units. SSE trades the principal commodities to which its asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads): power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible (see also SSE's hedging Position in the Financial Review).

Who EPM serves

SSE's individual Business Units and the SSE Group.

How it supports SSE's strategy

The work EPM does is key to managing risk associated with the operations behind SSE's Net Zero Acceleration Programme. It trades the principal commodities to which SSE's asset portfolios are exposed, as well as the spreads between two or more commodity prices (e.g. spark spreads); power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different risk and liquidity characteristics, which impacts the quantum of hedging possible.

How it is remunerated

It receives fees for providing energy trading services to the constituent parts of the SSE group.

"The core strengths of the EPM team in prompt and curve trading have served us well in navigating the market turbulence of the past year. We have an eye to the future, reinforcing our existing expertise while rapidly growing our capabilities in advanced data analytics and international markets to support the Group's growth ambitions."

Gordon Bell
Managing Director, Energy Portfolio Management

EPM key performance indicators

	March 2023	March 2022
EPM		
EPM adjusted operating profit/(loss) – £m	**80.4**	(16.8)
EPM reported operating (loss)/profit – £m	**(2,626.0)**	2,083.6

Operational delivery

EPM navigated continued energy market volatility, with winter 2022/23 seeing a reduction in volatility. EPM ensures the SSE portfolio was hedged in accordance with the Group's approach to hedging and then optimised through prompt periods. The value EPM secured for SSE's asset portfolio continues to be reported against individual Business Units.

For financial performance commentary please refer to the Financial Review.

Growth opportunities

Transformation of the EPM Business Unit continues with further recruitment and changes in systems and processes. Focus has been on core delivery in the exceptional market environment, alongside developments in market modelling, assurance, data governance and analytics, and wind balancing.

European trading continues in small volumes with the intention to increase this through 23/24.

Energy Economics, SSE's long-term price forecasting and market analysis team, moved into EPM at the end of the financial year providing significant synergies and enhanced opportunities to share knowledge across the teams.

In this section

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 Macdonald, 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

Assessed external context

Conducting deep dives and external speaker sessions
page 125

Knowledge sessions held

19

Enhanced shareholder dialogue

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

Number of Chair roadshow meetings

20

Amplified employee listening

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

Board-employee engagements

58

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

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.

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)

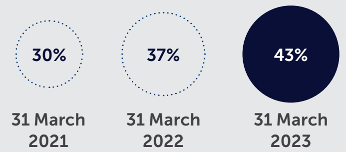
42%

female membership

Rolling three-year female representation

43%

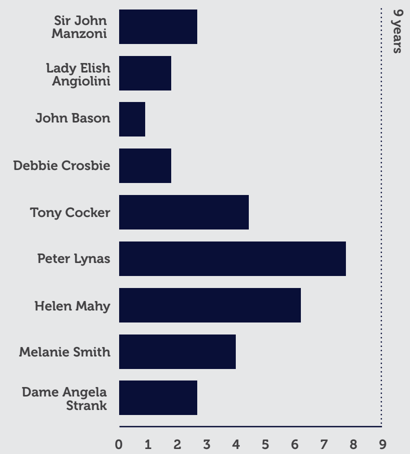
female



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

NC ER SHE RC

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

ER

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

ER SHE

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

NC AC ER SHE

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

NC SHE RC

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

NC AC RC

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

NC AC ER

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

NC AC RC

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

NC AC SHE

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

NC ER RC

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

NC SHE RC

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

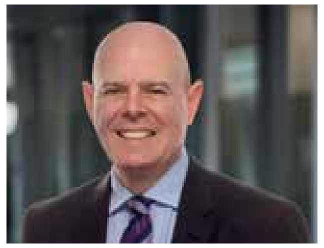
Alistair Phillips-Davies
Chief Executive

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

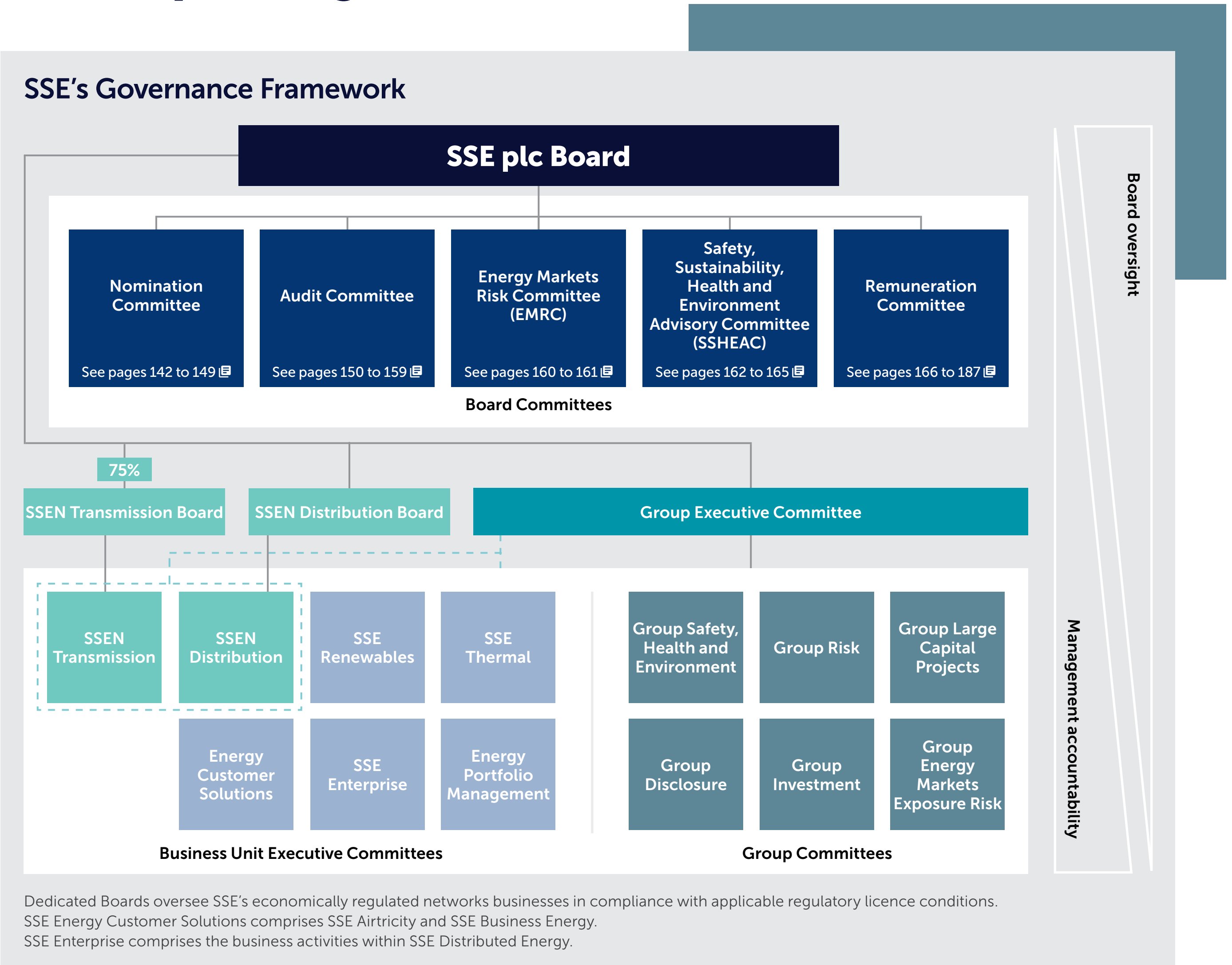
Stephen has been MD, SSE Renewables since January 2022 having previously held the roles of MD, SSE Thermal and MD, SSE Ireland. Prior to SSE, he was part of the management team that grew the Airtricity renewable energy platform before SSE acquired it in 2008. Before joining Airtricity, he spent over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



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.

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[1]	Audit Committee	EMRC	SSHEAC[2]	Remuneration Committee[3]
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[4]	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

Stakeholder views

Employees | Shareholders and debt providers | Energy customers | Government and regulators | NGOs, communities and civil society | Suppliers, contractors and partners

Our purpose
To provide energy needed today, while building a better world of energy for tomorrow.

Our vision
To be a leading energy company in a net zero world.

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

Our culture
See pages 137 to 138.

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

Purpose	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.
Attendees across sessions	• The Board • Group Strategy Team • Group Executive Committee • Business Unit Leadership Teams • Corporate Finance Team
Reviewing the external context	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: • Policy and regulatory frameworks to deliver energy security and market reform for a fair and just transition to net zero. • Economic and inflationary pressures on project delivery, supply chains and wider stakeholder experience. • The competitive environment, market share and diversification across geographies. • The growth landscape and risk-adjusted returns of the existing pipeline, new projects and technologies. • The role of SSE's key stakeholder relationships in NZAP delivery.
Confirming strategic options	The continued shareholder and societal value of the NZAP and its alignment with SSE's purpose was tested through assessment of the following areas: • The optimum business mix to support net zero and deliver long-term value in an evolving energy sector. • Progress against NZAP targets across each Business Unit and the pathways supporting growth and identification of further opportunities. • Financial strategy incorporating the balance of capital allocation and the ways to fund accelerated growth. • Investor priorities and views surrounding strategy and NZAP ambitions. • The role of SSE's people, the embedded organisational culture, skills and capabilities.
Outcomes and next steps	The following represents the outcomes and next steps which were agreed to shape upcoming Board work: • Confirmation that SSE's business mix remains optimal for it to focus on NZAP execution. • Approval of the strategic priorities for each Business Unit and agreement on the optimal growth areas within them. • Setting an ongoing programme of strategic questions and topics for consideration throughout 2022/23.

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

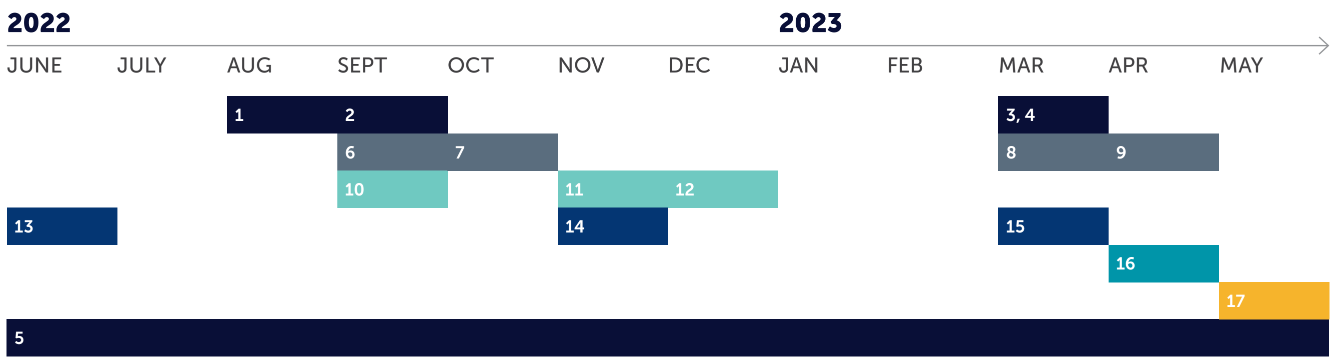
13. SSEN Distribution responds to Ofgem RIIO-ED2 draft determinations.
14. SSEN Distribution responds to Ofgem RIIO-ED2 final determinations.
15. SSEN Distribution accepts of Ofgem's RIIO-ED2 final determinations.

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.

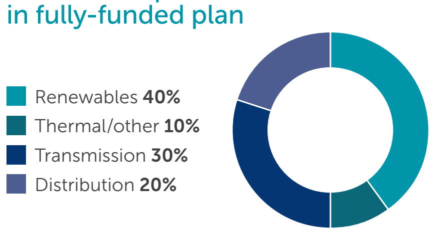


NZAP Plus

By 2027

By 2032

Balanced capital investment in fully-funded plan



Renewables net capacity
>9GW

Networks net gross RAV CAGR
£12-14bn

Adjusted EPS CAGR
13-16%

Net debt/EBITDA
3.5-4.0x

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

Guiding strategic progress continued

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.

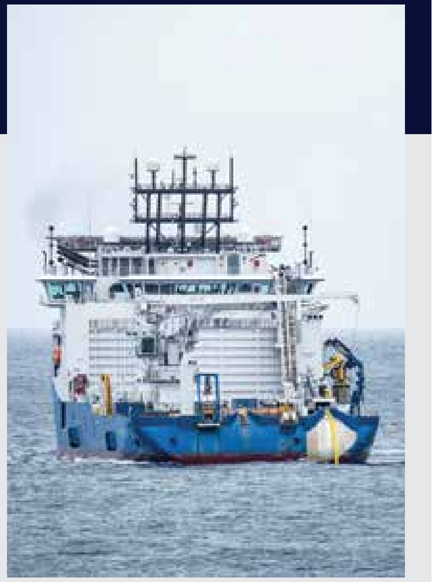
Retail shareholders
To allow management of an individual's shareholding, SSE's recently refreshed investor website houses all regulatory news announcements and published financial and non-financial reports. The Investor Relations team and the Company Secretariat, with support from SSE's Registrar, engage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

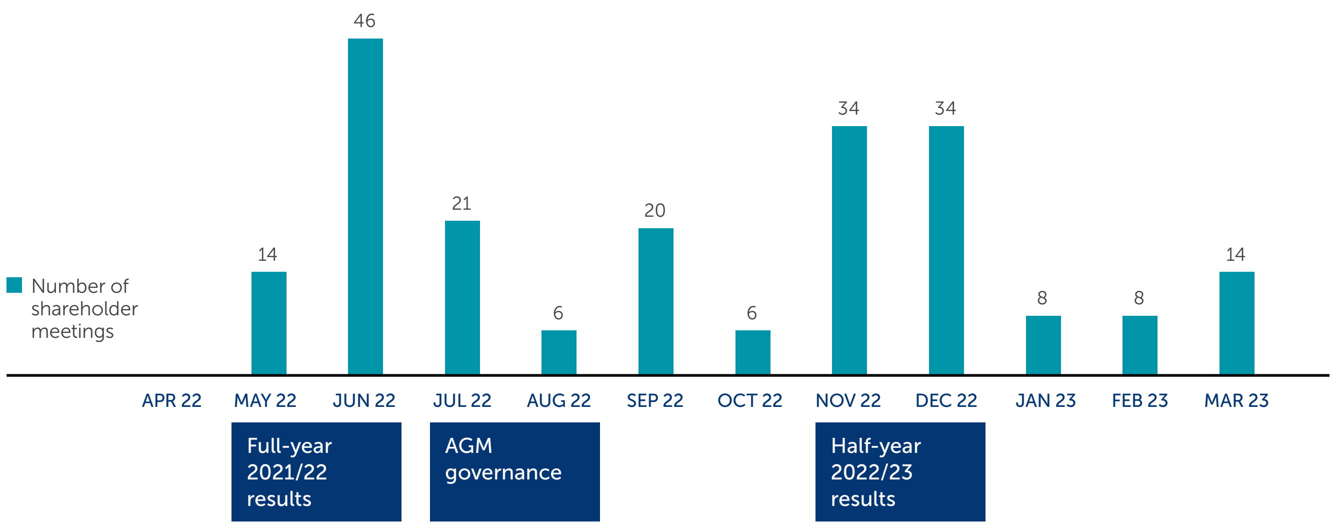
Following the publication of SSE's Net Zero Transition Plan, and in support of the first annual shareholder vote on its Net Zero Transition Report (proposed at the 2022 AGM), the Chair hosted a climate-focused investor event with SSE's Chief Commercial Officer and Chief Sustainability Officer in June 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
Inclusion and diversity **Why the Board engaged** 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.	• Melanie Smith hosted an all-employee Q&A during Race Equality Week and encouraged the sharing of diversity information, to support actions that focus on making SSE more inclusive. • 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. • 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.
Strategy, net zero and climate change **Why the Board engaged** 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.	• 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. • 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. • 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. • 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.
Digital strategy **Why the Board engaged** 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.	• 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. • 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. • 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.
Great place to work and ways of working **Why the Board engaged** 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.	• 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. • 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. • 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. • 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.

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

▲ ▼ = Movement relative to internal 2021 trend benchmark.

▲ ▼ = Movement relative to 2021/22.

* 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[1]
- 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[1]
- 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.

1 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
Optimising oversight of strategic execution	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.
Alignment on people matters	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 pages 134 to 136.
Leveraging external voices	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 page 125).

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
Enhancing contact with SSE's culture, senior teams, Business Units, and strategic context	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. **Actions agreed by the Board:** • A Board planner for visits and existing pre-Board meeting sessions has been circulated to ensure these be utilised to good effect. • A biannual review of competitor strategies is to take place and continue on an ongoing basis. • Deep dives will be arranged on specific topics such as ESG, technology and influences on long-term energy prices.
Continued consideration of people issues	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. **Actions agreed by the Board:** • To maintain a focus on diversity progress, targets and reporting will continue as a biannual item at the Nomination Committee (see pages 148 to 149). • 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 page 146). • 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.
Board composition	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. **Actions agreed by the Board:** • 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 pages 144 to 145).

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.

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.

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 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.

Sir John Manzoni
Chair of the Nomination Committee
23 May 2023

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.

Nomination Committee Report continued

Board recruitment and succession process

Stage 1
Confirm objective of the process and role specification.

Stage 2
Engage an external recruitment firm and set out process.

Stage 3
Assess how the specification can be met through a longlist.

Stage 4
Review technical and cultural fit to agree a shortlist.

Stage 5
Identify the preferred candidate to recommend to the Board.

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 additional 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.

External search diversity

29%	12%	15
of profiles gender diverse	of profiles ethnically diverse	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 CEPSA, 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.

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.

External search diversity

47%	7%	6
of profiles gender diverse	of profiles ethnically diverse	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 responsibilty 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.

Diversity of key board roles

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

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.

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. 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. 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.

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**.

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.

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[1]	Percentage of Executive Management[1]
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[1]	Percentage of Executive Management[1]
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	–	–	–	–	

1 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 was 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 practice.
- 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.

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.

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, 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[1]. 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

1 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 benefited 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.		•		•	Pages 154 to 156
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.		•		•	Pages 194 to 201
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.				•	Pages 237 to 239
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.			•	•	Page 71
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.			•	•	Pages 42 to 45
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.				•	Pages 154 and 191
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.	•	•	•	•	Page 156
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.		•		•	Page 156
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.	•	•	•	•	Page 157
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.	•		•	•	Page 157
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.			•		Page 156

Actions	Outcomes	September	November	February	May	Cross reference
Internal Audit						
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.	•	•	•	•	Page 158
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.			•		Page 158
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.			•	•	Page 159
Internal control and risk management						
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.	•		•		Page 137
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.	•	•	•	•	Pages 150 and 158
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.		•		•	Pages 89 to 92
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.		•			Page 68
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.			•	•	Page 158
Governance						
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.	•	•			Page 151
Reviewed the Committee Terms of Reference.	The Committee made a recommendation to the Board to re-approve the Terms of Reference.			•		Page 150
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.				•	Pages 150 to 159
Reviewed a report on the disclosure of information to the External Auditor.	The Committee were satisfied that the disclosure arrangements were appropriate.				•	Page 190

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 retailed 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.

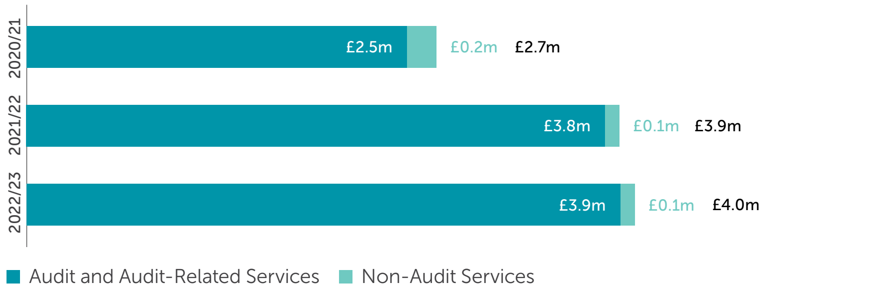
Assurance on the operation of audit quality process at audit firm.

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.

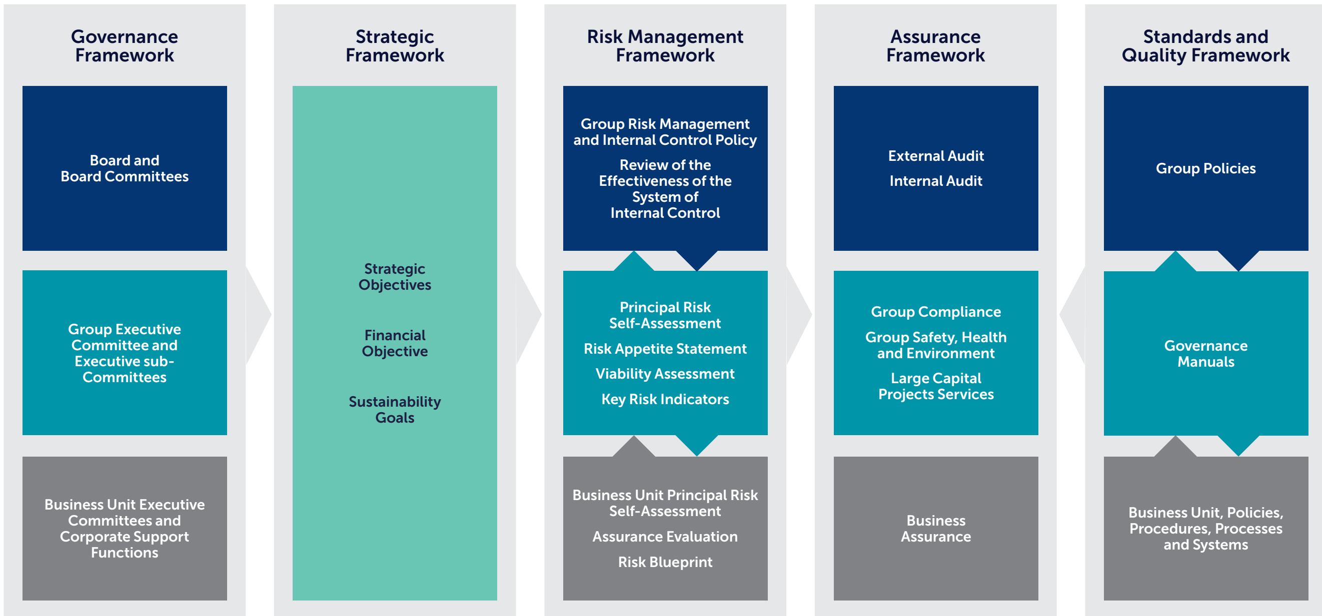
Recommendations
Findings included:
- Develop the approach and methodology to derive more data driven analysis and insights;
- Enhance executive and Audit Committee reporting to provide more insight;
- Continue to develop the approach to innovation through areas such as digital capability and adopting 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.

Key activities in 2022/23

- Oversaw 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, 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.

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.

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
Overseeing SSE's hedging approach	• As part of a quarterly report on Energy Markets Risk, monitored: – hedging arrangements; – risk control metrics; – Energy Portfolio Management's counterparty credit risk exposures; and – the liquidity of energy markets. • Reviewed and endorsed the hedging approach and position on 31 March 2023 included in the Full-year Results Statement and Annual Report 2023.
Energy Markets Risks	• 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. • Considered a report on key energy market risks, risk appetites and risk management controls and governance. • Received reports on reviews of GB and ROI energy markets. • Received a report on SSE's Trading Approach in relation to the UK Emissions Trading Scheme. • 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.
Internal Control and Risk Management relating to Energy Market Exposures	• Considered a report on the key risks and controls arising from operations within Energy Portfolio Management. • Reviewed the Energy Portfolio Management MD Letter of Assurance. • Received an in-depth review of risk control metrics provided internally. • Received quarterly reports from Internal Audit and details of resulting action plans related to the Energy Portfolio Management business. • 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. • 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.
Governance and other	• Considered the output of the EMRC performance evaluation. • Approved the narrative of the 2023 EMRC Report. • Regularly reviewed the forward business planner.

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.

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

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.

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 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

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, SSEN 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.

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.

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.

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_6 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 openess, 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.

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

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.

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 outturn. The Committee was deeply saddened by the death of Liam Macdonald, a young contractor working on Shetland, in June 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.

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[1]					
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)

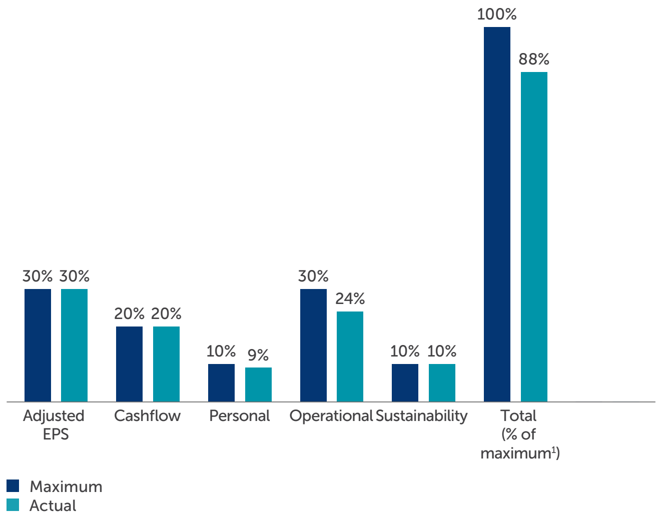
Total Shareholder Return (FTSE 100)
Rank 24
of 95 PSP
(2021/22 – Rank 13 of 95)

Total Shareholder Return (MSCI)
Rank 7
of 24 PSP
(2021/22 – Rank 6 of 23)

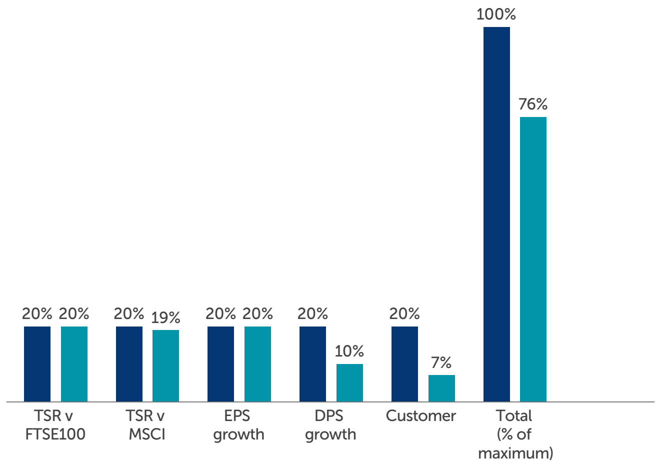
Total Recordable Injury Rate
0.19
per 100,000 hours worked AIP
(2021/22 – 0.17)

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
Executive Directors (3 employees)	Base salary is typically set with reference to the market, performance and wider workforce considerations. Annual increases are typically in line with or less than those for the wider employee population.	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. 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 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.
Group Executive Committee (8 employees) **Senior Management (120 employees)**				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.
Wider workforce (12,000 employees)	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[6]	
		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[1]	**952**	924	**736**	714	**655**	636	**2,343**	2,274
	Benefits[2]	**27**	26	**24**	23	**18**	18	**69**	67
	Pension[3]	**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[4]	**1,256**	1,150	**841**	771	**750**	678	**2,847**	2,599
	PSP[5]	**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

1 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.
2 Benefits relate to company car, Share Incentive Plan company contributions and medical benefits. These benefits are non-pensionable.
3 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.
4 The AIP figures above show the value of the award including the portion deferred as shares.
5 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.
6 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[1]	**0**	0

1 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:

1. Set performance measures aligned with strategy
2. Set stretching performance targets
3. Assess performance against targets
4. Take account of wider environment and stakeholders
5. Apply discretion if required

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; Thermal; Customer; Other Growth & Transactions	Moody's; Sustainalytics; S&P Global

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 outturn 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[1]
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 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)
Personal 10%	**Chief Executive**	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%
	Finance Director			4+	90%
	Chief Commercial Officer			4+	90%

High-level measure	Detailed measure	Factors to be assessed	Summary performance	Assessment (score 1-5)	Outcome (% of max)
Operations 30%	**People**	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%
	Renewables	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%
	Distribution	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%
	Transmission	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%
	Thermal	Balancing market performance.	Rank 1 generator in the balancing market.	5	100%
	Customer	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%
	Other Growth and 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.	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%
				Total	**79%**

High-level measure	Detailed measure	Factors taken into account in index scoring	Assessment	Outcome (% of max)
Sustainability 10%	**Moody's ESG rating (formerly V.E.)**	Environment; Human Resources; Human Rights; Community Involvement; Business Behaviour; Corporate Governance. Peer group: Electric & Gas Utilities	Upper quintile (Sep 2022)	
	Sustainalytics sustainability index	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)	
	S&P Global sustainability index	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)	
		Average performance across three assessments	**85th percentile (upper quintile)**	**100%**

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[1]	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						
PSP	TSR v FTSE 100	TSR v MSCI Europe	EPS growth	DPS growth	Customer (Distribution)	Customer (Business Energy)	Total
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%	**76%**

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[1]	Share price appreciation[2]
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:

	Fees £000s	
Non-Executive Directors	**2022/23**	2021/22
Elish Angiolini[1]	**75**	42
John Bason[2]	**62**	0
Sue Bruce[3]	**104**	101
Tony Cocker	**109**	105
Debbie Crosbie[4]	**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)[1]	Shares owned outright at 31 March 2023	Number of shares: Interests in shares, awarded without performance conditions at 31 March 2023 (DBS Awards)	Number of shares: Interests in shares, awarded subject to performance conditions at 31 March 2023 (PSP Awards)	Number of options: Interests in share options, awarded without performance conditions at 31 March 2023	Number of options: Interests in share options, awarded subject to performance conditions at 31 March 2023	Shares owned outright at 31 March 2022
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	**£250,004**
Alistair Phillips-Davies	22/07/2022	21,604	£17.2750	**£373,209**
Martin Pibworth	22/07/2022	12,739	£17.2750	**£220,066**
				£843,279

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
				£1,627,167
Alistair Phillips-Davies	22/07/2022	135,407	£17.2750	£2,339,156
				£2,339,156
Martin Pibworth	22/07/2022	83,928	£17.2750	£1,449,856
				£1,449,856

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[2]	28/06/2019	28/06/2022	Nil Grant				0[4]	
	DBP 2016[2]	26/06/2020	26/06/2023	12,494					12,494
	DBP 2016[2]	06/07/2021	06/07/2024	13,832					13,832
	DBP 2016[2]	22/07/2022	22/07/2025			14,472[3]			14,472
	PSP[1]	28/06/2019	28/06/2022	103,991			42,500	82,493[4]	
	PSP[1]	26/06/2020	26/06/2023	88,761					88,761
	PSP[1]	06/07/2021	06/07/2024	82,597					82,597
	PSP[1]	22/07/2022	22/07/2025			94,192[3]			94,192
	Sharesave	12/07/2019	24/11/2022	1,837	901p			1,837	
	Sharesave	21/07/2020	01/10/23 – 31/03/24	130	1,107p				130
Alistair Phillips-Davies	DBP 2016[2]	28/06/2019	28/06/2022	Nil Grant				0[4]	0
	DBP 2016[2]	26/06/2020	26/06/2023	18,652					18,652
	DBP 2016[2]	06/07/2021	06/07/2024	20,650					20,650
	DBP 2016[2]	22/07/2022	22/07/2025			21,604[3]			21,604
	PSP[1]	28/06/2019	28/06/2022	153,763			62,842	121,977[4]	
	PSP[1]	26/06/2020	26/06/2023	131,244					131,244
	PSP[1]	06/07/2021	06/07/2024	122,131					122,131
	PSP[1]	22/07/2022	22/07/2025			135,407[3]			135,407
	Sharesave	12/07/2019	26/01/2023	1,997	901p			1,997	
Martin Pibworth	DBP 2016[2]	28/06/2019	28/06/2022	Nil Grant				0[4]	
	DBP 2016[2]	26/06/2020	26/06/2023	9,350					9,350
	DBP 2016[2]	06/07/2021	06/07/2024	11,174					11,174
	DBP 2016[2]	22/07/2022	22/07/2025			12,739[3]			12,739
	PSP[1]	28/06/2019	28/06/2022	77,828			31,808	61,738[4]	
	PSP[1]	26/06/2020	26/06/2023	66,430					66,430
	PSP[1]	06/07/2021	06/07/2024	73,597					73,597
	PSP[1]	22/07/2022	22/07/2025			83,928[3]			83,928
	Sharesave	12/07/2019	24/11/2022	998	901p			998	
	Sharesave	12/07/2019	01/10/24 – 31/03/25	1,664	901p				1,664
	Sharesave	13/07/2022	01/10/25 – 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.

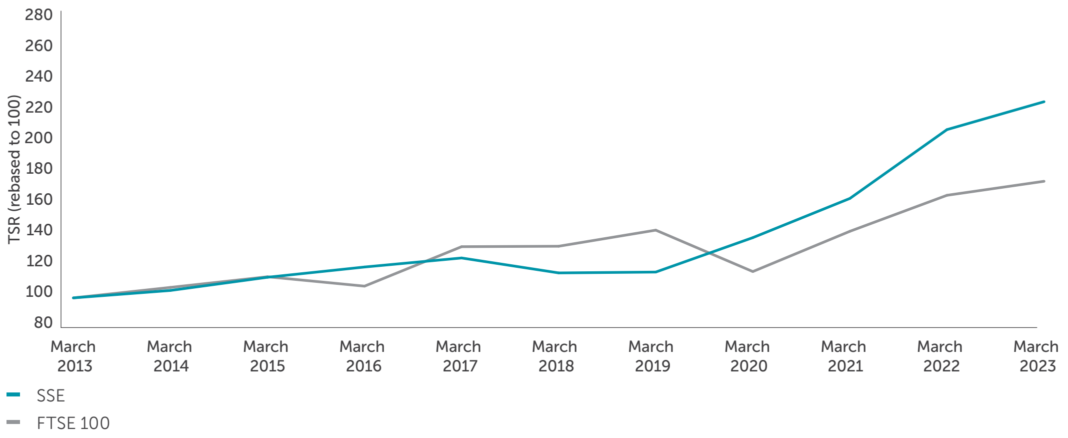
1 The current performance conditions applicable to awards under the PSP are described on page 183. The 2018 awards under the PSP vested at 66%.
2 25% of annual bonus payable to Executive Directors and senior managers is satisfied as a conditional award of shares under the DBP 2016. Vesting of shares 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[1] (£'000)	Annual variable element award[2] (% of maximum)	Long-term incentive vesting[3] (% 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)[4]	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, relativity 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 Total Remuneration	25th percentile Ratio	Median Total Remuneration	Median Ratio	75th percentile Total Remuneration	75th percentile Ratio	Total employee earnings (m)[1]
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.

	2020/21 v 2019/20			2021/22 v 2020/21			2022/23 v 2021/22		
Director[1]	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus	Base salary/fee	Benefits	Bonus
Non-Executive Directors									
Sue Bruce	2%			1%			3%		
Tony Cocker[2]	13%			11%			3%		
Peter Lynas	2%			1%			3%		
Helen Mahy	2%			1%			3%		
John Manzoni							3%		
Melanie Smith	3%			1%			3%		
Angela Strank							3%		
Executive Directors									
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%
All employees	6%	8%	10%	6%	3%	51%	22%	16%	6%

1 Elish Angiolini, Debbi 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[1]	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)[2]	484.1	403.7	421.6	379.0	335.3	501.7
Staff costs[3]	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.

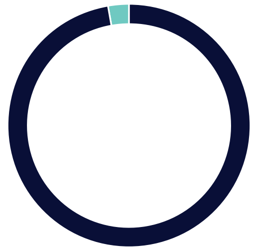
Evaluation

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.

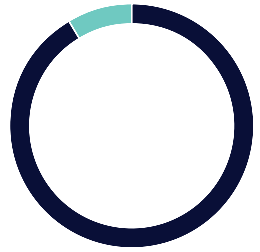
Annual report on remuneration – shareholding voting in 2022



For – 97.42%
Against – 2.58%

Total votes cast: 678,690,885
Votes withheld: 7,337,070

Directors' Remuneration Policy – shareholder voting in 2022



For – 91.43%
Against – 8.57%

Total votes cast: 678,277,304
Votes withheld: 7,750,651

Remuneration Committee

The Terms of Reference for the Committee were reviewed during 2022/23 and are available on SSE's website (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: • Strong performance and progress made on the NZAP • TSR for the year • Negotiated increase for employees linked to CPI • The Committee's responsibility to stakeholders for ensuring total remuneration is competitive but not excessive • The flow through to other elements of pay • The increasingly competitive market for executive talent • Relativity against FTSE 50 peer group
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[1]	Operational[2]	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.

1 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.

2 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[1]
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
SDG 13 Climate Action: Reduce scope 1 carbon intensity by 80% by 2030, compared to 2017/18 levels, to 61gCO_2e/kWh.	Scope 1 carbon intensity reduction to 61gCO_2e/kWh
SDG 7 Affordable and Clean Energy: 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.
SDG 9 Industry, Innovation and Infrastructure: 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.
SDG 8 Decent Work and Economic Growth: 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 outturns 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: • 67% in cash; and • 33% in deferred shares. 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	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. 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. Subject to malus and/or claw back provisions.
Performance measures	Awards vest based on relative total shareholder return, financial, operational, strategic, or stakeholder-based measures. At least 70% of the award will be based on financial and relative total shareholder return measures.

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	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. 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. 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.
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	The aggregate level of non-Executive Director fees shall not exceed the maximum limit set out in the Articles of Association. 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. The fee structure may be made up of: • a basic Board fee or Chair fee; • an additional fee for any committee chairship or membership; and • an additional fee for further responsibilities e.g. Senior Independent Director, non-Executive Director for Employee Engagement or periods of increased activity. 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). It is also expected that all non-Executive Directors should build up a minimum of 2,000 shares in the Company.
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	pages 1 to 109
Particulars of important events affecting the Company since the financial year end	page 275
Greenhouse gas emissions	page 49
Energy consumption	page 54
Energy efficiency action	page 54
Employee engagement and involvement	pages 28 and 134 to 138
Engagement with suppliers, customers and others in a business relationship with the Company	pages 30, 33 and 56 to 66
A summary of the principal risks facing the Company	pages 68 to 77

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	pages 236 to 237
Details of any long-term incentive schemes	pages 168 to 169

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 include 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. 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 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

Financial Statements

In this section

Alternative performance measures

When assessing, discussing and measuring the Group's financial performance, management refer to measures used for internal performance management. These measures are not defined or specified under International Financial Reporting Standards ('IFRS') and as such are considered to be Alternative Performance Measures ('APMs').

By their nature, APMs are not uniformly applied by all preparers including other participants in the Group's industry. Accordingly, APMs used by the Group may not be comparable to other companies within the Group's industry.

Purpose

APMs are used by management to aid comparison and assess historical performance against internal performance benchmarks and across reporting periods. These measures provide an ongoing and consistent basis to assess performance by excluding items that are materially non-recurring, uncontrollable or exceptional. These measures can be classified in terms of their key financial characteristics:

- **Profit measures** allow management to assess and benchmark underlying business performance during the year. They are primarily used by operational management to measure operating profit contribution and are also used by the Board to assess performance against business plan. The Group has six profit measures, of which adjusted operating profit and adjusted profit before tax are the main focus of management through the financial year and adjusted Earnings Per Share is the main focus of management on an annual basis. In order to derive adjusted Earnings Per Share, the Group has defined adjusted operating profit, adjusted net finance costs, and adjusted current tax charge as components of the adjusted Earnings Per Share calculation. Adjusted EBITDA is used by management as a proxy for cash derived from ordinary operations of the Group.
- **Capital measures** allow management to track and assess the progress of the Group's significant ongoing investment in capital assets and projects against their investment cases, including the expected timing of their operational deployment and also to provide a measure of progress against the Group's strategic Net Zero Acceleration Programme Plus objectives.
- **Debt measures** allow management to record and monitor both operating cash generation and the Group's ongoing financing and liquidity position.

Changes to APMs in the year

In the year the Group has refined its profit measures for the treatment of fair value gains arising from an acquisition of a business or a joint venture interest, which generates an exceptional opening gain on acquisition. The rationale for including this adjustment to these APMs is set out in adjustment number 6.

The following section explains the key APMs applied by the Group and referred to in these statements:

Profit measures

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation)	**Profit measure**	**Operating profit**	• Movement on operating and joint venture financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Share of joint ventures and associates' interest and tax • Depreciation and amortisation before exceptional charges (including depreciation and amortisation expense on fair value uplifts) • Share of joint venture and associates' depreciation and amortisation • Non-controlling share of operating profit • Non-controlling share of depreciation and amortisation • Release of deferred income
Adjusted Operating Profit	**Profit measure**	**Operating profit**	• Movement on operating and joint venture financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Depreciation and amortisation expense on fair value uplifts • Share of joint ventures and associates' interest and tax • Non-controlling share of operating profit
Adjusted Profit Before Tax	**Profit measure**	**Profit before tax**	• Movement on operating and financing derivatives ('certain re-measurements') • Exceptional items • Adjustments to retained Gas Production decommissioning provision • Non-controlling share of profit before tax • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Share of joint ventures and associates' tax

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Net Finance Costs	**Profit measure**	**Net finance costs**	• Exceptional items • Movement on financing derivatives • Share of joint ventures and associates' interest • Non-controlling share of financing costs • Interest on net pension assets/liabilities (IAS 19)
Adjusted Current Tax Charge	**Profit measure**	**Tax charge**	• Share of joint ventures and associates' tax • Non-controlling share of current tax • Deferred tax including share of joint ventures, associates and non-controlling interests • Tax on exceptional items and certain re-measurements • Reclassification of tax liabilities
Adjusted Earnings Per Share	**Profit measure**	**Earnings Per Share**	• Exceptional items • Adjustments to retained Gas Production decommissioning provision • Movements on operating and financing derivatives ('certain re-measurements') • Depreciation and amortisation expense on fair value uplifts • Interest on net pension assets/liabilities (IAS 19) • Deferred tax including share of joint ventures, associates and non-controlling interests

Rationale for adjustments to profit measure

1 Movement on operating and financing derivatives ('certain re-measurements')

This adjustment can be designated between operating and financing derivatives.

Operating derivatives are contracts where the Group's Energy Portfolio Management ('EPM') function enters into forward commitments or options to buy or sell electricity, gas and other commodities to meet the future demand requirements of the Group's Business Energy and SSE Airtricity operating units, to optimise the value of the production from SSE Renewables and Thermal generation assets or to conduct other trading subject to the value at risk limits set out by the Energy Markets Risk Committee. Certain of these contracts (predominately purchase contracts) are determined to be derivative financial instruments under IFRS 9 and as such are required to be recorded at their fair value. Changes in the fair value of those commodity contracts designated as IFRS 9 financial instruments are reflected in the income statement (as part of 'certain re-measurements'). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments due to the volatility that can arise on revaluation. The Group will recognise the underlying value of these contracts as the relevant commodity is delivered, which will predominantly be within the subsequent 12 to 24 months. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately sales contracts) are accounted for as 'own use' contracts and are consequently not recorded until the commodity is delivered and the contract is settled. Gas inventory purchased by the Group's Gas Storage business for secondary trading opportunities is also held at fair value with gains and losses on re-measurement recognised as part of 'certain re-measurements' in the income statement. Finally, the mark-to-market valuation movements on the Group's contracts for difference contracts entered into by SSE Renewables that are not designated as government grants and which are measured as Level 3 fair value financial instruments are also included within 'certain re-measurements'.

Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts entered into by the Group to manage its banking and liquidity requirements as well as risk management relating to interest rate and foreign exchange exposures. Changes in the fair value of those financing derivatives are reflected in the income statement (as part of 'certain re-measurements"). The Group shows the change in the fair value of these forward contracts separately as this mark-to-market movement is not relevant to the underlying performance of its operating segments.

The re-measurements arising from operating and financing derivatives, and the tax effects thereof, are disclosed separately to aid understanding of the underlying performance of the Group.

2 Exceptional items

Exceptional charges or credits, and the tax effects thereof, are considered unusual by nature or scale and of such significance that separate disclosure is required for the underlying performance of the Group to be properly understood. Further explanation for the classification of an item as exceptional is included in note 3.2.

3 Adjustments to retained Gas Production decommissioning provision

The Group retains an obligation for 60% of the decommissioning liabilities of its former Gas Production business which was disposed in October 2021. The revaluation adjustments relating to these decommissioning liabilities are accounted for through the Group's consolidated income statement and are removed from the Group's adjusted profit measures as the revaluation of the provision is not considered to be part of the Group's core continuing operations.

Alternative performance measures continued

Rationale for adjustments to profit measure continued

4 Share of joint ventures and associates' interest and tax

This adjustment can be split between the Group's share of interest and the Group's share of tax arising from its investments in equity accounted joint ventures and associates. The Group is required to report profit before interest and tax ('operating profit') including its share of the profit after tax from its equity accounted joint ventures and associates. However, for internal performance management purposes and for consistency of treatment, SSE reports its adjusted operating profit measures before its share of the interest and/or tax on joint ventures and associates.

5 Share of joint ventures and associates' depreciation and amortisation

For management purposes, the Group considers EBITDA (earnings before interest, tax, depreciation and amortisation) based on a sum-of-the-parts derived metric which includes a share of the EBITDA from equity accounted investments. While this is not equal to adjusted cash generated from operating activities, it is considered useful by management in assessing a proxy for such a measure, given the complexity of the Group structure and the range of investment structures utilised. For the purpose of calculating the 'Net Debt to EBITDA' metric referred at page 89, 'adjusted EBITDA' is further refined to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 5.1(v)).

6 Depreciation and amortisation expense on fair value uplifts

The Group's strategy includes the realisation of value (developer gains) from divestments of stakes in SSE Renewables' offshore and international developments. In addition, for strategic purposes the Group may also decide to bring in equity partners to other businesses and assets. Where SSE's interest in such vehicles changes from full to joint control, and the subsequent arrangement is classified as an equity accounted joint venture, SSE may recognise a fair value uplift on the remeasurement of its retained equity investment. Those non-cash accounting uplifts will be treated as exceptional gains in the year of the relevant transactions completing. Furthermore, SSE may acquire businesses or joint venture interests which are determined to generate an exceptional opening gain on acquisition and accordingly will record an accounting fair value uplift to the opening assets acquired. These uplifts create assets or adjustments to assets, which are depreciated or amortised over the remaining life of the underlying assets or contracts in those businesses with the charge being included in the Group's depreciation and amortisation expense. The Group's adjusted operating profit, adjusted profit before tax and adjusted Earnings Per Share are adjusted to exclude any additional depreciation, amortisation and impairment expense arising from the fair value uplifts given these charges are derived from significant one-off gains, which are treated as exceptional when initially recognised.

7 Release of deferred income

The Group deducts the release of deferred income in the year from its adjusted EBITDA metric as it principally relates to customer contributions against depreciating assets. As the metric adds back depreciation, the income is also deducted.

8 Interest on net pension assets/liabilities (IAS 19 'Employee Benefits')

The Group's interest income relating to defined benefit pension schemes is derived from the net assets of the schemes as valued under IAS 19. This will mean that the credit or charge recognised in any given year will be dependent on the impact of actuarial assumptions such as inflation and discount rates. The Group excludes these from its adjusted profit measures due to the non-cash nature of these charges or credits.

9 Deferred tax

The Group adjusts for deferred tax when arriving at adjusted profit after tax, adjusted Earnings Per Share and its adjusted effective rate of tax. Deferred tax arises as a result of differences in accounting and tax bases that give rise to potential future accounting credits or charges. As the Group remains committed to its ongoing capital programme, the liabilities associated are not expected to reverse and accordingly the Group excludes these from its adjusted profit measures.

10 Results attributable to non-controlling interest holders

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12.2 in the financial statements for more details of that transaction). There is no impact to disclosures for prior years but in the current year the Group has removed the share of profit attributable to holders of non-controlling equity stakes in such businesses from the point when the ownership structure changed (i.e. for SSEN Transmission, with effect from 1 December 2022) from all of its profit measures, to report all metrics based on the share of profits items attributable to the ordinary equity holders of the Group. The adjustment has been applied consistently to all of the Group's adjusted profit measures, including removing proportionate non-controlling share of operating profit and depreciation and amortisation from the Group's adjusted EBITDA metric; removing the non-controlling share of operating profit from the Group's adjusted operating profit metric; removing the non-controlling share of net finance costs from the Group's adjusted net finance costs metric; and removing the non-controlling interest share of current tax from the Group's adjusted current tax metric.

March 2023

Continuing operations	Reported £m	Movement on derivatives £m	Exceptional items £m	Adjustments to Gas Production decommissioning provision £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Deferred tax £m	Share of profit attributable to non-controlling interests £m	Adjusted £m
Operating (loss)/profit	(146.3)	2,514.3	0.6	(50.5)	28.8	213.2	–	–	(30.9)	2,529.2
Net finance costs	(59.3)	(201.9)	(0.2)	–	–	(70.1)	(16.2)	–	2.1	(345.6)
(Loss)/profit before taxation	(205.6)	2,312.4	0.4	(50.5)	28.8	143.1	(16.2)	–	(28.8)	2,183.6
Taxation	110.0	(460.5)	34.1	–	–	(143.1)	–	99.6	1.1	(358.8)
(Loss)/profit after taxation	(95.6)	1,851.9	34.5	(50.5)	28.8	–	(16.2)	99.6	(27.7)	1,824.8
Attributable to other equity holders	(62.4)	–	–	–	–	–	–	(4.1)	27.7	(38.8)
(Loss)/profit attributable to ordinary shareholders	(158.0)	1,851.9	34.5	(50.5)	28.8	–	(16.2)	95.5	–	1,786.0
Number of shares for EPS	1,075.6									1,075.6
(Losses)/Earnings Per Share	(14.7)									166.0

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Share of depreciation, impairment and amortisation before exceptional items attributable to non-controlling interests £m	Adjusted EBITDA £m
Adjusted operating profit from continuing operations	2,529.2	201.1	(13.9)	(28.8)	704.2	(9.7)	3,382.1

March 2022 (restated*)

Continuing operations	Reported £m	Movement on derivatives £m	Exceptional items £m	Adjustments to Gas Production decommissioning provision £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Deferred tax £m	Adjusted £m
Operating profit	3,749.5	(2,097.8)	(301.8)	13.1	20.6	147.3	–	–	1,530.9
Net finance costs	(273.2)	(21.0)	(3.2)	–	–	(67.8)	(7.6)	–	(372.8)
Profit before taxation	3,476.3	(2,118.8)	(305.0)	13.1	20.6	79.5	(7.6)	–	1,158.1
Taxation	(881.3)	408.0	323.7	–	–	(79.5)	–	122.0	(107.1)
Profit after taxation	2,595.0	(1,710.8)	18.7	13.1	20.6	–	(7.6)	122.0	1,051.0
Attributable to other equity holders	(50.7)	–	–	–	–	–	–	–	(50.7)
Profit attributable to ordinary shareholders	2,544.3	(1,710.8)	18.7	13.1	20.6	–	(7.6)	122.0	1,000.3
Number of shares for EPS	1,055.0								1,055.0
Earnings Per Share	241.2								94.8

Alternative performance measures continued

Rationale for adjustments to profit measure continued

March 2022 (restated*) continued

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
Adjusted operating profit from continuing operations	1,530.9	146.6	(17.6)	(20.6)	612.0	2,251.3

* The comparative Alternative Performance Measures have been restated. See note 2.1.

March 2021

Continuing operations	Reported £m	Movement on derivatives £m	Exceptional items £m	Depreciation on FV uplifts £m	Joint venture interest and tax £m	Interest on net pension asset £m	Deferred tax £m	Adjusted £m
Operating profit	2,654.9	(597.8)	(848.9)	20.6	104.7	–	–	1,333.5
Net finance costs	(236.9)	(55.6)	(1.4)	–	(82.4)	(8.3)	–	(384.6)
Profit before taxation	2,418.0	(653.4)	(850.3)	20.6	22.3	(8.3)	–	948.9
Taxation	(224.3)	125.9	(3.1)	–	(22.3)	–	37.9	(85.9)
Profit after taxation	2,193.7	(527.5)	(853.4)	20.6	–	(8.3)	37.9	863.0
Attributable to other equity holders	(46.6)	–	–	–	–	–	–	(46.6)
Profit attributable to ordinary shareholders	2,147.1	(527.5)	(853.4)	20.6	–	(8.3)	37.9	816.4
Number of shares for EPS	1,040.9							1,040.9
Earnings Per Share	206.3							78.4

EBITDA	Adjusted operating profit from continuing operations £m	Share of joint venture and associates' depreciation and amortisation £m	Release of deferred income £m	Depreciation on FV uplifts £m	Depreciation, impairment and amortisation before exceptional charges £m	Adjusted EBITDA £m
Adjusted operating profit from continuing operations	1,333.5	143.9	(17.7)	(20.6)	556.2	1,995.3

Debt measure

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Net Debt and Hybrid Capital	**Debt measure**	**Unadjusted net debt**	• Hybrid equity • Cash posted as collateral • Lease obligations • Non-controlling share of borrowings and cash

Rationale for adjustments to debt measure

11 Hybrid equity

The characteristics of certain hybrid capital securities mean that they qualify for recognition as equity rather than debt under IFRS. Consequently, their coupon payments are presented within equity rather than within finance costs. As a result, the coupon payments are not included in SSE's adjusted profit before tax measure. In order to present total funding provided from sources other than ordinary shareholders, SSE presents its adjusted net debt measure inclusive of hybrid capital to better reflect the Group's funding position.

12 Cash posted as collateral

Cash posted as collateral are SSE cash balances held by counterparties including trading exchanges. Collateral balances mostly represent initial and variation margin, required as part of the management of the Group's exposures on commodity contracts, that will be received on maturity of the related trades. Loans with a maturity of less than three months are also included in this adjustment. The Group includes this adjustment in order to better reflect the immediate cash resources to which it has access, which in turn better reflects the Group's funding position.

13 Lease obligations

SSE's reported loans and borrowings include lease liabilities on contracts within the scope of IFRS 16, which are not directly related to external financing of the Group. The Group excludes these liabilities from its adjusted net debt and hybrid capital measure to better reflect the Group's underlying funding position with its primary sources of capital.

14 Debt and cash attributable to non-controlling interests

The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12.2 in the financial statements for more details of that transaction). Following completion of the transaction, the Group has removed the share of external debt and cash in these subsidiaries proportionately attributable to the non-controlling interest holders from its adjusted net debt and hybrid capital metric. While legal entitlement to these items has not changed, the Group makes this adjustment to present net debt attributable to ordinary equity holders of the Group.

	March 2023 £m	March 2022 £m	March 2021 £m
Unadjusted net debt	(8,168.1)	(8,015.4)	(7,810.4)
Cash posted as collateral	316.3	74.7	(37.1)
Lease obligations	405.9	393.5	421.0
External net debt attributable to non-controlling interests	434.2	–	–
Adjusted Net Debt	(7,011.7)	(7,547.2)	(7,426.5)
Hybrid equity	(1,882.4)	(1,051.0)	(1,472.4)
Adjusted Net Debt and Hybrid Capital	(8,894.1)	(8,598.2)	(8,898.9)

Capital measures

Group APM	Purpose	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements
Adjusted Investment and Capital Expenditure	**Capital measure**	**Capital additions to intangible assets and property, plant and equipment**	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint ventures and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds
Adjusted Investment, Capital and Acquisition Expenditure	**Capital measure**	**Capital additions to intangible assets and property, plant and equipment**	• Customer funded additions • Allowances and certificates • Additions acquired through business combinations • Disposed or impaired additions • Joint ventures and associates' additions funding • Non-controlling share of capital expenditure • Refinancing proceeds/refunds • Acquisition cash consideration

Adjustments to capital measures

15 Customer funded additions

Customer funded additions represents additions to electricity and other networks funded by customer contributions. Given these are directly funded by customers, these additions have been excluded to better reflect the Group's underlying investment position.

16 Allowances and certificates

Allowances and certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs) and additions in the year are not included in the Group's 'capital expenditure and investment' APM to better reflect the Group's investment in enduring operational assets.

17 Additions acquired through business combinations

Where the Group acquires an early-stage development company, which is classified as the acquisition of an asset, or group of assets and not the acquisition of a business, the acquisition is treated as an addition to intangible assets or property, plant and equipment and is included within 'adjusted investment and capital expenditure'. Where the Group acquires an established business or interest in an equity-accounted joint venture requiring a fair value assessment in line with the principles of IFRS 3 'Business Combinations', the fair value of acquired consolidated tangible or intangible assets are excluded from the Group's 'adjusted investment and capital expenditure', as they are not direct capital expenditure by the Group. However, the fair valuation of consideration paid for the business or investment is included in the Group's 'adjusted investment, capital and acquisition expenditure' metric, see 23 below. Please refer to note 12 for detail of the Group's acquisitions in the year.

18 Additions subsequently disposed or impaired

For consistency of presentation, any capital additions in the year that are subsequently written-down or disposed are removed from the APM. In the prior year there were capex additions of £13.9m related to the Gas Production business, which was disposed on 14 October 2021. This adjustment also includes any subsequently derecognised development expenditure.

Alternative performance measures continued

Adjustments to capital measures continued

19 Joint ventures and associates' additions funding
Joint ventures and associates' additions included in the Group's capital measures represent the direct loan or equity funding provided by the Group to joint venture and associate arrangements in relation to capital expenditure projects. This has been included to better reflect the Group's use of directly funded equity accounted vehicles to grow the Group's asset base. Asset additions funded by project finance raised within the Group's joint ventures and associates are not included in this adjustment.

20 Non-controlling share of capital expenditure
The Group's structure includes non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. The most significant of those is SSEN Transmission, a 25% stake in which was divested on 30 November 2022 (see note 12.2 in the financial statements for more details of that transaction). In the current year, the Group has removed the share of capital additions attributable proportionately to these equity holders from the point when the ownership structure changed (i.e. for SSEN Transmission, with effect from 1 December 2022) from its 'adjusted investment and capital expenditure' and 'adjusted investment, capital and acquisition expenditure' metrics. This is consistent with the adjustments noted elsewhere related to these non-controlling interests. This has no impact on the prior year metrics.

21 Refinancing proceeds/refunds
The Group's model for developing large scale capital projects within joint ventures and associates involves project finance being raised within those entities. Where the Group funds early-stage capex which is then subsequently reimbursed to SSE following the receipt of project finance within the vehicle, the refinancing proceeds are included in the Group's net adjusted investment and capital expenditure metric. This is consistent with the inclusion of the initial investment in the metric as explained at 17 above. There were no refinancing proceeds in the year ended 31 March 2023. In the year ended 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m. In the year ended 31 March 2021, the Group received reimbursed capex of £246.1m in relation to Seagreen windfarm and £182.5m in relation to Doggerbank windfarm. These receipts have been deducted from the Group's adjusted investment and capital expenditure metric.

22 Lease additions
Additions of right of use assets under the Group's IFRS 16 compliant policies for lease contracts are excluded from the Group's adjusted capital measures as they do not represent directly funded capital investment. This is consistent with the treatment of lease obligations explained at 13, above.

23 Acquisition cash consideration in relation to business combinations
The Group has outlined a significant investment programme which will partly be achieved through the acquisition of businesses with development opportunities for the Group. The cash consideration paid for these entities is included within the Group's adjusted investment, capital and acquisition expenditure metric as it provides stakeholders an accurate basis of cash investment into the Group's total development pipeline and is consistent with the reporting of the Group's Net Zero Acceleration Programme Plus.

	March 2023 £m	March 2022 (restated*) £m	March 2021 £m
Capital additions to intangible assets	**1,688.6**	921.0	701.3
Capital additions to property, plant and equipment	**1,500.1**	1,392.9	1,102.5
Capital additions to intangible assets and property, plant and equipment	**3,188.7**	2,313.9	1,803.8
Customer funded additions	**(80.9)**	(91.3)	(61.8)
Allowances and certificates	**(805.2)**	(544.5)	(509.0)
Additions through business combinations	**(515.2)**	(197.8)	–
Additions subsequently disposed/impaired	**–**	(13.9)	(19.7)
Joint ventures and associates' additions	**498.4**	682.5	172.7
Non-controlled interests share of capital expenditure	**(46.7)**	–	–
Refinancing (proceeds)/refunds	**–**	(136.7)	(428.6)
Lease asset additions	**(78.5)**	(85.7)	(45.4)
Adjusted Investment and Capital expenditure	**2,160.6**	1,926.5	912.0
Acquisition cash consideration	**642.7**	141.3	–
Adjusted Investment, Capital and Acquisition Expenditure	**2,803.3**	2,067.8	912.0

* The comparative Alternative Performance Measures have been restated. See note 2.1.

Impact of discontinued operations on the Group's APMs

The following metrics have been adjusted in all years presented to exclude the contribution of the Group's investment in Scotia Gas Networks Limited ('SGN') which was disposed on 22 March 2022 (see note 12) and Group's Gas Production operations which were disposed on 14 October 2021:
- Adjusted EBITDA;
- Adjusted operating profit;
- Adjusted net finance costs;
- Adjusted profit before tax;
- Adjusted current tax charge; and
- Adjusted Earnings Per Share.

'Adjusted net debt and hybrid capital', 'adjusted investment and capital expenditure', and 'adjusted investment, capital and acquisition expenditure' have not been adjusted as the Group continues to fund the discontinued operations until the date of disposal.

The following table summarises the impact of excluding discontinued operations from the APMs of the continuing activities of the Group in current and prior years:

	March 2023 £m	March 2022 (restated*) £m	March 2021 £m
Adjusted EBITDA of SSE Group (including discontinued operations)	**3,382.1**	2,384.8	2,262.9
Less: Gas Production profit	**–**	(101.4)	(33.0)
Less: SGN profit	**–**	(32.1)	(234.6)
Adjusted EBITDA of continuing operations APM	**3,382.1**	2,251.3	1,995.3
Adjusted operating profit of SSE Group (including discontinued operations)	**2,529.2**	1,653.3	1,539.5
Less: Gas Production profit	**–**	(101.4)	(33.0)
Less: SGN profit	**–**	(21.0)	(173.0)
Adjusted operating profit of continuing operations APM	**2,529.2**	1,530.9	1,333.5
Adjusted net finance costs of SSE Group (including discontinued operations)	**345.6**	377.6	443.9
Less: Gas Production	**–**	(0.1)	(2.3)
Less: SGN	**–**	(4.7)	(57.0)
Adjusted net finance costs of continuing operations APM	**345.6**	372.8	384.6
Adjusted profit before tax of SSE Group (including discontinued operations)	**2,183.6**	1,275.7	1,095.6
Less: Gas Production profit	**–**	(101.3)	(30.7)
Less: SGN profit	**–**	(16.3)	(116.0)
Adjusted profit before tax of continuing operations APM	**2,183.6**	1,158.1	948.9
Adjusted current tax of SSE Group (including discontinued operations)	**358.8**	109.4	107.8
Less: SGN current tax charge	**–**	(2.3)	(21.9)
Adjusted current tax of continuing operations APM	**358.8**	107.1	85.9
Adjusted Earnings Per Share of SSE Group (including discontinued operations)	**166.0**	105.6	90.5
Less: Gas Production Earnings Per Share	**–**	(9.6)	(3.0)
Less: SGN Earnings Per Share	**–**	(1.2)	(9.1)
Adjusted Earnings Per Share of continuing operations APM	**166.0**	94.8	78.4

* The comparative Alternative Performance Measures have been restated. See note 2.1.

The remaining APMs presented by the Group are unchanged in all periods presented by the discontinued operations.

Contents

Primary statements

Notes to the consolidated financial statements

Accompanying information

Company financial statements

Notes to the Company financial statements

Consolidated income statement
For the year ended 31 March 2023

		2023			2022		
	Note	**Before exceptional items and certain re-measurements £m**	**Exceptional items and certain re-measurements (note 7) £m**	**Total £m**	Before exceptional items and certain re-measurements (restated*) £m	Exceptional items and certain re-measurements (note 7) £m	Total (restated*) £m
Continuing operations							
Revenue	5	**12,490.7**	**–**	**12,490.7**	8,697.2	–	8,697.2
Cost of sales	6	**(9,933.2)**	**(2,717.2)**	**(12,650.4)**	(6,405.5)	2,097.8	(4,307.7)
Gross profit/(loss)		**2,557.5**	**(2,717.2)**	**(159.7)**	2,291.7	2,097.8	4,389.5
Operating costs	6	**(1,431.6)**	**(230.4)**	**(1,662.0)**	(1,117.6)	297.5	(820.1)
Debt impairment charges	A6.2	**(91.0)**	**–**	**(91.0)**	(1.1)	–	(1.1)
Other operating income	6	**1,015.0**	**89.1**	**1,104.1**	67.1	4.3	71.4
Operating profit/(loss) before joint ventures and associates		**2,049.9**	**(2,858.5)**	**(808.6)**	1,240.1	2,399.6	3,639.7
Joint ventures and associates:							
Share of operating profit		**531.9**	**140.7**	**672.6**	257.1	–	257.1
Share of interest		**(70.1)**	**–**	**(70.1)**	(67.8)	–	(67.8)
Share of movement in derivatives		**–**	**202.9**	**202.9**	–	–	–
Share of tax		**(104.0)**	**(39.1)**	**(143.1)**	(46.3)	(33.2)	(79.5)
Share of profit on joint ventures and associates	16	**357.8**	**304.5**	**662.3**	143.0	(33.2)	109.8
Operating profit/(loss) from continuing operations	5	**2,407.7**	**(2,554.0)**	**(146.3)**	1,383.1	2,366.4	3,749.5
Finance income	9	**135.3**	**202.1**	**337.4**	79.0	24.2	103.2
Finance costs	9	**(396.7)**	**–**	**(396.7)**	(376.4)	–	(376.4)
Profit/(loss) before taxation		**2,146.3**	**(2,351.9)**	**(205.6)**	1,085.7	2,390.6	3,476.3
Taxation	10	**(355.5)**	**465.5**	**110.0**	(149.6)	(731.7)	(881.3)
Profit/(loss) for the year from continuing operations		**1,790.8**	**(1,886.4)**	**(95.6)**	936.1	1,658.9	2,595.0
Discontinued operations							
Profit from discontinued operation, net of tax	12	**–**	**35.0**	**35.0**	116.3	366.4	482.7
Profit/(loss) for the year		**1,790.8**	**(1,851.4)**	**(60.6)**	1,052.4	2,025.3	3,077.7
Attributable to:							
Ordinary shareholders of the parent	11	**1,728.4**	**(1,851.4)**	**(123.0)**	1,001.7	2,025.3	3,027.0
Non-controlling interests		**23.6**	**–**	**23.6**	–	–	–
Other equity holders		**38.8**	**–**	**38.8**	50.7	–	50.7
(Losses)/Earnings Per Share							
Basic (pence)	11			**(11.4)**			286.9
Diluted (pence)	11			**(11.4)**			286.4
(Losses)/Earnings Per Share – continuing operations							
Basic (pence)	11			**(14.7)**			241.2
Diluted (pence)	11			**(14.7)**			240.7

* The comparative Consolidated Income Statement has been restated. See note 2.1.

The accompanying notes are an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 March 2023

	2023 £m	2022 (restated*) £m
(Loss)/profit for the year		
Continuing operations	(95.6)	2,595.0
Discontinued operations	35.0	482.7
	(60.6)	3,077.7
Other comprehensive income:		
Items that will be reclassified subsequently to profit or loss:		
Net gains on cash flow hedges	43.3	22.9
Transferred to assets and liabilities on cash flow hedges	(12.7)	11.2
Taxation on cashflow hedges	(8.1)	(4.4)
	22.5	29.7
Share of other comprehensive gain of joint ventures and associates, net of taxation	342.4	181.4
Exchange difference on translation of foreign operations	72.5	(3.2)
(Loss)/gain on net investment hedge	(43.1)	9.4
	394.3	217.3
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on retirement benefit schemes, net of taxation	(59.4)	124.7
Share of other comprehensive loss of joint ventures and associates, net of taxation	–	(1.7)
Losses on revaluation of investments in equity instruments, net of taxation	(0.4)	–
	(59.8)	123.0
Other comprehensive gain, net of taxation	334.5	340.3
Total comprehensive income for the year	273.9	3,418.0
Total comprehensive income for the year arises from:		
Continuing operations	238.9	2,908.4
Discontinued operations		
Items that will be reclassified subsequently to profit or loss:		
Share of other comprehensive gain of joint venture and associates, net of taxation	–	28.6
Items that will not be reclassified to the profit or loss:		
Share of other comprehensive loss of joint ventures, net of taxation	–	(1.7)
Other comprehensive gain from discontinued operations	–	26.9
Profit from discontinued operations	35.0	482.7
Total comprehensive income from discontinued operations	35.0	509.6
Total comprehensive income for the year	273.9	3,418.0
Attributable to:		
Ordinary shareholders of the parent	206.4	3,367.3
Non-controlling interests	28.7	–
Other equity holders	38.8	50.7
	273.9	3,418.0

* The comparative Consolidated Statement of Comprehensive Income has been restated. See note 2.1.

The accompanying notes are an integral part of these financial statements.

Consolidated balance sheet
As at 31 March 2023

	Note	2023 £m	2022 (restated*) £m
Assets			
Property, plant and equipment	14	15,395.9	14,612.8
Goodwill and other intangible assets	13	1,960.3	1,127.8
Equity investments in joint ventures and associates	16	1,937.0	1,239.5
Loans to joint ventures and associates	16	1,115.4	736.9
Other investments	16	27.4	8.7
Other receivables	18	149.5	136.4
Derivative financial assets	24	246.0	371.7
Retirement benefit assets	23	541.1	584.9
Non-current assets		21,372.6	18,818.7
Intangible assets	13	454.9	459.3
Inventories	17	394.9	266.6
Trade and other receivables	18	3,245.1	2,211.0
Current tax asset	10	19.9	8.8
Cash and cash equivalents	21	891.8	1,049.3
Derivative financial assets	24	759.2	2,941.8
Current assets		5,765.8	6,936.8
Total assets		27,138.4	25,755.5
Liabilities			
Loans and other borrowings	21	1,820.6	1,190.8
Trade and other payables	19	2,658.6	2,672.6
Current tax liabilities	10	9.1	–
Provisions	20	29.4	93.3
Derivative financial liabilities	24	243.3	701.5
Current liabilities		4,761.0	4,658.2
Loans and other borrowings	21	7,239.3	7,873.9
Deferred tax liabilities	10	1,299.1	1,644.1
Trade and other payables	19	959.9	842.4
Provisions	20	742.7	1,017.9
Derivative financial liabilities	24	1,021.0	549.6
Non-current liabilities		11,262.0	11,927.9
Total liabilities		16,023.0	16,586.1
Net assets		11,115.4	9,169.4
Equity:			
Share capital	22	547.0	536.5
Share premium		821.2	835.1
Capital redemption reserve		52.6	49.2
Hedge reserve		441.2	77.5
Translation reserve		32.1	6.6
Retained earnings		6,689.8	6,572.9
Equity attributable to ordinary shareholders of the parent		8,583.9	8,077.8
Hybrid equity	22	1,882.4	1,051.0
Attributable to non-controlling interests	22	649.1	40.6
Total equity		11,115.4	9,169.4

* The comparative Consolidated Balance Sheet has been restated. See note 2.1.

The accompanying notes are an integral part of the financial statements.

These financial statements were approved by the Board of Directors on 23 May 2023 and signed on their behalf by:

Gregor Alexander
Finance Director

Sir John Manzoni
Chairman

SSE plc
Registered No: SC117119

Consolidated statement of changes in equity
For the year ended 31 March 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interests £m	Non-controlling interests £m	Total equity £m
At 1 April 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,572.9	8,077.8	1,051.0	9,128.8	40.6	9,169.4
Profit for the year	–	–	–	–	–	(123.0)	(123.0)	38.8	(84.2)	23.6	(60.6)
Other comprehensive income	–	–	–	363.7	25.5	(59.8)	329.4	–	329.4	5.1	334.5
Total comprehensive income for the year	–	–	–	363.7	25.5	(182.8)	206.4	38.8	245.2	28.7	273.9
Dividends to shareholders	–	–	–	–	–	(955.8)	(955.8)	–	(955.8)	–	(955.8)
Scrip dividend related share issue	13.9	(13.9)	–	–	–	481.5	481.5	–	481.5	–	481.5
Issue of treasury shares	–	–	–	–	–	18.0	18.0	–	18.0	–	18.0
Distributions to Hybrid equity holders	–	–	–	–	–	–	–	(38.8)	(38.8)	–	(38.8)
Issue of Hybrid equity (note 22.5)	–	–	–	–	–	–	–	831.4	831.4	–	831.4
Share buy back (note 22.1)	(3.4)	–	3.4	–	–	(107.6)	(107.6)	–	(107.6)	–	(107.6)
Partial disposal of interest in SSEN Transmission transaction (note 12)	–	–	–	–	–	868.3	868.3	–	868.3	579.8	1,448.1
Credit in respect of employee share awards	–	–	–	–	–	18.7	18.7	–	18.7	–	18.7
Investment in own shares	–	–	–	–	–	(23.4)	(23.4)	–	(23.4)	–	(23.4)
At 31 March 2023	**547.0**	**821.2**	**52.6**	**441.2**	**32.1**	**6,689.8**	**8,583.9**	**1,882.4**	**10,466.3**	**649.1**	**11,115.4**

Consolidated statement of changes in equity
For the year ended 31 March 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedge reserve £m	Translation reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid equity £m	Total equity before non-controlling interests £m	Non-controlling interests £m	Total equity £m
At 1 April 2021	524.5	847.1	49.2	(133.6)	0.4	3,921.1	5,208.7	1,472.4	6,681.1	–	6,681.1
Profit for the year (restated*)	–	–	–	–	–	3,027.0	3,027.0	50.7	3,077.7	–	3,077.7
Other comprehensive income	–	–	–	211.1	6.2	123.0	340.3	–	340.3	–	340.3
Total comprehensive income for the year (restated*)	–	–	–	211.1	6.2	3,150.0	3,367.3	50.7	3,418.0	–	3,418.0
Dividends to shareholders	–	–	–	–	–	(862.3)	(862.3)	–	(862.3)	–	(862.3)
Scrip dividend related share issue	12.0	(12.0)	–	–	–	355.7	355.7	–	355.7	–	355.7
Issue of treasury shares	–	–	–	–	–	6.3	6.3	–	6.3	–	6.3
Distributions to Hybrid equity holders	–	–	–	–	–	–	–	(50.7)	(50.7)	–	(50.7)
Redemption of Hybrid equity	–	–	–	–	–	(4.6)	(4.6)	(421.4)	(426.0)	–	(426.0)
Credit in respect of employee share awards	–	–	–	–	–	20.8	20.8	–	20.8	–	20.8
Investment in own shares	–	–	–	–	–	(14.1)	(14.1)	–	(14.1)	–	(14.1)
Acquisition of subsidiary	–	–	–	–	–	–	–	–	–	40.6	40.6
At 31 March 2022 (restated*)	536.5	835.1	49.2	77.5	6.6	6,572.9	8,077.8	1,051.0	9,128.8	40.6	9,169.4

* The comparative Statement of Changes in Equity has been restated. See note 2.1.

Consolidated cash flow statement
For the year ended 31 March 2023

	Note	2023 £m	2022 £m (restated*)
Operating (loss)/profit – continuing operations		(146.3)	3,749.5
Operating loss – discontinued operations	12	–	(100.5)
Operating profit – total operations		(146.3)	3,649.0
Less share of profit of joint ventures and associates		(662.3)	(28.7)
Operating (loss)/profit before jointly controlled entities and associates		(808.6)	3,620.3
Pension service charges less contributions paid	23	(19.2)	(23.0)
Movement on operating derivatives	24	2,691.6	(2,100.4)
Depreciation, amortisation, write downs and impairments		640.7	303.2
Impairment of joint venture investment	7,16	329.3	106.9
Charge in respect of employee share awards (before tax)		18.7	20.8
Profit on disposal of assets and businesses	7,12	(89.1)	(48.2)
Release of provisions	20	(114.9)	(1.6)
Release of deferred income	6	(13.9)	(17.6)
Cash generated from operations before working capital movements		2,634.6	1,860.4
Increase in inventories		(137.3)	(24.4)
Increase in receivables		(996.0)	(625.6)
Increase in payables		166.7	544.2
(Decrease)/increase in provisions		(15.3)	61.3
Cash generated from operations		1,652.7	1,815.9
Dividends received from investments	16	296.5	177.0
Interest paid		(199.9)	(273.5)
Taxes paid		(255.3)	(91.5)
Net cash from operating activities		1,494.0	1,627.9
Purchase of property, plant and equipment	5	(1,479.7)	(1,273.6)
Purchase of other intangible assets	5	(336.4)	(182.2)
Deferred income received		13.9	12.3
Proceeds from disposals	12	60.0	1,366.9
Purchase of businesses, joint ventures and subsidiaries	12	(642.7)	(145.3)
Joint venture development expenditure refunds	16	–	136.7
Loans and equity provided to joint ventures and associates	16	(621.8)	(676.0)
Loans and equity repaid by joint ventures	16	61.4	10.9
Increase in other investments	16	(19.1)	5.4
Net cash from investing activities		(2,964.4)	(744.9)
Proceeds from issue of share capital	22	18.0	6.3
Dividends paid to company's equity holders	11	(474.3)	(506.6)
Share buy backs	22	(107.6)	–
Proceeds from divestments	12	1,448.1	–
Hybrid equity dividend payments	22	(38.8)	(50.7)
Employee share awards share purchase	22	(23.4)	(14.1)
Issue of hybrid instruments	22	831.4	–
Redemption of hybrid instruments		–	(426.0)
New borrowings	21	1,914.7	506.1
Repayment of borrowings	21	(2,242.5)	(960.1)
Settlement of cashflow hedges		(12.7)	11.2
Net cash from financing activities		1,312.9	(1,433.9)
Net decrease in cash and cash equivalents		(157.5)	(550.9)
Cash and cash equivalents at the start of year	21	1,049.3	1,600.2
Net decrease in cash and cash equivalents		(157.5)	(550.9)
Cash and cash equivalents at the end of year	21	891.8	1,049.3

The accompanying notes are an integral part of these financial statements.

* The comparative Consolidated Cash Flow Statement has been restated. See note 2.1.

Notes to the consolidated financial statements
For the year ended 31 March 2023

1. General Information and basis of preparation

1.1. General information

SSE plc (the Company) is a company domiciled in Scotland. The address of the registered office is given on the back cover. The Group's operations and its principal activities are set out in the Strategic Report. The consolidated financial statements for the year ended 31 March 2023 comprise those of the Company and its subsidiaries (together referred to as the Group). The Company financial statements present information about the Company as a separate entity and not about the Group, these can be seen on pages 314 to 325.

1.2. Basis of preparation

Statement of compliance

The financial statements were authorised for issue by the directors on 23 May 2023. The financial statements have been prepared in accordance with UK adopted International Accounting Standards ('IAS').

Going concern

The Directors consider that the Group has adequate resources to continue in operational existence for the period to 31 December 2024. The financial statements are therefore prepared on a going concern basis.

In addition, further details of the Group's liquidity position and going concern review are provided at note 21 and in A6 Accompanying Information to the Financial Statements on page 276.

Basis of measurement

The financial statements of the Group are prepared on the historical cost basis except for certain gas inventory, derivative financial instruments, financial instruments designated at fair value through profit or loss or other comprehensive income on initial recognition, assets of the Group pension schemes, all of which are measured at their fair value, and liabilities of the Group pension schemes which are measured using the projected unit credit method. The directors believe the financial statements present a true and fair view. The financial statements of the Group are presented in pounds sterling. The basis for including operations and transactions conducted in currencies other than pounds sterling is provided in A1 Accompanying Information to the Financial Statements on page 276.

Use of estimates and judgements

The preparation of financial statements conforming with adopted IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher level of judgement or estimation are summarised at pages 212 to 214.

Changes to presentation and prior year adjustments

There have been no material changes to presentation of the financial statements in the current or prior year. The prior year comparatives at 31 March 2022 have been restated following the adoption of the amendment to IAS 16 Proceeds Before Intended Use, as disclosed in the section below 2.1.

Changes to estimates

There have been no changes to the basis of accounting estimates during the current and prior year.

2. New accounting policies and reporting changes

The principal accounting policies applied in the preparation of these financial statements are set out below and in the A1 Accompanying Information to the Financial Statements on pages 276 to 286.

2.1. New standards, amendments and interpretations effective or adopted by the Group

The Group has retrospectively adopted the amendments to *'IAS 16 Property, Plant and Equipment – Proceeds Before Intended Use'* from the earliest period presented in these financial statements, in line with the requirements of the standard. The Group had pre-commissioning activity in the year ended 31 March 2022 and therefore has restated the comparative information presented.

The Group's Keadby 2 asset achieved its first fire in October 2021, commenced test operations in February 2022 and entered commercial operations on 15 March 2023. During the period from October 2021 to 15 March 2023 the Group received pre-commissioning revenue within the scope of the amendment to the standard which previously would have been recognised as a cost of the constructed asset. The impact of adoption of the amendment in the prior year was to increase revenue by £89.0m, increase cost of sales by £94.7m, increase operating costs by £0.2m therefore decreasing profit before tax by £5.9m, and decreasing profit after tax by £4.4m. Additionally in the balance sheet, the Group's property, plant and equipment balance has been decreased by £5.9m and deferred tax liability decreased by £1.5m.

In the current year ended 31 March 2023, the Group has recognised pre-commissioning revenue of £245.4m and pre-commissioning costs of £226.8m related to Keadby 2. In addition, the Group holds an equity investment in Seagreen Wind Energy Limited ('Seagreen') which has been undertaking pre-commissioning testing activity during the construction of its offshore windfarm in the current financial year. The Group's share of profit recognised from joint ventures and associates in the current year includes £28.9m of pre-commissioning operating costs from Seagreen.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

2. New accounting policies and reporting changes continued

2.1. New standards, amendments and interpretations effective or adopted by the Group continued

The Group has adopted the amendment to *'IAS 37 Onerous Contracts – Cost of Fulfilling a Contract'* in the current year. Adoption of the amendment was reflected in the calculation of the onerous provision of £21.7m recognised by the Group's Business Energy segment at 30 September 2022. This provision has been released in the second half of the financial year following decreases in wholesale energy prices and therefore has no impact on amounts presented at 31 March 2023.

There were no other standards, amendments to standards or interpretations relevant to the Group's operations which were adopted during the period.

2.2. New standards, amendments and interpretations issued, but not yet adopted by the Group

A number of standards, amendments and interpretations have been issued but not yet adopted by the Group within these financial statements, because application is not yet mandatory or because UK adoption remains outstanding at the date the financial statements were authorised for issue.

IFRS 17 'Insurance contracts' is effective from 1 January 2023 (1 April 2023 for the Group) following UK endorsement on 16 May 2022. Adoption of the standard is not anticipated to have a material impact on the consolidated financial statements of the Group, however the Parent Company, SSE plc, enters into financial guarantee contracts to guarantee indebtedness of the other companies within the Group and continues to provide guarantees in respect of the disposed Contracting and Rail and Gas Production businesses. The Group is continuing to assess the impact of adoption of the standard for the Parent Company.

Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' is effective from 1 January 2023 (1 April 2023 for the Group) following UK endorsement on 15 December 2022. Adoption of the amendment is expected to result in a gross up of deferred tax assets and liabilities, but is not anticipated to have a material impact on the net deferred tax balances within the consolidated financial statements of the Group.

There are a number of other interpretations and amendments issued but not yet effective at 31 March 2023. These are not anticipated to have a material impact on the Group's consolidated financial statements.

3. Adjusted accounting measures

The Group applies the use of adjusted accounting measures or alternative performance measures ('APMs') throughout the Annual Report and Financial Statements. These measures enable the Directors to present the underlying performance of the Group and its segments to the users of the statements in a consistent and meaningful manner. The adjustments applied and certain terms such as 'adjusted operating profit', 'adjusted Earnings Per Share', 'adjusted EBITDA', 'adjusted investment and capital expenditure', 'adjusted investment, capital and acquisition expenditure' and 'adjusted net debt and hybrid capital' that are not defined under IFRS and are explained in more detail below. In addition, the section 'Alternative Performance Measures' at page 194 provides further context and explanation of these terms.

3.1 Adjusted measures

The Directors assess the performance of the Group and its reportable segments based on 'adjusted measures'. These measures are used for internal performance management and are believed to be appropriate for explaining underlying performance to users of the accounts. These measures are also deemed to be the most useful for ordinary shareholders of the Company and for other stakeholders.

The performance of the reportable segments is reported based on adjusted profit before interest and tax ('adjusted operating profit'). This is reconciled to reported profit before interest and tax by adding back exceptional items and certain re-measurements (see note 3.2 below), depreciation and amortisation expense on fair value uplifts, the share of operating profit attributable to non-controlling interests, adjustments to the retained Gas Production decommissioning provision and after the removal of interest and taxation on profits from equity-accounted joint ventures and associates.

The performance of the Group is reported based on adjusted profit before tax which excludes exceptional items and certain re-measurements (see note 3.2 below), depreciation and amortisation expense on fair value uplifts, the share of profit before tax attributable to non-controlling interests, the net interest costs associated with defined benefit schemes, adjustments to the retained Gas Production decommissioning provision and taxation on profits from equity-accounted joint ventures and associates. The interest charges or credits on defined benefit schemes removed are non-cash and are subject to variation based on actuarial valuations of scheme liabilities.

The Group also uses adjusted earnings before interest, taxation, depreciation and amortisation ('adjusted EBITDA') as an alternative operating performance measure which acts as a management proxy for cash generated from operating activities. This does not take into account the rights and obligations that SSE has in relation to its equity-accounted joint ventures and associates. This measure excludes exceptional items and certain re-measurements (see note 3.2 below), the depreciation charged on fair value uplifts, the share of EBITDA attributable to non-controlling interests, adjustments to the retained Gas Production decommissioning provision, the net interest costs associated with defined benefit schemes, depreciation and amortisation from equity-accounted joint ventures and associates and interest and taxation on profits from equity-accounted joint ventures and associates. For the purpose of calculating the 'Net Debt to EBITDA' metric referred at page 89, 'adjusted EBITDA' is further adjusted to remove the proportion of adjusted EBITDA from equity-accounted joint ventures relating to off-balance sheet debt (see note 5.1(v)).

The Group's key performance measure is adjusted Earnings Per Share (EPS), which is based on basic Earnings Per Share before exceptional items and certain re-measurements (see note 3.2 below), depreciation and amortisation on fair value uplifts, adjustments to the retained Gas Production decommissioning provision, the net interest costs/income associated with defined benefit schemes and after the removal of deferred taxation and other taxation items. Deferred taxation is excluded from the Group's adjusted EPS because of the Group's significant ongoing capital investment programme, which means that the deferred tax is unlikely to reverse. Adjusted profit after tax is presented on a basis consistent with adjusted EPS except for the non-inclusion of payments to holders of hybrid equity.

The financial statements also include an 'adjusted net debt and hybrid capital' measure. This presents financing information on the basis used for internal liquidity risk management. This measure excludes obligations due under lease arrangements and the share of net debt attributable to non-controlling interests, and includes cash posted as collateral on commodity trading exchanges, and other short term loans. The measure represents the capital owed to investors, lenders and equity holders other than the ordinary shareholders. As with 'adjusted Earnings Per Share', this measure is considered to be of relevance to the ordinary shareholders of the Group as well as other stakeholders and interested parties.

Finally, the financial statements include an 'adjusted investment and capital expenditure' and an 'adjusted investment, capital and acquisition expenditure' measure. These metrics represent the capital invested by the Group in projects that are anticipated to provide a return on investment over future years or which otherwise support Group operations and are consistent with internally applied metrics. They therefore include capital additions to property, plant and equipment and intangible assets and also the Group's direct funding of joint venture and associates capital projects. The Group has considered it appropriate to report these values both internally and externally in this manner due to its use of equity-accounted investment vehicles to grow the Group's asset base and to highlight, where the Group is providing funding to the vehicle through either loans or equity. The Group does not include project funded capital additions in these metrics, nor does it include other capital invested in joint ventures and associates. Where initial capital funding of an equity accounted joint venture is refunded, these refunds are deducted from the metrics in the year the refund is received. In addition, the Group excludes from this metric additions to its property, plant and equipment funded by Customer Contributions and additions to intangible assets associated with Allowances and Certificates. The Group also excludes the share of investment and capital expenditure attributable to non-controlling interests in controlled but not wholly owned subsidiaries, disposed or impaired additions and refinancing proceeds and refunds. The 'adjusted investment, capital and acquisition expenditure' measure also includes cash consideration paid by the Group in business combinations which contribute to growth of the Group's capital asset base and is considered to be relevant metric in context of the Group's Net Zero Acceleration Programme Plus. As with 'adjusted Earnings Per Share', these measures are considered to be of relevance to management and to the ordinary shareholders of the Group as well as to other stakeholders and interested parties.

Reconciliations from reported measures to adjusted measures along with further description of the rationale for those adjustments are included in the 'Adjusted Performance Measures' section at pages 194 to 201.

APM Where the Group have referred to an adjusted performance measure in the financial statements the following sign is presented to denote this.

3.2 Exceptional items and certain re-measurements

Exceptional items are those charges or credits that are considered unusual by nature and/or scale and of such significance that separate disclosure is required for the financial statements to be properly understood. The trigger points for recognition of items as exceptional items will tend to be non-recurring although exceptional charges (or credits) may impact the same asset class or segment over time.

Market conditions that have deteriorated or improved significantly over time will only be captured to the extent observable at the balance sheet date. Examples of items that may be considered exceptional include material asset or business impairment charges, reversals of historic impairments, business restructuring costs and reorganisation costs, significant realised gains or losses on disposal, unrealised fair value adjustments on part disposal of a subsidiary or on acquisition of an investment, and provisions in relation to significant disputes and claims.

The Group operates a policy framework for estimating whether items are considered to be exceptional. This framework, which is reviewed annually, estimates the materiality of each broad set of potentially exceptional circumstances, after consideration of strategic impact and likelihood of recurrence, by reference to the Group's key performance measure of adjusted Earnings Per Share. This framework estimates that any qualifying item greater than £40.0m will be considered exceptional, with lower thresholds applied to circumstances that are considered to have a greater strategic impact and are less likely to recur. The £40.0m threshold was increased during the year from the previously applied limit of £30.0m reflecting the increased profitability of the Group and the growth in the scale of its operations. The only exception to this threshold is for gains or losses on disposal, or divestment of early-stage SSE Renewables international or offshore wind farm development projects within SSE Renewables, which are considered non-exceptional in line with the Group's strategy to generate recurring gains from developer divestments. Where a gain arises on a non-cash transaction, the gain is treated as exceptional.

Certain re-measurements are re-measurements arising on: certain commodity, interest rate and currency contracts which are accounted for as held for trading or as fair value hedges in accordance with the Group's policy for such financial instruments; remeasurements on stocks of commodities held at the balance sheet date; or movements in fair valuation of contracts for difference not designated as government grants. The amount shown in the before exceptional items and certain re-measurements results for these contracts is the amount settled in the year as disclosed in note 24.1.

This excludes commodity contracts not treated as financial instruments under IFRS 9 where held for the Group's own use requirements which are not recorded until the underlying commodity is delivered.

The impact of changes in Corporation Tax rates on deferred tax balances are also included within certain remeasurements.

3.3 Other additional disclosures

As permitted by IAS 1 'Presentation of financial statements', the Group's income statement discloses additional information in respect of joint ventures and associates, exceptional items and certain re-measurements to aid understanding of the Group's financial performance and to present results clearly and consistently.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

4. Accounting judgements and estimation uncertainty
In the process of applying the Group's accounting policies, management is necessarily required to make judgements and estimates that will have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted below, with the most significant financial judgement areas as specifically considered by the Audit Committee being highlighted separately.

The Group has made no changes to its significant financial judgement areas since the financial year ended 31 March 2022, however the level of judgement applied in the revenue recognition judgement (see 4.1 (iii) below) has increased as a result of the introduction of customer support schemes during the year.

4.1 Significant financial judgements and estimation uncertainties
The preparation of these financial statements has specifically considered the following significant financial judgements, some of which are also areas of estimation uncertainty as noted below.

(i) 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, specific property, plant and equipment and investment assets to determine whether any impairments or reversal of impairments to the carrying value of those assets requires to be recorded. Where an indicator of impairment or impairment reversal exists, the recoverable amount of those assets is determined by reference to value in use calculations or fair value less cost to sell assessments, if more appropriate. 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 on 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.

Further detail of the calculation basis and key assumptions used in the impairment review, the resulting impairment 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.

(ii) Retirement benefit obligations – estimation uncertainty
The assumptions in relation to the cost of providing post-retirement benefits during the year 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.

Further detail 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.

(iii) Revenue recognition – Customers unbilled supply of energy – financial judgement and estimation uncertainty
Revenue from energy supply activities undertaken by the GB 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 and unbilled revenue and is calculated based on applying the tariffs and contract rates applicable to customers against estimated customer consumption, taking account of various factors including usage patterns, tariff changes, changes to the proportion of customers on different contract types, levels of unread meters, 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. The accounting policy for customer support schemes and the balances claimed from government is explained at A1.2.

This unbilled estimation is subject to an internal corroboration 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 UK government 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 recognised at 31 March 2023 was £326.6m, 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 sensitivity associated with this judgement factor is disclosed at note 18.

(iv) 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 Group has taken appropriate steps to assess all available information in respect of the recoverability of the loan note. Procedures included reviewing recent financial information of Ovo Energy Limited, including the 31 December 2021 statutory financial statements; considering available Government support schemes; and discussions with Ovo 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.

(v) Impact of climate change and the transition to net zero – financial judgement and estimation uncertainty
Climate change and the transition to net zero have been considered in the preparation of these financial statements. Where relevant assumptions have been applied that are consistent to a Paris-aligned 1.5°C 2050 net zero pathway. The Group has a clearly articulated Net Zero Acceleration Programme Plus ('NZAP Plus') 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
In the medium term, the transition to net zero may result in regulation restricting electricity generation from unabated gas fired power stations. The Group's view is that flexible generation capacity, such as the Group's fleet of CCGT power stations, will be an essential part of the net zero transition in order to provide security of supply to a market which is increasingly dependent upon renewable sources, which are inherently intermittent. The majority of the Group's GB CCGT fleet is nearing the end of its economic life and it is not currently expected that regulation to require abatement would be introduced before the planned closure of most of those power stations. Of the net book value held at 31 March 2023, only four assets are forecast to continue to operate beyond 2030 being: Great Island; Keadby 2; Marchwood (which is operated by SSE under a lease); and Saltend Power Station within the Triton joint venture. The Group's view is that Great Island will continue to be essential to providing security of supply in the Irish electricity market. Keadby 2 commenced commercial operation on 15 March 2023 and has an efficiency of around 63% making it the most efficient plant of its type in the UK and Europe. Work is also underway to explore how to decarbonise Keadby 2 further with the potential to blend hydrogen into the plant. Marchwood is a 50% equity accounted joint venture and is considered one of the most efficient CCGTs in the UK. Saltend was acquired as part of Triton Power 50% equity accounted joint venture and supports the long-term decarbonisation of the UK's power system, and also contributes to security of supply and grid stability. Initial steps are underway at Saltend, targeting abatement by 2027 through blending up to 30% of low-carbon hydrogen. Therefore, the Group considers that other assets operating in the market would be more likely to close before Keadby 2, Marchwood and Saltend and the plants will continue to be required to balance the UK electricity market beyond 2030. As a result, the useful economic life of the four assets have not been shortened when preparing the 31 March 2023 financial statements. The Group assesses the useful economic life of its property, plant and equipment assets annually. In the short term, the economic return from the activity provided by the Group's Great Island CCGT asset has increased, resulting in the reversal of historic impairments at 31 March 2023 (see note 15.2).

A significant increase in renewable generation capacity in the Group's core markets in the UK and Ireland could potentially result in an oversupply of renewable electricity at a point in the future, which would lead to a consequential decrease in the power price achievable for the Group's wind generation assets. The Group has not assessed that this constitutes an indicator of impairment at 31 March 2023 as the Group's baseline investment case models assume a centrally approved volume of new build in these markets over the life of the existing assets. The Group's policy is to test the goodwill balances associated with its wind generation portfolio for impairment on an annual basis in line with the requirements of IAS 36. Through this impairment assessment (see note 15.1), a sensitivity to power price, which may arise in a market with significant new build, was modelled. This scenario indicated that, despite a modelled 10% reduction in power price, there remained significant headroom on the carrying value in the Group's wind generation assets.

Changes to weather patterns resulting from global warming have also been considered as a potential risk to future returns from the Group's wind and hydro assets. Changes to weather patterns could result in calmer, drier weather patterns, which would reduce volumes achievable for the Group's wind and hydro generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). This has not been assessed as an indicator of impairment for operating assets in the UK and Ireland at 31 March 2023, as there is no currently observable evidence to support that scenario directly. The Group has performed a sensitivity to its impairment modelling and has assessed that an 8% reduction in achievable volume would result in significant headroom on the carrying value of the UK and Ireland assets at 31 March 2023 (see note 15.1). The TCFD physical risk scenarios modelled a 4% to 8% change in average mean wind speeds in the longer term across the wind portfolio, consistent with the impairment sensitivity performed.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

4. Accounting judgements and estimation uncertainty continued
4.1 Significant financial judgements and estimation uncertainties continued
(v) Impact of climate change and the transition to net zero – financial judgement and estimation uncertainty continued
Valuations of decommissioning provisions
The Group holds decommissioning provisions for its Renewable and Thermal generation assets and has retained a 60% share for the decommissioning of its disposed Gas Production business. As noted above, the Group's view at 31 March 2023 is that climate change regulation will not bring forward the closure dates of its CCGT fleet, many of which are expected to close before 2030. Similarly, it is expected that fundamental changes to weather patterns, or the impact of new wind generation capacity will not bring forward the decommissioning of the Group's wind farm portfolio.

The discounted share of the Gas Production provision is £201.4m (2022: £249.4m). At 31 March 2023, the impact of discounting of this retained provision is £64.5m (2022: £33.8m), which is expected to be incurred across the period to 31 March 2037. If the decommissioning activity was accelerated due to changes in legislation, the costs of unwinding the discounting of the provision would be recognised earlier.

Defined Benefit scheme assets
The Group holds defined benefit pension scheme assets at the 31 March 2023 which could be impacted by climate-related risks. The Trustees of the schemes have a long term investment strategy that seeks to reduce investment risk as and when appropriate and takes into consideration the impact of climate-related risk.

Going concern and viability statement
The implications of near term climate-related risks have been considered in the Group's going concern assessment and viability statement assessment.

4.2 Accounting judgements and estimation uncertainties – changes from prior year
The Group has made no changes to accounting judgements and estimation uncertainties from those presented in the Group's 2022 Annual Report.

4.3 Other areas of estimation uncertainty
(i) Tax provisioning
The Group has open tax disputes with the tax authorities in the UK. Where management makes a judgement that an outflow of funds is probable, and a reliable estimate of the dispute can be made, provision is made for the best estimate of the most likely liability.

In estimating any such liability, the Group applies a risk-based approach, taking into account the specific circumstances of each dispute based on management's interpretation of tax law and supported, where appropriate, by discussion and analysis by external tax advisors. These estimates are inherently judgemental and could change substantially over time as disputes progress and new facts emerge. Provisions are reviewed on an ongoing basis, however the resolution of tax issues can take a considerable period of time to conclude and it is possible that amounts ultimately paid will be different from the amounts provided.

In the financial statements to 31 March 2023, the Group has no provision for uncertain tax positions included in current tax liabilities (2022: £27.9m). The provision held by the Group at 31 March 2022 related to the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station. This case was heard at the Supreme Court on 23 March 2023 and a final decision on the case was released on 17 May 2023. This decision upheld SSE's position in relation to the dispute and accordingly the provision held has been released as an adjusting post balance sheet event and a related deferred tax liability of £23.4m in relation to the associated capital allowances has been recognised. The Group has no other open tax positions against which a provision has required to be recognised.

(ii) Decommissioning costs
The calculation of the Group's decommissioning provisions involves the estimation of quantum and timing of cash flows to settle the obligation. The Group engages independent valuation experts to estimate the cost of decommissioning its Renewable, Thermal and Gas Storage assets every three years based on current technology and prices. The last independent assessment for the majority of the Group's Renewable and Thermal generation assets was performed in the year to 31 March 2022. A formal assessment for Gas Storage assets was performed in the year to 31 March 2023. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators and reflect the latest expected economic production lives of the fields.

The dates for settlement of future decommissioning costs are uncertain, particularly for the disposed gas exploration and production business where reassessment of gas and liquids reserves and fluctuations in commodity prices can lengthen or shorten the field life.

During the year, the carrying value of the Group's decommissioning provisions have decreased by £228m due to provision reassessments, increases in discount rate and decreases in inflation assumptions since 31 March 2022. With the exception of the decrease of £48.1m to the provision relating to Gas Production activities, movements on which are recorded in the income statement, all revaluation movements have been matched by an offsetting adjustment to an associated decommissioning asset.

Further detail on the assumptions applied, including expected decommissioning dates, and movement in decommissioning costs during the year are disclosed at note 20.

5. Segmental information
There have been no changes to the Group's core operating segments during the year. These segments are used internally by the Board to run the business and make strategic decisions. The Group's 'Corporate unallocated' segment is the Group's residual corporate central costs which cannot be allocated to individual segments, and also includes the Group's joint venture investment in Neos Networks Limited.

The types of products and services from which each reportable segment derives its revenues are:

Business Area	Reported Segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate. On 25 November 2022 the Group sold a 25.0% non-controlling interest in this business to the Ontario Teachers' Pension Plan.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Renewables	SSE Renewables	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland, the development of similar wind assets in Japan and Southern Europe and the development of wind, solar and battery opportunities. Revenue from physical generation of electricity in Great Britain is sold to SSE EPM and in Ireland is sold to Airtricity and is recognised as generated, based on the contracted or spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market in Great Britain or REFIT in Ireland) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation. With effect from 18 April 2023, Renewables has taken responsibility for the development, delivery and operation for battery storage and solar assets in Great Britain from Distributed Energy, aligning that activity with its international operations. The impact of applying this change is not considered material. This realignment of segmental reporting will be applied in the interim financial statements for the period to 30 September 2023.
Thermal	SSE Thermal	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity in Great Britain and Ireland is sold to SSE EPM and is recognised as generated, based on the contract or spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in Great Britain, utilising capacity to optimise trading opportunity associated with the assets. Contribution arising from trading activities is recognised as realised based on the executed trades or withdrawal of gas from caverns.
Energy Customer Solutions	Business Energy	The supply of electricity and gas to business customers in Great Britain. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low-carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities. The results of the Group's Contracting and Rail business was included within this segment until it was disposed on 30 June 2021. As noted above, with effect from 18 April 2023, the battery storage and solar assets activity in Great Britain has been transferred to SSE Renewables.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued

Business Area	Reported Segments	Description
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable and Thermal generation businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for 'own use' designation. The sale of commodity optimisation trades is presented net in cost of sales alongside purchase commodity optimisation trades.
Discontinued operations		
EPM & I	Gas Production	The production and processing of gas and oil from North Sea fields. Revenue was recognised based on the production that had been delivered to the customer at the specified delivery point, at the applicable contractual market price. This business was disposed of in the financial year to 31 March 2022. SSE has retained an obligation for 60% of the decommissioning liabilities of the disposed business as part of the transaction.
Gas Distribution	SGN	SSE's share of Scotia Gas Networks, which operates two economically regulated gas distribution networks in Scotland and the South of England. The revenue earned from transportation of natural gas to customers was recognised based on the volume of gas distributed to those customers and the set customer tariff. This investment was disposed of in the financial year to 31 March 2022 and accordingly is noted here in relation to the comparative information for that year.

As referred to in note 3, the internal measure of profit used by the Board is 'adjusted profit before interest and tax' or 'adjusted operating profit' which is arrived at before exceptional items, the impact of financial instruments measured under IFRS 9, share of profits attributable to non-controlling interests, the net interest costs/income associated with defined benefit pension schemes, adjustments to the retained Gas Production decommissioning and after the removal of taxation and interest on profits from joint ventures and associates.

Analysis of revenue, operating profit, assets and earnings before interest, taxation, depreciation and amortisation ('EBITDA') by segment is provided on the following pages. All revenue and profit before taxation arise from operations within the UK and Ireland.

5.1 Segmental information disclosure
(i) Revenue by segment

	Reported revenue 2023 £m	Inter-segment revenue[i] 2023 £m	Segment revenue 2023 £m	Reported revenue (restated*) 2022 £m	Inter-segment revenue[i] 2022 £m	Segment revenue (restated*) 2022 £m
Continuing operations						
SSEN Transmission	656.1	–	656.1	589.7	–	589.7
SSEN Distribution	1,102.7	81.0	1,183.7	954.6	78.6	1,033.2
SSE Renewables	334.8	602.7	937.5	357.4	418.8	776.2
SSE Thermal	740.4	3,863.8	4,604.2	933.2	285.0	1,218.2
Gas storage	12.2	5,147.5	5,159.7	8.7	2,471.1	2,479.8
Energy Customer Solutions						
Business Energy	3,313.5	59.4	3,372.9	2,289.0	34.5	2,323.5
SSE Airtricity	1,776.9	233.1	2,010.0	1,177.3	451.3	1,628.6
Distributed Energy	139.1	20.1	159.2	176.9	25.4	202.3
EPM:						
Gross trading	24,700.6	11,972.4	36,673.0	12,808.3	7,160.2	19,968.5
Optimisation trades	(20,351.8)	(937.3)	(21,289.1)	(10,667.6)	(2,914.0)	(13,581.6)
EPM	4,348.8	11,035.1	15,383.9	2,140.7	4,246.2	6,386.9
Corporate unallocated	66.2	232.1	298.3	69.7	147.7	217.4
Total continuing operations	12,490.7	21,274.8	33,765.5	8,697.2	8,158.6	16,855.8
Discontinued operations						
Gas Production	–	–	–	8.1	133.9	142.0
Total discontinued operations	–	–	–	8.1	133.9	142.0
Total SSE Group	12,490.7	21,274.8	33,765.5	8,705.3	8,292.5	16,997.8

(i) Significant inter-segment revenue is derived from the sale of power and stored gas from SSE Renewables, SSE Thermal, Gas Storage and Distributed Energy to EPM; use of system income received by SSEN Distribution from Business Energy; Business Energy provides internal heat and light power supplies to other Group companies; EPM provides power, gas and other commodities to Business Energy and SSE Airtricity; Gas Production (discontinued) sold gas from producing upstream fields to EPM; and Corporate unallocated provides corporate and infrastructure services to all segments as well as third parties. All are provided at arm's length.

* The comparative segment revenue has been restated. See note 2.1.

Disaggregation of revenue

Revenue from contracts with customers can be disaggregated by reported segment, by major service lines and by timing of revenue recognition as follows:

	Revenue from contracts with customers: Goods or services transferred over time				Goods or services transferred at a point in time					
	Use of electricity networks 2023 £m	Supply of energy and ancillary services 2023 £m	Construction related services 2023 £m	Other contracted services 2023 £m	Physical energy 2023 £m	Gas storage 2023 £m	Other revenue 2023 £m	Total revenue from contracts with customers 2023 £m	Other contract revenue 2023 £m	Total 2023 £m
Continuing operations										
SSEN Transmission	634.0	–	–	20.4	–	–	1.7	656.1	–	656.1
SSEN Distribution	1,054.0	–	–	12.3	–	–	17.9	1,084.2	18.5	1,102.7
SSE Renewables	–	49.7	–	87.5	184.3	–	13.3	334.8	–	334.8
SSE Thermal	–	736.9	–	–	–	–	3.5	740.4	–	740.4
Gas Storage	–	–	–	–	–	12.2	–	12.2	–	12.2
Energy Customer Solutions										
Business Energy	–	3,313.5	–	–	–	–	–	3,313.5	–	3,313.5
SSE Airtricity	–	1,756.7	–	–	–	–	20.2	1,776.9	–	1,776.9
Distributed Energy	16.4	29.5	14.4	–	–	–	73.0	133.3	5.8	139.1
EPM	–	–	–	–	4,158.7	–	190.1	4,348.8	–	4,348.8
Corporate unallocated	–	–	–	–	–	–	66.2	66.2	–	66.2
Total SSE Group	1,704.4	5,886.3	14.4	120.2	4,343.0	12.2	385.9	12,466.4	24.3	12,490.7

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued
5.1 Segmental information disclosure continued
(i) Revenue by segment continued
Disaggregation of revenue continued

	(Restated*) Revenue from contracts with customers – Goods or services transferred over time: Use of electricity networks 2022 £m	Supply of energy and ancillary services 2022 £m	Construction related services 2022 £m	Other contracted services 2022 £m	Goods or services transferred at a point in time: Physical energy 2022 £m	Gas storage 2022 £m	Other revenue 2022 £m	Total revenue from contracts with customers 2022 £m	Other contract revenue 2022 £m	Total 2022 £m
Continuing operations										
SSEN Transmission	570.8	–	–	16.5	–	–	2.4	589.7	–	589.7
SSEN Distribution	903.3	–	–	10.5	–	–	22.8	936.6	18.0	954.6
SSE Renewables	–	79.7	–	75.0	202.7	–	–	357.4	–	357.4
SSE Thermal	–	929.1	–	–	–	–	4.1	933.2	–	933.2
Gas Storage	–	–	–	–	–	8.7	–	8.7	–	8.7
Energy Customer Solutions										
Business Energy	–	2,289.0	–	–	–	–	–	2,289.0	–	2,289.0
SSE Airtricity	–	1,158.1	–	19.2	–	–	–	1,177.3	–	1,177.3
Distributed Energy	11.9	15.8	77.7	3.9	2.9	–	59.3	171.5	5.4	176.9
EPM	–	–	–	–	1,920.9	–	219.8	2,140.7	–	2,140.7
Corporate unallocated	–	–	–	–	–	–	69.7	69.7	–	69.7
Total continuing operations	1,486.0	4,471.7	77.7	125.1	2,126.5	8.7	378.1	8,673.8	23.4	8,697.2
Discontinued operations										
Gas Production	–	–	–	–	–	–	8.1	8.1	–	8.1
Total discontinued operations	–	–	–	–	–	–	8.1	8.1	–	8.1
Total SSE Group	1,486.0	4,471.7	77.7	125.1	2,126.5	8.7	386.2	8,681.9	23.4	8,705.3

* The comparative disaggregated segment revenue has been restated. See note 2.1.

Included within trade and other receivables (note 18) is £666.1m (2022: £492.7m) of unbilled energy income. Included within trade and other payables (note 19) is £215.4m (2022: £242.5m) of contract related liabilities. Contract related assets reflect the Group's right to consideration in exchange for goods or services that have transferred to the customer, and contract related liabilities reflect the Group's obligation to transfer future goods or services for which the Group has already received consideration. Contract related assets and liabilities principally arose in the Distributed Energy reporting segment with changes during the periods reflecting ongoing contract progress, offset by cash receipts or customer invoicing.

The Group has not disclosed information related to the transaction price allocated to remaining performance obligations on the basis that the Group's contracts either have an original expected duration of less than one year, or permit the Group to recognise revenue as invoiced.

Revenue by geographical location on continuing operations is as follows:

	2023 £m	2022 (restated*) £m
UK	**10,899.8**	7,381.1
Ireland	**1,590.9**	1,316.1
	12,490.7	8,697.2

(ii) Operating profit/(loss) by segment

	2023: Adjusted operating profit reported to the Board APM £m	Depreciation on fair value uplifts £m	JV/Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Non-controlling interests £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations								
SSEN Transmission	372.7	–	–	–	32.8	405.5	–	405.5
SSEN Distribution	382.4	–	–	–	–	382.4	–	382.4
SSE Renewables	580.0	(18.8)	(103.0)	–	(1.9)	456.3	(10.0)	446.3
SSE Thermal	1,031.9	(10.0)	(60.4)	–	–	961.5	128.0	1,089.5
Gas Storage	212.5	–	–	–	–	212.5	36.7	249.2
Energy Customer Solutions								
Business Energy	17.9	–	–	–	–	17.9	–	17.9
SSE Airtricity	5.6	–	(0.4)	–	–	5.2	–	5.2
Distributed Energy	(27.4)	–	–	–	–	(27.4)	(6.1)	(33.5)
EPM	80.4	–	–	–	–	80.4	(2,706.4)	(2,626.0)
Corporate								
Corporate unallocated	(87.0)	–	–	50.5	–	(36.5)	9.7	(26.8)
Neos	(39.8)	–	(10.3)	–	–	(50.1)	(5.9)	(56.0)
Total SSE Group	2,529.2	(28.8)	(174.1)	50.5	30.9	2,407.7	(2,554.0)	(146.3)

The adjusted operating profit of the Group is reported after removal of the Group's share of interest, fair value movements on financing derivatives, the depreciation charged on fair value uplifts and tax from joint ventures and associates, Gas production decommissioning costs, operating profit from non-controlling interests and after adjusting for exceptional items and certain re-measurements (note 7).

The Group's share of operating profit from joint ventures and associates has been recognised in the SSE Renewables, SSE Thermal, SSE Airtricity and Corporate segments.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued
5.1 Segmental information disclosure continued
(ii) Operating profit/(loss) by segment continued

	2022 (restated*)						
	Adjusted operating profit reported to the Board APM £m	Depreciation on fair value uplifts £m	JV/Associate share of interest and tax £m	Adjustments to Gas Production decommissioning provision £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Continuing operations							
SSEN Transmission	380.5	–	–	–	380.5	–	380.5
SSEN Distribution	351.8	–	–	–	351.8	–	351.8
SSE Renewables	568.1	(18.8)	(92.9)	–	456.4	(28.6)	427.8
SSE Thermal	300.4	–	(9.5)	–	290.9	333.3	624.2
Gas Storage	30.7	–	–	–	30.7	94.7	125.4
Energy Customer Solutions							
Business Energy	(21.5)	–	–	–	(21.5)	–	(21.5)
SSE Airtricity	60.4	–	–	–	60.4	–	60.4
Distributed Energy	(10.9)	–	–	–	(10.9)	(18.3)	(29.2)
EPM	(16.8)	–	–	–	(16.8)	2,100.4	2,083.6
Corporate							
Corporate unallocated	(95.7)	–	(4.7)	(13.1)	(113.5)	–	(113.5)
Neos	(16.1)	(1.8)	(7.0)	–	(24.9)	(115.1)	(140.0)
Total continuing operations	1,530.9	(20.6)	(114.1)	(13.1)	1,383.1	2,366.4	3,749.5
Discontinued operations							
Gas Production	101.4	–	–	–	101.4	(120.8)	(19.4)
SGN(i)	21.0	–	(12.8)	–	8.2	(89.3)	(81.1)
Total discontinued operations	122.4	–	(12.8)	–	109.6	(210.1)	(100.5)
Total SSE Group	1,653.3	(20.6)	(126.9)	(13.1)	1,492.7	2,156.3	3,649.0

* The comparative operating profit by segment information has been restated. See note 2.1.
(i) In the table above total operating profit from SGN has been restated to remove the £576.5m gain recognised on disposal of SGN. There has been no change to the presentation of this gain in the income statement and note 12.

For the year ended 31 March 2022, the share of SGN interest included loan stock interest payable to the consortium shareholders. The Group has accounted for its 33% share of this, £6.8m as discontinued finance income.

(iii) Capital expenditure by segment

	Capital additions to intangible assets 2023 £m	**Capital additions to property, plant and equipment 2023 £m**	Capital additions to intangible assets 2022 £m	Capital additions to property, plant and equipment 2022 (restated*) £m
Continuing operations				
SSEN Transmission	**7.2**	**536.6**	5.8	608.6
SSEN Distribution	**15.2**	**486.8**	15.6	440.5
SSE Renewables	**685.7**	**311.3**	265.2	193.2
SSE Thermal	**20.8**	**44.5**	9.5	59.2
Gas Storage	**–**	**6.3**	–	2.1
Energy Customer Solutions				
Business Energy	**38.9**	**–**	4.6	30.6
SSE Airtricity	**10.5**	**–**	–	4.6
Distributed Energy	**62.0**	**66.6**	8.7	17.9
EPM	**809.9**	**–**	545.3	1.6
Corporate unallocated	**38.4**	**48.0**	65.8	21.2
Total continuing operations	**1,688.6**	**1,500.1**	920.5	1,379.5
Discontinued operations				
Gas Production	**–**	**–**	–	13.9
Total discontinued operations	**–**	**–**	–	13.9
Total SSE Group	**1,688.6**	**1,500.1**	920.5	1,393.4
Increase in prepayments related to capital expenditure	**–**	**6.8**	–	(2.0)
Increase in trade payables related to capital expenditure	**(31.8)**	**132.2**	–	59.2
IFRS 15 adjustment	**–**	**(80.9)**	–	(91.3)
Lease asset additions	**–**	**(78.5)**	–	(85.7)
Less non-cash items:				
Allowances and certificates	**(208.4)**	**–**	(193.7)	–
Assets acquired through acquisitions	**(515.2)**	**–**	(197.8)	–
Net cash outflow	**933.2**	**1,479.7**	529.0	1,273.6

* The comparatives have been restated. See note 2.1.

Capital additions do not include assets acquired in acquisitions or assets acquired under leases. Capital additions to intangible assets includes the cash purchase of emissions allowances and certificates (2023: £596.8m; 2022: £350.8m). These purchases are presented in the cash flow statement within operating activities since they relate to the obligation to surrender the allowances and certificates in line with operating volumes of emissions. Other non-cash additions comprise self-generated renewable obligation certificates.

No segmental analysis of assets requires to be disclosed as this information is not presented to the Board.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued
5.1 Segmental information disclosure continued
(iii) Capital expenditure by segment continued

At 31 March 2023	Capital additions to intangible assets 2023 £m	Capital additions to property, plant and equipment 2023 £m	Capital Investment relating to Joint Ventures and Associates(i) £m	Allowances and certificate(ii) £m	Customer funded additions(iii) £m	Acquired through business combinations(iv) £m	Lease asset additions(v) £m	Share of non-controlling interests(vi) £m	Adjusted Investment and Capital Expenditure 2023 APM £m
Continuing operations									
SSEN Transmission	7.2	536.6	–	–	–	–	(1.6)	(46.7)	495.5
SSEN Distribution	15.2	486.8	–	–	(80.9)	–	(0.1)	–	421.0
SSE Renewables	685.7	311.3	391.8	–	–	(515.2)	(36.1)	–	837.5
SSE Thermal	20.8	44.5	87.9	–	–	–	–	–	153.2
Gas Storage	–	6.3	–	–	–	–	–	–	6.3
Energy Customer Solutions									
Business Energy	38.9	–	–	–	–	–	–	–	38.9
SSE Airtricity	10.5	–	–	–	–	–	–	–	10.5
Distributed Energy	62.0	66.6	–	–	–	–	(3.9)	–	124.7
EPM	809.9	–	–	(805.2)	–	–	–	–	4.7
Corporate unallocated	38.4	48.0	18.7	–	–	–	(36.8)	–	68.3
Total SSE Group	1,688.6	1,500.1	498.4	(805.2)	(80.9)	(515.2)	(78.5)	(46.7)	2,160.6

(i) Represents equity or debt funding provided to joint ventures or associates in relation to capital expenditure projects.
(ii) Allowances and Certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs) and are not included in the Group's Capital Expenditure and Investment alternative performance measure.
(iii) Represents removal of additions to electricity and other networks funded by customer contributions.
(iv) Represents removal of additions achieved through business combinations; for Renewables additions of £515.2m refer to note 12. Note that the Group's Adjusted Investment, Capital and Acquisitions metric includes the £642.7m cash consideration paid for Business Combinations and totals £2,803.3m.
(v) Represents removal of additions in respect of right of use assets recognised on the commencement date of a lease arrangement.
(vi) Represents the share of capital additions attributable to non-controlling interests.

At 31 March 2022	Capital additions to intangible assets 2022 £m	Capital additions to property, plant and equipment 2022 (restated*) £m	Capital Investment relating to Joint Ventures and Associates(i) £m	Allowances and certificates(ii) £m	Customer funded additions(iii) £m	Acquired through business combinations(iv) £m	Lease asset additions(v) £m	Additions subsequently impaired/ disposed(vi) £m	Refinancing proceeds(vii) £m	Adjusted Investment and Capital Expenditure 2022 (restated*) APM £m
Continuing operations										
SSEN Transmission	5.8	608.6	–	–	–	–	–	–	–	614.4
SSEN Distribution	15.6	440.5	–	–	(91.3)	–	–	–	–	364.8
SSE Renewables	265.2	193.2	588.8	–	–	(197.8)	(38.4)	–	(136.7)	674.3
SSE Thermal	9.5	59.2	54.7	–	–	–	–	–	–	123.4
Gas Storage	–	2.1	–	–	–	–	–	–	–	2.1
Energy Customer Solutions										
Business Energy	4.6	30.6	–	–	–	–	–	–	–	35.2
SSE Airtricity	–	4.6	–	–	–	–	–	–	–	4.6
Distributed Energy	8.7	17.9	–	–	–	–	–	–	–	26.6
EPM	545.3	1.6	–	(544.5)	–	–	–	–	–	2.4
Corporate unallocated	65.8	21.2	39.0	–	–	–	(47.3)	–	–	78.7
Total continuing operations	920.5	1,379.5	682.5	(544.5)	(91.3)	(197.8)	(85.7)	–	(136.7)	1,926.5
Discontinued operations										
Gas Production	0.5	13.4	–	–	–	–	–	(13.9)	–	–
Total discontinued operations	0.5	13.4	–	–	–	–	–	(13.9)	–	–
Total SSE Group	921.0	1,392.9	682.5	(544.5)	(91.3)	(197.8)	(85.7)	(13.9)	(136.7)	1,926.5

* The comparatives have been restated. See note 2.1.
(i) Represents equity or debt funding provided to joint ventures or associates in relation to capital expenditure projects.
(ii) Allowances and Certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs) and are not included in the Group's Capital Expenditure and Investment alternative performance measure.
(iii) Represents removal of additions to electricity and other networks funded by customer contributions.
(iv) Represents removal of additions achieved through business combination; for Renewables additions of £197.8m refer to note 12. Note that the Group's Adjusted Investment, Capital and Acquisitions metric includes the £141.3m cash consideration paid for Business Combinations and totals £2,067.8m.
(v) Represents removal of right of use assets recognised on the commencement date of a lease arrangement.
(vi) On 14 October 2021, the Group disposed of its Gas Production business but retained a 60% share of the decommissioning obligation of the business.
(vii) Represents the refunding of equity or debt funding provided by the Group (predominately to joint ventures); as the funding is included at (i) above, when there is a refinancing and SSE receives a repayment, those proceeds are excluded from its adjusted capex measure. In the year to 31 March 2022, Doggerbank windfarm reimbursed SSE for previous funding of £136.7m.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued
5.1 Segmental information disclosure continued
(iv) Items included in operating profit/(loss) by segment

	Depreciation/impairment on property, plant and equipment			Amortisation/impairment of intangible assets		
	Before exceptional charges 2023 £m	Impairment charges/ (credits) 2023 £m	Total 2023 £m	Before exceptional charges 2023 £m	Impairment charges/ (credits) 2023 £m	Total 2023 £m
Continuing operations						
SSEN Transmission	109.4	–	109.4	4.7	–	4.7
SSEN Distribution	172.0	–	172.0	10.2	–	10.2
SSE Renewables	161.1	12.5	173.6	2.0	4.2	6.2
SSE Thermal	103.3	(7.2)	96.1	0.6	–	0.6
Gas Storage	16.5	(45.7)	(29.2)	–	–	–
Energy Customer Solutions						
Business Energy	0.2	–	0.2	4.5	–	4.5
SSE Airtricity	0.1	–	0.1	6.8	–	6.8
Distributed Energy	4.7	0.4	5.1	1.7	–	1.7
EPM	–	–	–	6.0	–	6.0
Corporate unallocated	38.4	1.6	40.0	18.1	14.6	32.7
Total SSE Group	605.7	(38.4)	567.3	54.6	18.8	73.4

	Depreciation/impairment on property, plant and equipment			Amortisation/impairment of intangible assets		
	Before exceptional charges 2022 £m	Impairment charges/ (credits) 2022 £m	Total 2022 £m	Before exceptional charges 2022 £m	Impairment charges/ (credits) 2022 £m	Total 2022 £m
Continuing operations						
SSEN Transmission	99.6	–	99.6	3.6	–	3.6
SSEN Distribution	165.8	20.7	186.5	9.4	–	9.4
SSE Renewables	160.1	–	160.1	0.8	–	0.8
SSE Thermal	69.8	(331.6)	(261.8)	0.4	–	0.4
Gas Storage	0.8	(97.3)	(96.5)	–	–	–
Energy Customer Solutions						
Business Energy	5.1	–	5.1	6.2	–	6.2
SSE Airtricity	0.2	–	0.2	1.5	–	1.5
Distributed Energy	5.6	(1.6)	4.0	2.3	0.5	2.8
EPM	–	–	–	4.5	–	4.5
Corporate unallocated	38.4	–	38.4	16.7	1.0	17.7
Total continuing operations	545.4	(409.8)	135.6	45.4	1.5	46.9
Discontinued operations						
Gas Production	–	120.8	120.8	–	–	–
Total discontinued operations	–	120.8	120.8	–	–	–
Total SSE Group	545.4	(289.0)	256.4	45.4	1.5	46.9

The Group's share of SGN depreciation in the year ended 31 March 2022 (£10.4m) and amortisation (£0.7m) is not included within operating costs.

(v) Earnings before interest, taxation, depreciation and amortisation ('EBITDA')

	Adjusted operating profit reported to the Board (note 5.1(ii)) APM 2023 £m	Depreciation on fair value uplifts 2023 £m	Depreciation/ Impairment/ amortisation before exceptional charges (note 5.1(iv)) 2023 £m	JV/Associate share of depreciation and amortisation (note 16.4) 2023 £m	Release of deferred income (note 6) 2023 £m	Share of non-controlling interest depreciation and amortisation 2023 £m	Adjusted EBITDA APM 2023 £m
Continuing operations							
SSEN Transmission	372.7	–	114.1	–	(2.1)	(9.7)	475.0
SSEN Distribution	382.4	–	182.2	–	(10.6)	–	554.0
SSE Renewables	580.0	(18.8)	179.8	92.8	(0.1)	–	833.7
SSE Thermal	1,031.9	(10.0)	114.5	60.8	–	–	1,197.2
Gas Storage	212.5	–	16.5	–	–	–	229.0
Energy Customer Solutions							
Business Energy	17.9	–	4.7	–	–	–	22.6
SSE Airtricity	5.6	–	6.9	–	–	–	12.5
Distributed Energy	(27.4)	–	6.8	–	(0.2)	–	(20.8)
EPM	80.4	–	6.0	–	–	–	86.4
Corporate							
Corporate unallocated	(87.0)	–	72.7	–	(0.9)	–	(15.2)
Neos	(39.8)	–	–	47.5	–	–	7.7
Total SSE Group	2,529.2	(28.8)	704.2	201.1	(13.9)	(9.7)	3,382.1

Note that the Group's 'Net Debt to EBITDA' metric is derived after removing the proportionate EBITDA from the following debt-financed Beatrice and Seagreen joint ventures. This adjustment is £146.9m (2022: £125.4m) resulting in EBITDA on continuing operations for inclusion in the Debt to EBITDA metric of £3,235.2m (2022: £2,125.3m restated).

For 31 March 2023 the £704.2m combined depreciation, impairment and amortisation charges included non-exceptional impairments totalling £43.9m.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

5. Segmental information continued
5.1 Segmental information disclosure continued
(v) Earnings before interest, taxation, depreciation and amortisation ('EBITDA') continued

	(restated*)					
	Adjusted operating profit reported to the Board (note 5.1(ii)) APM 2022 £m	Depreciation on fair value uplifts 2022 £m	Depreciation/ Impairment/ amortisation before exceptional charges (note 5.1(iv)) 2022 £m	JV/Associate share of depreciation and amortisation (note 16.4) 2022 £m	Release of deferred income (note 6) 2022 £m	Adjusted EBITDA APM 2022 £m
Continuing operations						
SSEN Transmission	380.5	–	103.2	–	(3.8)	479.9
SSEN Distribution	351.8	–	195.9	–	(11.6)	536.1
SSE Renewables	568.1	(18.8)	160.9	85.4	–	795.6
SSE Thermal	300.4	–	70.2	19.0	–	389.6
Gas Storage	30.7	–	0.8	–	–	31.5
Energy Customer Solutions						
Business Energy	(21.5)	–	11.3	–	–	(10.2)
SSE Airtricity	60.4	–	1.7	–	–	62.1
Distributed Energy	(10.9)	–	7.4	–	(1.3)	(4.8)
EPM	(16.8)	–	4.5	–	–	(12.3)
Corporate						
Corporate unallocated	(95.7)	–	56.1	–	(0.9)	(40.5)
Neos	(16.1)	(1.8)	–	42.2	–	24.3
Total continuing operations	1,530.9	(20.6)	612.0	146.6	(17.6)	2,251.3
Discontinued operations						
Gas Production	101.4	–	–	–	–	101.4
SGN	21.0	–	–	11.1	–	32.1
Total discontinued operations	122.4	–	–	11.1	–	133.5
Total SSE Group	1,653.3	(20.6)	612.0	157.7	(17.6)	2,384.8

* The comparative adjusted operating profit by segment information has been restated. See note 2.1.

For 31 March 2022 the £612.0m combined depreciation, impairment and amortisation charges included non-exceptional impairments totalling £21.2m.

6. Other operating income and cost
Group operating profit on continuing operations is stated after charging/(crediting) the following items:

	2023 £m	2022 £m
Depreciation of property, plant and equipment on continuing operations(i) (note 14)	**605.7**	544.8
Net exceptional gains on disposal (note 7)	**(89.1)**	(4.3)
Exceptional charges/(credits) (continuing operations) (note 7)	**230.4**	(297.5)
Research costs	**10.8**	12.0
Lease charges(ii)	**11.7**	11.0
Release of deferred income in relation to capital grants and historic customer contributions	**(13.9)**	(17.6)
Government grant income(iii)	**(1,012.6)**	–
Gain on disposals (non-exceptional) (note 12)	**–**	(67.1)
Amortisation of other intangible assets	**0.3**	1.5

(i) Does not include exceptional impairment charges.
(ii) Represents the expense of leases with a duration of 12 months or less and leases for assets which are deemed 'low value' under the principles of IFRS 16. In addition, variable lease payments, which are not included within the measurement of lease liabilities as they do not depend on an index or rate, of £10.4m (2022: £7.8m) were charged in the current year.
(iii) During the year the Group received £1,012.6m of income from government funded customer support schemes. All amounts received were passed to the Group's energy customers in the United Kingdom and Republic of Ireland. Amounts received have been classed as other operating income in line with the Group's accounting policies for government grants.

Auditor's remuneration

	2023 £m	2022 £m
Audit of these financial statements	**0.4**	0.4
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**3.2**	3.1
Audit related assurance services	**0.3**	0.3
Other services fees	**0.1**	0.1
	3.6	3.5
Total remuneration paid to auditor	**4.0**	3.9

Audit fees in the current year include scope changes and overruns of £0.4m (2022: £0.4m) related to the prior year audit. Assurance and Tax service fees incurred in the year were £0.5m (2022: £0.5m). Audit related assurance services include fees incurred in relation to regulatory accounts and returns required by Ofgem and comfort letters in connection with funding and debt issuance. A description of the work of the Audit Committee is set out on pages 150 to 159 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

7. Exceptional items and certain re-measurements

	2023 £m	2022 £m
Continuing operations		
Exceptional items (note 7.1)		
Asset impairments and related (charges) and credits	**(233.6)**	322.6
Net gains/(losses) on acquisitions/disposals of businesses and other assets	**233.2**	(17.6)
Total exceptional items	**(0.4)**	305.0
Certain re-measurements		
Movement on operating derivatives (note 24)	**(2,708.2)**	2,100.4
Movement in fair value of commodity stocks	**(9.0)**	(2.6)
Movement on financing derivatives (note 24)	**201.9**	21.0
Share of movement on derivatives in jointly controlled entities (net of tax)	**163.8**	–
Total certain re-measurements	**(2,351.5)**	2,118.8
Exceptional items and certain re-measurements on continuing operations before taxation	**(2,351.9)**	2,423.8
Taxation		
Taxation on other exceptional items	**(34.1)**	(79.0)
Taxation on certain re-measurements	**499.6**	(408.0)
Effect of deferred tax rate change in wholly owned entities	**–**	(244.7)
Effect of deferred tax rate change in jointly controlled entities	**–**	(33.2)
Taxation	**465.5**	(764.9)
Total exceptional items and certain re-measurements on continuing operations after taxation	**(1,886.4)**	1,658.9
Discontinued operations		
Exceptional items and certain re-measurements		
Gas production asset impairments and related credits/(charges)	**35.0**	(120.8)
Net gain on disposal of jointly controlled entities	**–**	576.5
Share of movement on derivatives in jointly controlled entities (net of tax)	**–**	(3.8)
Effect of deferred tax rate change in jointly controlled entities	**–**	(85.5)
Total exceptional items and certain re-measurements on discontinued operations after taxation	**35.0**	366.4

Exceptional items and certain remeasurements are disclosed across the following categories within the income statement:

	2023 £m	2022 £m
Continuing operations		
Cost of sales:		
Movement on operating derivatives (note 24)	**(2,708.2)**	2,100.4
Movement in fair value of commodity stocks	**(9.0)**	(2.6)
	(2,717.2)	2,097.8
Operating costs:		
Asset impairments and reversals	**(233.6)**	322.6
Other exceptional provisions and charges	**3.2**	(25.1)
	(230.4)	297.5
Operating income:		
Net gains on disposals of businesses and other assets	**89.1**	4.3
	89.1	4.3
Joint ventures and associates:		
Net gains on acquisitions of a joint venture	**140.7**	–
Share of movement on derivatives in jointly controlled entities (net of tax)	**163.8**	–
Effect of deferred tax rate change in jointly controlled entities	**–**	(33.2)
	304.5	(33.2)
Operating profit	**(2,554.0)**	2,366.4
Finance income		
Movement on financing derivatives (note 24)	**201.9**	21.0
Interest income on deferred consideration receipt	**0.2**	3.2
	202.1	24.2
Profit before tax on continuing operations	**(2,351.9)**	2,390.6
Discontinued operations		
Gas Production asset impairments and related credits/(charges)	**35.0**	(120.8)
Joint ventures and associates:		
Net gain on disposal of jointly controlled entities	**–**	576.5
Share of movement on derivatives in jointly controlled entities (net of tax)	**–**	(3.8)
Profit before tax on discontinued operations	**35.0**	451.9

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

7. Exceptional items and certain re-measurements continued
7.1 Exceptional items
Exceptional items in the year ended 31 March 2023
In the year to 31 March 2023, the Group recognised a net exceptional charge of £0.4m arising from its continuing operations. The net exceptional charge is primarily due to a net impairment of £150.9m in relation to the Group's 50% investment in Triton Power Holdings Limited (see note 7.1.iv below for further analysis of amounts recognised in relation to Triton), offset by an exceptional gain of £89.1m from the sale of land at Fiddler's Ferry, an impairment reversal of £45.7m related to the Group's Gas Storage operations at Aldbrough and an impairment reversal of £17.8m in relation to the Group's Great Island combine cycle gas turbine ('CCGT') plant in Ireland.

In discontinued operations, the Group recognised an exceptional gain of £35.0m relating to a provision release associated with the disposal of its Gas Production assets, which completed on 14 October 2021.

The net exceptional charges/(credits) recognised can be summarised as follows:

	Property, plant and equipment (note 14) £m	Provisions and other charges £m	Investment in joint ventures £m	Cash and cash equivalents £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	(17.8)	–	–	–	–	(17.8)
Gas storage (ii)	(45.7)	–	–	–	–	(45.7)
Fiddler's Ferry (iii)	24.1	(53.2)	–	(60.0)	–	(89.1)
Triton Power 50% joint venture (iv)	–	–	150.9	–	–	150.9
Neos Networks (v)	–	–	5.9	–	–	5.9
Other credits (vi)	–	(1.5)	–	(2.1)	(0.2)	(3.8)
Total exceptional items continuing operations	(39.4)	(54.7)	156.8	(62.1)	(0.2)	0.4
Gas Production (vii)	–	(35.0)	–	–	–	(35.0)
Total exceptional items discontinued operations	–	(35.0)	–	–	–	(35.0)
Total exceptional items	(39.4)	(89.7)	156.8	(62.1)	(0.2)	(34.6)

(i) Thermal Electricity Generation – impairment reversal
At 31 March 2023, the Group has carried out a formal impairment review to reassess the carrying value of its GB CCGT power stations and the Group's Great Island CCGT plant in Ireland (see note 15.2). As a result of the review, the Group has recognised an exceptional impairment reversal of £17.8m to the carrying value of the Group's Great Island CCGT plant.

(ii) Gas Storage – impairment reversal
At 30 September 2022, the Group recognised an impairment reversal of £201.1m reflecting future market price assumptions at that time. The Group performed a formal impairment review at 31 March 2023 to reassess the carrying value of its Gas Storage operations at Atwick and Aldbrough (see note 15.2). As a result of the assessment, the Group has recognised an exceptional impairment of £155.4m to the carrying value of the assets at Aldbrough, resulting in a net impairment reversal of £45.7m. The impairment previously recognised in relation to Atwick was fully reversed in the year ended 31 March 2022, and no impairment is required for the current financial year.

(iii) Fiddler's Ferry land sale
On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited for cash consideration of £60.0m. The Group carried a decommissioning provision for the site of £53.2m and a residual asset of £24.1m, both of which were disposed of as part of the sale. As a result, the Group has recognised an exceptional gain of £89.1m on disposal.

(iv) Triton Power 50% joint venture acquisition and impairment
On 1 September 2022, the Group acquired 50% of the share capital of Triton Power Holdings Limited from Energy Capital Partners for total consideration of £341.0m (see note 12). The purchase price of £341.0m was agreed based on prices prevalent in the market during the summer, prior to completion of the transaction on 1 September 2022. The Group assessed that, due to movements in near term market observable power prices between the transaction agreement date and the completion date, the fair value of the acquisition was £140.7m greater than the acquisition price. This bargain purchase was recognised as an exceptional gain in the Group's half year results to 30 September 2022. During the second half of the year, the Group realised a significant proportion of the acquired fair value of the business through trading operations of the joint venture. As a result, the future recoverable value of the business is lower at 31 March 2023 than at 1 September 2022 and the Group has therefore recognised an impairment charge at 31 March 2023 of £291.6m (see note 15.2).

A summary of exceptional items recognised in relation to Triton since the 50% acquisition on 1 September 2022 is set out below:

	Financial statement line item charge/(credit) is included within	Exceptional items and certain re-measurements £m
Recognition of bargain purchase	Joint venture and associates share of profit	(140.7)
Impairment of investment	Operating costs	291.6
Total exceptional items		**150.9**
Mark-to-market movement on operating derivatives	Joint venture and associates share of movement on derivatives	(213.9)
Share of tax on mark-to-market movement on operating derivatives	Joint venture and associates share of tax	41.9
Total certain remeasurements		**(172.0)**
Total exceptional items and certain remeasurements		**(21.1)**

(v) Neos Networks – investment impairment and adjustments to consideration
At 31 March 2023, the Group has assessed that the recoverable amount of its investment in Neos Networks has been impaired by £37.7m, of which £5.9m has been treated as exceptional. Under the Group's policy, an impairment charge of less than £40m is not considered to be an exceptional item. However, £5.9m of the impairment relates to the fair value gain previously recognised on acquisition of the joint venture investment in March 2019, which had been previously treated as an exceptional item. Therefore, for consistent presentation, this reversal has been recognised separately. The balance of the impairment charge, being £31.8m, has been recognised as part of adjusted operating profit. See note 15 for further details of this impairment.

(vi) Other credits
At 31 March 2023, the Group recognised further exceptional credits of £3.8m relating to reversal of previously recognised exceptional charges or judgements. These included i) reassessment of separation cost provisions associated primarily with the disposals of SSE Energy Services and SGN (credit of £9.7m) ii) credit of £0.2m in relation to the unwind of discounting on deferred consideration recognised on the part disposal of SSE Slough Multifuel Limited in the year ending 31 March 2021, iii) reassessment of impairments associated with Heat Networks assets credit of £0.4m, partially offset by iv) £6.5m charge recognised in relation to provisions in connection with the sale of the Contracting and Rail business in June 2021.

Exceptional items within discontinued operations in the year ended 31 March 2023
(vii) Gas Production – gain on disposal
On 4 November 2022, RockRose Energy Limited received HMRC clearance in respect of tax treatment in relation to the Group's disposal of its Gas Production business to Viaro Energy (through its subsidiary RockRose Energy Limited), which completed on 14 October 2021. The Group had indemnified RockRose Energy Limited in relation to certain tax liabilities that it might suffer as a result of the transaction, and this formed part of the provision which was recognised on the disposal of the Gas Production business. The HMRC clearance indicated that no such tax liabilities arise for RockRose Energy Limited and as a result the Group has released £35.0m of provision relating to the indemnity as an adjustment to the loss on disposal recognised. The adjustment is recognised in discontinued operations in the year ended 31 March 2023.

Exceptional items in the year ended 31 March 2022
In the year to 31 March 2022, the Group recognised a net exceptional credit of £305.0m arising from its continuing operations. The net exceptional credit was primarily due to impairment reversals of £331.5m in relation to the Group's GB CCGT power stations and the Group's Great Island CCGT plant in Ireland and impairment reversals of £97.3m related to the Group's Gas Storage operations at Atwick and Aldbrough. These credits were offset by an impairment loss of £106.9m recognised in relation to the Group's investment in Neos Networks, a further £18.9m loss was recognised on completion of the disposal of SSE Contracting on 30 June 2021 and £6.2m consideration adjustment associated with the disposal of the Group's 50% stake in Neos Networks, which completed in the year ended 31 March 2019.

In discontinued operations, the Group recognised an exceptional gain on the disposal of the Group's 33.3% investment in SGN of £576.5m, offset by an exceptional charge of £120.8m associated with the disposal of its Gas Production assets, which completed on 14 October 2021.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

7. Exceptional items and certain re-measurements continued
7.1 Exceptional items continued
Exceptional items in the year ended 31 March 2022 continued
The net exceptional charges/(credits) recognised can be summarised as follows:

	Property, plant and equipment (note 14) £m	Held for sale £m	Provisions and other charges £m	Investment in joint ventures £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation (i)	(331.6)	–	–	–	–	(331.6)
Gas storage (ii)	(97.3)	–	–	–	–	(97.3)
SSE Contracting (iii)	–	–	18.9	–	–	18.9
Neos Networks (iv)	–	–	6.2	106.9	–	113.1
Other credits (v)	(0.6)	–	–	–	(7.5)	(8.1)
Total exceptional items continuing operations	(429.5)	–	25.1	106.9	(7.5)	(305.0)
SGN disposal gain (vi)	–	–	–	–	(576.5)	(576.5)
Gas Production (vii)	–	120.8	–	–	–	120.8
Total exceptional items discontinued operations	–	120.8	–	–	(576.5)	(455.7)
Total exceptional items	(429.5)	120.8	25.1	106.9	(584.0)	(760.7)

(i) Thermal Electricity Generation – impairment reversals
At 31 March 2022, the Group reversed £331.6m of historic impairments related to the Group's GB CCGT power stations and the Group's Great Island CCGT plant in Ireland (see note 15.2). This represented a full impairment reversal for the CCGT plants at Peterhead, Marchwood, Keadby and Medway and a partial reversal for Great Island.

(ii) Gas Storage – impairment reversals
At 31 March 2022, the Group reversed historic impairments of £97.3m related to its Gas Storage operations at Atwick and Aldbrough (see note 15.2).

(iii) SSE Contracting – loss on disposal
On 30 June 2021, the Group recorded a further impairment charge of £18.9m following the completion of the sale of its Contracting and Rail business to the Aurelius Group. This impairment was recognised in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021.

(iv) Neos Networks – investment impairment and adjustments to consideration
At 31 March 2022, the Group assessed that the value of its investment in Neos Networks was impaired by £106.9m (see note 15.2). In the year ended 31 March 2022, the Group also reassessed its position relating to the original disposal of a 50% stake in the business on 31 March 2019 with the net impact being the recognition of an exceptional charge of £6.2m.

(v) Other credits
At 31 March 2022, the Group recognised further exceptional credits of £8.1m relating to reversal of previously recognised exceptional charges or judgements. These included (i) reassessment of impairments associated with Heat Networks assets credit of £0.6m, (ii) credit of £3.2m in relation the unwind of discounting on deferred consideration recognised on the part disposal of SSE Slough Multifuel Limited in the year ending 31 March 2021, (iii) credit of £4.3m in relation to a gain on disposal of historically impaired land at Seabank.

Exceptional items within discontinued operations in the year ended 31 March 2022
(vi) SGN disposal gain
On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The transaction completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m. See note 12.2 for further information.

(vii) Gas Production – impairment loss
The Group recorded an exceptional impairment of £120.8m prior to the sale of its Gas Production assets and liabilities to RockRose Energy Limited on 14 October 2021. The impairment was recognised to reduce the carrying value of the assets and liabilities to their fair value less costs to sell.

Exceptional items in the year ended 31 March 2021
In the year to 31 March 2021, the Group recognised a net exceptional credit of £850.3m in its continuing operations. The net exceptional credit was primarily due to gains on disposal of the Group's stakes in Ferrybridge Multifuel (£669.9m), Walney offshore windfarm (£188.7m) and Maple SmartMeterCo (£70.4m) investments. In addition, the Group reversed £26.1m of prior year exceptional provisions for bad debt arising from coronavirus and recorded exceptional gains following the fair value uplift of its retained stakes in SSE Slough Multifuel Limited (£21.3m) and Seagreen Holdco 1 Limited (£25.7m). These exceptional credits were offset by an impairment to the Group's Great Island Thermal CCGT plant of £58.1m and a write down of £51.2m to SSE Contracting, which represented the fair value less costs to sell. Finally, the Group incurred £24.2m of further charges related to the disposal of SSE Energy Services which was completed in 2020 and reduced the overall gain on disposal, completed in the year ended 31 March 2019, of Neos Networks Limited by £21.8m.

The net exceptional charges/(credits) recognised can be summarised as follows:

	Property, plant and equipment £m	Intangible assets £m	Provisions and other charges £m	Trade receivables £m	Other receivables £m	Total charges/ (credits) £m
Thermal Electricity Generation	58.1	–	–	–	–	58.1
Customer bad debt provisioning	–	–	–	(26.1)	–	(26.1)
SSE Contracting	–	–	51.2	–	–	51.2
SSE Energy Services disposal costs	15.1	5.2	3.9	–	–	24.2
Neos Networks	–	–	20.2	–	1.6	21.8
Other charges	(1.9)	–	–	–	(1.6)	(3.5)
Disposal gains	–	–	–	–	(976.0)	(976.0)
Total exceptional items	71.3	5.2	75.3	(26.1)	(976.0)	(850.3)

7.2 Certain re-measurements
The Group, through its EPM business, enters into forward commodity purchase (and sales) contracts to meet the future demand requirements of its Business Energy and SSE Airtricity supply businesses, to optimise the value of its SSE Renewables and SSE Thermal power generation assets or to conduct other trading subject to the value at risk limits set out by the Energy Markets Risk Committee. Certain of these contracts (predominately electricity, gas and other commodity purchase contracts) are determined to be derivative financial instruments under IFRS 9 'Financial Instruments' and as such are required to be recorded at their fair value. Conversely, commodity contracts that are not financial instruments under IFRS 9 (predominately electricity sales contracts) are accounted for as 'own use' contracts and are not recorded at their fair value. Inventory purchased to utilise excess capacity ahead of an optimised sale in the market by the Gas Storage business is held as trading inventory at fair value with changes in value recognised within 'certain re-measurements'. In addition, the mark-to-market valuation movements on the Group's contracts for difference contracts entered into by SSE Renewables that are not designated as government grants and which are measured as Level 3 fair value financial instruments are also included within 'certain re-measurements'.

Changes in the fair value of those commodity contracts designated as financial instruments and trading inventory are therefore reflected in the income statement. The Group shows the change in the fair value of these forward contracts and trading inventory separately as 'certain re-measurements', as the Group does not believe this mark-to-market movement is relevant to the underlying performance of its businesses.

At 31 March 2023, volatility in global commodity markets and changes in SSE's contractual positions have resulted in a significantly adverse mark-to-market remeasurement on commodity contracts (predominately power purchases) designated as financial instruments and trading inventory of £2,717.2m (2022: £2,097.8m gain). It should be noted that the net IFRS 9 position on operating derivatives at 31 March 2023 is a liability of £386.9m (2022: £2,301.8m asset).

In addition, the Group has executory 'own use' designated commodity contracts which, if classified as financial instruments and remeasured at fair value in accordance with IFRS 9, would significantly increase the total fair value remeasurement and closing liability value. These predominately relate to financial hedges entered into on behalf of the SSE Renewables and SSE Thermal businesses for future sales which were entered into before the subsequent increase in market prices. A significant proportion of 'in the money' mark-to-market contracts recorded at 31 March 2023 and unvalued 'own use' designated commodity contracts are expected to reverse in the next financial year as the relevant commodity is delivered. The remaining settlement of these contracts will predominately be within the subsequent 12 to 24 months. The mark-to-market loss in the year has resulted in a deferred tax credit of £499.6m (2022: £408.0m), which has also been classified as exceptional. In addition, the Group has recognised gains of £201.9m (2022: £21.0m) on the remeasurement of the certain interest rate and foreign exchange contracts through the income statement, gains on the remeasurement of cash flow hedge accounted contracts of £43.3m (2022: £22.9m) in other comprehensive income and gains on the equity share of the remeasurement of cash flow hedge accounted contracts in joint ventures of £342.4m (2022: £181.4m).

The re-measurements arising from IFRS 9 and the associated deferred tax are disclosed separately to aid understanding of the underlying performance of the Group.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

7. Exceptional items and certain re-measurements continued

7.3 Change in UK corporation tax rates

The Government announced in the Budget on 3 March 2021 that the main rate of corporation tax will increase to 25% for the financial year beginning 1 April 2023. Prior to this date, the rate of corporation tax will remain at 19%. The increase to 25% was substantively enacted at 24 May 2021 and therefore the deferred tax balances were re-measured at 31 March 2022. The rate change resulted in an income statement charge for continuing operations of £244.7m at 31 March 2022 and an increase to the Group›s deferred tax liabilities (including the effect of equity accounted items) of £279.5m at 31 March 2022. The impact of the rate change on the Group's share of profits of its equity accounted investments was a charge of £33.2m at 31 March 2022 for continuing operations and a charge of £85.5m for discontinued operations at 31 March 2022.

Finance Bill 2021 also included draft legislation in respect of Capital Allowance 'Super-deductions' of 130% in respect of General Pool plant and machinery, alongside First Year Allowances of 50% for Special Rate Pool plant and machinery for the two years commencing 1 April 2021. The Group expects these changes, which were substantively enacted on 24 May 2021, to significantly increase the deduction for Capital Allowances in the financial years ending 31 March 2022 and 31 March 2023. An estimate of the super-deduction has been taken into account when calculating the effective tax for the current year and prior year. Finance Bill 2023 introduced draft legislation, effective from 1 April 2023 to 31 March 2026, to allow 'Full Expensing' of 100% General Pool plant and machinery, alongside 50% for Special Rate Pool plant and machinery. The Group expects these changes to significantly increase the deductions for Capital Allowances in the financial years ending 31 March 2024 to 31 March 2026.

Finance Bill 2023 also introduced draft legislation in respect of Multinational Top-up Tax in line with OECD BEPS pillar 2 principles. The legislation is expected to be in force for the year ended 31 March 2025. Similar draft legislation has been introduced in the Republic of Ireland and other EU jurisdictions. The Group is assessing the impact of the changes but does not expect a material impact to arise.

Taxation

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above.

8. Directors and employees

8.1 Staff costs

	2023 £m	2022 £m
Staff costs:		
Wages and salaries	**587.6**	517.6
Social security costs	**69.6**	60.1
Share-based remuneration	**20.6**	17.6
Pension costs (note 23)	**94.0**	93.4
	771.8	688.7
Less: capitalised as property, plant and equipment or intangible assets	**(179.6)**	(157.4)
	592.2	531.3

The figures in the table above for 31 March 2022 included £11.9m of staff costs related to the Group's Contracting and Rail business which was sold on 30 June 2021 (2023: £nil).

8.2 Employee numbers

	2023 Number	2022 Number
Numbers employed at 31 March	**12,180**	10,754
	12,180	10,754

The average number of people employed by the Group (including Executive Directors) during the year was:

	2023 Number	2022 Number (restated*)
SSEN Transmission	**1,136**	819
SSEN Distribution	**4,197**	4,061
SSE Renewables	**1,591**	1,321
SSE Thermal	**458**	441
Gas Storage	**84**	83
Energy Customer Solutions		
Business Energy	**843**	892
SSE Airtricity	**845**	751
Distributed Energy	**855**	1,182
EPM	**256**	227
Corporate Services	**1,211**	1,181
Total SSE Group	**11,476**	10,958

* The comparatives for the year ended 31 March 2022 have been restated to align the presentation with the current year, which reflects that certain employees, who were previously reported within Corporate Services directly support the business units of the Group.

8.3 Remuneration of key management personnel

The remuneration of the key management personnel of the Group (excluding amounts equivalent to pension value increases as set out in the Remuneration Report), is set out below in aggregate.

	2023			2022		
	Executive committee members £m	Executive directors £m	Total £m	Executive committee members £m	Executive directors £m	Total £m
Salaries and short term employee benefits	**4.0**	**5.2**	**9.2**	2.2	4.9	7.1
Social security costs	**0.9**	**1.0**	**1.9**	0.4	0.9	1.3
Post-employment benefits	**0.7**	**0.7**	**1.4**	0.3	0.9	1.2
Share based benefits	**1.7**	**4.4**	**6.1**	1.2	4.3	5.5
	7.3	**11.3**	**18.6**	4.1	11.0	15.1

Key management personnel are responsible for planning, directing and controlling the operations of the Group and are designated Persons Discharging Management Responsibilities ('PDMRs') in line with the market abuse regulation definition. The Group has three (2022: three) Executive directors. Executive committee members included in the table above at 31 March 2023 are the Managing Director of SSEN Distribution; the Managing Director of SSEN Transmission; the Managing Director of SSE Renewables; the Managing Director of Thermal; the Director of Corporate Affairs and Strategy; the Director of Human Resources and the Group's General Counsel.

Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report.

Information regarding transactions with post-retirement benefit plans is included in note 23.

Non-executive directors were paid fees of £1.3m during the current year (2022: £1.2m).

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

9. Finance income and costs
Recognised in income statement

	2023			2022		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Finance income:						
Interest income from short term deposits	17.5	–	17.5	0.8	–	0.8
Interest on pension scheme assets(i)	16.2	–	16.2	7.6	–	7.6
Other interest receivable:						
Joint ventures and associates	67.6	–	67.6	46.8	–	46.8
Other receivable	34.0	0.2	34.2	23.8	3.2	27.0
	101.6	0.2	101.8	70.6	3.2	73.8
Total finance income	135.3	0.2	135.5	79.0	3.2	82.2
Finance costs:						
Bank loans and overdrafts	(50.1)	–	(50.1)	(16.2)	–	(16.2)
Other loans and charges	(339.1)	–	(339.1)	(340.2)	–	(340.2)
Foreign exchange translation of monetary assets and liabilities	–	–	–	(14.6)	–	(14.6)
Notional interest arising on discounted provisions	(22.1)	–	(22.1)	(5.7)	–	(5.7)
Lease charges	(29.4)	–	(29.4)	(30.4)	–	(30.4)
Less: interest capitalised(ii)	44.0	–	44.0	30.7	–	30.7
Total finance costs	(396.7)	–	(396.7)	(376.4)	–	(376.4)
Changes in fair value of financing derivative assets or liabilities at fair value through profit or loss	–	201.9	201.9	–	21.0	21.0
Net finance costs	(261.4)	202.1	(59.3)	(297.4)	24.2	(273.2)
Presented as:						
Finance income	135.3	202.1	337.4	79.0	24.2	103.2
Finance costs	(396.7)	–	(396.7)	(376.4)	–	(376.4)
Net finance costs	(261.4)	202.1	(59.3)	(297.4)	24.2	(273.2)

(i) The interest income on net pension assets for the year ended 31 March 2023 of £16.2m (2022: £7.6m) represents the interest earned under IAS 19.
(ii) The capitalisation rate applied in determining the amount of borrowing costs to capitalise in the year was 4.11% (2022: 3.86%).

Adjusted net finance costs are arrived at after the following adjustments:

	2023 £m	2022 £m
Net finance costs	(59.3)	(273.2)
(add)/less:		
Share of interest from joint ventures and associates	(70.1)	(67.8)
Interest on pension scheme liabilities	(16.2)	(7.6)
Movement on financing derivatives (note 24)	(201.9)	(21.0)
Exceptional item	(0.2)	(3.2)
Share of net finance cost attributable to non-controlling interests	2.1	–
Adjusted net finance costs APM	(345.6)	(372.8)
Notional interest arising on discounted provisions	22.1	5.7
Lease charges	29.4	30.4
Hybrid coupon payment (note 22.5(iii))	(38.8)	(50.7)
Adjusted net finance costs for interest cover calculations APM	(332.9)	(387.4)

Recognised in other comprehensive income

	2023 £m	2022 £m
Gain on effective portion of cash flow hedges (before tax)	43.3	22.9
Share of joint venture/associate gain on effective portion of cash flow hedges (before tax)	456.5	224.0
Total recognised in other comprehensive income	499.8	246.9

For 31 March 2022 other comprehensive income of £246.9m included £28.6m (2023: £nil), which was realised on the disposal of SGN.

10. Taxation
10.1 Analysis of charge recognised in the income statement

	2023			2022 (restated*)		
	Before exceptional items and certain re-measurements £m	**Exceptional items and certain re-measurements £m**	**Total £m**	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Current tax						
UK corporation tax	292.3	(20.9)	271.4	82.5	8.8	91.3
Adjustments in respect of previous years	(22.0)	5.3	(16.7)	(5.9)	–	(5.9)
Total current tax	270.3	(15.6)	254.7	76.6	8.8	85.4
Deferred tax						
Current year	72.9	(444.6)	(371.7)	75.2	478.2	553.4
Effect of change in tax rate	–	–	–	–	244.7	244.7
Adjustments in respect of previous years	12.3	(5.3)	7.0	(2.2)	–	(2.2)
Total deferred tax	85.2	(449.9)	(364.7)	73.0	722.9	795.9
Total taxation charge/(credit)	355.5	(465.5)	(110.0)	149.6	731.7	881.3

The Group has separately recognised the tax effect of the exceptional items and certain re-measurements summarised above. The rate change to 25% in respect of periods commencing after 1 April 2023 included in Finance Bill 2021 was recognised during the year ended 31 March 2022, as it was substantively enacted on 24 May 2021.

'Adjustments in respect of previous years' primarily relate to the post balance sheet event in respect of Glendoe, referred to in note 26, and adjustments relating to the submission of tax returns.

SSE continues to be accredited with the Fair Tax Mark. As a consequence, these financial statements include a number of areas of enhanced disclosure which have been provided in order to develop stakeholder understanding of the tax the Group pays and the reported total taxation charge along with additional commentary on the main reconciling items.

These can be seen at section A2.

In 2022 SSE became the first UK-based multinational business to be accredited under Fair Tax Foundation's new Global Multinational Standard.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year to 31 March 2023 (2022: 19%). The Group's disposed Gas Production business, which was included within discontinued operations for the year ended 31 March 2022, was taxed at a UK corporation tax rate of 30% plus a supplementary charge of 10% (combined 40%). Profits earned by the Group in the Republic of Ireland are taxable at either 12.5% or 25%, depending upon the nature of the income.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

10. Taxation continued
10.1 Analysis of charge recognised in the income statement continued
The 'adjusted current tax charge' and the 'adjusted effective rate of tax', which are presented in order to best represent underlying performance by making similar adjustments to the 'adjusted profit before tax' measure, are arrived at after the following adjustments:

Continuing operations	2023 £m	2023 %	2022 £m (restated*)	2022 % (restated*)
Group tax (credit)/charge and effective rate	(110.0)	12.7	881.3	25.4
Less: reported deferred tax charge and effective rate	364.7	(42.0)	(795.9)	(22.9)
Reported current tax charge and effective rate	254.7	(29.3)	85.4	2.5
Effect of adjusting items		41.0		4.8
Reported current tax charge and effective rate on adjusted basis	254.7	11.7	85.4	7.3
add:				
Share of current tax from joint ventures and associates	89.6	4.1	30.6	2.6
less:				
Current tax credit on exceptional items	15.6	0.7	(8.9)	(0.7)
Share of current tax attributable to non-controlling interests	(1.1)	(0.1)	–	–
Adjusted current tax charge and effective rate APM	**358.8**	**16.4**	107.1	9.2

Tax (credit)/charge recognised in other comprehensive income/(loss):

	2023 £m	2022 £m
Relating to:		
Pension scheme actuarial movements	(19.8)	72.6
Cash flow and net investment hedge movements	8.1	4.4
	(11.7)	77.0

All tax recognised through other comprehensive income is deferred tax.

See further Taxation disclosures at A2.

10.2 Current tax assets and liabilities

	2023 £m	2022 £m
Corporation tax (assets)/liabilities	(10.8)	(8.8)

Uncertain tax positions

The Group invests heavily in infrastructure, on which significant amounts of capital allowances are potentially available. The extent to which capital allowances are available on any single asset is, however, very much dependent upon the fact pattern for the asset involved, and there will often be an element of uncertainty as to how capital allowances legislation applies in those circumstances. Therefore, reaching agreement with tax authorities as to the amount of capital allowances available can take a number of years and sometimes can only be resolved through a formal legal process.

The calculation of the Group's total tax charge therefore necessarily involves a degree of estimation and judgement in relation to certain items for which the tax treatment cannot be finally determined until resolution has been reached with the tax authorities or, if required, through a formal legal process. At 31 March 2023, the Group has not recognised provisions in respect of uncertain tax positions (2022: £27.9m).

On 23 March 2023, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Supreme Court. On 17 Mary 2023, the Supreme Court released its decision, which rejected HMRC's appeal in full. The matter is now concluded and is not subject to further appeal. Accordingly, the release of the Group's provision on its uncertain tax position of £27.9m and the associated recognition of £23.4m deferred tax liabilities in relation to Glendoe's capital allowances is an adjusting post balance sheet event (see note 26).

10.3 Deferred taxation
The following are the deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated capital allowances £m	Fair value gains/ (losses) on derivatives £m	Retirement benefit obligations £m	Other (restated*) £m	Total (restated*) £m
At 31 March 2021	733.8	(25.3)	67.8	(2.0)	774.3
Charge/(credit) to income statement on continuing operations	407.6	399.4	5.8	(16.9)	795.9
Charge to other comprehensive income/(loss)	–	4.4	72.6	–	77.0
Credit to equity	–	–	–	(1.9)	(1.9)
Exchange adjustment	0.2	–	–	(1.4)	(1.2)
At 31 March 2022	1,141.6	378.5	146.2	(22.2)	1,644.1
Charge/(credit) to income statement	**112.0**	**(476.7)**	**8.9**	**(8.9)**	**(364.7)**
Charge/(credit) to other comprehensive income/(loss)	**–**	**8.1**	**(19.8)**	**–**	**(11.7)**
Charge to equity	**–**	**–**	**–**	**2.0**	**2.0**
Recognised on acquisition (note 12)	**(0.1)**	**–**	**–**	**27.1**	**27.0**
Exchange adjustment	**1.6**	**–**	**–**	**0.8**	**2.4**
At 31 March 2023	**1,255.1**	**(90.1)**	**135.3**	**(1.2)**	**1,299.1**

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the tables above. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023 £m	2022 (restated*) £m
Deferred tax liabilities	1,485.1	1,716.0
Deferred tax assets	(186.0)	(71.9)
Net deferred tax liabilities/(assets)	1,299.1	1,644.1

In total there are £6.1m (2022: £6.0m) of unrecognised deferred tax assets. The Group has not recognised a deferred tax asset of £5.6m on trading losses of £44.8m (2022: £47.6m) in the Republic of Ireland. The Group has not recognised deferred tax assets of £0.5m (2022: £nil) in respect of losses of £2.3m (2022: £nil) in Spain, France, Italy and Greece. These assets have not been recognised as the Group is uncertain that there will be sufficient future profits against which to utilise the assets. There is no time limit for expiry of the losses or allowances to which they relate.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries, associates and joint ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future. Total unremitted earnings at 31 March 2023 were £468.8m (2022: £350.8m).

* The comparatives have been restated. See note 2.1.

11. Dividends and Earnings Per Share
11.1 Ordinary dividends

	2023 Total £m	Settled via scrip £m	Pence per ordinary share	2022 Total £m	Settled via scrip £m	Pence per ordinary share
Interim – year ended 31 March 2023	313.2	159.0	29.0	–	–	–
Final – year ended 31 March 2022	642.6	322.5	60.2	–	–	–
Interim – year ended 31 March 2022	–	–	–	271.8	28.2	25.5
Final – year ended 31 March 2021	–	–	–	590.5	327.5	56.6
	955.8	481.5		862.3	355.7	

The final dividend of 60.2p per ordinary share declared in respect of the financial year ended 31 March 2022 (2021: 56.6p) was approved at the Annual General Meeting on 21 July 2022 and was paid to shareholders on 22 September 2022. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the cash dividend under the terms of the Company's scrip dividend scheme.

For dividends paid in relation to the financial year ended 31 March 2022 and in relation to the subsequent years to 31 March 2026, the Group's policy is to repurchase shares to reduce the scrip's dilutive effects, if the scrip take-up exceeds 25% of the full year dividend in any given year. The overall scrip dividend take-up for the financial year ended 31 March 2022 was 38.3%. Under the share buyback programme 6.9m of shares were repurchased and cancelled during the year ended 31 March 2023 for total consideration of £107.6m (including stamp duty and commission).

An interim dividend of 29.0p per ordinary share (2022: 25.5p) was declared and paid on 9 March 2023 to those shareholders on the SSE plc share register on 13 January 2023. Shareholders were able to elect to receive ordinary shares credited as fully paid instead of the interim cash dividend under the terms of the Company's scrip dividend scheme.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

11. Dividends and Earnings Per Share continued
11.1 Ordinary dividends continued
The proposed final dividend of 67.7p per ordinary share based on the number of issued ordinary shares at 31 March 2023 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Based on shares in issue at 31 March 2023, this would equate to a final dividend of £740.6m.

11.2 Basic and adjusted earnings/(losses) per share
The calculation of basic earnings/(losses) per ordinary share at 31 March 2023 is based on the net profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 March 2023.

Adjusted earnings/(losses) per share has been calculated by excluding the charge for deferred tax, interest on net pension liabilities under IAS 19, retained Gas Production decommissioning costs, the depreciation charged on fair value uplifts, the share or profit attributable to non-controlling interests and the impact of exceptional items and certain re-measurements (note 7).

Continuing operations	2023 (Losses)/ earnings £m	2023 (Losses)/ Earnings Per Share pence	2022 Earnings £m (restated*)	2022 Earnings Per Share pence (restated*)
(Losses)/earnings attributable to ordinary shareholders	(123.0)	(11.4)	3,027.0	286.9
Less: earnings attributable to discontinued operations	(35.0)	(3.3)	(482.7)	(45.7)
Basic (losses)/earnings on continuing operations used to calculate adjusted EPS	(158.0)	(14.7)	2,544.3	241.2
Exceptional items and certain re-measurements (note 7)	1,886.4	175.4	(1,658.9)	(157.2)
Basic excluding exceptional items and certain re-measurements	1,728.4	160.7	885.4	84.0
Adjusted for:				
Decommissioning Gas Production	(50.5)	(4.7)	13.1	1.2
Depreciation charge on fair value uplifts	28.8	2.7	20.6	2.0
Interest on net pension scheme assets/(liabilities) (note 9)	(16.2)	(1.5)	(7.6)	(0.7)
Deferred tax	85.2	7.9	73.0	6.8
Deferred tax from share of joint ventures and associates	14.4	1.3	15.8	1.5
Deferred tax on non-controlling interest	(4.1)	(0.4)	–	–
Adjusted APM	1,786.0	166.0	1,000.3	94.8
Basic	(158.0)	(14.7)	2,544.3	241.2
Dilutive effect of outstanding share options	–	–	–	(0.5)
Diluted	(158.0)	(14.7)	2,544.3	240.7

Reported (losses)/Earnings Per Share

	2023 (Losses)/ earnings £m	2023 (Losses)/ Earnings Per Share pence	2022 Earnings £m (restated*)	2022 Earnings Per Share pence (restated*)
Basic				
(Losses)/Earnings Per Share on continuing operations	(158.0)	(14.7)	2,544.3	241.2
Earnings Per Share on discontinued operations	35.0	3.3	482.7	45.7
(Losses)/Earnings Per Share attributable to ordinary shareholders	(123.0)	(11.4)	3,027.0	286.9
Diluted (losses)/Earnings Per Share on continuing operations	(158.0)	(14.7)	2,544.3	240.7
Diluted Earnings Per Share on discontinued operations	35.0	3.3	482.7	45.7
Diluted (losses)/Earnings Per Share attributable to ordinary shareholders	(123.0)	(11.4)	3,027.0	286.4

The weighted average number of shares used in each calculation is as follows:

	31 March 2023 Number of shares (millions)	31 March 2022 Number of shares (millions)
For basic and adjusted Earnings Per Share	1,075.6	1,055.0
Effect of exercise of share options	1.7	2.0
For diluted Earnings Per Share	1,077.3	1,057.0

11.3 Dividend cover
The Group's adjusted dividend cover metric is calculated by comparing adjusted Earnings Per Share on continuing operations to the projected Dividend Per Share payable to ordinary shareholders.

	2023 (Losses)/ Earnings Per Share (pence)	2023 Dividend Per Share (pence)	2023 Dividend cover (times)	2022 Earnings Per Share (pence) (restated*)	2022 Dividend Per Share (pence)	2022 Dividend cover (times) (restated*)
Reported (losses)/Earnings Per Share (continuing operations)	(14.7)	96.7	(0.15)	241.2	85.7	2.81
Adjusted Earnings Per Share (continuing operations) APM	166.0	96.7	1.72	94.8	85.7	1.11

* The comparatives have been restated. See note 2.1.

12. Acquisitions and disposals
12.1 Acquisitions
Current year acquisitions
European onshore renewables development platform
On 1 September 2022 the Group completed the 100% acquisition of a European onshore renewable energy development platform from Siemens Gamesa Renewable Energy ('SGRE') for cash consideration of £519.5m. The SGRE portfolio is mainly located in Spain with the remainder across France, Italy and Greece. This acquisition is aligned to the Group's published strategy to pursue overseas renewable opportunities.

Acquisition costs of £6.0m were expensed to operating costs in the year. The acquired business contributed £nil to revenue and £0.5m of costs to operating profit of the Group for the year. Had the acquisition occurred on 1 April 2022, the acquired business would have contributed nil to revenue and contributed an immaterial loss to operating profit. The intangible development assets acquired are late-stage windfarm development costs. The goodwill recognised represents early-stage intangible development costs that do not qualify for separate recognition as set out in the table below.

	Fair value at 1 September 2022 £m
Assets acquired and liabilities assumed	
Intangible development assets	104.4
Inventories	3.0
Trade and other receivables	20.3
Cash	11.5
Trade and other payables	(3.5)
Deferred tax liability (note 10)	(27.0)
Total net assets acquired	108.7
Goodwill	410.8
Cash consideration	519.5

Triton Power – 50% joint venture acquisition
On 1 September 2022, the Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for headline consideration of £341m shared equally. The headline consideration included £96m of loans which were settled on completion of the transaction and replaced with shareholder loans of £48.0m each from SSE and Equinor. The Group's share of the cash consideration paid for the equity investment was therefore £123.2m after completion adjustments. Triton Power operates the 1.2GW Saltend Power Station in the Humber along with two smaller plants, Indian Queens Power Station, a 140MW OCGT in Cornwall, and Deeside Power Station, a decommissioned CCGT in north Wales. The acquisition will strengthen SSE's existing collaboration with Equinor and will support the long-term decarbonisation of the UK's power system and contribute to security of supply and grid stability. An exceptional gain on acquisition of £140.7m was recognised at 30 September 2022 based on movements in the underlying fair value of assets between agreeing and completing the transaction. During the second half of the financial year a fair value exercise and impairment review have been completed which resulted in an impairment loss of £291.6m and a £172.0m gain on financial instruments (net of tax) being recognised.

The joint venture contributed £210.2m to operating profit before exceptional items, but including £10.0m charge for fair value adjustments, in the year to 31 March 2023 on an equity accounted basis.

Other asset acquisitions
During the year ended 31 March 2023, the Group made other smaller asset acquisitions (of special purpose vehicles as opposed to businesses) for cash consideration of £19.8m and deferred consideration of £34.9m (2022: £4.0m cash consideration). The total cash consideration for business combinations of £642.7m (2022: £141.3m) is included in the Group's Adjusted investment, capital and acquisition metric.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

12. Acquisitions and disposals continued
12.1 Acquisitions continued
Prior year acquisitions
Acquisition of 80% equity interest in Japanese offshore wind development platform
On 29 October 2021 the Group completed the acquisition of an 80% equity interest in an offshore wind development platform based in Japan from Pacifico Energy and its affiliates for $193m USD upfront cash consideration and a further $30m USD deferred consideration subject to a number of conditions.

Acquisition costs of £7.2m were expensed to operating costs in the prior year. The subsidiaries acquired had nil revenue and contributed a loss of £0.1m to the consolidated result of the Group for the year ended 31 March 2022. The assets and liabilities acquired largely comprise tangible and intangible assets, being windfarm site development costs and goodwill as set out in the table below. The non-controlling interest acquired was measured at fair value, where fair value represented the non-controlling interest's proportionate share of the assets and liabilities acquired through the transaction.

	Fair value at 29 October 2021 £m
Assets acquired	
Intangible development assets	20.5
Cash	4.3
Other assets	0.4
Total net assets acquired	25.2
Non-controlling interest	(40.6)
Goodwill	176.7
	161.3
Cash consideration	141.3
Deferred consideration	20.0
	161.3

12.2 Disposals
(i) Significant disposals
Current year disposals
During the year the Group recognised a gain of £868.3m within equity from the sale of a 25% non-controlling equity stake in its SSEN Transmission business (being the company Scottish Hydro Electric Transmission plc) and an exceptional income statement gain of £89.1m from the disposal of the Fiddlers Ferry site.

25% non-controlling equity stake in Scottish Hydro Electric Transmission plc: On 25 November 2022, the Group announced it had agreed to sell a 25% non-controlling equity stake in Scottish Hydro Electric Transmission plc ('SHET') to Ontario Teachers Pension Plan ('OTPP') for cash consideration of £1,465.0m, less transactions costs of £16.9m. The transaction completed on 30 November 2022, at which time the consolidated carrying value of SHET's net assets was £2,319.3m. Since the transaction did not result in a loss of control, the Group recognised a gain of £868.3m within equity attributable to owners of the parent company. The Group considered the rights and obligations and operating protocols arising from the disposal and has determined that the non-controlling interest in SHET has the characteristics of equity and has classified the non-controlling interest as such.

	30 November 2022 £m
Carrying value of non-controlling interests disposed	(579.8)
Cash consideration paid by non-controlling interest holder	1,465.0
Transaction costs	(16.9)
Excess of consideration received recognised in equity	868.3

Details regarding SHET's principal activity and country of incorporation are included in A3.

SHET's summary financial information is as follows:

	31 March 2023 £m	30 November 2022 £m
Non-current assets	**4,907.1**	4,717.0
Current assets	**16.5**	2.0
Current liabilities	**(370.3)**	(384.3)
Non-current liabilities	**(2,909.4)**	(2,795.4)
	1,643.9	1,539.3

	1 April 2022 to 25 November 2022 £m	26 November 2022 to 31 March 2023 £m	Total £m
Revenue	435.4	220.4	655.8
Operating profit	274.5	131.0	405.5
Net finance costs	(31.7)	(14.9)	(46.6)
Profit before taxation	242.8	116.1	358.9
Taxation	(59.1)	(19.6)	(78.7)
Profit after taxation	**183.7**	**96.5**	**280.2**

The summary financial information provided above is presented without Group eliminations, including £780.0m of internal loans and related interest of £6.5m which have been eliminated to calculate the gain on partial disposal and the non-controlling interest for adjusted profit.

	26 November 2022 to 31 March 2023 £m
Net profit	96.5
add/(less):	
Interest elimination	6.5
Current taxation on interest elimination	(1.1)
Deferred taxation	16.5
	118.4
Adjusted net profit attributable to 25% non-controlling interests	29.6

Fiddler's Ferry land sale: On 30 June 2022, the Fiddlers Ferry site was sold to Peel NRE Developments Limited for cash proceeds of £60m. The Group released decommissioning provision related to the site, which resulted in an exceptional gain on disposal of £89.1m.

Prior year disposals
Sale of investment in SSE Contracting: On 30 June 2021, the Group completed the sale of its Contracting and Rail business to the Aurelius Group for headline consideration of £22.5m and £5m of contingent consideration, based on earning targets within the business. Due to working capital movements in the business subsequent to the transaction agreement, cash consideration received was £0.2m. The Group recorded an exceptional loss on disposal of £18.9m in the year of completion, in addition to the exceptional impairment loss of £51.2m recognised during the year ended 31 March 2021. A further impairment of £6.5m has been recognised in the year ended 31 March 2023 in relation to receivables previously recognised on disposal.

Sale of stake in Dogger Bank C: On 10 February 2022, SSE completed the sale of a 10% stake in Dogger Bank C to Eni for consideration of £70.0m and contingent consideration of up to £40m, resulting in a non-exceptional gain on disposal of £64.3m. The gain was recognised within the adjusted profit of the Group in line with the Group's stated policy in relation to developer gains on disposal of divestments in early-stage offshore windfarms (see note 3.2). After the sale the Group's shareholding in Dogger Bank C was 40%.

Other disposals: On 19 August 2021 the Group received a dividend of £4.8m following the sale of Smarter Grid Solutions by the Environmental Energies Fund Limited, resulting in a non-exceptional gain on sale of £2.8m.

Sale of discontinued operations
Sale of investment in SGN: On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement was conditional on certain regulatory approvals and completed on 22 March 2022, with an exceptional gain on disposal of £576.5m recognised.

Sale of investment in Gas Production: On 14 October 2021, the Group completed the sale of its Gas Production business to Viaro Energy through its subsidiary RockRose Energy Limited. In the period to 14 October 2021, the Gas Production business had an operating profit (recognised in discontinued operations) of £101.4m. The Group recorded an impairment of £120.8m to reduce the carrying value of the assets and liabilities to the fair value less costs to sell prior to completion of the disposal. The impairment charge of £120.8m included a provision for indemnified tax liabilities of £35.0m, which was released in the year to 31 March 2023 as noted at 7.1(vii).

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

12. Acquisitions and disposals continued
12.2 Disposals continued
(ii) Disposal reconciliation
The following table summarises disposals of subsidiaries, businesses and assets during the financial year, including other assets and investments disposed of as part of the normal course of business but before recognition of impairment charges in the year, which are noted in the relevant respective notes to the financial statements.

	2023 £m	2022 £m
Net assets disposed:		
Property, plant and equipment	24.1	105.1
Intangible and biological assets	–	28.4
Investments and loans – joint ventures	–	662.5
Other investments	–	2.0
Deferred tax asset	–	14.8
Inventories	–	6.9
Trade and other receivables	–	28.5
Trade and other payables	–	(33.2)
Provisions	(88.2)	(159.8)
Loans and borrowings	–	(0.8)
Net assets	(64.1)	654.4
Proceeds of disposal:		
Consideration	60.0	1,372.1
Provision recognised on disposal	–	(35.0)
Costs of disposal	–	(29.8)
Net proceeds	60.0	1,307.3
Recycle of amounts recognised in hedge reserve	–	(28.2)
Gain on disposal	124.1	624.7
Presentation:		
Continuing operations		
Income statement exceptional gain/(loss)	89.1	(18.9)
Income statement non-exceptional credit	–	67.1
	89.1	48.2
Discontinuing operations		
Income statement exceptional credit	35.0	576.5
SSE Group	124.1	624.7

	2023 £m	2022 £m
Net proceeds of disposal	60.0	1,279.1
Recycle of amounts recognised in hedge reserve	–	28.2
Provision recognised on disposal	–	35.0
Costs of disposal	–	29.8
Deferred consideration	–	(5.2)
Net cash proceeds	60.0	1,366.9
Plus net cash proceeds from sale of non-controlling interest in SHET	1,448.1	–
Net cash proceeds	1,508.1	1,366.9

12.3 Discontinued operations
The discontinued operations represented the Group's investment in SGN, which was disposed on 22 March 2022 and the Group's investment in Gas Production assets, which was sold on 14 October 2021. The profit/(loss) of the discontinued operation is as follows:

	2023			2022		
	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m	Before exceptional items and certain re-measurements £m	Exceptional items and certain re-measurements £m	Total £m
Revenue	–	–	–	142.0	–	142.0
Cost of sales	–	–	–	(38.9)	–	(38.9)
Gross profit	–	–	–	103.1	–	103.1
Operating costs	–	–	–	(1.7)	(120.8)	(122.5)
Operating profit/(loss) before joint ventures	–	–	–	101.4	(120.8)	(19.4)
Joint ventures	–	–	–			
Share of operating profit	–	–	–	21.0	–	21.0
Share of interest	–	–	–	(11.1)	–	(11.1)
Share of movement on derivatives	–	–	–	–	(4.6)	(4.6)
Share of tax	–	–	–	(1.7)	(84.7)	(86.4)
Share of profit/(loss) on joint ventures	–	–	–	8.2	(89.3)	(81.1)
Operating profit/(loss)	–	–	–	109.6	(210.1)	(100.5)
Finance income	–	–	–	6.8	–	6.8
Finance costs	–	–	–	(0.1)	–	(0.1)
Profit/(loss) for the year	–	–	–	116.3	(210.1)	(93.8)
Profit on disposal of discontinued operations	–	35.0	35.0	–	576.5	576.5
Profit from discontinued operations, net of tax	–	35.0	35.0	116.3	366.4	482.7

Other comprehensive income from discontinued operations

	2023 £m	2022 £m
Items that will be reclassified subsequently to profit or loss:		
Share of other comprehensive gain/(loss) of joint ventures and associates, net of taxation	–	0.5
Items that will not be reclassified to profit or loss:		
Share of other comprehensive (loss)/income of joint ventures, net of taxation	–	(1.7)
Other comprehensive loss from discontinued operations	–	(1.2)

Cashflows from discontinued operations

	2023 £m	2022 £m
Cashflows from operating activities	–	11.6
Cashflows from investing activities	–	(11.6)
Net (decrease)/increase in cash and cash equivalents in discontinued operations	–	–

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

13. Intangible assets

	Goodwill £m	Allowances and Certificates £m	Development assets £m	Other intangibles £m	Software Assets £m	Total £m
Cost:						
At 31 March 2021	522.1	602.4	303.5	115.9	844.3	2,388.2
Additions	–	544.5	80.5	–	97.7	722.7
Acquired through business combinations	176.7	–	21.1	–	–	197.8
Transfer (to)/from property plant and equipment (note 14)	–	–	(40.4)	–	–	(40.4)
Disposals/utilised	–	(459.8)	(9.8)	–	(29.8)	(499.4)
Exchange adjustments	6.1	(0.3)	(0.5)	–	–	5.3
At 31 March 2022	704.9	686.8	354.4	115.9	912.2	2,774.2
Additions	**–**	**805.2**	**235.9**	**–**	**132.3**	**1,173.4**
Acquired through business combinations	**410.8**	**–**	**104.4**	**–**	**–**	**515.2**
Transfer (to)/from property plant and equipment (note 14)	**–**	**–**	**(2.6)**	**–**	**45.5**	**42.9**
Disposals/utilised	**–**	**(810.1)**	**(18.4)**	**–**	**(6.4)**	**(834.9)**
Exchange adjustments	**34.8**	**0.5**	**7.9**	**–**	**–**	**43.2**
At 31 March 2023	**1,150.5**	**682.4**	**681.6**	**115.9**	**1,083.6**	**3,714.0**
Aggregate amortisation and impairment:						
At 31 March 2021	(192.9)	(227.5)	(158.4)	(113.1)	(480.1)	(1,172.0)
Charge for the year	–	–	–	(1.5)	(43.9)	(45.4)
Disposals/utilised	–	–	5.1	–	26.7	31.8
Non-exceptional impairment charge[(i)]	–	–	–	–	(1.5)	(1.5)
At 31 March 2022	(192.9)	(227.5)	(153.3)	(114.6)	(498.8)	(1,187.1)
Charge for the year	**–**	**–**	**–**	**(0.3)**	**(54.3)**	**(54.6)**
Transfer from property plant and equipment (note 14)	**–**	**–**	**–**	**–**	**(41.6)**	**(41.6)**
Disposals/utilised	**–**	**–**	**–**	**–**	**3.3**	**3.3**
Non-exceptional impairment charge[(i)]	**–**	**–**	**(4.2)**	**–**	**(14.6)**	**(18.8)**
At 31 March 2023	**(192.9)**	**(227.5)**	**(157.5)**	**(114.9)**	**(606.0)**	**(1,298.8)**
Carrying amount:						
At 31 March 2023	**957.6**	**454.9**	**524.1**	**1.0**	**477.6**	**2,415.2**
At 31 March 2022	512.0	459.3	201.1	1.3	413.4	1,587.1
At 1 April 2021	329.2	374.9	145.1	2.8	364.2	1,216.2

(i) The non-exceptional impairments in both years relate to assets where future development became uncertain or untenable in the year. The impairment of these items does not meet the Group's definition of an exceptional item, therefore they are included in the adjusted and reported results of the Group.

Intangible assets have been analysed as current and non-current as follows:

	2023 £m	2022 £m
Current	**454.9**	459.3
Non-current	**1,960.3**	1,127.8
	2,415.2	1,587.1

(i) Goodwill
At inception, goodwill arising from business combinations is allocated to cash-generating units (CGUs) or groups of CGUs for impairment testing purposes. Certain goodwill valuations have changed in the current year following retranslation. Commentary on the impairment testing of the related CGUs, with the exception of two historic balances totalling £8.2m, is included in note 15.

A summary of the goodwill allocated to CGUs and the Group's operating segments is presented below:

CGU group	Operating Segment	2023 £m	2022 £m
Great Britain and Ireland windfarms[1]	SSE Renewables	**292.3**	286.2
SSE Pacifico[2]	SSE Renewables	**196.0**	185.2
SSE Southern Europe[3]	SSE Renewables	**428.7**	–
Energy Solutions[4]	GB Business Energy & Distributed Energy	**32.4**	32.4
Ireland Supply[5]	SSE Airtricity	**8.2**	8.2
		957.6	512.0

1 Following the acquisition of the SGRE platform (see note 12.1), the Group performed a review of the CGUs within its Renewables business and assessed that 'Onshore windfarms' and 'Offshore windfarms' no longer represents the appropriate level of aggregation for the purposes of impairment testing. Following the review, the 'Great Britain' and 'Ireland' CGUs now support the goodwill balance previously attributed to the Onshore and Offshore windfarm CGUs.
2 Relates to the acquisition of an 80% equity interest in an offshore wind development platform from Pacifico Energy.
3 SSE Southern Europe relates to the acquisition on 1 September 2022 of the SGRE renewable platform in Spain, France, Greece and Italy (see note 12.1). The Group has assessed that the four CGUs support the carrying value of the goodwill related to the acquisition.
4 Energy Solutions includes goodwill balances arising from the historic acquisitions of The Energy Solutions Group Limited (TESGL) of £31.7m (2022: £31.7m and a further £0.7m (2022: £0.7m) in relation to the acquisition of Fusion Heating Limited. The amount of goodwill associated with the historic businesses is not significant in context of the aggregate carrying value of the business units or the aggregate value of goodwill held by the Group.
5 The value associated with the Ireland supply goodwill represents the difference between the fair value attributed to the Northern Ireland based Phoenix Energy business acquired in 2012 and the book value of those assets. No impairment has been recognised during the year on this balance.

(ii) Allowances and certificates
Allowances and Certificates consist of purchased carbon emissions allowances and generated or purchased renewable obligations certificates (ROCs). These allowances and certificates will be utilised in settlement of environmental obligations incurred by the Group's Thermal and GB Business Energy supply business and are therefore distinct from allowances and certificates held in excess of the Group's environmental obligations which are recorded within inventories.

(iii) Development assets
Development costs primarily relate to the design, construction and testing of Thermal, Renewable and Solar and Battery assets, which the Group believes will generate probable future economic benefits. Costs capitalised as development intangibles include options over land rights, planning application costs, environmental impact studies and other costs incurred in bringing windfarms and other development projects to the consented stage. These may be costs incurred directly or at a cost as part of the fair value attribution on acquisition.

At the point the development reaches the consent stage and is approved for construction, the carrying value is transferred to property, plant and equipment (note 14). At the point a project is no longer expected to reach the consented stage, the carrying amount of the project is impaired.

(iv) Other intangible assets
Included within other intangible assets are brands, customer lists and contracts.

No exceptional or non-exceptional impairment charges have been recognised in the year (2022: £nil).

(v) Software assets
Software assets include application software license fees, software development work, software upgrades and purchased PC software packages.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

14. Property, plant and equipment

	Thermal power generation assets[iii] £m	Renewable power generation assets[iii] £m	Distribution network assets £m	Transmission network assets £m	Land and buildings £m	Assets under construction £m	Other assets[iii] £m	Total £m
Cost:								
At 31 March 2021 restated[i]	3,814.5	4,548.3	9,075.7	4,556.4	527.9	665.5	1,392.3	24,580.6
Additions[ii]	–	–	76.3	3.6	41.1	1,214.3	44.2	1,379.5
Adjustment to decommissioning asset[i]	30.4	88.5	–	–	–	–	28.3	147.2
Transfer from intangible assets (note 13)	–	–	–	–	–	40.4	–	40.4
Transfer from assets under construction	21.8	75.8	347.6	550.5	(0.9)	(1,058.6)	63.8	–
Disposals[i]	–	(18.5)	–	–	(13.8)	(7.8)	(105.7)	(145.8)
Exchange rate adjustments	(3.6)	(8.1)	–	–	(0.2)	(0.2)	(0.6)	(12.7)
At 31 March 2022 restated[i]	3,863.1	4,686.0	9,499.6	5,110.5	554.1	853.6	1,422.3	25,989.2
Additions	**–**	**–**	**95.8**	**–**	**45.4**	**1,323.5**	**35.4**	**1,500.1**
Adjustment to decommissioning asset	**(11.1)**	**(89.5)**	**–**	**–**	**–**	**–**	**(44.9)**	**(145.5)**
Transfer (to)/from intangible assets (note 13)[iv]	**–**	**–**	**–**	**–**	**–**	**2.6**	**(45.5)**	**(42.9)**
Transfer from assets under construction	**433.8**	**22.5**	**402.3**	**531.6**	**4.8**	**(1,412.5)**	**17.5**	**–**
Disposals	**(638.9)**	**(4.8)**	**–**	**–**	**(13.5)**	**(0.1)**	**(40.2)**	**(697.5)**
Exchange rate adjustments	**24.6**	**38.5**	**–**	**–**	**0.6**	**1.6**	**2.7**	**68.0**
At 31 March 2023	**3,671.5**	**4,652.7**	**9,997.7**	**5,642.1**	**591.4**	**768.7**	**1,347.3**	**26,671.4**
Depreciation:								
At 31 March 2021 restated[i]	(3,270.5)	(1,776.2)	(4,199.7)	(681.3)	(208.7)	(18.3)	(1,171.6)	(11,326.3)
Charge for the year	(65.3)	(158.3)	(156.4)	(90.5)	(17.2)	–	(57.7)	(545.4)
Impairments reversals (note 7);[v]	331.6	–	–	–	–	–	97.9	429.5
Non-exceptional impairment charges[v]	–	–	(20.7)	–	–	1.0	–	(19.7)
Disposals	–	18.7	–	–	1.9	6.5	49.6	76.7
Exchange rate adjustments	(0.2)	0.2	–	–	–	–	8.8	8.8
At 31 March 2022 restated[i]	(3,004.4)	(1,915.6)	(4,376.8)	(771.8)	(224.0)	(10.8)	(1,073.0)	(11,376.4)
Charge for the year	**(106.3)**	**(153.9)**	**(163.2)**	**(97.7)**	**(17.0)**	**–**	**(67.6)**	**(605.7)**
Impairment reversals (note 7)[v]	**17.8**	**–**	**–**	**–**	**–**	**–**	**45.7**	**63.5**
Non-exceptional impairment charges[v]	**(10.6)**	**(12.5)**	**–**	**–**	**(1.0)**	**(0.3)**	**(0.7)**	**(25.1)**
Transfer to intangible assets (note 13)[iv]	**–**	**–**	**2.3**	**–**	**–**	**6.0**	**33.3**	**41.6**
Transfers	**4.1**	**–**	**–**	**–**	**–**	**(4.1)**	**–**	**–**
Disposals	**612.8**	**3.1**	**–**	**–**	**5.5**	**–**	**35.6**	**657.0**
Exchange rate adjustments	**(11.1)**	**(16.4)**	**–**	**–**	**(0.6)**	**(0.2)**	**(2.1)**	**(30.4)**
At 31 March 2023	**(2,497.7)**	**(2,095.3)**	**(4,537.7)**	**(869.5)**	**(237.1)**	**(9.4)**	**(1,028.8)**	**(11,275.5)**
Net book value								
At 31 March 2023	**1,173.8**	**2,557.4**	**5,460.0**	**4,772.6**	**354.3**	**759.3**	**318.5**	**15,395.9**
At 31 March 2022 restated[i]	858.7	2,770.4	5,122.8	4,338.7	330.1	842.8	349.3	14,612.8
At 1 April 2021 restated[i]	544.0	2,772.1	4,876.0	3,875.1	319.2	647.2	220.7	13,254.3

(i) In the financial statements to 31 March 2022 the primary categories of assets in the property, plant and equipment note were reclassified within the asset classes. In the year ended 31 March 2023 the Group identified that the cost and accumulated depreciation of certain assets were not appropriately allocated as part of this reallocation. As a consequence, the cost and accumulated depreciation of the affected asset classes as at 31 March 2021 and as at 31 March 2022 have been restated compared to the amounts previously presented in the year ended 31 March 2022 financial statements. The Renewables power generation cost, accumulated depreciation and net book value at 31 March 2021 and 31 March 2022 has been reduced by £1,173.7m, £1,012.0m and £161.7m respectively, offset by increases in Thermal power generation of £1,045.7m, £1,012.0m and £33.7m (2021: £1,056.2m, £1,012.0m and £44.2m). Other assets cost has been increased by £128.0m (2021: £117.5m), accumulated depreciation by nil (2021: nil) and net book value by £128.0m (2021: £117.5m). There is no impact on the Group's aggregate property, plant and equipment as at 31 March 2021 and 2022, and no impact on the depreciation charged during either year, as a result of these reclassifications.

(ii) As a result of the adoption of the amendment to IAS 16, the additions to assets under construction for the year ended 31 March 2022 have been reduced by £5.9m.

(iii) Thermal and Renewable generation assets include generation plant and machinery and related land and buildings. The net book value of power generation assets, renewables and thermal includes decommissioning costs with a net book value of £89.6m and £88.6m (2022: £183.5m and £127.0m) respectively. Additionally in Other assets is £55.5m in relation to decommissioning costs for Gas Storage assets (2022: £128.0m).

(iv) Represents the carrying value of development assets transferred from intangible assets (note 13) which have reached the consent stage and have been approved for construction.

(v) Impairment reversals relate to exceptional impairment reversals of £17.8m in relation to the Group's Great Island CCGT plant and £45.7m relating to the Group's gas storage operations at Aldbrough (see note 7) and non-exceptional impairments of £25.1m. (2022: exceptional impairment reversals of £429.5m and non-exceptional impairments of £19.7m).

(vi) The disposals in the current year primarily relate to the decommissioning asset in relation Fiddlers Ferry land sale, see note 7 for details.

Included within property, plant and equipment are the following right of use assets for leased assets:

	Thermal power generation assets £m	Land and buildings £m	Distribution network assets £m	Other assets £m	Total £m
Cost					
At 31 March 2021	369.6	171.2	12.2	118.4	671.4
Additions	–	40.6	–	45.1	85.7
Disposals	–	(8.7)	–	(67.8)	(76.5)
At 31 March 2022	369.6	203.1	12.2	95.7	680.6
Additions	**–**	**45.4**	**–**	**33.1**	**78.5**
Disposals	**–**	**(1.0)**	**–**	**(12.9)**	**(13.9)**
At 31 March 2023	**369.6**	**247.5**	**12.2**	**115.9**	**745.2**
Depreciation					
At 31 March 2021	(272.5)	(21.6)	(2.6)	(49.1)	(345.8)
Charge for the year	(15.1)	(10.6)	(2.2)	(18.9)	(46.8)
Disposals	–	1.1	–	31.7	32.8
Impairment reversal	54.0	–	–	–	54.0
At 31 March 2022	(233.6)	(31.1)	(4.8)	(36.3)	(305.8)
Charge for the year	**(18.5)**	**(11.9)**	**(7.4)**	**(19.8)**	**(57.6)**
Disposals	**–**	**0.3**	**–**	**12.2**	**12.5**
Impairment reversal	**–**	**(0.5)**	**–**	**–**	**(0.5)**
At 31 March 2023	**(252.1)**	**(43.2)**	**(12.2)**	**(43.9)**	**(351.4)**
Net book value					
At 31 March 2023	**117.5**	**204.3**	**–**	**72.0**	**393.8**
At 31 March 2022	136.0	172.0	7.4	59.4	374.8
At 1 April 2021	97.1	149.6	9.6	69.3	325.6

15. Impairment testing

Goodwill and intangible assets that are not amortised are reviewed at least annually for impairment. Property, plant and equipment, investments and other intangibles are assessed annually for impairment (or impairment reversal) triggers.

The Group's accounting policies and methodologies for impairment testing are described at Accompanying Information sections A1.2.

The key operating and valuation assumptions, specific considerations and outcome of tests for all impairment reviews are noted in the following sections. The discount rates used are pre-tax real, except where noted, and reflect specific risks attributable to the relevant assets subject to impairment review. The discount rates applied in both 2023 and 2022 remain consistent across all CGUs, except where noted, reflecting the Group's view of cost of capital and risk. The recoverable amounts derived from the VIU or FVLCS calculations are compared to the carrying amount of each asset or CGU to determine whether an impairment charge requires to be recognised. The reviews carried out for the 2023 financial statements were carried out in the fourth quarter of the year, which is consistent with previous reviews. Note that the actual outcomes may differ from the assumptions included in the assessments at the balance sheet date.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

15. Impairment testing continued

15.1 Goodwill impairment reviews – CGUs testing

Following the acquisition of the Southern Europe wind and solar platform from Siemens Gamesa Renewable Energy, the Group has determined that it has three goodwill balances within its SSE Renewables business (GB and Ireland, SSE Southern Europe and SSE Pacifico) that are subject to annual goodwill impairment reviews. In addition, the Group has a legacy goodwill balance within the SSE Enterprise Energy Solutions business. The recoverable amounts of the CGUs supporting the goodwill balances are determined by reference to value-in-use ('VIU') calculations. The VIU calculations use, as a starting point, pre-tax cash flow projections based on the Group's five year Corporate Model as approved by the Board. The Group's Corporate Model is based both on past experience and reflects the Group's forward view of markets, prices, risks and its strategic objectives. Commodity prices used are based on observable market data and, where this is not available, on internal estimates.

Assets/CGUs	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Great Britain (GB) and Ireland windfarm CGUs	Period to end of life of portfolio assets	**Modelling methodology and assumptions** The VIU assessment is used to test the carrying value of £292.3m of goodwill related to the Group's GB and Ireland windfarm CGUs. The assessment is based on the discounted pre-tax cash flows expected to be generated by the specific wind farm assets included in the CGU across the remaining useful lives of those assets. The GB and Ireland CGU includes cashflows for operational assets only, being over 50 individual windfarms across Great Britain and the Island of Ireland, given the risk and uncertainty associated with projects in the development stage. Significant developments at Viking, Seagreen and Doggerbank are currently under construction and continue to be excluded from the analysis. Cash inflows for the CGUs are based on the expected average annual generation output based on technical assessment and past experience and are valued based on forward power prices. These factors are subject to management review on an annual basis. The prices applied to projected outputs are based either on observable market information during that period, which is deemed to be 3 years, or on internal estimations beyond the observable market period (a Level 3 basis as defined by IFRS 13 Fair Value Measurement). The projections are also dependent on the UK and Irish government's continuing support for existing qualifying wind assets through CFD subsidies and ROCs or REFIT. Cash outflows are based on planned and expected maintenance profiles and other capital or replacement costs. The cash flow projections are based on UK and Irish power prices between £55 - £169 per MWh and have been discounted applying a pre-tax real discount rate between 6.9% for GB and 5.8% for Ireland (2022: between 5.1% and 6.0%) based on technology and market risks.	**Impairment conclusion** The recoverable amount of the GB and Ireland CGUs at 31 March 2023 is significantly in excess of the carrying value of the goodwill and tangible and intangible assets attributed to the CGUs. Therefore, no impairment has been recognised. **Sensitivity analysis** The principal assumptions impacting the valuation model of the GB and Ireland CGU are discount rate, generation volume and electricity price. While cash flow projections are subject to inherent uncertainty, a 10% power price decrease and a 15% decrease in projected generation volumes were modelled, both of which indicated significant headroom on the carrying value of the assets. The 8% volume sensitivity is based on the Group's assessment of the climate related risk to future volume reduction, as set out in the Group's TCFD disclosures. A 0.5% increase in the pre-tax real discount rate to 9.8% for GB and 8.74% for Ireland, also indicated significant headroom on the carrying value of the assets. **TCFD related sensitivity analysis** A significant increase in renewable generation capacity in the Group's core markets could result in an oversupply of renewable electricity at a point in the future, which would lead to a consequential decrease in the power price achievable for the Group's GB and Ireland wind generation assets. A downside power price sensitivity, which may arise in a market with significant new build was modelled. This scenario indicated that, despite a modelled 15% reduction in forecast power price, there remained significant headroom on the carrying value in the Group's GB and Ireland wind generation assets. Changes to weather patterns resulting from global warming could result in calmer weather patterns, which would reduce volumes achievable for the Group's GB and Ireland wind generation assets (although noting that this would likely lead to capacity constraints and hence higher prices). Despite an 8% reduction in modelled projected volume, there remained significant headroom on the carrying value in the Group's GB and Ireland wind generation assets. The TCFD Variable wind generation risk scenario modelled the physical risk of average wind speed changes of 4% to 8% over the longer term, consistent with the impairment sensitivity performed.
SSE Southern Europe	Period to end of life of portfolio assets	**Modelling methodology and assumptions** The VIU assessment is used to test the carrying value of £428.7m of goodwill and £116.1m of intangible development assets related to the Group's Southern Europe windfarms for impairment. As the Southern Europe platform is in early-stage development, the assessment was based on the discounted pre-tax cash flows from the acquisition model updated to reflect changes to specific project circumstances and wider market developments since acquisition. The Southern Europe CGU includes cashflows for early-stage development assets, being c65 individual windfarm projects across Spain, France, Italy and Greece. Due to the early stage nature of the portfolio, each project has been attributed a probability of development success. Cashflows for the CGUs are based on the expected average annual generation output based on technical assessment valued using forward power price projections. These factors are subject to management review on an annual basis. The prices applied to projected outputs are based either on observable market information during that period, which is deemed to be 3 years, or on internal estimations beyond the observable market period (a Level 3 basis as defined by IFRS 13 Fair Value Measurement). Assumptions have also been made on the Spanish, French, Italian and Greek government's support for the development of wind projects and expected governmental support under CFD subsides. Cash outflows are based on planned and expected maintenance profiles and other capital or replacement costs. The cash flow projections are based on European power prices between €33-€209 per MWh and have been discounted applying a pre-tax real discount rate between 8.5% and 9.5% based on technology and market risks.	**Impairment conclusion** The recoverable amount of the Southern Europe windfarm CGUs has been calculated at £591.7m and exceeds the carrying value of the goodwill and intangible development assets. Therefore, no impairment has been recognised at 31 March 2023. **Sensitivity analysis** The principal assumptions impacting the valuation model of the Southern Europe windfarm CGU are discount rate, generation volume and development probability of success. While cash flow projections are subject to inherent uncertainty, a 10% reduction in generation volume was modelled which indicated continued headroom. A 5% reduction in the probability of success attributed to the development projects would result in marginal headroom on the carrying value. A 0.5% increase in the pre-tax real respective discount rates (Spain: 9.0% France: 9.4%, Italy: 9.5% and Greece: 9.9%) indicated an impairment of £88.8m. An impairment would be recognised as a result of a 0.3% increase in the discount rate. Within the base case model the Group has assessed that many of the projects in the portfolio will obtain a revenue support contract. If this assumption were changed and the projects were developed on a merchant basis, the price assumptions applied in the model would increase and therefore headroom on the base case valuation would increase.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

15. Impairment testing continued
15.1 Goodwill impairment reviews – CGUs testing continued

Assets/CGUs	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
SSE Pacifico	Period to end of life of portfolio assets	**Modelling methodology and assumptions** The VIU assessment is used to test the carrying value of £196m of goodwill and £30.8m of intangible development assets related to SSE Pacifico. SSE Pacifico is an early-stage Japanese offshore wind portfolio acquired on 29 October 2021. The Group is continuing to progress with the development, however all projects remain at an early stage. Therefore, the assessment was based on the discounted pre-tax cash flows from the acquisition model, updated to reflect changes to specific project circumstances and wider market developments since acquisition. Cash inflows for the CGU are based on the Group's latest projections for expected average annual generation output based on technical modelling assessment and are valued based on the Group's internal projections of forward power prices under revenue support contracts available in Japan. The projections are dependent on the Japanese government's support for development of offshore wind projects. The Japanese government has published targets of 10GW of auctioned capacity by 2030 and 30GW to 45GW of auctioned capacity by 2040. Cash outflows are based on planned and expected maintenance profiles and other capital or replacement costs. For the purposes of the impairment test, the VIU model includes cashflows for four early-stage offshore wind projects out of a total of 11 acquired by the Group. The cash flow projections are based on Japanese power prices, per foundation type, between ¥15 - ¥28 per kWh and have been discounted applying a pre-tax real discount rate of 8.5% based on technology and market risks. The discount rate is based on assumptions of the capital cost of the project and the proportion of external project funding available in the local market.	**Impairment conclusion** While the assessed VIU of £316.9m exceeds the carrying value at 31 March 2023, the early stage of the development investment means that the model is sensitive to changes in key assumptions. The Group's base case model, reflecting the Group's best estimate of observable inputs to the model, indicates headroom on the carrying value of the asset. Therefore, no impairment has been recognised at 31 March 2023. **Sensitivity analysis** As noted above, the value in use model is sensitive to changes in key input assumptions. The principal assumptions impacting the valuation model of the SSE Pacifico CGU are: revenue support contract price; generation volumes; the proportion of external funding achievable; discount rate; and project probability of success. A 10% decrease in forecast power price to between ¥13 - ¥25 per kWh under revenue support scheme results in an impairment of £179.1m. Similarly a 10% reduction to generation volume results in an impairment of £179.1m. Similarly a 10% reduction to generation volume results in an impairment of £179.1m. An impairment would be recognised as a result of a 3.3% decrease in the price or volume assumptions. A 5% decrease to the Group's assumption on external funding proportion decreases the headroom to a marginal amount. A 5% increase to the discount rate assumption on continues to result in headroom. If project probability is decreased by 20% for the projects currently valued, there continues to be headroom on the carrying value of the assets. Similarly, if the portfolio is reduced from four projects to three, there continues to be headroom on the carrying value of the assets.
Enterprise Energy Solutions	5 years	The Group has capitalised goodwill of £31.7m in relation to the acquisition of the Energy Solutions Group in 2016. The business designs, installs and optimises building management technologies which deliver efficient operating environments for its customers. The VIU of the business CGU has been based on a 5.6% (2022: 5.6%) pre-tax real discount rate, which is consistent with the prior year.	**Conclusion** At 31 March 2023, the impairment review indicates headroom on the carrying value. A decrease in forecast cashflows of 20% would result in a £5.1m impairment. An increase in the discount rate of 4% would result in an impairment of £10.4m.

15.2 Property, plant and equipment, other intangibles and investment impairment reviews – asset testing

Where an indicator of impairment exists, the recoverable amounts of the Group's property, plant and equipment, other intangible assets and interests in joint ventures and associates are determined by reference to VIU or, where appropriate, fair value less costs to sell calculations. The calculations use, as their starting point, pre-tax cash flow projections based on the Group's five year Corporate Model as approved by the Board. The Group's Corporate Model is based on past experience and reflects the Group's forward view of markets, prices, risks and its strategic objectives. Commodity prices used are based on observable market data and, where this is not available, on internal estimates. Fair value less costs to sell valuations are derived from market analysis for similar transactions, adjusted to specific circumstances of the Group's investment to reflect the amount the Group believes will be recoverable in a sale transaction.

Changes from prior year

The assets identified for impairment reviews in the prior year (being GB CCGTs and the Great Island CCGTs) remained subject to impairment testing at 31 March 2023. In addition to these assets, the Group's Gas Storage asset at Aldbrough displayed indicators of impairment reversal following improved financial performance during the year. This was mainly due to global gas price volatility during the year, with the asset providing opportunities for the Group to trade within this volatility. At 31 March 2022 the Group fully reversed the historic impairments previously recognised in relation to the Gas Storage asset at Atwick. Following its acquisition and revaluation in September 2022 and a strong financial contribution in the period to March 2023, the Group's 50% joint venture investment in Triton Power displayed indicators of impairment at March 2023. Finally, the Group's 50% joint venture investment in Neos Networks Limited displayed indicators of impairment following the loss of a major contract, subsequent to increases in the Group's investment during the year.

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
GB CCGTs (Keadby, Medway, Peterhead and Marchwood (PPA Right of use lease asset) power stations)	Period to end of life	**Modelling methodology and assumptions** The VIU of the Group's GB combined cycle gas turbine ('CCGT') power stations were based on pre-tax discounted cash flows expected to be generated by each plant, based on management's view of operating prospects and operational flexibility within the GB wholesale market, including capacity market clearing prices. Cash flows are subject to a pre-tax real discount rate between 10.0% and 19.4% (2022: between 9.2% and 21.2%). **Changes from prior year** Certain assets within the Group's GB CCGT fleet are nearing the end of their operational life and are therefore more sensitive to fluctuations in market assumptions. During the year, UK and European commodity markets have been volatile, resulting in an increase in Gas and Carbon prices feeding through to UK power prices. The UK market has also experienced periods where available generation capacity above demand has been reduced, which has also resulted in increased power prices. As a result, the observable spark margins assumed for the GB CCGT assets has increased and there has been strong operational performance of the assets. These factors were considered as a potential indicator of impairment in the impairment review at 31 March 2023.	**Conclusion** At 31 March 2023 there were no historic impairments of the Group's GB CCGT assets remaining to be reversed. The Group's fair valuation exercise of the assets indicated significant headroom on the carrying value, therefore no impairment was recognised. **Sensitivity analysis** A 20% decrease in gross margin would continue to result in significant headroom for each asset. A sensitivity on non-contracted capacity mechanism prices has not been performed as the assets subject to impairment testing are contracted into future periods. **TCFD related sensitivity analysis – GB CCGTs** The future introduction of legislation restricting power generation from unabated gas fired power stations beyond 2030 has been identified as a potential risk the Group could be exposed to as the UK transitions to a net zero economy. However, this has not been treated as an indicator of impairment at 31 March 2023 as legislation has not been introduced or enacted by the balance sheet date. Most of the Group's GB CCGTs are nearing the end of their economic life and are projected to cease operations before 2030. Of the Group's GB CCGTs, Keadby 2 and Marchwood are projected to operate beyond this date. Keadby 2 and Marchwood are not displaying indicators of impairment and so have not been included in the impairment review above. If legislation was introduced requiring the closure of Keadby 2 and Marchwood by 2030, it would result in no impairment at 31 March 2023. Under the TCFD Accelerated Gas Closure risk scenario, the indicative potential present value of the future economic benefit lost from early closure of Keadby 2 and Marchwood by 2030 was in the range of £0.3bn –£0.4bn.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

15. Impairment testing continued
15.2 Property, plant and equipment, other intangibles and investment impairment reviews – asset testing continued

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Great Island CCGT	Period to end of life	**Modelling methodology and assumptions** The VIU of the Group's Great Island CCGT Power station was based on pre-tax discounted cash flows expected to be generated by the plant based on management's view of the plant's operating prospects. Cash flows are subject to a pre-tax real discount rate of 12.4% (2022: 11.0%) reflecting the specific risks in the Irish market.	**Conclusion** The VIU assessment performed on the asset indicated an impairment of £nil, at 31 March 2023. The Group recorded an exceptional impairment reversal of £17.8m at 30 September 2022 on its Great Island CCGT based on observable power prices at that date. This reversal represented a final full reversal of historical impairments. The carrying value of the Great Island asset at 31 March 2023 is £269.9m against an assessed recoverable value of £280.4m. **Sensitivity analysis** A 1% increase in the discount rate would result in an impairment of £9.6m. A 20% decrease in gross margin would result in an impairment of £77.8m. A €10/KW decrease in projected non-contracted capacity market prices would result in an impairment of £13.8m. **TCFD related sensitivity analysis – Great Island CCGTs** The future introduction of legislation restricting power generation from unabated gas fired power stations beyond 2030 has been identified as a potential risk the Group could be exposed to as Ireland transitions to a net zero economy. However, this has not been treated as an indicator of impairment at 31 March 2023, as legislation has not been introduced or enacted by the balance sheet date. Great Island is projected to operate beyond this date, and so while legislation has not been introduced requiring the shortening of the economic life to this date, the Group has performed a sensitivity analysis to the impairment test noted above. If legislation was introduced requiring the closure of Great Island by 2030, it would result in an impairment of £31.3m at 31 March 2023. Under the TCFD Accelerated Gas Closure risk scenario, the indicative potential present value of the future economic benefit lost from early closure of Great Island by 2030 was less than £0.04bn.
Gas Storage assets (Atwick and Aldbrough)	Period to end of life	The VIU of the Group's Gas Storage assets at Aldbrough and Atwick were based on pre-tax discounted cash flows expected to be generated by the storage assets based on management's view of the assets' operating prospects. Cash flows are subject to a pre-tax real discount rate of 18.8% for Atwick and 13.8% for Aldbrough reflecting risks specific to the assets.	**Conclusion** The VIU assessment performed on the assets indicated a net impairment reversal of £45.7m to Aldbrough. The Group's Atwick site, which has no remaining historic impairments, indicated significant headroom on the fair value exercise performed as at 31 March 2023. At 31 March 2023, the carrying value of Aldbrough is £92.6m and the carrying value of Atwick is £62.3m. Both carrying values represent the net book value of the storage assets and exclude the carrying value of cushion gas volumes.

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Gas Storage assets (Atwick and Aldbrough) continued		The key assumptions applied in the valuation of the assets are gas price volatility and the mean reversion rate ('MRR'). The gas price volatility assumption reflects management's view of price fluctuations between periods where the Group can purchase gas at a low price, store it and sell during periods of peak prices. The assumption is based on market observed volatility in the last five years and management's view on projected volatility in future periods. MRR represents the time taken for the market to return to average after a period of increase or decline. The MRR combined with the volatility rate derives management's fair value of the assets. The Group recorded an exceptional impairment reversal of £201.1m at 30 September 2022 on its Aldbrough asset based on observable gas price volatility and the MRR at that date. In the second half of the financial year, observable gas prices (and projected gas price volatility) have decreased, resulting in an impairment of £155.4m in the second half of the year.	**Sensitivity analysis – Atwick** Sensitivity analysis performed with high and low MRR assumptions indicated significant headroom on the carrying value of the asset. The low volatility assumption indicated an impairment of £46.6m. The Group has not recognised any impairment to the asset at 31 March 2023. **Sensitivity analysis – Aldbrough** A sensitivity performed with a high volatility assumption would reduce the impairment recognised at 31 March 2023 from £155.4m to £69.1m (net impairment reversal for the full year of £132.0m). A low volatility assumption would increase the impairment recognised at 31 March 2023 from £155.4m to £265.9m (net impairment for the full year of £64.8m). A high sensitivity of the MRR assumption (represents an increase in the rate by 1.0) would reduce the impairment recognised at 31 March 2023 from £155.4m to £109.2m (net impairment reversal for the full year of £91.9m). A low sensitivity of the MRR assumption (represents a decrease in the rate by 1.0) would increase the impairment recognised at 31 March 2023 from £155.4m to £214.8m (net impairment for the full year of £13.7m).
Investment in Triton Power Holdings Limited	Period to end of life	**Modelling methodology and assumptions** The Group has valued its 50% joint venture investment Triton Power Holdings Limited ('Triton') based on projected cashflows that will be derived from the investment on a VIU basis. The VIU assessment of the Triton power stations (Saltend, Indian Queens and Deeside) were based on pre-tax discounted cash flows expected to be generated by each plant, based on management's view of operating prospects and operational flexibility within the GB wholesale market, including capacity market clearing prices. Cash flows are subject to a pre-tax real discount rate of 9.7% (blended).	**Conclusion** The Group has assessed the investment for indicators of impairment. At 31 March 2023 an exceptional impairment of £291.6m has been recognised against the carrying value of the Group's investment within operating costs. This impairment has been calculated following an exceptional gain on purchase of £140.7m being recognised within share of operating profit from joint ventures and associates, and the Group recognising a share of the movement in derivatives of £172.0m (net of tax) during the period (see note 7.1(iv) for a reconciliation of amounts recognised related to Triton Power). The post-tax contribution to SSE from Triton in the period to March 2023 from the JV was £210.2m, which was effectively the realisation of the gain on acquisition. Following the impairment, the Group's carrying value of equity investment is £253.9m. **Sensitivity analysis** A 1% increase in the discount rate would increase the impairment recognised at 31 March 2023 from £291.6m to £300.4m. A 1% decrease in the discount rate would reduce the impairment recognised from £291.6m to £281.9m. A 20% increase in gross margin would result in reduce the impairment charge to £256.6m, and a 20% decrease in gross margin would increase the impairment to £326.8m. A £10/KW increase in non-contracted capacity market price would decrease the impairment charge to £273.1m and a £10/KW decrease would increase the impairment charge to £310.1m.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

15. Impairment testing continued
15.2 Property, plant and equipment, other intangibles and investment impairment reviews – asset testing continued

Assets	Cash flow period assumption	Operating and other valuation assumptions	Commentary and impairment conclusions
Investment in Triton Power Holdings Limited continued			**TCFD related sensitivity analysis – Triton** The future introduction of legislation restricting power generation from unabated gas fired power stations beyond 2030 has been identified as a potential risk the Group could be exposed to as the UK transitions to a net zero economy. However, this has not been treated as an indicator of impairment at 31 March 2023, as legislation has not been introduced or enacted by the balance sheet date. Triton is projected to operate beyond this date, and so while legislation has not been introduced requiring the shortening of the economic life to this date, the Group has performed a sensitivity analysis to the impairment test noted above. If legislation was introduced requiring the closure of Triton by 2030, it would result in an impairment of £76.5m at 31 March 2023. Under the TCFD Accelerated Gas Closure risk scenario, the indicative potential lost discounted EBIT from early closure of Saltend by 2030 was less than £0.1bn.
Investment in Neos Networks Limited	n/a	The Group has valued its 50% joint venture investment in Neos Networks Limited ('NNL') based on projected valuations that could be achieved in a market transaction, using earnings multiples observable from recent similar transactions. Due to the nature of the valuation technique, which was performed to approximate an achievable fair value less costs to sell, a wide range of valuations were derived from this exercise. The Group has used a point estimate valuation within the range of possible valuations based on earnings targets and earning multiples that the Group believes are achievable. The Group has assessed that this is a level 3 valuation in the fair value hierarchy, with the key inputs being EBITDA and the transaction multiple.	**Conclusion** The valuation exercise resulted in a wide range of reasonably probable valuations for the business from an impairment of £74.9m to headroom of £1.2m based on current contracts and probable contract wins. The business fundamentals remain strong and a change to the current client base would have an impact on this assessment. The Group has assessed that within this range of valuations, a point valuation resulting in an impairment of £37.7m best represents the recoverable value of the investment. Following the impairment, the Group's carrying value of equity investment, shareholder loans and receivables due from NNL is £174.8m. **Sensitivity analysis** Sensitivity analysis was performed in relation to the EBITDA and the multiple applied in deriving the valuation. A 10% increase in the EBITDA assumption would reduce the impairment to £20.2m, whereas a 12% decrease in the EBITDA assumption would result in an impairment of £58.7m. A 10% decrease to the multiple assumption would result in an impairment of £56.1m, whereas a 10% increase to the multiple assumption would result in an impairment of £18.3m.

16. Investments
16.1 Joint Ventures and associates

Share of net assets/cost	2023 Equity £m	2023 Loans £m	2023 Total £m	2022 Equity £m	2022 Loans £m	2022 Total £m
At 1 April	1,239.5	736.9	1,976.4	1,643.5	554.3	2,197.8
Additions	263.6	489.7	753.3	243.5	449.0	692.5
Repayment of shareholder loans	–	(61.4)	(61.4)	–	(147.6)	(147.6)
Dividends received	(294.1)	–	(294.1)	(177.0)	–	(177.0)
Share of profit/(loss) after tax[i] – continuing operations	663.6	–	663.6	110.7	–	110.7
Share of profit/(loss) after tax – discontinued operations	–	–	–	(81.1)	–	(81.1)
Share of other comprehensive income	342.4	–	342.4	152.8	–	152.8
Disposals	(0.2)	–	(0.2)	(545.7)	(118.8)	(664.5)
Transfer – Loans to Equity	50.0	(50.0)	–	–	–	–
Impairments	(329.3)	–	(329.3)	(106.9)	–	(106.9)
Exchange rate adjustments	1.5	0.2	1.7	(0.3)	–	(0.3)
At 31 March	1,937.0	1,115.4	3,052.4	1,239.5	736.9	1,976.4

(i) Of the £663.6m (2022: £110.7m) share of profits from continuing operations, only £662.3m (2022: £109.8m) is recognised through the income statement. The £1.3m (2022: £0.9m) difference relates to profits earned from SSE Group companies where the costs have been capitalised. This profit has been eliminated on consolidation.

(ii) Impairments of £329.3m include charges of £291.6m in relation to the Group's Triton joint venture, and £37.7m in relation to the Group's investment in Neos Networks, of which £5.9m has been treated as exceptional and £31.8m has been treated as non-exceptional, see note 7.

16.2 Additions and disposals of equity in the current year
Additions in the year
On 1 September 2022, the Group announced that SSE Thermal and Equinor had completed the acquisition of Triton Power Holdings Limited from Energy Capital Partners for total consideration of £341.0m shared equally. Further detail on the Group's acquisitions in the year is provided in note 12.1.

Additionally the Group has provided equity and loans to its existing joint venture investments of £141.4m and £441.7m respectively, primarily in relation to Seagreen Wind Energy Limited, SSE Slough Multifuel Limited and Ossian Offshore Windfarm Limited.

Disposals of equity in the year
There were no significant disposals of equity in the current year.

16.3 Acquisitions and disposals of equity in the previous year
Additions in the previous year arising on loss on control
There were no significant additions of equity in the prior year.

Disposals of equity in the previous year
Sale of stake in Dogger Bank C: On 10 February 2022, SSE completed the sale of a 10% stake in Dogger Bank C to Eni for consideration of £70.0m and contingent consideration of up to £40.0m, resulting in a non-exceptional gain on disposal of £64.3m. The gain was recognised within the adjusted profit of the Group in line with the Group's stated exceptional policy for gains on disposal of divestments in offshore windfarms (see note 3.2). After the sale the Group's shareholding in Dogger Bank C is 40%.

Sale of investment in SGN: On 2 August 2021, the Group announced it had agreed to sell its 33.3% investment in SGN to a consortium comprising existing SGN shareholders Ontario Teachers' Pension Plan Board and Brookfield Super-Core Infrastructure Partners for cash consideration of £1,225m. The agreement was conditional on certain regulatory approvals and completed on 22 March 2022, with the Group recognising an exceptional gain on disposal of £576.5m.

16.4 Principal joint ventures and associates
Under IFRS 12 Disclosure of Interests in Other Entities, the Group has evaluated the key joint ventures and associates it holds with the purpose of disclosing any which are materially significant in order to identify the impact on the Group's financial position, performance and cash flows, whilst identifying the nature of the risks associated with these interests. A full listing of the Group's incorporated joint ventures, joint operations, associates and investments are included in the Accompanying Information A3.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

16. Investments continued
16.4 Principal joint ventures and associates continued
Share of results of joint ventures and associates

	2023 Windfarms £m	2023 Thermal Generation £m	2023 Other[i] £m	2023 Total £m	2022 Total £m
Revenue	471.0	1,003.5	90.3	1,564.8	555.4
Other income	10.2	–	–	10.2	112.5
Depreciation and amortisation	(92.8)	(60.8)	(47.5)	(201.1)	(146.6)
Other operating costs	(111.4)	(540.1)	(48.5)	(700.0)	(263.3)
Operating profit	277.0	402.6	(5.7)	673.9	258.0
Interest expense	(55.6)	(4.2)	(10.3)	(70.1)	(67.8)
Changes in fair value of derivatives	(11.0)	213.9	–	202.9	–
Corporation tax	(44.9)	(98.0)	(0.2)	(143.1)	(79.5)
Share of post taxation results	165.5	514.3	(16.2)	663.6	110.7
Recognised in other comprehensive income					
Cashflow hedges[ii]	453.4	3.1	–	456.5	188.5
Taxation[ii]	(113.3)	(0.8)	–	(114.1)	(35.7)
Total comprehensive income	505.6	516.6	(16.2)	1,006.0	263.5

(i) Other comprises the investments the Group holds in Neos Networks Limited and Marron Activ8 Energies Limited.
(ii) For the year ended 31 March 2022, other comprehensive income from net cashflow hedges of £181.4m included £28.6m in relation to the disposal of SGN, which was disclosed as a discontinued operation.

Share of joint ventures and associates' assets and liabilities

	2023 Windfarms £m	2023 Thermal Generation £m	2023 Other[i] £m	2023 Total £m	2022 Total £m
Non-current assets	5,379.4	396.7	316.9	6,093.0	4,475.5
Current assets	155.4	309.7	21.8	486.9	223.5
Cash and cash equivalents	187.6	63.6	12.1	263.3	230.6
Current liabilities	(220.1)	(191.5)	(72.5)	(484.1)	(341.2)
Non-current liabilities	(4,631.5)	(205.3)	(176.6)	(5,013.4)	(3,913.2)
	870.8	373.2	101.7	1,345.7	675.2
Other adjustments	550.4	68.0	(27.1)	591.3	564.3
Share of net assets of joint ventures and associates	1,421.2	441.2	74.6	1,937.0	1,239.5
Shareholder loans	906.1	153.7	55.6	1,115.4	736.9
Interest in joint venture and associate	2,327.3	594.9	130.2	3,052.4	1,976.4

Information on Group's investments in joint ventures and associates is provided at A3, A4 and A5.

16.5 Joint operations
Listed are the incorporated joint operations that have a material impact on the financial position and financial results of the Group.

	Principal activity	Country of incorporation	Class of shares held	Proportion of shares held (%)	Group Interest (%)	Year end
Greater Gabbard Offshore Winds Limited	Offshore Windfarm	UK	Ordinary	50	50	31 March

The Group's interest in Greater Gabbard Offshore Winds Limited is that of a joint operation designed to provide output to the parties sharing control. The liabilities of the arrangement are principally met by the parties through the contracts for the output of the windfarm.

The Group also has an unincorporated arrangement with Equinor under which it accounts for its 66.7% share of the Aldbrough gas storage facility owned by SSE Hornsea Limited.

16.6 Other investments held at fair value through other comprehensive income

	Total £m
At 31 March 2021	3.6
Additions in year	5.4
Disposals in the year	(0.4)
Fair value adjustment through other comprehensive income	0.1
At 31 March 2022	8.7
Additions in year	19.1
Fair value adjustment through other comprehensive income	(0.4)
At 31 March 2023	27.4

The group has received £2.4m in relation to other investments during the year ended 31 March 2023 (2022: £nil).

17. Inventories

	2023 £m	2022 £m
Fuel and consumables	179.3	127.9
Renewables Obligation Certificates	125.4	171.3
Gas held in storage	142.2	1.0
Less: provisions held	(52.0)	(33.6)
	394.9	266.6

Where Renewables Obligation Certificates ('ROCs') are self-generated or purchased to fulfil the Group's environmental obligations, they are recorded within intangible assets. ROCs held in excess of the Group's environmental obligations are recorded within inventories.

The Group has expensed inventories of £601.5m within cost of sales in the year (2022: £685.8m).

18. Trade and other receivables

	2023 £m	2022 £m
Non-current assets		
Loan note receivable	149.5	136.4
Current assets		
Trade receivables	1,404.0	1,433.9
Unbilled energy income	666.1	492.7
Other receivables	226.0	109.8
Cash posted as collateral	316.3	83.8
Other prepayments and accrued income	632.7	90.8
	3,245.1	2,211.0
Total trade and other receivables	3,394.6	2,347.4

The non-current loan note receivable relates to £149.5m (2022: £131.2m) recognised on the disposal of SSE Energy Services on 15 January 2020 and payable by Ovo Energy by 2029. The Ovo loan note carries interest of 13.25% and is presented cumulative of accrued interest repayments, discounted at 13.25%. Additionally in the prior year £5.2m (2023: £nil) was recognised on the disposal of the Contracting and Rail business to Aurelius Group on 1 April 2021.

Unbilled energy income represents an estimate of the value of electricity or gas supplied to customers between the date of the last meter reading and the year end. Detail of the calculation applied to estimate this balance is included at note 4.1(iii). A 5% sensitivity on the unbilled energy accrual would equate to an increase or decrease in the receivable balance of £33.6m (2022: £24.6m).

Included in other prepayments and accrued income is £347.3m (2022: £nil) in relation to government funded customer support schemes.

Cash posted as collateral relates to amounts deposited on commodity trading exchanges of £316.3m (2022: £83.8m).

Trade receivables and other financial assets are part of the Group's financial exposure to credit risk as explained in accompanying information note A6.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

19. Trade and other payables

	2023 £m	2022 £m
Current liabilities		
Trade payables	694.6	919.7
Contract related liabilities(i)	54.1	46.3
Other creditors	560.8	330.2
Other accruals(ii)	1,349.1	1,376.4
	2,658.6	2,672.6
Non-current liabilities		
Contract related liabilities(i)	161.3	196.2
Deferred income and other accruals(ii)	798.6	646.2
	959.9	842.4
Total trade and other payables	3,618.5	3,515.0

(i) Current contract related liabilities includes customer contributions of £14.5m (2022: £15.0m) and non-current contract related liabilities includes customer contributions of £161.3m (2022: £196.2m).
(ii) Non-current other accruals includes government grants of £7.9m (2022: £1.8m).

20. Provisions

	Decommissioning £m	Legal and restructuring £m	Employee related £m	Other £m	Total £m
At 31 March 2021	768.0	48.7	36.6	19.3	872.6
Charged in the year	–	74.1	3.0	20.6	97.7
Increase in decommissioning provision	178.7	–	–	–	178.7
Unwind of discount	5.7	–	–	–	5.7
Released during the year	–	(1.6)	–	–	(1.6)
Utilised during the year	(11.1)	(27.2)	(0.1)	(2.3)	(40.7)
Exchange rate adjustments	(1.2)	–	–	–	(1.2)
At 31 March 2022	940.1	94.0	39.5	37.6	1,111.2
Charged in the year	6.8	16.9	4.5	21.7	49.9
Decrease in decommissioning provision	(196.0)	–	–		(196.0)
Unwind of discount	22.1	–	–	–	22.1
Released during the year	–	(45.2)	(11.0)	(43.2)	(99.4)
Disposed during the year	(56.7)	–	–	–	(56.7)
Utilised during the year	(12.2)	(51.0)	(2.0)	–	(65.2)
Transfers	1.8	5.6	(10.1)	2.7	–
Exchange rate adjustments	6.2	–	–	–	6.2
At 31 March 2023	712.1	20.3	20.9	18.8	772.1
At 31 March 2023					
Non-current	686.0	19.9	18.6	18.2	742.7
Current	26.1	0.4	2.3	0.6	29.4
	712.1	20.3	20.9	18.8	772.1
At 31 March 2022					
Non-current	912.2	57.4	39.5	8.8	1,017.9
Current	27.9	36.6	–	28.8	93.3
	940.1	94.0	39.5	37.6	1,111.2

Decommissioning provisions
Provision has been made for the estimated net present value of decommissioning the Group's Thermal and Renewable power generation assets, Gas Storage facilities and the retained 60% share of decommissioning costs of the disposed Gas Production business. Cost estimates are based on the forecast remediation or clean-up costs based on current technology and prices for Renewable, Thermal and Gas Storage assets and are reviewed by independent valuation experts every three years. In the intervening years, management update cost estimates based on factors arising since the last formal valuation date. Retained decommissioning costs in relation to the disposed Gas Production business are periodically agreed with the field operators. The cost estimates include a risk adjustment and are inflated to the projected decommissioning date using a market observable inflation rate. This projection is discounted using a risk-free discount rate based on UK gilt rates with maturity date similar to the expected decommissioning date.

There is a wide range of assumed decommissioning dates across the obligation due to the number of assets and their varying ages, which is summarised in the table. Decommissioning dates are based on the useful economic lives of the individual assets based on technology and price forecasts at the balance sheet date. It is possible that the forecast decommissioning dates will change due to technology advances or decisions to repower wind farms when the current turbines reach the end of their respective lives. The date of decommissioning of the Gas Production business can vary based on hydrocarbon reserve estimates and market commodity prices, which can shorten or lengthen the economic life of the field.

Business Unit	Value of Provision 31 March 2023 £m	Number of decommissioning sites	Forecast decommissioning dates
Renewables	218.5	55	2025 – 2049
Thermal	165.0	14	2023 – 2051
Gas Storage	119.4	18[1]	2023 – 2050
Gas Production	201.4	4[2]	2023 – 2038
Distributed Energy	7.8	1	2027
Total	712.1		

1 The Group has two Gas Storage assets at Aldbrough and Atwick. In total there are 18 caverns with varying economic lives, therefore the number of sites has been disclosed to more accurately reflect the scale and expected timing of decommissioning activities.
2 The Group has retained a 60% share of the decommissioning obligation for four Gas Production fields, though each field has multiple wells and shared infrastructure that the Group retains an obligation to remediate.

The Group's decommissioning provision has decreased during the year from £940.1m to £712.1m, primarily due to the financial assumptions applied in calculating the obligation. A decrease in the long term inflation rate to 3.2% (2022: 3.8%) has not been offset by the increase in the risk free discount rates applied of between 3.5%-3.8% (2022: 1.6%-1.8%) which has had a significant impact on the closing provision. Of the £196.0m reduction of provision based on revaluation, £145.5m has been recognised as an opposing reduction to decommissioning assets and £50.5m was recognised in the income statement in relation to the Group's share of gas production decommissioning liabilities. During the year, the Group incurred £12.2m of decommissioning spend, primarily related to the Fiddlers Ferry and Ferrybridge sites, included within Thermal above. Based on work completed to date, provisions accrued for the decommissioning of these power stations are expected to be sufficient for the final cost of the works. The disposed provision in the year related to the Fiddler's Ferry land site.

Impact of climate change on the Group's decommissioning provisions
The Group has assessed that the most likely impact of climate change on its decommissioning provisions would be the enactment of legislation that would result in the earlier closure of its unabated gas fired power stations. The decommissioning provision included in the table above for these assets is based on forecast closure dates under legislation enacted at the balance sheet date and therefore forecast closure dates have not been accelerated. In the sensitivity analysis below, a scenario has been included assuming legislation is enacted that would result in closure of these assets from 2030.

Sensitivity analysis
Sensitivity analysis reflecting reasonably probable fluctuations to the main assumptions used in the calculation of the decommissioning provisions is set out below:

Estimated decommissioning provision including:	2023 £m	2022 £m
Increasing the projected cost estimate by 10%	781.4	1,027.8
Increasing the inflation rate by 1.0%	793.2	1,051.2
Decreasing the discount rate by 0.5%	747.1	992.1
Closure of unabated gas CCGTs from 2030	714.5	931.7

Legal and restructuring provisions
Provision had been made for costs associated with the restructure of the Group, including the disposal of SSE Energy Services, Neos Networks Limited and the Group's Contracting business. These provisions were utilised or released in the year. In the year the Group released provisions in total of £45.2m, of which £35.0m for a tax indemnity provided to RockRose Energy Limited ('RRE') following the disposal of SSE E&P Limited on 14 October 2021 (see note 7.1) was released. The Group settled provisions relating to restructuring and disposals totalling £51.0m in the year. Legal and restructuring provision utilisation during the year primarily relates to separation costs in relation to the disposals of SSE Energy Services, SGN and the Group's 50% investment in Neos Networks.

Provisions have been made for ongoing legal and regulatory disputes. Where outcomes are unknown, a range of possible scenarios is calculated, with the most likely being reflected in the provision. The timing of settlement for legal provisions is more uncertain as it is dependent upon legal resolution being achieved.

Employee related provisions
Employee related provisions include the Group's employer financed retirement benefit provision for certain directors and former directors and employees, which is valued in accordance with IAS 19 using assumptions consistent with the Scottish Hydro Electric Pension Scheme (see note 23 for assumptions applied). In addition, the Group has legal obligations arising from severance payments due to employees, which are measured based on length of service. At 31 March 2023, the provisions for severance are related to the closure of Tarbert Power Station.

Other provisions
Other provisions include onerous contract provisions, mutualisation obligations and other contractual obligations and are calculated based on a best estimate basis. The timing of settlement of these provisions varies by obligation between 2023 and 2028.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

21. Sources of finance
21.1 Capital management
The Board's policy is to maintain a strong balance sheet and credit rating to support investor, counterparty and market confidence in the Group and to underpin future development of the business. The Group's credit ratings are also important in maintaining an efficient cost of capital and in determining collateral requirements throughout the Group. As at 31 March 2023, the Group's long-term credit rating was BBB+ positive outlook for Standard & Poor's and Baa1 stable outlook for Moody's.

The maintenance of a medium-term corporate model is a key control in monitoring the development of the Group's capital structure and allows for detailed scenarios and sensitivity testing. Key ratios drawn from this analysis underpin regular updates to the Board and include the ratios used by the rating agencies in assessing the Group's credit ratings.

The Group's debt requirements are principally met through issuing bonds denominated in Sterling and Euros as well as private placements and medium-term bank loans including those with the European Investment Bank. On 1 August 2022 SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% under the Group's Green Bond Framework and additionally, SSE Group (through Scottish Hydro Electric Transmission plc) also received £350m of proceeds, on 30 June 2022, from the private placement that was priced and committed to in March 2022. In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond at 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurred on 16 September 2022 with SSE taking advantage of the 3 month par call option on these Hybrid bonds meaning the bonds were repaid on 16 June 2022. Senior debt redeemed in the financial year included $255m (£162.7m) US Private Placement in April 2022, a £300m Eurobond in September 2022 and a £150m loan from the European Investment Bank to Scottish Hydro Electric Transmission plc in October 2022.

SSE's adjusted net debt and hybrid capital was £8.9bn at 31 March 2023, compared with £8.6bn at 31 March 2022.

Adjusted net debt and hybrid capital is stated after removing lease obligations, external debt attributed to non-controlling interests and cash posted as collateral in line with the Group's presentation basis which is explained at note 3(i). Cash posted as collateral refers to amounts deposited on commodity trading exchanges which are reported within 'Trade and other receivables' on the face of the balance sheet. The adjustment related to the non-controlling interest share of Scottish Hydro Electric Transmission plc external net debt is £434.2m and relates to 25% of external loans of £1,744.8m net of cash and cash equivalents of £7.8m.

The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and as at 31 March 2023 there was £919m commercial paper outstanding (2022: £507m). The Group also has £3.5bn of revolving credit facilities which includes £750m relating to Scottish Hydro Electric Transmission plc (2022: £1.5bn) (see note 21.3). As at 31 March 2023 there was £100m of drawings against these committed facilities being less than 3% utilisation (2022: undrawn).

The Group capital comprises:

	2023 £m	2022 £m (restated*)
Total borrowings (excluding lease obligations)	8,654.0	8,671.2
Less: Cash and cash equivalents	(891.8)	(1,049.3)
Net debt (excluding hybrid equity)	7,762.2	7,621.9
Hybrid equity	1,882.4	1,051.0
External debt attributable to non-controlling interests	(434.2)	–
Cash (posted)/held as collateral and other short term loans	(316.3)	(74.7)
Adjusted net debt and hybrid capital APM	8,894.1	8,598.2
Equity attributable to shareholders of the parent	8,583.9	8,077.8
Total capital excluding lease obligations	17,478.0	16,676.0

* The comparative has been restated. See note 2.1.

Under the terms of its major borrowing facilities, the Group is required to comply with the following financial covenant:
- **Interest Cover Ratio:** The Group shall procure that the ratio of Operating Profit to Net Interest Payable for any relevant period is not less than 2.5 to 1.

The following definitions apply in the calculation of these financial covenants:
- **'Operating Profit'** means, in relation to a relevant period, the profit on ordinary activities before taxation (after adding back Net Interest Payable) of the Group for that relevant period but after adjusting this amount to exclude any exceptional profits (or losses) and, for the avoidance of doubt, before taking account of any exceptional profits (or losses) and excluding the effect of IFRS 9 remeasurements.
- **'Net Interest Payable'** means, in respect of any relevant period, interest payable during that relevant period less interest receivable during that relevant period.

In summary, the Group's intent is to balance returns to shareholders between current returns through dividends and long-term capital investment for growth. In doing so, the Group will maintain its capital discipline and will continue to operate within the current economic environment prudently. There were no changes to the Group's capital management approach during the year.

Under the SSE plc's articles of association, the borrowings of the Company are limited so as to ensure that the aggregate amount of all borrowings by the Group outstanding at any time is not more than three times the capital and reserves of the Group.

21.2 Loans and other borrowings

Current	2023 £m	2022 £m
Short-term loans	1,738.5	1,118.7
Lease obligations	82.1	72.1
	1,820.6	1,190.8
Non-current		
Loans	6,915.5	7,552.5
Lease obligations	323.8	321.4
	7,239.3	7,873.9
Total loans and borrowings	9,059.9	9,064.7
Cash and cash equivalents	(891.8)	(1,049.3)
Unadjusted net debt	8,168.1	8,015.4
Add/(less):		
Hybrid equity	1,882.4	1,051.0
External net debt attributable to non-controlling interests	(434.2)	–
Lease obligations	(405.9)	(393.5)
Cash (posted)/held as collateral and other short term loans	(316.3)	(74.7)
Adjusted net debt and hybrid capital APM	8,894.1	8,598.2

Cash and cash equivalents (which are presented as a single class of asset on the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of three months or less. The cash and cash equivalents are lower year on year due to a lower surplus cash position at March 2023, with no large divestment proceeds received in March 2023 compared to March 2022.

21.3 Borrowing facilities
The Group has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and as at 31 March 2023 there was £919m commercial paper outstanding (2022: £507m).

The Group also has £3.5bn of revolving credit facilities (2022: £1.5bn). As at 31 March 2023 there was £100m of drawings against these committed facilities being less than 3% utilisation (2022: undrawn). The details of the five committed facilities as at 31 March 2023 are:

- a £1.3bn revolving credit facility for SSE plc maturing March 2026 (2022: £1.3bn);
- a £0.2bn bilateral facility for SSE plc maturing October 2026 (2022: £0.2bn);
- a new £0.75bn facility for Scottish Hydro Electric Transmission plc maturing November 2025 (2022: £nil);
- a new £0.25bn facility for Scottish Hydro Electric Distribution plc and Southern Electric Power Distribution plc maturing November 2025 (2022: £nil); and
- a new £1.0bn committed facility for SSE plc maturing February 2024 (2022: £nil).

The £1.3bn revolving credit facility and £0.2bn bilateral facility are both in place to provide back-up to the commercial paper programme and support the Group's capital expenditure plans. The Transmission and Distribution related facilities, both of which have 1 year extension options at the borrower's discretion, were entered into to help cover the capital expenditure and working capital of those businesses as they look to become financially independent of the Group as part of the 25% divestment process. The new £1bn committed facility at SSE plc has a 1 year extension option at the lender's discretion and was entered into to provide cover for potential cash collateral requirements, if periods of extreme volatility return to the commodity markets. The only facility that was drawn at 31 March 2023 was the £750m Transmission facility, with £100m drawn to cover capital expenditure requirements.

During the year to 31 March 2023 SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% with an all-in cost of funding rate of just below 3% once fees and cost of pre-hedging have been included. The bond will be left in Euros as part of the Group's net investment hedge of Euro denominated businesses. SSE Group (through Scottish Hydro Electric Transmission plc) also received the proceeds from the private placement that was priced and committed to in March 2022. This comprised of a £350m dual tranche US Private Placement with Pricora Capital being a £175m 10-year tranche at 3.13% and a £175m 15-year tranche at 3.24% giving an all-in average rate of 3.185% across both tranches.

In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond at 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurred on 16 September 2022, with SSE taking advantage of the 3 month par call option on these Hybrid bonds meaning the bonds were repaid on 16 June 2022. The €1bn equity accounted Hybrid bond was left in Euros with the proceeds used to cover the portion of the maturing Hybrid that was swapped to Euros and a portion of the costs associated with the acquisition of the Southern European onshore renewables development platform from Siemens Gamesa Renewables Energy.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

21. Sources of finance continued
21.3 Borrowing facilities continued

Analysis of borrowings

	2023 Weighted average interest rate[iv]	2023 Face value £m	2023 Fair value £m	2023 Carrying amount £m	2022 Weighted average interest rate[iv]	2022 Face value £m	2022 Fair value £m	2022 Carrying amount £m
Current								
Bank Loans – non-amortising[i]	2.6%	50.0	49.4	50.0	3.0%	150.0	151.1	150.0
Other Short term loans – non-amortising[ii]	4.5%	1,029.4	1,033.5	1,019.2	0.8%	507.1	507.5	506.1
US Private Placement 16 April 2022	–	–	–	–	4.3%	162.7	197.8	162.7
5.875% Eurobond Repayable 22 September 2022	–	–	–	–	5.9%	300.0	306.1	299.9
US Private Placement 28 April 2023	2.8%	35.0	35.3	35.0	–	–	–	–
US Private Placement 6 September 2023	2.9%	120.0	118.8	119.8	–	–	–	–
1.75% €700m Eurobond repayable 8 September 2023[v]	1.8%	514.6	510.8	514.5	–	–	–	–
Total current borrowings		1,749.0	1,747.8	1,738.5		1,119.8	1,162.5	1,118.7
Non-Current								
Bank loans – non-amortising[i]	3.4%	500.0	479.5	499.9	2.2%	350.0	344.3	349.9
US Private Placement 28 April 2023	–	–	–	–	2.8%	35.0	35.4	34.9
US Private Placement 6 September 2023	–	–	–	–	2.9%	120.0	120.1	119.4
1.75% €700m Eurobond repayable 8 September 2023[v]	–	–	–	–	1.8%	514.6	524.0	514.3
US Private Placement 16 April 2024	4.4%	204.1	259.6	204.1	4.4%	204.1	250.6	204.0
1.250% Eurobond Repayable 16 April 2025[viii]	1.3%	531.4	508.3	531.4	1.3%	531.4	533.4	531.4
0.875% €600m Eurobond Repayable 8 September 2025[x]	0.9%	527.5	495.3	526.2	0.9%	510.9	504.3	504.2
US Private Placement 8 June 2026	3.1%	64.0	59.9	63.5	3.1%	64.0	63.8	63.3
US Private Placement 6 September 2026	3.2%	247.1	257.4	245.0	3.2%	247.1	258.7	244.3
US Private Placement 6 September 2027	3.2%	35.0	31.7	34.7	–	–	–	–
1.375% €650m Eurobond repayable 4 September 2027[vi][x]	1.4%	591.4	545.8	590.5	–	–	–	–
1.50% Eurobond Repayable 24 March 2028	1.5%	250.0	212.8	249.1	–	–	–	–
Between two and five years		2,950.5	2,850.3	2,944.4		2,577.1	2,634.6	2,565.7
Bank loans – non-amortising[i]	–	–	–	–	0.8%	200.0	200.7	200.0
US Private Placement 6 September 2027	–	–	–	–	3.2%	35.0	34.8	34.6
1.375% €650m Eurobond repayable 4 September 2027[vi]	–	–	–	–	1.4%	591.4	588.7	590.2
1.50% Eurobond Repayable 24 March 2028[x]	–	–	–	–	1.5%	250.0	232.9	249.0
8.375% Eurobond repayable on 20 November 2028	8.4%	500.0	575.0	497.6	8.4%	500.0	659.0	497.2
2.875% Eurobond Repayable 1 August 2029[x]	2.9%	571.5	548.3	569.8				
1.750% Eurobond Repayable 16 April 2030[ix]	1.8%	442.9	388.1	442.9	1.8%	442.9	439.6	442.9
5.50% Eurobond repayable on 7 June 2032	5.5%	350.0	364.1	350.1	5.5%	350.0	428.6	350.1
Private Placement 30 June 2032	3.1%	175.0	152.8	175.0				
2.25% Eurobond repayable 27 September 2035[x]	2.3%	350.0	255.9	347.4	2.3%	350.0	314.1	347.2
2.125% Eurobond Repayable 24 March 2036[x]	2.1%	250.0	177.7	248.4	2.1%	250.0	220.7	248.3
4.625% Eurobond repayable on 20 February 2037	4.6%	325.0	301.2	324.2	4.6%	325.0	375.4	324.1
Private Placement	3.2%	175.0	142.2	175.0				
6.25% Eurobond repayable on 27 August 2038	6.3%	350.0	372.0	347.5	6.3%	350.0	473.3	347.5
4.454% Index linked loan repayable on 27 February 2044	4.5%	165.9	190.4	165.5	4.5%	148.5	250.8	145.1
1.429% Index linked bond repayable on 20 October 2056	2.0%	173.1	140.4	173.1	2.0%	153.9	251.2	154.2
4.75% $900m NC5.5 Hybrid debt maturing 16 September 2077[vii]	–	–	–	–	4.8%	725.4	727.6	725.0
3.625% NC5.5 Hybrid maturing 16 September 2077[vii]	–	–	–	–	3.6%	300.0	301.6	299.8
Over five years		3,828.4	3,608.1	3,816.5		4,972.1	5,499.0	4,955.2
Fair value adjustment[iii]				154.6				31.6
Total non-current borrowings		6,778.9	6,458.4	6,915.5		7,549.2	8,133.6	7,552.5
Total borrowings		8,527.9	8,206.2	8,654.0		8,669.0	9,296.1	8,671.2

Note: The Sterling-equivalent fair value reflects the fair value of non-Sterling denominated borrowings, post the impact of the hedges noted below.
(i) Balances include term loans and EIB debt and is a mixture of fixed and floating rate debt.
(ii) Balances include Commercial Paper and facility advances (£919m of Commercial Paper and £100m of facility advances outstanding at 31 March 2023).
(iii) The fair value adjustment relates to the change in the carrying amount of the borrowings as a result of fair value hedges that are in place. The movement in the fair value adjustment is recognised in the income statement with a corresponding movement on the hedging instrument also being recognised in the income statement.
(iv) The weighted average interest rates (including the effect of interest rate swaps) for the year ended 31 March 2023 was 3.35% (2022: 3.29%).
(v) The 1.75% €700m Eurobond maturing 8 September 2023 has been swapped to Sterling giving an effective interest rate of 3.16%.
(vi) The 1.375% €650m Eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(vii) The 4.75% $900m NC5.5 Hybrid maturing 16 September 2077 has been swapped to Euros ($605m) and Sterling ($295m) giving an effective interest rate of 2.25% and 3.29% respectively. This and the 3.625% NC5.5 Hybrid maturing 16 September 2077 were the Group's debt-accounted Hybrids (see (ii) below), both were redeemed on 16 June 2022 using a 3 month par call option.
(viii) The 1.250% €600m Eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%
(ix) The 1.750% €500m Eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%
(x) Bonds have been issued under the Group's Green Bond Framework

(i) Lease liabilities
Amounts charged under lease arrangements are detailed within note 6, and right of use assets recognised under lease arrangements are detailed within note 14.

	£m
At 31 March 2021	421.0
Additions during the year	82.7
Disposals during the year	(46.8)
Unwind of discount	31.7
Repayment in the year	(95.1)
At 31 March 2022	393.5
Additions during the year	**79.9**
Disposals during the year	**(1.4)**
Unwind of discount	**28.3**
Repayment in the year	**(94.4)**
At 31 March 2023	**405.9**

The weighted average incremental borrowing rate applied to lease liabilities during the year was 5.02% (2022: 4.92%). Incremental borrowing rates applied to individual lease additions in the year ranged between 4.03% to 5.06% (2022: 4.81% to 5.06%).

The Group has additional committed payments under short term and low value leases at 31 March 2023 of £11.7m (2022: £11.3m).

The maturity of future lease liabilities are as follows:

	2023 £m	2022 £m
Within one year	94.5	88.7
Between one and five years	202.4	223.7
After five years	316.1	268.9
	613.0	581.3
Less: future finance charge	(207.1)	(187.8)
Present value of lease obligations	405.9	393.5

(ii) Hybrid debt
On 16 March 2017, the Group issued £1.0bn of hybrid debt securities. Due to these hybrid instruments having a fixed redemption date, they were accounted for as a debt item and were included within Loans and Other Borrowings in note 21.2. Following the issue of a new €1bn equity accounted hybrid in April 2022, the Group took advantage of the 3 month par call option on the debt accounted hybrids to fully redeem these hybrids on 16 June 2022. Therefore included within loans and borrowings at 31 March 2023 is £nil hybrid debt securities, compared to £1.0bn of hybrid debt securities at 31 March 2022.

21.4 Reconciliation of net increase in cash and cash equivalents to movement in adjusted net debt and hybrid capital

	2023 £m	2022 £m
Decrease in cash and cash equivalents	(157.5)	(550.9)
Add/(less):		
New borrowing proceeds	(1,914.7)	(506.1)
New hybrid equity proceeds	(831.4)	–
Repayment of borrowings	2,148.1	865.0
Repayment of hybrid equity	–	421.4
Non-cash movement on borrowings	(216.2)	(40.5)
External debt attributable to non-controlling interests	434.2	–
Increase in cash posted as collateral and other short term loans	241.6	111.8
(Increase)/decrease in adjusted net debt and hybrid capital APM	(295.9)	300.7

Cash posted/held as collateral refers to amounts deposited on commodity trading exchanges and loans provided with a less than three month maturity which are reported within trade and other receivables on the face of the balance sheet.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

21. Sources of finance continued
21.5 Reconciliation of movements in financing liabilities

		Financing cash flows				Non-cash movements					
	At 31 March 2022 £m	New borrowings £m	Disposal of borrowings £m	Repayment of borrowings £m	Repayment of lease creditor £m	Fair value movements £m	Foreign exchange movements £m	Lease liabilities £m	Re-classification £m	Other £m	At 31 March 2023 £m
Financing Liabilities											
Bank loans	549.8	–	–	–	–	–	–	–	(50.0)	0.1	499.9
Private placement	784.5	350.0	–	–	–	(3.2)	–	–	(154.8)	1.6	978.1
Fixed rate Eurobonds	4,945.0	545.5	–	–	–	75.1	47.4	–	(514.5)	0.4	5,098.9
Index linked loans	299.3	–	–	–	–	–	–	–	–	39.3	338.6
Hybrid debt	973.9	–	–	(1,029.4)	–	51.1	4.1	–	–	0.3	–
Total long term borrowings	7,552.5	895.5	–	(1,029.4)	–	123.0	51.5	–	(719.3)	41.7	6,915.5
Bank loans	150.0	–	–	(150.0)	–	–	–	–	50.0	–	50.0
Fixed rate Eurobonds	299.9	–	–	(299.9)	–	–	–	–	514.5	–	514.5
Other short term loans – non-amortising	506.1	1,019.2	–	(506.1)	–	–	–	–	–	–	1,019.2
US private placement	162.7	–	–	(162.7)	–	–	–	–	154.8	–	154.8
Total short term borrowings	1,118.7	1,019.2	–	(1,118.7)	–	–	–	–	719.3	–	1,738.5
	8,671.2	1,914.7	–	(2,148.1)	–	123.0	51.5	–	–	41.7	8,654.0
Lease liabilities	393.5	–	–	–	(94.4)	–	–	106.8	–	–	405.9
Total loans and borrowings	9,064.7	1,914.7	–	(2,148.1)	(94.4)	123.0	51.5	106.8	–	41.7	9,059.9
Assets held to hedge long term borrowings	242.1	–	–	–	–	(371.4)	–	–	–	–	(129.3)
	9,306.8	1,914.7	–	(2,148.1)	(94.4)	(248.4)	51.5	106.8	–	41.7	8,930.6

		Financing cash flows				Non-cash movements					
	At 31 March 2021 £m	New borrowings £m	Disposal of borrowings £m	Repayment of borrowings £m	Repayment of lease creditor £m	Fair value movements £m	Foreign exchange movements £m	Lease liabilities £m	Re-classification £m	Other £m	At 31 March 2022 £m
Financing Liabilities											
Bank loans	699.7	–	–	–	–	–	–	–	(150.0)	0.1	549.8
Private placement	915.9	–	–	–	–	29.8	–	–	(162.7)	1.5	784.5
Fixed rate Eurobonds	5,278.1	–	–	–	–	(30.7)	(4.8)	–	(299.9)	2.3	4,945.0
Index linked loans	283.0	–	–	–	–	–	–	–	–	16.3	299.3
Hybrid debt	950.8	–	–	–	–	26.7	(4.7)	–	–	1.1	973.9
Total long term borrowings	8,127.5	–	–	–		25.8	(9.5)	–	(612.6)	21.3	7,552.5
Bank loans	150.0	–	–	(150.0)	–	–	–	–	150.0	–	150.0
Fixed rate Eurobonds	712.1	–	–	(715.0)	–	2.6	–	–	299.9	0.3	299.9
Other short term loans – non-amortising	–	506.1	–	–	–	–	–	–	–	–	506.1
US private placement	–	–	–	–	–	–	–	–	162.7	–	162.7
Total short term borrowings	862.1	506.1	–	(865.0)	–	2.6	–	–	612.6	0.3	1,118.7
	8,989.6	506.1	–	(865.0)	–	28.4	(9.5)	–	–	21.6	8,671.2
Lease liabilities	421.0	–	–	–	(95.1)	–	–	67.6	–	–	393.5
Total loans and borrowings	9,410.6	506.1	–	(865.0)	(95.1)	28.4	(9.5)	67.6	–	21.6	9,064.7
Assets held to hedge long term borrowings	315.4	–	–	–	–	(73.3)	–	–	–	–	242.1
	9,726.0	506.1	–	(865.0)	(95.1)	(44.9)	(9.5)	67.6	–	21.6	9,306.8

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

22. Equity
22.1 Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 1 April 2021	1,049.1	524.5
Issue of shares[i]	24.0	12.0
At 31 March 2022	1,073.1	536.5
Issue of shares[i]	**27.7**	**13.9**
Shares repurchased[ii]	**(6.9)**	**(3.4)**
At 31 March 2023	**1,093.9**	**547.0**

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

(i) Shareholders were able to elect to receive ordinary shares in place of the final dividend of 60.2p per ordinary share (in relation to year ended 31 March 2022) and the interim dividend of 29.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 18,241,941 and 9,413,103 new fully paid ordinary shares respectively (2022: 22,201,443 and 1,782,473). In addition, the Company issued 1.9m (2022: 0.6m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £18.0m (2022: £6.3m).
(ii) Under the share buyback programme announced on 28 September 2022 6.9m of shares were repurchased and cancelled in the year to 31 March 2023 for a total consideration of £107.6m (including stamp duty and commission). The nominal value of share capital repurchased and cancelled is transferred out of share capital and into the capital redemption reserve.

Of the 1,093.9m shares in issue, 3.6m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 1.4m shares for a total consideration of £23.4m (2022: 0.9m shares, consideration of £14.1m) to be held in trust for the benefit of employee share schemes. At 31 March 2023, the trust held 6.5m shares (2022: 6.3m) which had a market value of £118.0m (2022: £110.0m).

22.2 Capital redemption reserve
The capital redemption reserve comprises the value of shares redeemed or purchased by the Company from distributable profits.

22.3 Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedged transactions that have not yet occurred.

22.4 Translation reserve
Comprises exchange translation differences on foreign currency net investments offset by exchange translation differences on borrowings and derivatives classified as net investment hedges under IAS 39.

22.5 Hybrid Equity

	2023 £m	2022 £m
GBP 600m 3.74% perpetual subordinated capital securities[i]	**598.0**	598.0
EUR 500m 3.125% perpetual subordinated capital securities[i]	**453.0**	453.0
EUR 1,000m 4.00% perpetual subordinated capital securities[ii]	**831.4**	–
	1,882.4	1,051.0

(i) 2 July 2020 £600m and €500m Hybrid Capital Bonds
The hybrid capital bonds issued in July 2020 have no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption of the £600m hybrid bond is 14 April 2026 and then every 5 years thereafter. The date for the first potential discretionary redemption of the €500m hybrid capital bond is 14 July 2027 and then every 5 years thereafter. For the £600m Hybrid the discretionary coupon payments are made annually on 14 April and for the €500m Hybrid the coupon payments are made annually on 14 July.

(ii) 12 April 2022 €1,000m Hybrid Capital Bonds
The hybrid capital bond issued in April 2022 has no fixed redemption date, but the Company may, at its sole discretion, redeem all but not part of the capital securities at their principal amount. The date for the first potential discretionary redemption is 21 April 2028 and then every 5 years thereafter. The discretionary hybrid coupon payments are made annually on 21 April.

(iii) Coupon Payments
In relation to the £600m hybrid equity bond a discretionary coupon payment of £22.4m (2022: £16.8m) was made on 14 April 2022 and for the €500m hybrid equity bond a discretionary coupon payment of £16.4m (2022: £16.4m) was made on 14 July 2022. Additionally, in relation to the €600m hybrid equity bond (redeemed on 1 April 2021), the final discretionary coupon payment of £17.5m was made on 1 April 2021. The first discretionary coupon payment on the new €1bn hybrid equity bond will occur on 21 April 2023.

The coupon payments in the year to 31 March 2023 consequently totalled £38.8m (2022: £50.7m).

The Company has the option to defer coupon payments on the bonds on any relevant payment date, as long as a dividend on the ordinary shares has not been declared. Deferred coupons shall be satisfied only on redemption; or on a dividend payment on ordinary shares, both of which occur at the sole option of the Company. Interest will accrue on any deferred coupon.

22.6 Equity attributable to non-controlling interests
Equity attributable to non-wholly owned but controlled subsidiaries which are consolidated within the financial statements of the Group under IFRS. At 31 March 2023 the amount attributable to non-controlling interests is £649.1m (2022: £40.6m), which relates to SHET of £606.5m (2022: £nil) and SSE Pacifico £42.6m (2022: £40.6m). The SHET's summarised financial information is included in note 12.2(i). The profit and loss attributable to non-controlling interests for the year ended 31 March 2023 is £23.6m gain (2022: £nil), which relates to SHET £25.5m gain (2022: £nil) and SSE Pacifico £1.9m loss (2022: £nil).

23. Retirement benefit obligations
Defined benefit schemes
The Group has two funded final salary pension schemes which provide defined benefits based on final pensionable pay. The schemes are subject to independent valuations at least every three years. The future benefit obligations are valued by actuarial methods on the basis of an appropriate assessment of the relevant parameters.

The Group also has an Employer Financed Retirement Benefit scheme and a defined contribution scheme, SSE Pensions+ under a master trust with Aviva. The Group matches employee contributions up to a specified limit, in most circumstances this is set at 6%. The Group may also provide additional contributions of 3% after five years and a further 3% after ten years continuous Group service.

The Group presents its pension scheme valuations under two different measurement bases, an actuarial valuation and an IAS 19 valuation as required by accounting standards. The IAS 19 valuation is used to determine the assets and obligations recognised in the Group's consolidated balance sheet and is calculated annually by scheme actuaries, whereas the formal actuarial valuation is used to determine the contributions the Group makes to each scheme. The actuarial valuation is recalculated for each scheme every three years.

Actuarial valuations
The individual pension scheme details based on the latest formal actuarial valuations are as follows:

	Scottish Hydro Electric	SSE Southern
Latest formal actuarial valuation	31 March 2021	31 March 2022
Valuation carried out by	Hymans Robertson	Aon Hewitt
Value of assets based on valuation	£2,050.5m	£2,395.6m
Value of liabilities based on valuation	£1,782.2m	£2,475.2m
Valuation method adopted	Projected Unit	Projected Unit
Average salary increase	RPI+0.5%	RPI+0.25%
Average pension increase	RPI	RPI
Value of fund assets/accrued benefits	115.1%	96.8%

Future contributions
Scottish Hydro Electric Pension Scheme
The last triennial actuarial valuation of the scheme was carried out at 31 March 2021 and showed a surplus of £268.3m on a projected unit basis. Following this valuation, the Group agreed to a new schedule of contributions which does not require contributions to be paid to the scheme, unless there is a deficit on the valuation basis for two successive quarterly valuations. Consequently, the Group has not made contributions to the scheme in the year ending 31 March 2023.

The next triennial funding valuation will be carried out as at 31 March 2024.

SSE Southern Group of the Electricity Supply Pension Scheme
The last triennial actuarial valuation of the Scheme as at 31 March 2022 was finalised in April 2023, and showed a deficit of £79.6m on a projected unit basis. Following this valuation, the Group agreed to a new schedule of contributions which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2027. The next funding valuation will be carried out at 31 March 2025. The Group also pays contributions in respect of current accrual. Total contributions of approximately £29.0m are expected to be paid by the Company during the year ending on 31 March 2024, including deficit repair contributions of £14.2m. The deficit repair contribution will be made annually until March 2027, increasing in line with inflation each year.

During the year ending 31 March 2023 the Group continued to pay deficit contributions of £38.0m.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

23. Retirement benefit obligations continued
Pension summary as measured under IAS 19:

	Scheme type	Net actuarial (loss)/gain recognised in respect of the pension asset in the statement of comprehensive income 2023 £m	2022 £m	Net pension asset 2023 £m	2022 £m
Scottish Hydro Electric	Defined benefit	(152.0)	(24.6)	366.6	517.5
SSE Southern	Defined benefit	72.8	221.9	174.5	67.4
Net actuarial (loss)/gain		(79.2)	197.3	541.1	584.9

IFRC 14 surplus restrictions

The value of Scottish Hydro Electric Pension Scheme assets recognised was previously impacted by the asset ceiling test which restricts the surplus that can be recognised to assets that can be recovered through future refunds or reductions in future contributions to the schemes, and may increase the value of scheme liabilities where there are minimum funding liabilities in relation to agreed contributions. IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' clarifies that future refunds may be recognised if the sponsoring entity has an unconditional right to a refund in certain circumstances.

In 2016/17 the Group agreed with the trustees to the Scottish Hydro Electric Pension Scheme an amendment to the scheme rules to clarify that the Company has a clear right to any surplus upon final winding up of the scheme. This amendment removes the previous restriction on recognition of any surplus and as such the previously applied restriction is no longer recognised. The net pension asset of the Scottish Hydro Electric Scheme at 31 March 2023 was equal to £366.6m (2022: £517.5m).

At 31 March 2023, the SSE Southern Pension Scheme has a net surplus of £174.5m (2022: £67.4m), and unrecognised future contributions of £50.9m (2022: £195.7m), subject to increases in line with inflation. The Group has assessed that it has the right to recognise the current and any future surpluses on the scheme, therefore has not recognised a liability for future unrecoverable contributions.

23.1 Pension scheme assumptions

Both schemes have been updated to 31 March 2023 by qualified independent actuaries. The valuations have been prepared for the purposes of meeting the requirements of IAS 19. The major assumptions used by the actuaries in both schemes were:

	At 31 March 2023	At 31 March 2022
Rate of increase in pensionable salaries	3.5%	4.2%
Rate of increase in pension payments	3.2%	3.7%
Discount rate	4.8%	2.7%
Inflation rate	3.2%	3.7%

The assumptions relating to longevity underlying the pension liabilities at 31 March 2023 are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

Scottish Hydro Electric

	At 31 March 2023 Male	At 31 March 2023 Female	At 31 March 2022 Male	At 31 March 2022 Female
Currently aged 65	22	24	22	24
Currently aged 45	24	26	24	27

SSE Southern

	At 31 March 2023 Male	At 31 March 2023 Female	At 31 March 2022 Male	At 31 March 2022 Female
Currently aged 65	22	24	23	25
Currently aged 45	24	26	24	26

23.2 Sensitivity analysis

The impact on the schemes' liabilities of changing certain of the major assumptions is as follows:

Scottish Hydro Electric

	At 31 March 2023 Increase/decrease in assumption	At 31 March 2023 Effect on scheme's liabilities	At 31 March 2022 Increase/decrease in assumption	At 31 March 2022 Effect on scheme's liabilities
Rate of increase in pensionable salaries	0.1%	+/-0.1%	0.1%	+/-0.1%
Rate of increase in pension payments	0.1%	+/-0.7%	0.1%	+/-0.9%
Discount rate	0.1%	+/-0.7%	0.1%	+/-1.0%
Longevity	1 year	+/-1.9%	1 year	+/-2.0%

SSE Southern

	At 31 March 2023 Increase/decrease in assumption	At 31 March 2023 Effect on scheme's liabilities	At 31 March 2022 Increase/decrease in assumption	At 31 March 2022 Effect on scheme's liabilities
Rate of increase in pensionable salaries	0.1%	+/-0.1%	0.1%	+/-0.2%
Rate of increase in pension payments	0.1%	+/-1.2%	0.1%	+/-1.5%
Discount rate	0.1%	+/-1.3%	0.1%	+/-1.5%
Longevity	1 year	+/-3.3%	1 year	+/-5.8%

23.3 Valuation of combined Pension Schemes

	Quoted £m	Unquoted £m	Value at 31 March 2023 £m	Quoted £m	Unquoted £m	Value at 31 March 2022 £m
Equities	94.3	–	94.3	511.5	–	511.5
Government bonds	1,381.6	–	1,381.6	1,332.7	–	1,332.7
Corporate bonds	122.8	–	122.8	167.6	–	167.6
Insurance contracts(i)	–	532.4	532.4	–	713.5	713.5
Other investments	1,057.5	–	1,057.5	1,585.9	–	1,585.9
Total fair value of plan assets			3,188.6			4,311.2
Present value of defined benefit obligation			(2,647.5)			(3,726.3)
Surplus in the schemes			541.1			584.9
Deferred tax thereon(ii)			(135.3)			(146.2)
Net pension asset			405.8			438.7

(i) See details of valuations of insurance contracts in note 23.7 (ii).
(ii) Deferred tax rate of 25% applied to net pension surplus position (2022: 25%).

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

23. Retirement benefit obligations continued
23.4 Movements in the combined defined benefit asset obligations and assets during the year:

	2023			2022		
	Assets £m	Obligations £m	Total	Assets £m	Obligations £m	Total
At 1 April	4,311.2	(3,726.3)	584.9	4,312.1	(3,955.1)	357.0
Included in Income Statement						
Current service cost	–	(28.2)	(28.2)	–	(31.0)	(31.0)
Past service cost	–	(5.7)	(5.7)	–	(5.1)	(5.1)
Settlements and curtailments	–	–	–	(2.5)	2.6	0.1
Interest income/(cost)	114.8	(98.6)	16.2	85.2	(77.6)	7.6
	114.8	(132.5)	(17.7)	82.7	(111.1)	(28.4)
Included in Other Comprehensive Income						
Actuarial gain/(loss) arising from:						
Demographic assumptions	–	71.7	71.7	–	16.8	16.8
Financial assumptions	–	1,099.8	1,099.8	–	195.6	195.6
Experience assumptions	–	(135.1)	(135.1)	–	(41.5)	(41.5)
Return on plan assets excluding interest income	(1,115.6)	–	(1,115.6)	26.4	–	26.4
	(1,115.6)	1,036.4	(79.2)	26.4	170.9	197.3
Other						
Contributions paid by the employer	53.1	–	53.1	59.0	–	59.0
Scheme participant's contributions	0.1	(0.1)	–	0.1	(0.1)	–
Benefits paid	(175.0)	175.0	–	(169.1)	169.1	–
	(121.8)	174.9	53.1	(110.0)	169.0	59.0
Balance at 31 March	3,188.6	(2,647.5)	541.1	4,311.2	(3,726.3)	584.9

23.5 Pension scheme contributions and costs
Charges/(credits) recognised:

	2023 £m	2022 £m
Service costs (charged to operating profit)	33.9	36.1
Settlements and curtailment gains	–	(0.1)
	33.9	36.0
(Credited)/charged to finance costs:		
Interest from pension scheme assets	(114.8)	(85.2)
Interest on pension scheme liabilities	98.6	77.6
	(16.2)	(7.6)

The return on pension scheme assets is as follows:

	2023 £m	2022 £m
Return on pension scheme assets	(1,000.8)	111.6

Defined contribution scheme
The total contribution paid by the Group to defined contribution pension schemes was £58.7m (2022: £57.3m).

Employer financed retirement benefit (EFRB) pension costs
The decrease in the year in relation to EFRB was £8.9m (2022: decrease of £1.1m). This is included in Employee related provisions (note 20).

Staff costs analysis
The pension costs in note 8 can be analysed as follows:

	2023 £m	2022 £m
Service costs	33.9	36.1
Defined contribution scheme payments	60.1	57.3
	94.0	93.4

23.6 Pension scheme risk assessment and mitigation
Risks to which the Pension Schemes exposes the Group
The nature of the Group's defined benefit pension schemes expose the Group to the risk of paying unanticipated additional contributions to the schemes in times of adverse experience. The most financially significant risks are likely to be:

(i) Asset volatility
The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The schemes hold a proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the schemes' long term objectives. The SHEPS has a much lower proportion of growth assets than the SSE Southern Pension Scheme reflecting the maturity of each scheme.

(ii) Changes in bond yields
A decrease in corporate bond yields will increase the value placed on the schemes' liabilities for accounting purposes. However, this will be partially offset by an increase in the value of the schemes' bond holdings and its interest rate hedging in both schemes.

(iii) Inflation risk
The majority of the schemes' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit, although this is further limited by the inflation hedging in both schemes.

(iv) Life expectancy
The majority of the schemes' obligations are to provide benefits for the life of the members, so an increase in the life expectancy will result in an increase in the liabilities. The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the schemes' liabilities of the risks highlighted.

(v) Liability versus asset risk
The risk that movement in the value of the schemes' liabilities are not met by corresponding movements in the value of the schemes' assets will expose the Group to movements in the overall funding surplus.

23.7 Risk mitigation
(i) De-risking
The Trustees have taken a number of steps to control the level of investment risk including reducing the Schemes' exposures to higher risk assets and increasing the level of protection against adverse movements in interest rates and inflation. The Trustees of both schemes continue to review the risk exposures in light of the longer term objectives of the respective schemes, including consideration of the impact of climate-related risk. Detailed below are further details on the hedging of pensioner longevity risk.

(ii) Asset buy-in
On 1 October 2019, the Scottish Hydro Electric Pension Scheme entered into an asset buy-in, transferring the risk of volatility in the assumptions used to calculate the obligation for 1,800 pensioners and 567 dependants (covering c.£800m of the scheme's liabilities) to a third party. The asset buy-in is valued under the accounting principles of IFRS 13 and is considered a Level 3 instrument in the fair value hierarchy. This is in addition to a previous buy-in completed during the year ended 31 March 2018 when c.£250m of the scheme's assets and liabilities related to 617 pensioners and 190 dependants were transferred to a third party. The Group has now insured against volatility in obligations related to pensioners who retired before 1 October 2019 to third parties (insurer PIC) and is now only exposed to valuation fluctuations related to active and deferred members and any members who retired after 1 October 2019.

(iii) Asset-liability matching strategies used by the Scheme
The Company and trustees of the schemes have agreed a long term investment strategy that seeks to reduce investment risk as and when appropriate. The asset-liability matching strategy is part of this approach which aims to reduce the volatility of the funding level of the pension schemes by investing in assets which perform in line with the liabilities of the schemes so as to protect against inflation being higher than expected. This has been adopted for a proportion of the schemes' assets, which is designed to provide partial protection against adverse movements in interest rates and inflation. The trustees of the respective schemes review the schemes' asset allocation on an ongoing basis in light of changes in the funding position and market opportunities.

23.8 Risk assessment
(i) Maturity profile of the defined benefit obligations
The weighted average duration of the defined benefit obligation is 17 years (2022: 17 years) for the Scottish Hydro Electric Pension Scheme and 14 years (2022: 16 years) for the SSE Southern Pension Scheme.

Notes to the consolidated financial statements continued
For the year ended 31 March 2023

23. Retirement benefit obligations continued
23.8 Risk assessment continued
(ii) Information about the defined benefit obligations
Status of members is weighted by the liabilities of each scheme

	Scottish Hydro Electric	SSE Southern
Active members	23%	18%
Deferred members	14%	8%
Pensioners	63%	74%
	100%	100%

23.9 Pension scheme policies
(i) Recognition of gains and losses
The Group recognises actuarial gains and losses in the Statement of Other Comprehensive Income following the re-measurement of the net defined benefit liabilities of the schemes.

(ii) Methods and assumptions used in preparing the sensitivity analyses
The sensitivities disclosed are calculated using approximate methods taking into account the duration of the schemes' liabilities. While these have been calculated consistently with the previous financial year, the method applied may change over time with financial conditions and assumptions.

(iii) Asset recognition
The Group has recognised net pension assets in relation to the Scottish Hydro Electric and SSE Southern pension schemes due to a surplus existing under IAS 19 accounting. The Group will only recognise a surplus should it have rights to that surplus under the rules of the pension scheme. The company no longer applies the 'asset ceiling' restriction mandated by IFRIC 14. Details on this key accounting consideration are provided above.

(iv) Fair value assessment of scheme assets
The Group seeks to assess whether there is a quotable market value (referenced as 'quotable' above) in relation to pension scheme assets held. This assessment is based on regular reviews conducted in conjunction with the trustees of the schemes. For assets where no quotable market value exists, these assets will be valued based on a set methodology agreed by trustees and scheme advisors and then regularly assessed.

Currently only one unquotable value exists within the two pension schemes of the Group, this being insurance contracts (or 'buy-in') held by the Scottish Hydro Electric Pension Scheme. These assets are currently valued consistently with the scheme's liabilities with the expected return on these assets being set equal to the discount rate.

24. Financial instruments
For financial reporting purposes, the Group has classified derivative financial instruments into two categories, operating derivatives and financing derivatives. Operating derivatives include all qualifying commodity contracts including those for electricity, gas, oil, and carbon and the post-day 1 fair value movements on non-government backed contracts for difference in SSE Renewables. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

24.1 Financial instruments – income statement

	2023 £m	2022 £m
Operating derivatives		
Total result on operating derivatives[i]	(2,980.2)	3,527.2
Less: Amounts settled[ii]	272.0	(1,426.8)
Movement in unrealised derivatives	(2,708.2)	2,100.4
Financing derivatives (and hedged items)		
Total result on financing derivatives[i]	81.3	(43.3)
Less: Amounts settled[ii]	120.6	64.3
Movement in unrealised derivatives	201.9	21.0
Net income statement impact	(2,506.3)	2,121.4

(i) Total result on derivatives in the income statement represents the total amounts (charged) or credited to the income statement in respect of operating and financial derivatives.
(ii) Amounts settled in the year represent the result on derivatives transacted which have matured or been delivered and have been included within the total result on derivatives.

The movement in unrealised operating derivative excludes £16.6m of gains on proprietary trades, which has been recognised in the underlying profit of the Group.

24.2 Financial instruments – balance sheet
The derivative financial assets and (liabilities) are represented as follows:

Derivative financial assets	2023 £m	2022 £m
Non-current	246.0	371.7
Current	759.2	2,941.8
Total derivative assets	1,005.2	3,313.5
Derivative liabilities		
Non-current	(1,021.0)	(549.6)
Current	(243.3)	(701.5)
Total derivative liabilities	(1,264.3)	(1,251.1)
Net liability	(259.1)	2,062.4

Information on the Group's financial risk management and the fair value of financial instruments is available at A6 and A7.

25. Commitments and contingencies
25.1 Capital commitments

	2023 £m	2022 £m
Capital expenditure:		
Contracted for but not provided	1,035.6	985.9

Contracted for but not provided capital commitments include the fixed contracted costs of the Group's major capital projects. In practice contractual variations may arise on the final settlement of these contractual costs.

25.2 Contingent assets and liabilities
The Group has unrecognised contingent assets in relation to the part disposal transactions of Neos Networks Limited, SSE Slough Multifuel Limited, Seagreen and Doggerbank C. In total, contingent consideration receivable is up to £149.1m (2022: £187.1m), for which the Group has recognised a net receivable of £4.1m (2022: £4.1m). The payments of the remaining £145.0m (2022: £183.0m) are subject to various earn outs or contract and planning milestones, some of which the Group has assessed are unachievable or are out of the Group's control. At 31 March 2023, the Group has assessed that there is neither the required certainty of receipt, nor the ability to accurately assess the amounts receivable for recognition of these amounts.

Contingent liabilities for the Group solely relate to SSE plc, and have been disclosed within note 12 to the Company Financial Statements.

26. Post balance sheet events
26.1 Glendoe Hydro Electric Station announcement
On 23 March 2023, the Group's case concerning the availability of capital allowances on Glendoe Hydro Electric Station was heard at the Supreme Court. On 17 May 2023, the Supreme Court released its decision, which rejected HMRC's appeal in full. The matter is now concluded and is not subject to further appeal. Accordingly, the release of the Group's provision on its uncertain tax position of £27.9m and the associated recognition of £23.4m deferred tax liabilities in relation to Glendoe's capital allowances is an adjusting post balance sheet event.

Accompanying information

A1. Basis of consolidation and significant accounting policies

A1.1 Basis of consolidation

The financial statements consolidate the results of the Company and its subsidiaries together with the Group's share of the results and net assets of its interests in joint arrangements and associates. Where necessary to ensure consistency, the accounting policies of the subsidiaries, joint arrangements or associates have been adjusted to align to the accounting policies of the Group. Intra-Group balances and any unrealised gains and losses or income and expenses arising from Intra-Group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with joint arrangements and associates are eliminated to the extent of the Group's interest in the entity. Non-controlling interests represent the equity in subsidiaries that is not attributable, either directly or indirectly, to SSE plc shareholders.

Subsidiaries (Accompanying Information A3)

Subsidiaries are those entities controlled by the Group or the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity in order to obtain variable returns from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases. Transactions with non-controlling interests that relate to their ownership interests and do not result in a loss of control are accounted for as equity transactions.

Interests in joint arrangements and associates (note 16 and Accompanying Information A3)

Joint arrangements, as defined by IFRS 11 'Joint Arrangements', are those arrangements that convey to two or more parties 'joint control'. Joint control exists when decisions about the 'relevant activities', being the financial, operational or strategic policies of the arrangement, are made with the unanimous consent of the parties sharing control. Whilst this assessment is principally focused on any 'reserved matters', being the material activities that typically require all significant shareholders to approve, other contractual agreements such as Power Purchase Agreements and Management Services Agreements are also considered. The Group's investments in joint arrangements are classified as either joint operations or joint ventures depending on the investee's legal form and the investor's contractual rights and obligations over the assets and liabilities of the investee.

Associates are those investments over which the Group has significant influence but neither control nor joint control.

The Group's interests in its joint operations are accounted for by recognising its share of the assets, liabilities, revenue and expenses of the operation. In these arrangements, the Group's share of the revenue will be eliminated as it relates to its purchased share of the output from the arrangement.

The Group's joint ventures and associates are accounted for using the equity method of accounting where the joint venture and associate net investments (comprising both equity and long term loans) are carried at historical cost plus the Group's share of post-acquisition results, less any impairment in value. Where an impairment is recognised against the carrying value of an investment, it is recognised within the operating costs line of the consolidated financial statements. For those investments that were formerly subsidiaries of the Group, this will also include any fair value uplift arising from loss of control. The Group recognises its share of the results of these equity-accounted operations after tax and interest in the income statement.

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the parent. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured accordingly.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement as a finance cost, with the exception of exchange gains or losses on foreign currency borrowings that provide a hedge against a net investment in a foreign entity or exchange gains or losses incurred as part of a qualifying cash flow hedge. These exchange gains or losses are transferred to the translation reserve to the extent the hedge is effective. Non-monetary assets that are measured in terms of historical cost in a foreign currency are translated at the historic rate at the date of transaction.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds sterling at the balance sheet closing rate. The results of these operations are translated at the average rate in the relevant period. Exchange differences on retranslation of the opening net assets and the results of foreign operations are transferred to the translation reserve and are reported in the consolidated statement of comprehensive income.

The average and spot rates for the principal functional currencies that the Group's foreign operations are denominated in are shown in the table below.

		2023	2022	Change
EUR v GBP	Year end spot rate	1.1374	1.1856	(4.1)%
	Average spot rate	1.1564	1.1750	(1.6)%
US$ v GBP	Year end spot rate	1.2337	1.3139	(6.1)%
	Average spot rate	1.2050	1.3616	(11.5)%
JPY v GBP	Year end spot rate	163.8230	159.7110	2.6%
	Average spot rate	163.2888	153.8007	6.2%

A1.2 Significant accounting policies

Revenue (notes 2 and 5)

Revenue from contracts with customers is recognised to the extent that it reflects the expected consideration for goods or services provided to the customer under contract, over the performance obligations they are being provided. For each separable performance obligation identified, the Group determines whether it is satisfied at a 'point in time' or 'over time' based upon an evaluation of the receipt and consumption of benefits, control of assets and enforceable payment rights associated with that obligation. If the criteria required for 'over time' recognition are not met, the performance obligation is deemed to be satisfied at a 'point in time'.

Revenue principally arises as a result of the Group's activities in energy production, storage, transmission, distribution, supply and related services in the energy markets in Great Britain and Ireland. The key policies applied by each Business Unit are as follows:

Transmission

Use of electricity transmission networks

Revenue from use of electricity transmission networks is derived from the allowed revenue as defined by the parameters in the relevant electricity transmission licence, which informs the tariffs set.

Electricity transmission revenue is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised 'over time' as charged to National Grid. Where this revenue differs from the allowed revenue, there may be an over- or under-recovery of revenue which will be reflected in future financial years' allowed revenue as set out in the regulatory licence. No accounting adjustments are made for over- or under-recoveries in the year that they arise as they are contingent on future events (being the transmission of electricity in a future period). The over or under recovery adjustment is recognised in the subsequent period when included within the tariffs that form allowed revenue under the regulatory agreement.

Transmission network contracted services

Where the Group has an ongoing obligation to provide contracted services (transmission network connections), revenues are recognised 'over time' consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life. Payments are typically received from customers in advance of providing the contracted service and are deferred on balance sheet. No extended warranty periods are offered.

Distribution

Use of electricity distribution networks

Revenue from use of electricity distribution networks is derived from the allowed revenue as defined by the parameters in the relevant electricity distribution licence, which informs the tariffs set.

Electricity distribution revenue recognised is based on the volume of electricity distributed 'over time', as use of distribution service is determined by the customer, and the set customer tariff. As with electricity transmission revenue, any over- or under-recovery of revenue is reflected in future financial years' allowed revenue as set out in the regulatory licence. No accounting adjustments are made for over- or under-recoveries in the year that they arise as they are contingent on future events (being the distribution of electricity in a future period). The over or under recovery adjustment is recognised in the subsequent period when included within the tariffs that form allowed revenue under the regulatory agreement.

The Distribution business is responsible for recovering industry charges for supplier failures from customers under Ofgem's Supplier of Last Resort scheme. The Group's policy is to recognise revenue for recovered amounts when the Group is entitled to invoice customers through its regulated use of system tariff. The Group recognises its obligation to pay amounts recovered to eligible suppliers when the Group is entitled to invoice customers through its regulated use of system tariff.

Distribution network contracted services

Where the Group has an ongoing obligation to provide contracted services (such as for distribution network connections), revenues are recognised 'over time' consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period. Any assets constructed in order to deliver the service are capitalised and depreciated over their useful life. Payments are typically received from customers in advance of providing the contracted service and are deferred on balance sheet. No extended warranty periods are offered.

Renewables

Electricity generation

Revenue from the physical generation of electricity is recognised 'point in time' as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation.

Renewables contracted services

Revenue from national support schemes, such as Renewable Obligation Certificates, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised 'over time' consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Thermal

Electricity generation

Revenue from the physical generation of electricity is recognised 'point in time' as generated and supplied to the national settlements body. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation.

Gas storage

Revenue from gas storage trading activities is recognised 'point in time' as injected back into the gas network. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation.

Thermal Generation contracted services

Revenue from national support schemes, such as the Capacity Market mechanism, is recognised at the point the performance obligation has been met. This is typically considered to be either at the point electricity has been physically generated or over the contractual period, depending on the underlying performance obligation. Revenue is measured either at the market rate at the point of generation, or at the fixed contractual consideration, depending on the individual scheme mechanic.

Revenue from other ancillary generation services is recognised 'over time' consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Customers

Supply of energy

Revenue on the supply of energy comprises sales to domestic (in Ireland) and business end-user customers (in GB and Ireland) based on actual energy consumption including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Revenue is recognised 'over time' consistent with the delivery of energy to the customer as we consider the receipt and consumption of the benefits of the energy to be simultaneous. Revenue is measured based on the applicable customer tariff rate and after deduction of any applicable contractual discounts.

Details of the judgements involved in the estimation process for the value of electricity and gas supplied to customers is given within note 4.1(iii).

Payments from customers may be received in advance of providing the contracted service and are deferred on balance sheet. Amounts received from customers in relation to energy management services provided by Third Party Intermediaries ('TPIs') are offset against payments to those TPIs, reflecting the responsibility for providing the energy management service.

Energy related services

Where the Group has an ongoing obligation to provide contracted energy related services, revenues are recognised 'over time' consistent with the customer receiving and consuming the benefits of that service across the expected contractual service period at the fixed contracted rate. Where the Group has an obligation to perform a specific service, revenues are recognised 'point in time', following performance of the service at the fixed contracted consideration. No extended warranty periods are offered.

Distributed Energy

Construction related services

Construction related service revenue related to the Contracting and Rail business, which was disposed on 30 June 2021. For construction related services, revenue was recognised for each identified performance obligation 'over time' by applying an input method to determine the proportion of total contract revenue (being fixed price consideration plus the latest estimate of variable consideration) that should be recognised. The input method applied was calculated by reference to the costs incurred to date on that performance obligation, relative to the total expected costs to satisfy that performance obligation, provided the contract outcome can be assessed with reasonable certainty. Revenue from non-contracted agreements or variations to contracted work was only recognised to the extent there is additional supporting evidence to their recoverability and may be subject to constraints on recognition. Revenue on contracts in customer dispute was recognised only to the extent it is considered to be highly probable that the revenue will be recovered.

Commissions in relation to acquisition of construction related contracts were expensed as incurred. No extended warranty periods were offered. Payments from customers were based on agreed billing schedules, with payment milestones typically aligned with delivery of performance obligations.

EPM & I

Commodity optimisation and other services

Income from sales commodity optimisation trading occurring in any business unit is presented net in cost of sales alongside purchase commodity optimisation trades. Revenue on physical power and gas supplies recognised 'point in time' as delivered to the national settlements body or third parties. Revenue is measured at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation.

Revenue arising on commodities purchased in excess of the Group's requirements and recorded as inventory assets, such as Renewables Obligation Certificates, is recognised 'point in time' on disposal of these inventory assets to third parties.

Revenue from other ancillary services is recognised 'over time' consistent with the customer receiving and consuming the benefits of those services across the expected contractual service period, and at the contracted consideration.

Physical energy production

The Group's Gas production business was disposed on 14 October 2021 and was presented as a discontinued operation within the prior year financial statements.

Revenue from the physical production of natural gas, crude oil and condensates arose from the Group's interest in various joint ventures and associates and was based on the entitlement method; whereby the Group's share of interest and production sharing terms were used to determine the allocation of production to each party in the arrangement. Revenue was recognised 'point in time' based on the production delivered to the customer at the specified delivery point and measured based on the applicable market price as specified in the customer contracts.

Aside from where specifically noted above, consideration is due when the performance obligation has been satisfied. As the period between satisfaction of the performance obligation and receipt of consideration from the customer is expected to be less than a year, the Group has applied the practical expedient not to adjust revenue for the effect of any financing components.

Revenue from sources other than the Group's contracts with customers principally comprise meter rental income within the Distributed Energy business, and Contract for Difference income within certain Joint Venture arrangements.

Income on meter rental agreements, which are classified as operating leases, are presented as revenue where they relate to the core operating activities of that business. Lease payments are recognised as income on a straight-line basis over the lease term.

Other operating income – Government Grants (note 6)

During the year ended 31 March 2023, the UK and Irish governments introduced customer support schemes under which licensed energy suppliers are required to provide a discount on gas and electricity prices to customers. The level of discount applied to each customer varied dependent upon energy tariff and support scheme applicable to each customer. Where SSE provided a discount to customer through reduction of energy bill, the cost of applying these discounts was recovered from the Government. The amounts reclaimed under this scheme are recognised as government grant income within Other Operating Income in the consolidated income statement.

The most significant customer support scheme administered by the Group during the year was the Energy Bill Relief Scheme, applicable to GB commercial gas and electricity customer usage during the period 1 October 2022 to 31 March 2023. This scheme impacts GB Business Energy with discounts made to SSE's billings to customers and unbilled income accrual and a separate asset recognised in respect of claimed or to-be-claimed receipts from the UK government.

Contract for Differences ('CfD') are agreements between a low-carbon electricity generator and the Low Carbon Contracts Company ('LCCC'), a UK Government owned entity responsible for delivering support mechanisms for low-carbon electricity generation. These agreements are not considered to be contracts with a customer, as the LCCC does not receive any goods or services from the generator. These arrangements are instead considered to be Government Grants, with income arising from these grants recognised in the income statement in the period in which generation takes place. In the year, the Group recognised no income or expense related to Contracts for Difference with the LCCC within its wholly owned subsidiaries. The Group's joint venture investment, Beatrice Offshore Windfarm Limited, has a CfD with the LCCC which resulted in payments from the LCCC of £25.6m in the year (SSE share of £12.8m recognised within share of profit). The Group's wholly owned Viking windfarm and joint venture investment Seagreen Wind Energy Limited also have a CfD arrangements in place with LCCC, however these agreements have not yet commenced and no income or cost was recognised during the year.

Where the CfD strike price falls below the spot price of generation and payments are made to the LCCC, these payments are expensed as incurred within operating costs.

The Group has commercial CfD arrangements in place where the Group has agreed to provide a revenue support contract. Where the Group has entered into these arrangements and there is no relationship with a government entity, the instruments are classified as derivatives and accounted for under IFRS 9. The Group has assessed that due to the valuation complexity of these arrangements, they are Level 3 financial instruments in the fair value hierarchy. On day 1, the Group recognises no gain or loss arising from the instrument, but instead defers this gain or loss and recognises it progressively over the life of the instrument. At each balance sheet date the fair value of the instrument is assessed with any movement in fair value recognised in the income statement in the period it arises. None of these contracts were active at 31 March 2023.

Cost of sales (note 6)

Cost of sales includes fuel and energy purchases, direct employee benefits, and depreciation of property, plant and equipment.

The net result from sales and purchases of commodity optimisation trades – comprising both realised and unrealised gains and losses arising from optimisation trading activities – is also presented within cost of sales, reflecting the underlying economic purpose of this trading activity.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Finance income and costs (note 9)

Interest income and costs are recognised in the income statement as they accrue, on an effective interest method. The issue costs and interest payable on bonds and all other interest payable and receivable is reflected in the income statement on the same basis.

Interest on the funding attributable to major capital projects is capitalised during the period of construction and depreciated as part of the total cost over the useful life of the asset.

The accounting policy for foreign exchange translation of monetary assets and liabilities is described on page 276 and for lease liability charges on page 283.

Taxation (note 10)

Taxation on the profit for the year comprises current and deferred tax. Taxation is recognised in the income statement unless it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities other than in business combinations that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset within the same tax authority and where the Group intends to either settle them on a net basis, or to realise the asset and settle the liability simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

During the year ended 31 March 2023, the UK government announced draft legislation related to the Electricity Generator Levy ('EGL'), which is effective for periods from 1 January 2023 to 31 March 2028. The Group has assessed that the EGL has the characteristics of a levy rather than an income tax. While the legislation was not enacted by the balance sheet date, legislation was passing through Parliament and the Group expects no significant amendments will be made to the draft legislation through the enactment process. As a result, the Group has recognised an accrual of £43.4m for the period 1 January 2023 to 31 March 2023 within cost of sales (£33.6m) and share of operating profit from joint ventures and associates (£9.8m).

Business Combinations (note 12)

The acquisition of subsidiaries, and joint operations that meet the definition of a business, is accounted for under the acquisition method as defined by IFRS 3 'Business Combinations'.

The cost of acquisition is measured as being the aggregate fair value of consideration to be transferred at the date control is obtained. Goodwill is measured at the acquisition date as the fair value of consideration transferred, plus non-controlling interests, less the net recognised amount (which is generally fair value) of the identifiable assets and liabilities assumed. Goodwill is subject to an annual review for impairment (or more frequently if necessary) in accordance with the Group's impairment accounting policy.

Contingent consideration is classified as a liability and subsequently re-measured through the income statement. Acquisition costs are expensed as incurred.

Changes in ownership that do not result in a change of control are accounted for as equity transactions.

Held for sale assets and liabilities and discontinued operations (note 12)

Non-current assets are classified as held for sale if their recoverable value is likely to be recovered via a sale or distribution as opposed to continued use by the Group. In order to be classified as assets held for sale, assets must meet all of the following conditions: the sale is highly probable; it is available for immediate sale; it is being actively marketed; and the sale is likely to occur within one year.

Assets that qualify as held for sale and related liabilities are disclosed separately from other assets and liabilities in the balance sheet prospectively from the date of classification. Non-current assets determined as held for sale are measured at the lower of carrying value and fair value less costs to sell, no depreciation is charged in respect of these assets after classification as held for sale.

Assets or groups of assets and related liabilities that qualify as held for sale are classified as discontinued operations when they represent a separate major line of business or geographical area, are part of a single plan to dispose of a separate major line of business or geographical area or are acquired exclusively with a view to resale. Income and expenses relating to these discontinued operations are disclosed in a single net amount after taxes in the income statement, with comparative amounts re-presented accordingly.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from trading between continuing and discontinued operations continue to be eliminated in preparing the consolidated financial statements.

Intangible assets (note 13)

Goodwill and impairment testing

Goodwill arising on a business combination represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or joint venture at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least on an annual basis.

For the purpose of impairment testing, goodwill is allocated on initial recognition to the cash-generating units (CGUs) or groups of CGUs expected to benefit from the combination's synergies. The CGUs (or groups of CGUs) used for goodwill impairment testing purposes will represent how goodwill was attributed but may not represent reportable business segments.

Goodwill may also arise upon investments in joint arrangements and associates. Goodwill arising on a joint operation is recorded as a separate asset and any impairment loss is recognised in the income statement. Goodwill arising on a joint venture or associate is recorded within the carrying amount of the Group's investment and any impairment loss is included within the share of result from joint ventures and associates. On disposal or closure of a previously acquired investment or business, any attributed goodwill will be included in determining the profit or loss on disposal.

Allowances and certificates

Allowances and certificates consist of purchased carbon emissions allowances and generated or purchased obligations certificates. These allowances and certificates will be utilised in settlement of environmental obligations incurred by the Group's Thermal and Business Energy businesses.

The EU Emissions Trading Scheme (EU ETS) has been in operation since 1 January 2005, with the Group operating under the established EU ETS carbon pricing system from that date. Since 1 January 2021, following Brexit, the UK Government has established a UK Emissions Trading Scheme (UK ETS) to replace the EU ETS with the Group's UK generation assets now operating under the UK ETS carbon pricing system. The Group continues to hold EU ETS certificates to settle obligations arising through the activities of its Irish Thermal generation assets. Carbon allowances purchased are recorded at cost within intangible assets. Forward carbon contracts are measured at fair value with gains or losses arising on re-measurement being recognised in the income statement. A liability is recognised based on the level of emissions recorded. Up to the level of allowances held, including forward carbon contracts, the liability is measured at the cost of purchase. When the carbon emission liability exceeds the carbon allowances held, the difference is measured at market value selling price. Subsequent movements in market value are prospectively recognised in operating profit.

The carbon allowance intangible asset is surrendered at the end of the compliance period to the extent requested reflecting the consumption of the economic benefit and is recorded as being utilised. As a result, no amortisation is booked but an impairment charge may be recognised should the carrying value of allowances exceed market or fair value.

Under the Renewable Obligations Certificates (ROCs) scheme, certificates obtained from own generation are awarded by a third party, Ofgem. ROCs can be traded with third parties and are ultimately used by suppliers to demonstrate to Ofgem that they have met their obligation to source a set proportion of the electricity they supply from renewable sources. The value of a ROC to a supplier comprises two elements: the 'buy-out' price which is set annually in advance of the compliance period by Ofgem; and the 'recycle' price which is determined after the compliance period by Ofgem. The recycle price element is estimated at the balance sheet date based on assumptions at that point in time around likely levels of renewable generation and supply over the remaining compliance period, and is therefore subject to possible future variation.

Where ROCs are self-generated or purchased to fulfil the Group's liability under the renewable obligation, they are recorded at market value at the point of generation or purchased within intangible assets. The Group can hold ROCs in excess of the Group's renewables obligation, which, due to limited evidence of liquidity or net settlement for ROC trades, are recorded at the lower of cost or net realisable value within inventories. Similarly, the fair value of any forward contracts entered into at the balance sheet date for the purchase or sale of ROCs in future periods are not recognised, as there is insufficient liquidity for net settlement. The Group's liability under the renewable obligation is recognised based on electricity supplied to customers, the obligation level set by Ofgem and the prevailing market price.

The intangible assets are surrendered at the end of the compliance period reflecting the consumption of economic benefit and release of the associated liability. As a result, no amortisation is recorded during the period.

Research and development

Expenditure on research activities is charged to the income statement as incurred.

Expenditure on development activities is capitalised as intangible assets if the project or process is considered to be technically and commercially feasible and the Group intends to complete the project or process for use or for sale. Development projects include wind farm developments, battery storage and solar developments, thermal generation projects and other developments relating to proven technologies. Costs incurred in bringing these projects to the consent stage include options over land rights, planning application costs and environmental impact studies and may be costs incurred directly or part of the fair value exercise on acquisition of an interest in a project. At the point that the project reaches the consent stage and is approved by the Board, the carrying value of the project is transferred to property, plant and equipment as assets under construction. Revenue and costs incurred through pre-commissioning testing activities are reflected in the income statement. Once in operation, depreciation will be charged over the expected useful life of the asset. The asset is derecognised on disposal, or when no future economic benefits are expected to arise.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Intangible assets (note 13) continued

Other intangible assets

Other intangible assets that have been acquired separately by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated brands or customer lists are expensed as incurred. Expenditure on internally developed software assets and application software licences includes contractors' fees and directly attributable labour and overheads. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of these assets. The amortisation periods utilised are as follows:

	Years
Brands	10
Customer lists	Contract term
Developed software assets and application software licences	3 to 15

The useful lives of all the intangible assets are reviewed annually and amended, as required, on a prospective basis. Intangible assets are derecognised on disposal, or when no future economic benefits are expected from their use.

Cloud computing arrangements

The Group has contracts for Software as a Service (SaaS) and Platform as a Service (PaaS) Cloud Computing Arrangements. Where the Group does not control the underlying assets in these arrangements, costs are expensed as incurred. Implementation costs in respect of these contracts are capitalised when the definition and recognition criteria of an intangible asset under IAS 38 are met.

Property, plant and equipment (note 14)

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairments. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable costs. Where the asset is a qualifying asset, for which a considerable period of time is required to prepare the asset for use or sale, borrowing costs will be capitalised as part of the asset's cost. Where an item of property, plant and equipment comprises major components having different useful lives, the components are accounted for as separate items of property, plant and equipment, and depreciated accordingly. An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Right of use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where a modification to a lease agreement decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications to lease agreements are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Hydro civil assets

The Group is obliged under the Reservoirs Act 1975 to maintain its hydro infrastructure network, including its dams, tunnels and other hydro civil engineering structures (hydro civil assets). All items of property, plant and equipment within hydro civil assets, with the exception of land, are subject to depreciation.

In accordance with the transition provisions of IFRS 1 'First-time Adoption of IFRS', the Group identified the carrying value of these assets at privatisation and has treated this value as deemed cost. Following this assessment, the assets, and all subsequent enhancement and replacement expenditure, has been subject to depreciation over a useful economic life of 75 years. All subsequent maintenance expenditure is chargeable directly to the income statement.

Depreciation

Depreciation is charged to the income statement to write off cost, less residual values, on a straight line basis over their estimated useful lives. Heritable and freehold land is not depreciated. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate. Depreciation commences following the asset commissioning period and when the asset is available for commercial operation. The estimated useful lives for assets depreciated on a straight line basis are as follows:

	Years
Hydro civil assets (classified within Renewable power generation assets)	75 to 100
Thermal and hydro power stations including electrical and mechanical assets (classified within Thermal power generation assets)	20 to 60
Onshore wind farms (classified within Renewable power generation assets)	20 to 25
Offshore wind farms (classified within Renewable power generation assets)	23 to 30
Gas storage facilities (classified within Other assets)	25 to 50
Overhead lines, underground cables and other network assets (classified within Distribution or Transmission network assets)	5 to 80
Office buildings (classified within Land and buildings)	30 to 40
Fixtures, IT assets, vehicles and mobile plant (classified within Other assets)	3 to 15

Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease agreement.

Subsequent expenditure

It is the Group policy to capitalise qualifying replacement expenditure and depreciate it over the expected useful life of the replaced asset. Replaced assets are derecognised at this point and the costs recorded as costs of disposal. Where an item of property, plant and equipment is replaced and it is not practicable to determine the carrying amount of the replaced part, the cost of the replacement adjusted for inflation will be used as an approximation of the cost of the replaced part at the time it was acquired or constructed.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the item of property, plant and equipment to which it relates. Maintenance and repair costs are expensed as incurred.

Derecognition

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount of the asset and are included in the income statement. Any gain or loss on derecognition of the asset is included in the income statement in the period of derecognition.

Lease arrangements (note 21)

Lease arrangements are separately distinguished from service contracts based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If the Group is deemed to control the use of an identified asset, a right of use asset and a corresponding lease liability are recognised on the balance sheet.

Right of use assets are capitalised and held as part of property, plant and equipment. The accounting policy for such arrangements is described on page 282.

Lease liabilities are initially measured at the present value of the future lease payments discounted using the rate implicit in the lease if that can be readily determined. If the interest rate implicit in the lease cannot be readily determined the incremental borrowing rate is used. Where the interest rate implicit in the lease is not readily determinable, the Group has applied the intercompany borrowing rate which is based on the Group's external medium-term borrowing rates with premia adjustments for any subsidiary specific risk factors.

In determining whether any break and/or extension clauses should be included within the lease term, the Group has considered that where an internal decision has been made to break or extend the lease agreement, that decision shall be applied in determining the appropriate lease term. Where an internal decision has not been made, and where the non-cancellable element of the lease term has longer than five years remaining, it is considered that any clauses will not be triggered as any decision beyond that date is not reasonably certain. For all leases with less than five years remaining, an assessment is made at each reporting period on a lease-by-lease basis on whether the clause is reasonably certain to be triggered. Reassessment of break and/or extension judgements made in prior periods could result in recalculation of the lease liability and adjustments to associated balances.

The lease liability is subsequently adjusted for the unwind of discounting, repayments and other modifications to the underlying agreement. Lease modifications are accounted for as a separate lease where the scope of the lease increases through the right to use one or more underlying assets and where the consideration of the lease increases by an amount that is equivalent to the standalone price of the increase in scope. Where a modification decreases the scope of the lease, the carrying amount of the right of use asset is adjusted and a gain or loss is recognised in proportion to the decrease in scope of the lease. All other modifications are accounted for as a reassessment of the lease liability with a corresponding adjustment to the right of use asset.

Leases with a duration of 12 months or less and leases for assets which are deemed 'low value' are expensed to the income statement on a straight-line basis over the lease term.

Impairment review (note 15)

The carrying amounts of the Group's property, plant and equipment and other intangible assets and the Group's investments in joint ventures and associates, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or where there are indications that a previously recognised impairment loss has reduced. For property, plant and equipment assets that have previously been identified as exhibiting indications of impairment, the review of impairment will be performed annually until there is sufficient evidence to confirm that any potential impairment loss has been appropriately recognised, or until previously recognised impairment losses have been fully written back. For goodwill and other intangible assets with an indefinite life or which are not yet ready for use, the test for impairment is carried out annually. In addition, financial assets measured at amortised cost are also reviewed for impairment annually.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Impairment review (note 15) continued

For assets subject to impairment testing, the asset's carrying value is compared to the asset's (or cash-generating unit's, in the case of goodwill), recoverable amount. The recoverable amount is determined to be the higher of the fair value less costs to sell ('FVLCS') and the value-in-use ('VIU') of the asset or cash-generating unit ('CGU'). For financial assets measured at amortised cost the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment charge will be recognised immediately in the income statement. Reversals of previous impairment charges are recognised if the recoverable amount of the asset or CGU significantly exceeds the carrying amount. Previous impairments of goodwill are not reversed.

Value in use ('VIU') calculations require the estimation of future cash flows to be derived from the respective assets (or CGUs) and the selection of an appropriate discount rate in order to calculate their present value. The VIU methodology is consistent with the approach taken by management to evaluate economic value and is deemed to be the most appropriate for reviews of property, plant and equipment assets and the Group's identified goodwill-related CGUs. The methodology is based on the pre-tax cash flows arising from the specific assets, underlying assets or CGUs, and discounted using a pre-tax discount rate based on the Group's cost of funding and adjusted for any specific risks. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the assets.

The fair value less costs to sell methodology also uses a present value technique, unless there is a quoted price in an active market for that asset. The methodology is based on the post-tax cash flows arising from the specific assets, underlying assets or CGUs, and discounted using a post-tax discount rate determined in the same manner as the rates used in the VIU calculations, adjusted for the relevant taxation rate.

Any impairment charge identified will initially be adjusted against the goodwill allocated to the cash-generating unit. Any excess charge will be allocated against the remaining assets of the cash-generating unit. Reversals of previous impairment charges are allocated against the carrying value of assets previously subject to an impairment charge.

Inventories (note 17)

Inventories – aside from inventory purchased by the Gas Storage business for trading activities – are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Gas inventory purchased by the Gas Storage business for trading activities is held at fair value with reference to the forward month market price. Gains and losses on remeasurement at fair value are recognised within the Income Statement, as a 'certain remeasurement' item.

Provisions (note 20)

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Decommissioning

The Group engages independent experts to estimate the cost to decommission its Renewable, Thermal and Gas Storage assets every three years. In the intervening years, management updates the external valuation based on factors arising since the last formal valuation date. Provision is made for the net present value of the estimated cost of decommissioning gas storage facilities, wind farms and power stations at the end of the useful life of the facilities. This includes development assets, where if a present obligation exists, a provision is recognised during construction and prior to commencement of operations from the site. The estimates are based on technology and prices at the balance sheet date and exclude any salvage value related to those assets. A corresponding decommissioning asset is recognised and is included within property, plant and equipment when it gives access to future economic benefits, and is depreciated on a straight-line basis over the expected useful life of the asset. Changes in these provisions are recognised prospectively. The unwind of discounting of the provision is included in finance costs.

The Group retained a decommissioning obligation following the disposal of its Gas Production business. The decommissioning cost estimates are updated periodically by field operators based on current technology and prices. Field operators also provide estimated end of field life dates for each field, which can change based on market commodity prices.

Retirement benefit obligations (note 23)

Defined benefit pension schemes

The Group operates two defined benefit pension schemes, one of which is operated by the Company. Pension scheme assets are measured using bid market values. Pension scheme liabilities are measured using the projected unit credit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any increase in the present value of liabilities within the Group's defined benefit pension schemes expected to arise from employee service in the year is charged as service costs to operating profit.

Net interest costs are based on net scheme assets or liabilities, adjusted for minimum funding requirement and pension surplus restrictions under IFRIC 14 'IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Actuarial gains and losses are recognised in full in the consolidated statement of comprehensive income. Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

Defined contribution pension schemes

The Group also operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged represent the contributions payable to the schemes in the year and are charged directly to the income statement.

Equity and equity-related compensation benefits

The Group operates a number of employee share schemes as described in the Remuneration Report. These schemes enable Group employees to acquire shares of the Company.

The exercise prices of the sharesave scheme are set at a discount to market price at the date of the grant. The fair value of the sharesave scheme option granted is measured at the grant date by use of a Black-Scholes model. The fair value of the options granted is recognised as an expense on a straight-line basis over the period that the scheme vests. Estimates are updated for non-market conditions at each balance sheet date with any adjustment in respect of the current and prior years being recognised in the income statement. The costs associated with the other main employee schemes are recognised over the period to which they relate. The charge related to the equity shares in the Company awarded under the share schemes is treated as an increase in the cost of investment held by the Company in the subsidiary companies of the Group. The disclosures on equity and equity-related compensation benefits have been removed on the grounds of materiality in relation to the Group.

Financial instruments (note 24)

The Group uses a range of financial instruments to hedge exposures to financial risks, such as interest rate, foreign exchange and energy price fluctuations in its normal course of business and in accordance with the Group's risk management policies. The Group's risk management policies are further explained in A6.

The Group's review of the IFRS 9 hedge accounting model concluded that, whilst adoption would not change the treatment of existing hedging arrangements, the changes made would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 appropriately reflects the Group's risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. This policy choice will be periodically reviewed to consider any changes in our risk management activities.

Interest rate and foreign exchange derivatives

Financial derivative instruments are used by the Group to hedge interest rate and currency exposures. All such derivatives are recognised at fair value and are re-measured to fair value each reporting period. Certain derivative financial instruments are designated as being held for hedging purposes. The designation of the hedge relationship is established at the inception of the hedge and procedures are applied to ensure the derivative is highly effective in achieving its objective and that the effectiveness of the hedge can be reliably measured. The treatment of gains and losses on re-measurement is dependent on the classification of the hedge and whether the hedge relationship is designated as either a 'fair value' or 'cash flow' hedge. Derivatives that are not designated as hedges are treated as if held for trading, with all fair value movements being recorded through the income statement.

A derivative classified as a 'fair value' hedge recognises gains and losses from re-measurement immediately in the income statement. Loans and borrowings are measured at cost except where they form the underlying transaction in an effective fair value hedge relationship. In such cases, the carrying value of the loan or borrowing is adjusted to reflect fair value movements with the gain or loss being reported in the income statement.

A derivative classified as a 'cash flow' hedge recognises the portion of gains or losses on the derivative which are deemed to be effective directly in equity in the hedge reserve. Any ineffective portion of the gains or losses is recognised in the consolidated income statement. When hedged cash flows result in the recognition of a non-financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cash flows affect the income statement.

Accompanying information continued

A1. Basis of consolidation and significant accounting policies continued

A1.2 Significant accounting policies continued

Financial instruments (note 24) continued

Interest rate and foreign exchange derivatives continued

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At the point of discontinuation, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction affects profit or loss. On settlement, the cumulative gain or loss recognised in equity is recognised in the income statement.

Commodity derivatives

Within its regular course of business, the Group routinely enters into sale and purchase derivative contracts for commodities such as electricity, gas, carbon allowances and oil. Where the contract was entered into and continues to be held for the purpose of receipt or delivery in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as 'own use' contracts and are measured at cost. These contracts are not within the scope of IFRS 9.

Derivative commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value. Where a hedge accounting relationship is designated and is proven to be effective, the changes in fair value will be recognised in accordance with the rules noted above. There are currently no designated hedge relationships in relation to commodity contracts.

Other commodity contracts, where own use is not established and a hedge accounting relationship is not designated, are measured at fair value with gains and losses on re-measurement being recognised in the income statement in cost of sales.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives where the characteristics of the derivatives are not closely related to those of the host contracts.

Net investment hedges

Hedges of net investments in foreign operations are accounted in a manner similar to effective cash flow hedges. Any gain or loss on the effective portion of the hedge is recognised in equity, in the translation reserve, and any gain or loss on the ineffective portion of the hedge is recognised in the income statement. On disposal of the foreign operation, the cumulative value of any gains or losses recognised directly in equity is transferred to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade receivables

Trade receivables do not carry any interest and are measured at cost less an appropriate allowance for lifetime expected credit losses.

Interest-bearing loans and borrowings

All such loans and borrowings are initially recognised at fair value including transaction costs and are subsequently measured at amortised cost, except where the loan or borrowing is the hedged item in an effective fair value hedge relationship.

Share capital

Ordinary shares are accounted for as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds received. Own equity instruments that are reacquired are deducted from equity. No gain or loss is recognised in the Group Income Statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Hybrid equity

Hybrid equity comprises issued bonds that qualify for recognition as equity. Accordingly, any coupon payments are accounted for as dividends and are recognised directly in equity at the time the payment obligation arises. This is because the coupon payments are discretionary and relate to equity. Coupon payments consequently do not have any impact on the income statement. Coupon payments are recognised in the cash flow statement in the same way as dividends to ordinary shareholders. Tax credits in relation to the coupon payments are linked to the past transactions or events that support the coupon payments and consequently the tax credits are reported in the income statement.

Hybrid debt

Hybrid debt comprises issued bonds that have a fixed redemption date and are accounted within Loans and Borrowings. Coupon payments are recognised within the income statement as a finance cost.

A2. Taxation

The Group's primary tax disclosures are included at note 10. The following tables represent enhanced disclosures adopted in order to assist stakeholder understanding of the Group's tax position and policies as part of the Group's commitment to its Fair Tax Mark accredited status.

Reconciliation of tax charge to adjusted underlying current tax

	2023 £m	2023 %	2022 £m (restated*)	2022 %
Group (loss)/profit before tax	(205.6)		3,476.3	
Less: share of results of associates and jointly controlled entities	(662.3)		(109.8)	
(Loss)/profit before tax	(867.9)		3,366.5	
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2022: 19%)	(164.9)	19.0	639.6	19.0
Tax effect of:				
Capital allowances less than depreciation	(41.6)	4.8	(121.6)	(3.6)
Movement in restructuring and settlement provisions	(1.6)	0.2	1.1	–
Non-taxable gain on sale of assets	–	–	(14.8)	(0.4)
Fair value movements on derivatives	448.8	(51.7)	(393.3)	(11.7)
Pension movements	(6.7)	0.8	(5.8)	(0.2)
Relief for capitalised interest and revenue costs	(27.5)	3.2	(22.7)	(0.7)
Hybrid equity coupon payments	(7.4)	0.9	(9.7)	(0.3)
Expenses not deductible for tax purposes	79.7	(9.3)	35.3	1.0
Utilisation of tax losses brought forward	0.1	–	(6.2)	(0.2)
Impact of foreign tax rates	(0.1)	–	(6.2)	(0.2)
Permanent benefit of super-deduction capital allowances	(5.1)	0.6	(6.0)	(0.2)
Adjustments to tax charge in respect of previous years	(16.7)	1.9	(5.9)	(0.2)
Other items	(2.3)	0.3	1.6	–
Reported current tax charge and effective rate	254.7	(29.3)	85.4	2.5
Depreciation in excess of capital allowances	34.3	(4.0)	129.4	3.8
Movement in provisions	1.6	(0.2)	(1.1)	–
Fair value movements on derivatives	(448.8)	51.7	393.3	11.7
Pension movements	6.7	(0.8)	5.8	0.2
Relief for capitalised interest and revenue costs	27.5	(3.2)	22.7	0.7
Impact of foreign tax rates	(12.8)	1.5	0.1	–
Adjustments to tax charge in respect of previous years	7.0	(0.8)	(2.2)	(0.1)
Change in rate of UK corporation tax	9.0	(1.0)	244.7	7.3
Tax losses utilised	1.9	(0.2)	6.0	0.2
Other items	8.9	(1.0)	(2.8)	(0.1)
Reported deferred tax credit and effective rate	(364.7)	42.0	795.9	23.6
Group tax charge and effective rate	(110.0)	12.7	881.3	26.2

Included within 'Expenses not deductible for tax purposes' is £65m in respect of impairment of investments in joint ventures.

Accompanying information continued

A2. Taxation continued

Reconciliation of tax charge to adjusted underlying current tax continued

As noted at note 3 to the accounts, the Group's results are reported on an 'adjusted' basis in order to allow focus on underlying business performance. The following table explains the adjustments that are made in order to arrive at adjusted profit before tax. This is the measure utilised in calculation of the Group's 'adjusted effective rate of tax'.

	2023 £m	2022 £m (restated*)
(Loss)/profit before tax	(205.6)	3,476.3
Add/(less):		
Exceptional items and certain re-measurements	2,312.8	(2,390.6)
Share of tax from jointly controlled entities and associates before exceptional items and certain re-measurements	143.1	46.3
Depreciation charge on fair value uplifts	28.8	20.6
Share of profit attributable to non-controlling interests	(28.8)	–
Adjustment to Gas Production decommissioning provision	(50.5)	13.1
Interest income on pension scheme assets/(liabilities)	(16.2)	(7.6)
Adjusted profit before tax APM	**2,183.6**	1,158.1

The adjusted current tax charge can therefore be reconciled to the adjusted profit before tax as follows:

	2023 £m	2023 %	2022 £m (restated*)	2022 %
Adjusted profit before tax	2,183.6		1,158.1	
Tax on profit on ordinary activities at standard UK corporation tax rate	414.9	19.0	220.0	19.0
Tax effect of:				
Capital allowances in excess of depreciation	(41.7)	(1.9)	(79.1)	(6.8)
Non-taxable gain on sale of assets	(0.6)	–	(9.5)	(0.8)
Non-qualifying depreciation	5.7	0.2	12.0	1.0
Adjustment for profit on internal trading	6.3	0.3	1.7	0.1
Movement in restructuring and settlement provisions	6.0	0.3	1.1	0.1
Pension movements	(3.6)	(0.2)	(5.8)	(0.5)
Relief for capitalised interest and revenue costs	(12.7)	(0.6)	(9.9)	(0.9)
Hybrid equity coupon payments	(7.4)	(0.3)	(9.7)	(0.8)
Expenses not deductible for tax purposes	24.1	1.1	4.2	0.4
Permanent benefit of super-deduction capital allowances	(7.0)	(0.3)	(6.1)	(0.5)
Losses carried back to earlier years	3.9	0.2	(0.8)	(0.1)
Adjustments to tax charge in respect of previous years	(22.0)	(1.1)	(6.7)	(0.6)
Impact of foreign tax rates	(9.4)	(0.4)	(5.7)	(0.5)
Other	2.3	0.1	1.4	0.1
Adjusted current tax charge and effective rate APM	**358.8**	**16.4**	107.1	9.2

* The comparatives have been restated. See note 2.1.

The above reconciling adjustments differ from those analysed in the Group tax charge reconciliation above because they include SSE's share of associates and joint ventures, and are based on adjusted profit before tax.

The majority of the Group's profits are earned in the UK, with the standard rate of UK corporation tax being 19% for the year to 31 March 2023 (2022: 19%). The Group's Gas Production business, which was presented as a discontinued operation in the prior year (until the business was disposed on 14 October 2021) was taxed at a UK corporation tax rate of 30% plus a supplementary charge of 10% (combined 40%). Profits earned by the Group in the Republic of Ireland are taxable at either 12.5% or 25%, depending upon the nature of the income.

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on property, plant and equipment. The rates are determined by Parliament annually and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on property, plant and equipment is treated as an asset with the cost being depreciated over the useful life of the asset, or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of property, plant and equipment for tax and accounting purposes means that the taxable income of the Group is not the same as the profit reported in the financial statements. The substantial reversals of impairments and impairments undertaken in previous years in relation to certain property, plant and equipment assets, result in the depreciation or impairment charge to profit for the year differing to the amount of capital allowances due to the Group.

Short term temporary differences arise on items such as provisions for restructuring costs and onerous contracts, and retirement benefit obligations, because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the year following that in which they arise, as is reflected in the deferred tax charge in these financial statements. Where interest charges or other costs are capitalised in the accounts, tax relief is either given as the charges are incurred or when the costs are taken to the income statement.

As explained at Accompanying Information A1 and A6, the Group measures its operating and financing derivatives at fair value under IFRS 9. As a result of the Group's subsidiaries applying the HMRC's 'disregard regulations', the re-measurement movements have no current tax effect impacting only the deferred tax position.

As detailed at note 22 and explained in the Accompanying Information A1, the Group has issued Hybrid equity securities which are treated as a component of equity. While the coupon payments relating to these securities are treated as distributions to the holders of the equity instruments, tax relief is allowed on the amount paid in the year. These tax credits are linked to the past transactions or events that support the coupon payments and consequently the tax credits are reported in the income statement.

A3. Related undertakings

A3.1.1 Subsidiary undertakings

Details of the Group's subsidiary undertakings at 31 March are as follows:

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
Aberarder Wind Farm (Scotland) Limited	Scotland	A	100.0	–	Renewable Development
Aberarder Wind Farm LLP	England and Wales	B	100.0	–	Renewable Development
Abernedd Power Company Limited	England and Wales	B	100.0	100.0	Holding Company
Aichi Offshore Wind Power No. 1 G.K.	Japan	Y	80.0	80.0	Renewable Development
Aichi Offshore Wind Power No. 2 G.K.	Japan	Y	80.0	80.0	Renewable Development
Airtricity Windfarm Finance Limited	Ireland	C	100.0	100.0	Holding Company
Arklow Offshore Phase II Company Limited	Ireland	C	100.0	100.0	Dormant
Beithe (HK) Limited	Hong Kong	V	100.0	100.0	Holding Company
Beithe AG	Switzerland	T	–	100.0	Holding Company
Berwick Bank A Limited	England and Wales	B	100.0	100.0	Renewable Development
Berwick Bank B Limited	England and Wales	B	100.0	100.0	Renewable Development
Berwick Bank C Limited	England and Wales	B	100.0	100.0	Renewable Development
Berwick Bank Holdings A Limited	England and Wales	B	100.0	100.0	Holding Company
Berwick Bank Holdings B Limited	England and Wales	B	100.0	100.0	Holding Company
Berwick Bank Holdings C Limited	England and Wales	B	100.0	100.0	Holding Company
Berwick Bank Wind Farm Limited	Scotland	A	100.0	100.0	Renewable Development
Bhlaraidh Wind Farm Limited	Scotland	A	100.0	100.0	Power Generation
Bindoo Windfarm (ROI) Limited	Ireland	C	100.0	100.0	Power Generation
BOC1234 Limited (formerly Aberader Wind Farm (Scotland) Limited	Scotland	A	100.0	–	Dormant
Brickmount Limited	Ireland	C	100.0	100.0	Power Generation
Building Automation Solutions Limited	England and Wales	D	100.0	100.0	Dormant
By-Pass Farm Solar Limited	England and Wales	B	100.0	–	Power Generation
Coire Glas Hydro Pumped Storage Limited	Scotland	A	100.0	100.0	Power Generation
Comhlacht Gaoithe Teoranta	Ireland	C	100.0	100.0	Power Generation
Coomacheo Wind Farm Limited	Ireland	C	100.0	100.0	Power Generation
Coomatallin Windfarm (ROI) Limited	Ireland	C	100.0*	100.0*	Power Generation
Curragh Mountain Windfarm Limited	Ireland	C	100.0	100.0	Power Generation
Dedondo Limited	Ireland	C	100.0	100.0	Power Generation
Dromada Windfarm (ROI) Limited	Ireland	C	100.0	100.0	Power Generation
Drumnahough Wind Farm Designated Activity Company	Ireland	C	100.0	100.0	Power Generation
Eastern Green Link 2 Limited	England and Wales	AI	75.0	–	Power Transmissions
Enerfarm 3 Single Member SA Renewable Energy Sources	Greece	AB	100.0	–	Renewable Development
Energia Levante S.r.l.	Italy	AC	100.0	–	Renewable Development
Energiaki Kleidi Single Member S.A.	Greece	AB	100.0	–	Renewable Development
Energiaki Mavrovouniou Single Member Private Company	Greece	AB	100.0*	–	Renewable Development
Energiaki Mesovouniou Single Member S.A.	Greece	AB	100.0	–	Renewable Development
Energiaki Platorrachis Single Member S.A.	Greece	AB	100.0*	–	Renewable Development
Energiaki Velanidias Single Member S.A.	Greece	AB	100.0	–	Renewable Development
Energiaki Voursana Single Member S.A.	Greece	AB	100.0	–	Renewable Development
Enshunada Offshore Wind Power No. 1 G.K.	Japan	Y	80.0	80.0	Renewable Development
Fibre Fuel Limited	England and Wales	B	100.0	100.0	Dormant
Fibre Power (Slough) Limited	England and Wales	B	100.0	100.0	Power Generation

Accompanying information continued

A3. Related undertakings continued

A3.1.1 Subsidiary undertakings continued

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
Fusion Heating Limited	Northern Ireland	Q	100.0	100.0	Energy Related Services
Galway Wind Park Phase 3 Designated Activity Company	Ireland	C	100.0	100.0	Renewable Development
Ganderoy Limited	Ireland	C	100.0	100.0	Power Generation
Gartnaneane Limited	Ireland	C	100.0*	100.0*	Power Generation
Glenora Wind Farm Designated Activity Company	Ireland	C	100.0	100.0	Renewable Development
Goto-Fukue Offshore Wind Power G.K.	Japan	Y	80.0	80.0	Renewable Development
Green Wind Energy (Wexford) Limited	Ireland	C	100.0*	100.0*	Renewable Development
Griffin Wind Farm Limited	Scotland	A	100.0	100.0	Power Generation
Hadyard Hill Wind Farm Limited	Scotland	A	100.0	100.0	Dormant
Hydro Electric Pension Scheme Trustees Limited	Scotland	A	100.0	100.0	Dormant
Izu Islands Offshore Wind Power No. 1 G.K.	Japan	Y	80.0	80.0	Renewable Development
Keadby Developments Limited	England and Wales	E	100.0	100.0	Dormant
Keadby Generation Limited	England and Wales	E	100.0	100.0	Power Generation
Keadby Wind Farm Limited	England and Wales	B	100.0	100.0	Power Generation
Leanamore Wind Farm Limited	Ireland	C	100.0	100.0	Power Generation
Limerick West Windfarm Limited	Ireland	C	100.0	100.0	Power Generation
Littleton Pastures Solar Limited	England and Wales	B	100.0	100.0	Power Generation
March Winds Limited	Ireland	C	100.0	100.0	Power Generation
Medway Power Limited	England and Wales	B	100.0	100.0	Power Generation
Meentycat Limited	Ireland	C	100.0	100.0	Power Generation
Milane Holdings Limited	Ireland	C	100.0	100.0	Dormant
Minami-Izu Offshore Wind Power No. 1 G.K.	Japan	Y	80.0	80.0	Renewable Development
Mullananalt Wind Farm (ROI) Limited	Ireland	C	100.0	100.0	Power Generation
Niigata Offshore Wind Power No.1 G.K.	Japan	Y	80.0	80.0	Renewable Development
Oki Islands Offshore Wind Power G.K.	Japan	Y	80.0	80.0	Renewable Development
Optimal Power Networks Limited	England and Wales	B	100.0	100.0	Construction of utility projects
Platin Power Limited	Ireland	C	100.0	100.0	Dormant
Power from Waste Limited	England and Wales	B	100.0	100.0	Dormant
Richfield Windfarm (ROI) Limited	Ireland	C	100.0	100.0	Power Generation
Scottish and Southern Energy Power Distribution Limited	Scotland	A	100.0	100.0	Holding Company
Scottish Hydro Electric Power Distribution plc	Scotland	A	100.0	100.0	Power Distribution
Scottish Hydro Electric Transmission plc	Scotland	A	75.0	100.0	Power Transmission
Sheskin South Renewables Power Designated Activity Company	Ireland	C	100.0	100.0	Renewable Development
Sistemas Energéticos Ábrego S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Ariel S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Boreas S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Carril S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Céfiro S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos del Sur S.A.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Eolo S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Erbania 1 S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Erbania 2 S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Gregal S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Júpiter S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Ladera Negra, S.A. U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Loma del Reposo S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Marte S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Mercurio S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Neptuno S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Oberón S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Plutón S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Tablero Tabordo, S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Terral S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Titán S.L.U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Tomillo S.A. U.	Spain	AD	100.0	–	Renewable Development
Sistemas Energéticos Urano S.L.U.	Spain	AD	100.0	–	Renewable Development
Slough Domestic Electricity Limited	England and Wales	B	100.0	100.0	Dormant
Slough Electricity Contracts Limited	England and Wales	B	100.0	100.0	Electricity Contracting
Slough Energy Supplies Limited	England and Wales	B	100.0	100.0	Dormant
Slough Heat & Power Limited	England and Wales	B	100.0	100.0	Power Generation
Slough Utility Services Limited	England and Wales	B	100.0	100.0	Distribution of Electricity
Société d'Exploitation du Parc Eolien de Broyes SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Chaintrix Bierges SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Champeaux SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Germainville SAS	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de la Belle Dame SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de la Brie des Etangs SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de la Monchot SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de la Pièce du Moulin SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de la Tête des Boucs SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Moulins du Puits SAS	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Pringy SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Saint Loup de Saintonge SAS	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Souvans SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Vernierfontaine SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien de Villiers aux Chênes SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien des Fontaines SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien des Six Communes SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien des Voies de Bar SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien d'Orchamps SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien du Mont Égaré SARL	France	AE	100.0	–	Renewable Development
Société d'Exploitation du Parc Eolien du Vireaux SAS	France	AE	100.0	–	Renewable Development
Southern Electric Power Distribution plc	England and Wales	B	100.0	100.0	Power Distribution
SPV Parco Eolico Libeccio S.r.l.	Italy	AC	100.0	–	Renewable Development
SPV Parco Eolico Maestrale S.r.l.	Italy	AC	100.0	–	Renewable Development
SPV Parco Eolico Tramontana S.r.l.	Italy	AC	100.0	–	Renewable Development
SSE Airtricity Distributed Energy Limited	Ireland	C	100.0	100.0	Power Distribution
SSE Airtricity Energy Services Limited	Ireland	C	100.0	100.0	Energy Supply
SSE Airtricity Energy Supply (NI) Limited	Northern Ireland	F	100.0	100.0	Energy Supply
SSE Airtricity Gas Limited	Ireland	C	–	100.0	Energy Supply
SSE Airtricity Gas Supply (NI) Limited	Northern Ireland	F	100.0	100.0	Energy Supply
SSE Airtricity Limited	Ireland	C	100.0	100.0	Energy Supply
SSE Battery Monk Fryston Limited (formerly UKPA EnergyMF Limited)	England and Wales	B	100.0	–	Power Generation
SSE Battery Salisbury Limited	England and Wales	B	100.0	100.0	Power Generation
SSE Beatrice Offshore Windfarm Holdings Limited	Scotland	A	100.0	100.0	Holding Company
SSE BTM HoldCo Limited	England and Wales	B	100.0	–	Holding Company
SSE Contracting Group Limited	England and Wales	B	100.0	100.0	Holding Company
SSE Cumarsáid Teoranta	Ireland	C	100.0	100.0	Telecommunications
SSE DE Battery Holdco Limited	England and Wales	B	100.0	100.0	Holding Company
SSE DE EV Holdco Limited	England and Wales	B	100.0	–	Holding Company

Accompanying information continued

A3. Related undertakings continued

A3.1.1 Subsidiary undertakings continued

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
SSE DE Solar Holdco Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Digital Services Limited	England and Wales	B	**100.0**	–	Holding Company
SSE Energy Supply Limited	England and Wales	B	**100.0**	100.0	Energy Supply
SSE Enterprise Limited	England and Wales	B	**100.0**	100.0	Corporate Services
SSE EPM Limited	England and Wales	B	**100.0**	100.0	Energy Trading
SSE EV M7 Limited	England and Wales	B	**100.0**	–	Power Generation
SSE EV Operational Assets Limited (formerly EV Operational Assets Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Ferrybridge Battery Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Fiddlers Ferry Battery Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Foxholes Solar Limited (formerly Foxholes Solar Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Galloper Offshore Windfarm Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Generation Ireland Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Generation Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Group Limited	Scotland	A	**100.0**	100.0	Dormant
SSE Heat Networks (Battersea) Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Heat Networks Limited	Scotland	A	**100.0**	100.0	Utility Services
SSE Hornsea Limited	England and Wales	B	**100.0**	100.0	Gas Storage
SSE Imperial Park PN Limited	England and Wales	B	**100.0**	–	Power Generation
SSE Insurance Limited	Isle of Man	G	**100.0**	100.0	Insurance
SSE Knapthorpe Solar Limited (formerly Knapthorpe Solar Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Maple Limited	England and Wales	B	**100.0**	100.0	Investment Holding
SSE Medway Operations Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Micro Renewables Limited	Scotland	A	**100.0**	100.0	Energy Related Services
SSE Multifuel Generation Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Muskham Solar Limited (formerly Muskham Solar Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE OWS Glasgow Limited	Scotland	A	**100.0**	100.0	Property Holding
SSE Pacifico K.K.	Japan	Y	**80.0**	80.0	Renewable Development
SSE Production Services Limited	England and Wales	B	**100.0**	100.0	Maintenance Services
SSE Renewables (Ireland) Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables (Netherlands) Holdings B.V.	Netherlands	AA	**100.0**	100.0	Holding Company
SSE Renewables Developments (Germany) GmbH	Germany	AJ	**100.0**	100.0	Renewable Development
SSE Renewables Generation Ireland Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Renewables Holdings (Europe) Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Holdings (UK) Limited	Northern Ireland	F	**100.0**	100.0	Holding Company
SSE Renewables Holdings Germany GmbH	Germany	H	**100.0**	100.0	Dormant
SSE Renewables Holdings Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables International Holdings Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables North America Inc.	United States	W	**100.0**	100.0	Renewable Development
SSE Renewables North America Offshore Wind LLC.	United States	W	**100.0**	100.0	Renewable Development
SSE Renewables North America Services Inc	United States	W	**100.0**	–	Renewable Development
SSE Renewables Off Shore Limited	Ireland	C	**100.0**	100.0	Holding Company
SSE Renewables Offshore Windfarm Holdings Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables Onshore Windfarm Holdings Limited	Northern Ireland	F	**100.0**	100.0	Holding Company
SSE Renewables Poland Holdings Limited	Scotland	A	**100.0**	100.0	Holding Company
SSE Renewables Poland sp z.o.o. (formerly Virtomille Investments sp z.o.o.)	Poland	X	**100.0**	100.0	Renewable Development
SSE Renewables Services (UK) Limited	Northern Ireland	F	**100.0**	100.0	Renewable Development
SSE Renewables UK Limited	Northern Ireland	F	**100.0**	100.0	Power Generation
SSE Renewables Wind (Ireland) Holdings Limited	Ireland	C	**100.0**	100.0	Holding Company

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
SSE Renewables Wind Farms (Ireland) Limited	Ireland	C	**100.0**	100.0	Power Generation
SSE Renewables Wind Farms (UK) Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Retail Limited	Scotland	A	**100.0**	100.0	Energy Related Services
SSE Seabank Investments Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Seabank Land Investments Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Services plc	England and Wales	B	**100.0**	100.0	Corporate Services
SSE Southern Group Trustee Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Staythorpe Battery Limited (formerly Staythorpe Battery Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Staythorpe Power Limited (formerly Staythorpe Power Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Staythorpe SGT Limited (formerly Staythorpe SGT Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Staythorpe Solar Limited (formerly Staythorpe Solar Limited)	England and Wales	B	**100.0**	–	Power Generation
SSE Stock Limited	Scotland	A	**100.0**	100.0	Stock Holding
SSE Sunflower Offshore Wind Holdco B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 1 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 2 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Sunflower Offshore Wind Limited Partner 3 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Thermal Energy Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Thermal Energy Operations Limited	England and Wales	B	**100.0**	100.0	Power Generation
SSE Thermal Generation (Scotland) Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Thermal Generation Holdings Limited	England and Wales	B	**100.0**	100.0	Holding Company
SSE Toddleburn Limited	Scotland	A	**100.0**	100.0	Power Generation
SSE Trading Limited	England and Wales	B	**100.0**	100.0	Energy Trading
SSE Trustees Limited	England and Wales	B	**100.0**	100.0	Dormant
SSE Tulip Offshore Wind Holdco B.V.	Netherlands	AA	**100.0**	100.0	Renewable Development
SSE Tulip Offshore Wind Limited Partner 1 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Tulip Offshore Wind Limited Partner 2 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Tulip Offshore Wind Limited Partner 3 B.V.	Netherlands	AA	**100.0**	–	Renewable Development
SSE Utility Services Limited	England and Wales	B	**–**	100.0	Dormant
SSE Utility Solutions Limited	England and Wales	B	**100.0**	100.0	Utility Services
SSE Venture Capital Limited	Scotland	A	**100.0**	100.0	Investment Holding
SSE Viking Limited	England and Wales	B	**100.0**	100.0	Renewable Development
SSE(SE) Quest Trustee Limited	England and Wales	B	**100.0**	100.0	Dormant
SSEN Distribution Limited	Scotland	A	**100.0**	–	Holding Company
SSEPG (Operations) Limited	England and Wales	B	**100.0**	100.0	Power Generation
Strathy Wind Farm Limited	Scotland	A	**100.0**	100.0	Power Generation
Sure Partners Limited	Ireland	C	**100.0**	100.0	Renewable Development
Tealing Solar Park Limited	England and Wales	B	**100.0**	100.0	Power Generation
TESGL Limited	England and Wales	D	**100.0**	100.0	Building Energy Management
The Energy Solutions Group Bidco Limited	England and Wales	D	**100.0**	100.0	Dormant
The Energy Solutions Group Midco Limited	England and Wales	D	**100.0**	100.0	Dormant
The Energy Solutions Group Topco Limited	England and Wales	D	**100.0**	100.0	Dormant
Tournafulla Windfarm (ROI) Limited	Ireland	C	**100.0**	100.0	Power Generation
Viking Energy (Scottish Partnership)	Scotland	I	**100.0**	100.0	Renewable Development
Viking Energy Wind Farm LLP	Scotland	Z	**100.0**	100.0	Renewable Development
Wakayama-West Offshore Wind Power No. 1 G.K.	Japan	Y	**80.0**	80.0	Renewable Development
Wakayama-West Offshore Wind Power No.2 G.K.	Japan	Y	**80.0**	80.0	Renewable Development

All shares in subsidiary companies are ordinary share capital, unless otherwise stated.

* 100% of voting rights held.

Accompanying information continued

A3. Related undertakings continued

A3.1.1 Subsidiary undertakings continued

Statutory audit exemptions

SSE plc parent company has provided guarantees under section 479C of the Companies Act 2006 over the liabilities of the following companies, which are therefore exempt from audit under the requirements of s479A-479C of the Companies Act 2006.

Company	Registered number
Aberarder Wind Farm LLP	OC398487
Bhlaraidh Wind Farm Limited	SC663027
Fibre Power (Slough) Limited	02902170
Fusion Heating Limited	NI056373
Keadby Wind Farm Limited	06852112
Slough Utility Services Limited	03486590
SSE Beatrice Offshore Windfarm Holdings Limited	SC436255
SSE DE Battery Holdco Limited	13561962
SSE DE EV Holdco Limited	14278443
SSE Enterprise Limited	10060563
SSE Imperial Park PN Limited	02631510
SSE Maple Limited	10604848
SSE Medway Operations Limited	02647585
SSE Micro Renewables Limited	SC386017
SSE OWS Glasgow Limited	SC228283
SSE Production Services Limited	02499702
SSE Renewables Holdings (UK) Limited	NI043239
SSE Renewables Offshore Windfarm Holdings Limited	SC436251
SSE Renewables Onshore Windfarm Holdings Limited	NI049557
SSE Renewables Poland Holdings Limited	SC723844
SSE Renewables UK Limited	NI048447
SSE Renewables Wind Farms (UK) Limited	SC654502
SSE Retail Limited	SC213458
SSE Seabank Investments Limited	02631512
SSE Seabank Land Investments Limited	07877772
SSE Thermal Energy Holdings Limited	12650549
SSE Toddleburn Limited	SC259104
SSE Viking Limited	06021053
SSEPG (Operations) Limited	02764438
Strathy Wind Farm Limited	SC663103
Tealing Solar Park Limited	08783684

A3.1.2 Joint arrangements (incorporated)

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
AtlasConnect Limited	Scotland	A	**50.0**	50.0	Dormant
Baglan Pipeline Limited	England and Wales	K	**50.0**	50.0	Dormant
Beatrice Offshore Windfarm Holdco Limited	Scotland	A	**40.0**	40.0	Holding Company
Beatrice Offshore Windfarm Limited	Scotland	A	**40.0**	40.0	Power Generation
Cloosh Valley Wind Farm Designated Activity Company	Ireland	L	**25.0**	25.0	Power Generation
Cloosh Valley Wind Farm Holdings Designated Activity Company	Ireland	L	**25.0**	25.0	Holding Company
Clyde Windfarm (Scotland) Limited**	Scotland	A	**50.1**	50.1	Power Generation
DB Operational Base Limited	England and Wales	J	**40.0**	40.0	Warehousing and storage facilities
Deeside Power (UK) Limited	England and Wales	AF	**50.0**	–	Power Generation
Deeside Power Operation Limited	England and Wales	AF	**50.0**	–	Power Generation
Digital Reach Partners Limited	Scotland	A	**50.0**	50.0	Telecommunications
Doggerbank Offshore Wind Farm Project 1 Holdco Limited	England and Wales	B	**40.0**	40.0	Holding Company
Doggerbank Offshore Wind Farm Project 1 Projco Limited	England and Wales	B	**40.0**	40.0	Renewable Development
Doggerbank Offshore Wind Farm Project 2 Holdco Limited	England and Wales	B	**40.0**	40.0	Holding Company
Doggerbank Offshore Wind Farm Project 2 Projco Limited	England and Wales	B	**40.0**	40.0	Renewable Development
Doggerbank Offshore Wind Farm Project 3 Holdco Limited	England and Wales	B	**40.0**	40.0	Holding Company
Doggerbank Offshore Wind Farm Project 3 Projco Limited	England and Wales	B	**40.0**	40.0	Renewable Development
Dunmaglass Wind Farm Limited	Scotland	A	**50.1**	50.1	Power Generation
Everwind Limited	Ireland	S	**49.0**	49.0	Power Generation
Gatroben Offshore Developments 1 Limited	England and Wales	B	**50.0**	50.0	Renewable Development
Gatroben Offshore Developments 2 Limited	England and Wales	B	**50.0**	50.0	Renewable Development
Gatroben Offshore Developments 3 Limited	England and Wales	B	**50.0**	50.0	Renewable Development
Greater Gabbard Offshore Winds Limited***	England and Wales	B	**50.0**	50.0	Power Generation
Green Energy Company Limited	Ireland	M	**47.5**	47.5	Dormant
Green H2 Developments Hold Co Limited	England and Wales	B	**50.0**	–	Holding Company
Green H2 Developments Project Co Limited	England and Wales	B	**50.0**	–	Renewable Development
Green Way Energy Limited	Ireland	M	**50.0**	50.0	Holding Company
Indian Queens Power Limited	England and Wales	AF	**50.0**	–	Power Generation
Kerry Power Limited	Ireland	M	**49.0**	49.0	Power Generation
Lenalea Wind Farm Designated Activity Company	Ireland	C	**50.0**	100.0	Renewable Development
Marchwood Power Limited	England and Wales	N	**50.0**	50.0	Power Generation
Marron Activ8 Energies Limited	Ireland	R	**50.0**	50.0	Energy Related Services
Midas Energy Limited	Ireland	M	**49.0**	49.0	Power Generation
Neos Networks Limited	Scotland	A	**50.0**	50.0	Telecommunications
NNXYZ Limited	England and Wales	B	**50.0**	50.0	Telecommunications
North Falls Offshore Wind Farm Holdco Limited***	England and Wales	AG	**50.0**	50.0	Holding company
North Falls Offshore Wind Farm Limited***	England and Wales	AG	**50.0**	50.0	Renewable Development
Ossian Offshore Wind Farm Holdings Limited (formerly Scohoco 1 Limited)	Scotland	A	**40.0**	40.0	Holding company
Ossian Offshore Wind Farm Limited (formerly Scoprojco 1 Limited)	Scotland	A	**40.0**	40.0	Renewable Development
Saltend Cogeneration Company Limited	England and Wales	AF	**50.0**	–	Power Generation
Saltend Operations Company Limited	England and Wales	AF	**50.0**	–	Power Generation
SCCL Holdings Limited	England and Wales	AF	**50.0**	–	Holding Company
Seabank Power Limited	England and Wales	O	**50.0**	50.0	Power Generation
Seagreen 1A (Holdco) Limited	England and Wales	B	**49.0**	49.0	Holding company
Seagreen 1A Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Alpha Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Bravo Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
Seagreen Holdco 1 Limited	England and Wales	B	**49.0**	49.0	Holding company
Seagreen Wind Energy Limited	England and Wales	B	**49.0**	49.0	Renewable Development
SSE Slough Multifuel Holdco Limited	England and Wales	B	**50.0**	50.0	Holding company
SSE Slough Multifuel Limited	England and Wales	B	**50.0**	50.0	Power Generation
Stronelairg Wind Farm Limited	Scotland	A	**50.1**	50.1	Power Generation
Sunflower Offshore Wind General Partner B.V.	Netherlands	AA	**50.0**	–	Renewable Development
Sunflower Offshore Wind Projectco C.V.	Netherlands	AA	**50.0**	–	Renewable Development
Triton Power Holdings Limited	Jersey	AH	**50.0**	–	Holding company
Triton Power Intermediate Holdings Limited	Jersey	AH	**50.0**	–	Holding company
Triton Power Limited	Jersey	AH	**50.0**	–	Power Generation
Tulip Offshore Wind General Partner B.V.	Netherlands	AA	**50.0**	–	Renewable Development
Tulip Offshore Wind Projectco C.V.	Netherlands	AA	**50.0**	–	Renewable Development

** 50.1% of voting rights held.
*** Joint Operation.

A3.1.3 Associates

Company	Country of incorporation	Registered address (key)	2023 Holding %	2022 Holding %	Principal activity
St Clements Services Limited	England and Wales	P	**25.0**	25.0	Utilities Software

Accompanying information continued

A3. Related undertakings continued

A.3.1.4 Registered address key

Reference	Company registered address
A	Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ
B	No 1 Forbury Place, 43 Forbury Road, Reading RG1 3JH
C	Red Oak South, South County Business Park, Leopardstown, Dublin 18
D	Ocean Court, Caspian Road, Atlantic Street, Altrincham, WA14 5HH
E	Keadby Power Station, Trentside, Keadby, Scunthorpe, North Lincs DN17 3AZ
F	3rd Floor, Millennium House, 17-25 Great Victoria Street, Belfast, BT2 7AQ
G	Tower House, Loch Promenade, Douglas, Isle of Man
H	Büro München, Elektrastrasse 6, 81925, München, Germany
I	The Gutters' Hut, North Ness Business Park, Lerwick, Shetland ZE1 0LZ
J	One Kingdom Street, London, United Kingdom, W2 6BD
K	10 Fleet Place, London, EC4M 7QS
L	6th Floor, South Bank House, Barrow Street, Dublin 4
M	Lissarda Industrial Park, Lissarda, Macroom, County Cork
N	Oceanic Way, Marchwood Industrial Park, Marchwood, Southampton SO40 4BD
O	Severn Road, Hallen, Bristol, BS10 7SP
P	4-6 Church Walk, Daventry, NN11 4BL
Q	Unit 14 Maryland Industrial Estate, Ballygowan Road, Belfast
R	Dunoge, Carrickmacross, Co. Monaghan, Ireland
S	Gorthleahy, Macroom, Co. Cork, Ireland
T	c/o Fiduservice SA, Route de Beaumont 20, 1701 Freiburg, Switzerland
U	c/o CMS Hasche Sigle, Stadthausbrücke 1-3, 20355 Hamburg
V	Rm 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong
W	3411 Silverside Road, Tatnall Building #104, Wilmington, New Castle, Delaware, 19810
X	Towarowa no.28, suite 00-839, Warsaw, Poland
Y	Roppongi Grand Tower, 3-2-1 Roppongi, Minato-ku, Tokyo, Japan
Z	Stewart Building Esplanade, Lerwick, Shetland, Scotland, ZE1 0LL
AA	Hofplein 20, Rotterdam, 3032 AC, Netherlands
AB	16 Kifissias Ave, 11526, Athens, Greece
AC	Viale Luca Gaurico, 9/11, 00143, Rome, Italy
AD	Spain: calle Buenos Aires, 12, 48.001, Bilbao, Spain
AE	97 allée Alexandre Borodine, Immeuble Cèdre 3, 69800, Saint Priest, France
AF	Saltend Power Station Saltend Chemicals Park, Hedon Road, Hull, East Riding of Yorkshire, England, HU12 8GA
AG	Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, United Kingdom, SN5 6PB
AH	22 Grenville Street, St Helier, Jersey, JE4 SPX
AI	Cannon Place, 78 Cannon Street, London, United Kingdom, EC4N 6AF
AJ	c/o Bird & Bird LLP, Maximiliansplatz 22, Munich, 80333, Germany

A4. Joint ventures and associates

The Directors have assessed that the investments in the following equity accounted joint ventures and associates are of a sufficiently material impact to warrant additional disclosure on an individual basis. Details of the financial position and financial results of the Group:

Company	Principal activity	Country of incorporation	Class of shares held	Proportion of shares held %	Group Interest %	Year end date	Consolidation basis
Seabank Power Limited	Power Generation	UK	Ordinary	50.0	50.0	31 December	Equity
Marchwood Power Limited	Power Generation	UK	Ordinary	50.0	50.0	31 December	Equity
SSE Slough Multifuel Limited	Power Generation	UK	Ordinary	50.0	50.0	31 March	Equity
Clyde Windfarm (Scotland) Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Seagreen Wind Energy Limited	Power Generation	UK	Ordinary	49.0	49.0	31 March	Equity
Beatrice Offshore Windfarm Limited	Power Generation	UK	Ordinary	40.0	40.0	31 March	Equity
Dunmaglass Wind Farm Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Stronelairg Wind Farm Limited	Power Generation	UK	Ordinary	50.1	50.1	31 March	Equity
Triton Power Holdings Limited	Power Generation	Jersey	Ordinary	50.0	50.0	31 December	Equity
Neos Networks Limited	Telecoms	UK	Ordinary	50.0	50.0	31 March	Equity

Summary information for material joint ventures and associates from unaudited financial statements is as follows:

	Seabank Power Limited 2023 £m	Marchwood Power Limited 2023 £m	SSE Slough Multifuel Limited 2023 £m	Clyde Windfarm (Scotland) Limited 2023 £m	Seagreen Wind Energy Limited 2023 £m	Beatrice Offshore Windfarm Limited 2023 £m	Dunmaglass Wind Farm Limited 2023 £m	Stronelairg Wind Farm Limited 2023 £m	Triton Power Holdings Limited 2023 £m	Neos Networks Limited 2023 £m	Other 2023 £m	Total 2023 £m
Revenue	274.5	103.8	–	297.5	95.2	376.5	68.7	151.5	1,628.7	159.2	62.3	3,217.9
Other income	–	–	–	–	–	25.5	–	–	–	–	–	25.5
Depreciation and amortisation	(6.9)	(30.7)	–	(29.1)	(17.9)	(89.6)	(7.7)	(13.7)	(84.0)	(95.0)	(30.4)	(405.0)
Other operating costs	(216.5)	(21.0)	–	(56.8)	(40.8)	(94.8)	(12.6)	(28.0)	(415.1)	(80.3)	(40.1)	(1,006.0)
Operating profit	51.1	52.1	–	211.6	36.5	217.6	48.4	109.8	1,129.6	(16.1)	(8.2)	1,832.4
Interest expense	(0.7)	(5.2)	–	(18.4)	(20.7)	(65.4)	(6.1)	(12.1)	(2.4)	(20.7)	(3.0)	(154.7)
Profit before tax	50.4	46.9	–	193.2	15.8	152.2	42.3	97.7	1,127.2	(36.8)	(11.2)	1,677.7
Corporation tax	(10.6)	(6.1)	–	(35.6)	(3.8)	(26.0)	(8.1)	(19.1)	(179.2)	–	(4.2)	(292.7)
Profit after tax	39.8	40.8	–	157.6	12.0	126.2	34.2	78.6	948.0	(36.8)	(15.4)	1,385.0
Recognised in other comprehensive income												
Actuarial gain on retirement benefit schemes	–	–	–	–	–	–	–	–	–	–	–	–
Taxation	–	–	–	–	–	–	–	–	–	–	–	–
Cash flow hedges	–	–	6.2	–	141.0	152.4	–	–	–	–	807.6	1,107.2
Taxation	–	–	(1.6)	–	(35.3)	(38.1)	–	–	–	–	(201.8)	(276.8)
	–	–	4.6	–	105.7	114.3	–	–	–	–	605.8	830.4
Total comprehensive income/(loss)	39.8	40.8	4.6	157.6	117.7	240.5	34.2	78.6	948.0	(36.8)	590.4	2,215.4
SSE share of profit (based on % equity)	19.9	20.4	–	78.9	5.9	50.5	17.1	39.3	474.0	(18.4)	(24.0)	663.6
Dividends paid to shareholders	47.0	22.4	–	169.1	–	146.5	35.2	93.6	101.4	–	2.0	617.2
Non-current assets	96.2	154.1	353.5	560.4	3,229.8	1,906.0	175.0	330.2	189.6	626.2	6,288.3	13,909.3
Current assets	48.8	53.5	10.0	119.0	19.4	50.5	27.5	58.2	507.0	41.9	59.9	995.7
Cash and cash equivalents	69.3	32.8	8.4	83.4	86.4	91.3	19.0	48.3	16.7	23.3	86.1	565.0
Current liabilities	(19.1)	(38.3)	(23.6)	(20.4)	(57.2)	(176.3)	(4.6)	(19.8)	(301.7)	(144.0)	(246.8)	(1,051.8)
Non-current liabilities	(61.6)	(65.9)	(265.2)	(437.3)	(2,870.7)	(1,800.4)	(139.3)	(259.0)	(18.0)	(353.1)	(5,241.9)	(11,512.4)
Net assets	133.6	136.2	83.1	305.1	407.7	71.1	77.6	157.9	393.6	194.3	945.6	2,905.8
Group equity interest	50%	50%	50%	50.1%	49%	40%	50.1%	50.1%	50%	50%		
Net assets	133.6	136.2	83.1	305.1	407.7	71.1	77.6	157.9	393.6	194.3	945.6	2,905.8
Group's share of ownership interest	66.8	68.1	41.5	152.8	199.8	28.4	38.8	79.1	196.8	97.2	376.4	1,345.7
Other adjustments	(20.3)	0.3	30.9	27.2	141.8	(15.3)	68.1	214.7	57.1	(22.5)	109.3	591.3
Carrying value of Group's equity interest	46.5	68.4	72.4	180.0	341.6	13.1	106.9	293.8	253.9	74.7	485.7	1,937.0

Accompanying information continued

A4. Joint ventures and associates continued

	Seabank Power Limited 2022 £m	Marchwood Power Limited 2022 £m	SSE Slough Multifuel Limited 2022 £m	Clyde Windfarm (Scotland) Limited 2022 £m	Seagreen Offshore Windfarm Limited 2022 £m	Beatrice Offshore Windfarm Limited 2022 £m	Dunmaglass Wind Farm Limited 2022 £m	Stronelairg Wind Farm Limited 2022 £m	Neos Networks Limited 2022 £m	Other 2022 £m	Total continuing operations 2022 £m	SGN-discontinued operation 2022 £m
Revenue	260.9	97.6	–	270.9		111.6	59.6	142.0	156.8	42.7	1,142.1	181.3
Other income	–	–	–	–	–	281.3		–	–	–	281.3	–
Depreciation and amortisation	(5.7)	(32.2)	–	(29.8)	–	(90.6)	(8.0)	(14.1)	(84.0)	(30.5)	(294.9)	(33.3)
Other operating costs	(235.6)	(21.2)	–	(48.9)	–	(84.3)	(10.8)	(25.3)	(102.6)	(16.5)	(545.2)	(85.0)
Operating profit	19.6	44.2	–	192.2	–	218.0	40.8	102.6	(29.8)	(4.3)	583.3	63.0
Interest expense	(0.1)	(6.6)	–	(18.3)	–	(69.0)	(6.2)	(12.5)	(24.0)	(13.5)	(150.2)	(46.9)
Profit before tax	19.5	37.6	–	173.9	–	149.0	34.6	90.1	(53.8)	(17.8)	433.1	16.1
Corporation tax	(9.8)	(7.6)	–	(54.2)	–	(55.8)	(13.8)	(25.4)	(4.0)	–	(170.6)	(259.3)
Profit after tax	9.7	30.0	–	119.7	–	93.2	20.8	64.7	(57.8)	(17.8)	262.5	(243.2)
Recognised in other comprehensive income												
Actuarial gain on retirement benefit schemes	–	–	–	–	–	–	–	–	–	–	–	6.3
Taxation	–	–	–	–	–	–	–	–	–	–	–	(7.1)
Cash flow hedges	–	–	7.2	–	–	131.9	–	–	–	267.1	406.2	(1.9)
Taxation	–	–	(1.4)	–	–	(25.1)	–	–	–	(50.4)	(76.9)	4.8
	–	–	5.8	–	–	106.8	–	–	–	216.7	329.3	2.1
Total comprehensive income/(loss)	9.7	30.0	5.8	119.7	–	200.0	20.8	64.7	(57.8)	198.9	591.8	(241.1)
SSE share of profit (based on % equity)	4.8	15.0	–	60.0	–	37.3	10.4	32.5	(29.0)	(20.3)	110.7	(81.0)
Dividends paid to shareholders	–	29.2	–	105.9	–	183.2	21.7	47.5	4.4	–	391.9	–
Non-current assets	105.8	194.2	177.3	599.5	2,253.8	2,018.7	186.3	350.1	445.5	3,716.5	10,047.7	–
Current assets	58.0	39.7	4.6	110.8	6.1	44.0	23.7	52.6	79.4	41.4	460.3	–
Cash and cash equivalents	29.0	21.5	4.9	69.9	73.7	130.7	13.8	47.5	20.0	93.7	504.7	–
Current liabilities	(4.4)	(38.2)	(7.2)	(16.9)	(151.1)	(167.3)	(4.2)	(18.1)	(145.0)	(200.9)	(753.3)	–
Non-current liabilities	(64.8)	(100.4)	(146.9)	(429.2)	(2,129.3)	(1,892.8)	(135.5)	(253.5)	(278.4)	(3,402.9)	(8,833.7)	–
Net assets	123.6	116.8	32.7	334.1	53.2	133.3	84.1	178.6	121.5	247.8	1,425.7	–
Group equity interest	50%	50%	50%	50.1%	49%	40%	50.1%	50.1%	50%	–	–	–
Net assets	123.6	116.8	32.7	334.1	53.2	133.3	84.1	178.6	121.5	247.8	1,425.7	–
Group's share of ownership interest	61.8	58.4	16.4	167.4	26.1	53.4	42.1	89.5	60.7	99.4	675.2	–
Other adjustments	(11.7)	0.8	56.5	25.2	220.2	(53.4)	69.2	224.4	(5.4)	38.5	564.3	–
Carrying value of Group's equity interest	50.1	59.2	72.9	192.6	246.3	–	111.3	313.9	55.3	137.9	1,239.5	–

In addition to the above at 31 March 2023, the Group was owed the following loans from its principal joint ventures: Marchwood Power Limited £25.7m (2022: £39.1m); Triton Power Holdings Limited £nil (2022: £nil); Clyde Windfarm (Scotland) Limited £127.1m (2022: £127.1m); Dunmaglass Wind Farm Limited £46.6m (2022: £46.5m); Stronelairg Wind Farm Limited £88.7m (2022: £88.2m) Neos Networks Limited £56.0m (2022: £90.2m); Seagreen Offshore Windfarm Limited £593.1m (2022: £271.1m) and Slough Multifuel Limited £128.0m (2022: £62.5m).

This represents 96% (2022: 99%) of the loans provided to equity-accounted joint ventures and associates.

A5. Related party transactions

The immediate parent and ultimate controlling party of the Group is SSE plc (incorporated in Scotland). Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transactions

The following transactions took place during the year between the Group and entities which are related to the Group, but which are not members of the Group. Related parties are defined as those in which the Group has control, joint control or significant influence over.

	2023 Sale of goods and services £m	**2023 Purchase of goods and services £m**	**2023 Amounts owed from £m**	**2023 Amounts owed to £m**	2022 Sale of goods and services £m	2022 Purchase of goods and services £m	2022 Amounts owed from £m	2022 Amounts owed to £m
Joint ventures:								
Seabank Power Limited	**–**	**–**	**–**	**–**	51.9	(49.1)	–	–
Marchwood Power Limited	**122.4**	**(228.5)**	**–**	**(16.8)**	104.3	(229.3)	–	(7.6)
Scotia Gas Networks Limited	**–**	**–**	**–**	**–**	42.9	(10.1)	–	–
Clyde Windfarm (Scotland) Limited	**4.8**	**(280.5)**	**0.1**	**(49.5)**	4.6	(259.3)	0.1	(74.2)
Beatrice Offshore Windfarm Limited	**4.7**	**(176.5)**	**1.0**	**(8.7)**	5.0	(163.7)	0.9	(20.6)
Stronelairg Windfarm Limited	**2.4**	**(146.2)**	**–**	**(21.7)**	2.1	(138.5)	–	(36.7)
Dunmaglass Windfarm Limited	**1.1**	**(66.4)**	**–**	**(9.1)**	1.0	(57.9)	–	(13.7)
Neos Networks Limited	**3.8**	**(23.8)**	**46.2**	**(5.8)**	31.2	(27.1)	52.2	(13.8)
Seagreen Wind Energy Limited	**35.2**	**(44.4)**	**22.9**	**(7.5)**	24.9	(0.4)	6.0	(0.3)
Doggerbank A, B and C	**25.4**	**–**	**7.6**	**–**	21.2	–	8.5	–
Triton Power Holdings Limited	**–**	**–**	**–**	**–**	–	–	–	–
Other Joint Ventures	**14.0**	**(219.2)**	**1.1**	**(50.8)**	8.2	(195.9)	1.3	(23.6)

The transactions with Seabank Power Limited and Marchwood Power Limited relate to the contracts for the provision of energy or the tolling of energy under power purchase arrangements.

Details of the Group's 15-year Affiliate Contract for Difference agreement with Seagreen Wind Energy Limited are included in note A7.2.

On 22 March 2022 the Group completed its disposal of its interest in Scotia Gas Networks Limited ('SGN'). In the prior year, the table above included the Group's gas supply activity which included gas distribution charges and services the Group provided to SGN in the form of a management services agreement for corporate and shared services.

The amounts outstanding are trading balances, are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties. Aggregate capital loans to joint ventures and associates are shown in note 16.

Accompanying information continued

A6. Financial risk management

This note presents information about the fair value of the Group's financial instruments, the Group's exposure to the risks associated with those instruments, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further qualitative disclosures are included throughout these consolidated financial statements.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Commodity risk
- Currency risk
- Interest rate risk

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's policies for risk management are established to identify the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Exposure to commodity, currency and interest rate risks arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks.

SSE has a Group wide Risk Committee reporting to the Group Executive Committee, which is responsible for reviewing the strategic, market, credit, operational and liquidity risks and exposures that arise from the Group's operating activities. In addition, the Group has two dedicated Energy Market risk committees reporting to the Group Executive Committee and Board respectively, with the Group Executive Sub-committee chaired by the Group Finance Director (the 'Group Energy Markets Exposures Risk Committee') and the Board Sub-committee chaired by non-Executive Director Tony Cocker (the 'Energy Markets Risk Committee (EMRC)'). These Committees oversee the Group's management of its energy market exposures, including its approach to hedging.

During the year ended 31 March 2023, the Group was exposed to exceptional volatility in energy markets impacting the primary commodities to which it is exposed (Gas, Carbon and Power) due to the ongoing impacts from the war in Ukraine and other global factors. The Group's approach to hedging, and the diversity of its energy portfolios (across Wind, Hydro, Thermal and Customers) has provided significant certain mitigation of these exposures. Exceptional rises and volatility in commodity prices have created a particular challenge in managing counter-party credit and collateral exposures and requirements. Market access to energy markets to enable hedging and prompt optimisation has been maintained by a combination of three key actions. Firstly, bilateral counterparty limits have been increased (subject to Executive Director authorisation) and SSE has continued to utilise market access provided by exchange platforms and auctions. Secondly, the SSE Group Parent Company Guarantee has been increased appropriately to reflect the impact of market volatility on counterparty exposures. Finally, since March 2022, SSE Treasury facilities have been increased by circa £730m with relationship banks and insurance companies in order to facilitate letters of credit to be posted as collateral instead of cash to support the route to market of the Group.

At 31 March, the Group's collateral position was as follows:

	Note	2023 £m	2022 £m
Collateral posted included within trade and other receivables	18	316.3	74.7
Net collateral posted/(received)		316.3	74.7

Exposure to the commodity, currency and interest rate risks noted arise in the normal course of the Group's business and derivative financial instruments are entered into to hedge exposure to these risks. The objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year are explained below.

A6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations.

Credit risk arising from the Group's normal commercial operations is controlled by individual business units operating in accordance with Group policies and procedures. Generally, for significant contracts, individual business units enter into contracts or agreements with counterparties having investment grade credit ratings only, or where suitable collateral or other security has been provided. Counterparty credit validation is undertaken prior to contractual commitment.

Credit risk management for the Group's SSEN Transmission and SSEN Distribution businesses is performed in accordance with industry standards as set out by the Regulator and is financially controlled by the individual business units. The Group's greatest credit risks lie with the operations of the Customers business, the wholesale procurement activities conducted by Energy Portfolio Management ('EPM') under a trust arrangement and the activities carried out by the Group's Treasury function. In all cases, specific credit risk controls that match the risk profile of those activities are applied. Exposure to credit risk in the retail supply of electricity and gas to end user customers arises from the potential of a customer defaulting on their invoiced payables. The Group exposure to retail supply customers is limited to customers of the Group's Airtricity business. The creditworthiness of these customers is reviewed from a variety of internal and external information. The financial strength and creditworthiness of business customers is assessed prior to commencing, and for the duration of, their contract of supply.

Exposure to credit risk in the procurement of wholesale energy and fuel is managed by reference to agreed transaction credit limits which are determined by whether the counterparty:
- holds an investment grade credit rating; or
- can be assessed as adequately creditworthy in accordance with internal credit rules using information from other external credit agencies; or
- can provide a guarantee from an investment grade rated entity or post suitable collateral or provide other acceptable assurances in accordance with group procedures where they have failed to meet the above conditions; or
- can be allocated a non-standard credit limit approved by the relevant authority as delegated by the Group Board.

Credit support clauses and Master Netting Agreements are typically included or entered into in order to mitigate the impact to the Group against counterparty failure or non-delivery. As part of its normal activities, EPM transacts significant volumes of commodity derivative products through cleared exchanges to mitigate credit risk. Such exchanges are subject to strict regulation by the UK Financial Conduct Authority (FCA) and participants in these exchanges are obliged to meet rigorous capital adequacy requirements.

Individual counterparty credit exposures are monitored regularly and are subject to approved limits. At 31 March 2023, EPM had pledged £443.6m (2022: £545.9m) of cash collateral and letters of credit and had received £110.8m (2022: £95.8m) of cash collateral and letters of credit principally to reduce exposures on credit risk.

Bank credit exposures, which are monitored and reported on daily, are calculated on a mark-to-market basis and adjusted for future volatility and probability of default. Any issues relating to these credit exposures are presented for discussion and review by the Tax and Treasury Committee.

Cash and cash equivalents comprise cash in hand and deposits which are readily convertible to cash. These are subject to insignificant risk of change in value or credit risk.

Derivative financial instruments are entered into to cover the Group's market risks – commodity risk, interest rate risk, currency risk – and are consequently covered elsewhere in this note.

Trade receivables represent the most significant exposure to credit risk and are stated after an allowance for impairment.

Accompanying information continued

A6. Financial risk management continued

A6.2 Concentrations of risk

Trade receivables recorded by reported segment held at the 31 March were:

	2023 £m	2022 £m
SSEN Transmission	8.0	7.9
SSEN Distribution	137.2	122.3
SSE Renewables	88.3	84.1
SSE Thermal	41.0	21.2
Gas Storage	1.5	1.4
Energy Customer Solutions		
Business Energy	386.9	231.3
SSE Airtricity	125.1	231.6
Distributed Energy	31.8	38.4
EPM	567.5	679.3
Corporate Unallocated	16.7	16.4
Total SSE Group	**1,404.0**	1,433.9

Energy Customers Solution (Business Energy and SSE Airtricity) accounts for 36.5% (2022: 32.3%) of the Group's trade receivables from continuing operations. Trade receivables associated with the Group's 1.2 million electricity and gas customers are recorded within this business unit. The Group also has significant trade receivables associated with its EPM activities which are generally settled within two to four weeks from invoicing. The Group's exposure to credit risk is therefore subject to diversification with no exposure to individual retail customers totalling >10% of trade receivables. The largest customer balance, due from an EPM customer (also an EPM supplier), is 8% (2022: 7%) of the total trade receivables.

The ageing of trade receivables at the reporting date was:

	2023 £m	2022 £m
Not past due	1,229.0	1,167.7
Past due but not individually impaired:		
0 – 30 days	116.3	185.3
31 – 90 days	65.6	60.8
Over 90 days	162.3	98.3
	1,573.2	1,512.1
Less: allowance for impairment	(169.2)	(78.2)
Net trade receivables	1,404.0	1,433.9

The Group has past due debt which has not had an impairment allowance set aside to cover potential credit losses. The Group has certain procedures to pursue customers in significant arrears and believes its impairment policy in relation to such balances is appropriate. The increased ageing of the trade receivables results in an increase in provisions held in respect of them under the provision matrix approach employed. The Group also considers various risk factors when assessing the level of provision to recognise. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

The Group has other receivables which are financial assets totalling £12.8m (2022: £4.9m).

The movement in the allowance for impairment of trade receivables (continuing operations only) was:

	2023 £m	2022 £m
Balance at 1 April	78.2	77.1
Increase/(decrease) in allowance for impairment	116.8	(16.8)
Impairment losses recognised	(25.8)	17.9
Balance at 31 March	169.2	78.2

At the end of each reporting period a review of the allowance for impairment of trade receivables (or bad debt provision) is performed by the respective businesses. Trade receivables do not contain a significant financing element, and therefore expected credit losses are measured using the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised on initial recognition. A provision matrix is utilised to estimate the lifetime expected credit losses, based on the age, status and risk of each class of receivable, which is updated periodically to include changes to both forward-looking and historical inputs.

A6.3 Liquidity risk and Going Concern

Liquidity risk, the risk that the Group will have insufficient funds to meet its liabilities, is managed by the Group's Treasury function. The Group can be exposed to significant movements in its liquidity position due to changes in commodity prices, working capital requirements, the impact of the seasonal nature of the business and phasing of its capital investment and recycling programmes.

Treasury is responsible for managing the banking and liquidity requirements of the Group, risk management relating to interest rate and foreign exchange exposures, and for managing the credit risk relating to the banking counterparties with which it transacts. Short term liquidity is reviewed daily by Treasury, while the longer-term liquidity position is reviewed on a regular basis by the Board. The department's operations are governed by policies determined by the Board and any breaches of these policies are reported to the Tax and Treasury Committee and Audit Committee.

In relation to the Group's liquidity risk, the Group's policy is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

During the year, the Group's internal approach to managing liquidity was to seek to ensure that the Group had available committed borrowings and facilities equal to at least 105% of forecast borrowings over a rolling 6 month period.

The Group uses cash flow forecasts to monitor its ongoing borrowing requirements. Typically, the Group will fund any short-term borrowing positions by issuing commercial paper or borrowing from committed and uncommitted bank lines and will invest in money market funds when it has a cash surplus. Details of the Group's borrowings are disclosed at note 21. In addition to the borrowing facilities listed at note 21.3, the Group has £50m of uncommitted bank lines and a £15m overdraft facility.

The refinancing requirement in the 23/24 financial year is £1.6bn, being the £35m and £120m of US Private Placement maturing 28 April 2023 and 6 September 2023 respectively; £929m of short-term Commercial Paper that matures between April and June; €700m (£514m) Eurobond maturing 8 September 2023; £50m of EIB loans maturing in August 2023. The directors are confident in the ability of the Group to maintain a funding level above 105% for the going concern assessment period based on the strong credit standing and borrowing history of the Group for both fixed debt and commercial paper, as discussed more fully below.

Given the committed bank facilities of £3.5bn, £2.75bn excluding Scottish Hydro Electric Transmission plc facilities, maintained by the Group and the current commercial paper market conditions, 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 taken into account the Group's credit rating and the successful issuance of £14.4bn of medium to long term debt and Hybrid equity since February 2012, including £1.6bn of long term funding in the 22/23 financial year being a €1bn NC6 Hybrid at 4% in April 2022 to re-finance the $900m and £300m Hybrids whose first call date was 16 September 2022, a 7 year €650m Eurobond at a coupon of 2.875% with an all-in cost of funding rate of just below 3% once fees and cost of pre-hedging have been included and a £350m dual tranche US Private Placement with Pricoa Capital being a £175m 10-year at 3.13% and a £175m 15-year at 3.24% giving an all-in average rate of 3.185% across both tranches.

The Group's period of Going Concern assessment is performed to 31 December 2024, 21 months from the balance sheet date, which is at least 12 months from the filing deadline of its subsidiary companies. As well as taking account of the factors noted, the Going Concern conclusion is arrived at after applying stress testing sensitivities to the Group's cash flow and funding projections including removal of proceeds from unconfirmed future divestments, negative and positive sensitivities on operating cash flows and uncommitted capex and other adjustments. The Group has also considered its obligations under its debt covenants. There have been no breaches of covenant in the year and the Group's projections support the expectation that there will be no breach of covenants over the period to 31 December 2024. The statement of going concern is included in the Audit Committee Report.

As at 31 March 2023, the value of outstanding cash collateral posted in respect of mark-to-market related margin calls on exchange traded positions was £316.3m (2022: cash posted £74.7m).

Accompanying information continued

A6. Financial risk management continued

A6.3 Liquidity risk and Going Concern continued

The contractual cash flows shown in the following tables are the contractual undiscounted cashflows under the relevant financial instruments. Where the contractual cashflows are variable based on a price, foreign exchange rate or index in the future, the contractual cashflows in the following tables have been determined with reference to the relevant price, foreign exchange rate, interest rate or index as at the balance sheet date. In determining the interest element of contractual cashflows in cases where the Group has a choice as to the length of interest calculation periods and the interest rate that applies varies with the period selected, the contractual cashflows have been calculated assuming the Group selects the shortest available interest calculation periods. Where the holder of an instrument has a choice of when to redeem, the amounts in the following tables are on the assumption the holder redeems at the earliest opportunity.

The following are the undiscounted contractual maturities of financial liabilities, including interest and excluding the impact of netting agreements:

Liquidity risk	2023 Carrying value £m	2023 Contractual cash flows £m	2023 0-12 months £m	2023 1-2 years £m	2023 2-5 years £m	2023 > 5 years £m
Financial liabilities						
Loans and borrowings						
Commercial paper and cash advances	1,019.2	(1,029.8)	(1,029.8)	–	–	–
Loans – floating	200.0	(253.4)	(10.7)	(10.7)	(232.0)	–
Loans – fixed	1,574.7	(2,064.5)	(96.5)	(194.3)	(917.7)	(856.0)
Unsecured bonds – fixed	5,705.5	(7,596.0)	(182.8)	(681.3)	(2,040.7)	(4,691.2)
Fair value adjustment	154.6	–	–	–	–	–
	8,654.0	(10,943.7)	(1,319.8)	(886.3)	(3,190.4)	(5,547.2)
Lease liabilities	405.9	(613.0)	(94.5)	(55.8)	(146.6)	(316.1)
	9,059.9	(11,556.7)	(1,414.3)	(942.1)	(3,337.0)	(5,863.3)
Derivative financial liabilities						
Operating derivatives designated at fair value	1,152.8	(1,841.9)	(1,770.2)	(97.5)	1.0	24.8
Interest rate swaps used for hedging	37.4	(37.4)	(8.5)	(8.5)	(17.2)	(3.2)
Interest rate swaps designated at fair value	55.2	(55.2)	(5.0)	(4.9)	(13.2)	(32.1)
Forward exchange contracts held for hedging	11.5	(337.7)	(292.0)	(42.3)	(3.4)	–
Forward exchange contracts designated at fair value	7.4	2.0	(50.7)	66.4	(13.7)	–
	1,264.3	(2,270.2)	(2,126.4)	(86.8)	(46.5)	(10.5)
Other financial liabilities						
Trade payables	694.6	(694.6)	(694.6)	–	–	–
	694.6	(694.6)	(694.6)	–	–	–
Total	11,018.8	(14,521.5)	(4,235.3)	(1,028.9)	(3,383.5)	(5,873.8)
Derivative financial assets						
Financing derivatives	(239.3)	638.9	518.2	82.1	37.0	1.6
Operating derivatives designated at fair value	(765.9)	1,445.5	970.5	40.9	127.9	306.2
	(1,005.2)	2,084.4	1,488.7	123.0	164.9	307.8
Net total(i)	10,013.6	(12,437.1)	(2,746.6)	(905.9)	(3,218.6)	(5,566.0)

Liquidity Risk	2022 Carrying value £m	2022 Contractual cash flows £m	2022 0-12 months £m	2022 1-2 years £m	2022 2-5 years £m	2022 > 5 years £m
Financial liabilities						
Loans and borrowings						
Commercial paper and cash advances	506.1	(507.1)	(507.1)	–	–	–
Loans – floating	200.0	(209.7)	(1.6)	(1.6)	(4.9)	(201.6)
Loans – fixed	1,508.1	(1,913.7)	(358.9)	(240.5)	(905.4)	(408.9)
Unsecured bonds – fixed	6,425.4	(8,392.3)	(1,529.7)	(681.1)	(1,985.5)	(4,196.0)
Fair value adjustment	31.6	–	–	–	–	–
	8,671.2	(11,022.8)	(2,397.3)	(923.2)	(2,895.8)	(4,806.5)
Lease liabilities	393.5	(581.2)	(88.7)	(61.7)	(162.0)	(268.8)
	9,064.7	(11,604.0)	(2,486.0)	(984.9)	(3,057.8)	(5,075.3)
Derivative financial liabilities						
Operating derivatives designated at fair value	828.7	(3,079.0)	(2,790.0)	(178.0)	(111.0)	–
Interest rate swaps used for hedging	129.2	(129.0)	(55.3)	(19.0)	43.3	(98.0)
Interest rate swaps designated at fair value	246.2	(246.2)	(16.1)	(15.6)	(46.0)	(168.5)
Forward exchange contracts held for hedging	43.4	(521.8)	(347.9)	(137.2)	(36.7)	–
Forward exchange contracts designated at fair value	3.6	(208.2)	(194.4)	(13.8)	–	–
	1,251.1	(4,184.2)	(3,403.7)	(363.6)	(150.4)	(266.5)
Other financial liabilities						
Trade payables	919.7	(919.7)	(919.7)	–	–	–
	919.7	(919.7)	(919.7)	–	–	–
Total	11,235.5	(16,707.9)	(6,809.4)	(1,348.5)	(3,208.2)	(5,341.8)
Derivative financial assets						
Financing derivatives	(182.9)	441.3	382.4	41.6	15.6	1.7
Operating derivatives designated at fair value	(3,130.5)	3,057.3	2,597.6	311.1	148.6	–
	(3,313.4)	3,498.6	2,980.0	352.7	164.2	1.7
Net total (i)	7,922.1	(13,209.3)	(3,829.4)	(995.8)	(3,044.0)	(5,340.1)

(i) The Group believes the liquidity risk associated with out-of-the-money operating derivative contracts needs to be considered in conjunction with the profile of payments or receipts arising from derivative financial assets. It should be noted that cash flows associated with future energy sales and commodity contracts which are not IFRS 9 financial instruments are not included in this analysis, which is prepared in accordance with IFRS 7 'Financial Instruments: Disclosures'.

A6.4 Commodity risk

The Group's Energy Portfolio Management ('EPM') business implements the hedging policy through trading in the commodity markets and manages the requirement for the delivery of the Group's physical commodity needs as part of its normal course of business. The risk management activity carried out by EPM arises from the Group's requirement to source gas, electricity or other commodities such as renewable obligation certificates for Business Energy and SSE Airtricity, and to procure fuel and other commodities and provide a route-to-market for SSE Renewables, SSE Thermal, Gas Storage and the now disposed and discontinued Gas Production business.

Accompanying information continued

A6. Financial risk management continued

A6.4 Commodity risk continued

Current hedging approach

The Group has traded in three principal commodities during the year, as well as the spreads between two or more commodity prices: power (baseload and other products); gas; and carbon (emissions allowances). Each commodity has different liquidity characteristics, which impacts on the degree of hedging possible. Similarly, each of the Group's assets carries different exposures to the commodity market and thus requires a different approach to hedging. As such, the Group's current hedging approach varies by each class of asset as follows:

Asset class	Minimum Hedge Target	Principal Commodity Exposures
GB Wind	Target to hedge less than 100% of anticipated wind energy output for the coming 12 months, progressively establishing the hedge over the 36 months prior to delivery. From May 2021, this has been around 90%.	Power, Gas, Carbon
Hydro	85% of forecast generation 12 months in advance of delivery, progressively established over the 36 months prior to delivery.	Power, Gas, Carbon
GB Thermal	100% of expected output 6 months in advance of delivery, progressively established over the 18 months prior to delivery.	Power, Gas, Carbon
Gas Storage	The annual auction to offer gas storage capacity contracts from Atwick for the 2020/21 (and 21/22) financial year resulted in no third party contracts being secured. The assets were commercially operated throughout the year and the business managed its exposure to changes in the spread between summer and winter prices, market volatility and plant availability.	Gas
Business Energy	Sales to contract customers are 100% hedged: at point of sale for fixed, upon instruction for flexi and on a rolling basis for tariff customers.	Power, Gas

However, there are three principal areas where significant variations in earnings cannot be fully mitigated through hedging:

- The impact of the weather on the volume of electricity produced from renewable sources;
- The impact of operational matters such as unplanned outages; and
- The ability of flexible thermal power stations to earn extrinsic income by providing services to the electricity system and by responding to shorter-term electricity market conditions.

Hedging is carried out by each asset class trading internally with EPM to effect these hedges and EPM then trading onwards with external counterparties and markets. EPM is only able to accept internal trades when there is sufficient liquidity to offset them in the external market or they can be offset with internal trades from other asset classes. In this way, the commodity risks to which EPM is individually exposed, are minimised.

The volumetric extent to which assets are hedged are reported monthly to the Group Energy Markets Exposures Risk Committee, and to the Energy Markets Risk Committee ('EMRC') on at least a quarterly basis. Variations to the hedging approach above will be required as markets and other factors (such as asset disposals) change. The EMRC also receives reporting on credit risk, other risk measures, and market liquidity in assessing whether any variations to the hedging approach are required.

The Group measures and manages the Commodity Risk associated with the financial and non-financial commodity contracts it is exposed to. However, within the Group's financial statements only certain commodity contracts are designated as financial instruments under IFRS 9. As a result, it is only the fair value of those IFRS 9 financial instruments which represents the exposure of the Group's commodity price risk under IFRS 7. This is a consequence of the Group's accounting policy which stipulates that commodity contracts which are designated as financial instruments under IFRS 9 should be accounted for on a fair value basis with changes in fair value reflected in profit or equity. Conversely, commodity contracts that are not designated as financial instruments under IFRS 9 will be accounted for as 'own use' contracts. As fair value changes in own use contracts are not reflected through profit or equity, these do not represent the IFRS 7 commodity price risk. Furthermore, other physical contracts can be treated as the hedging instrument in documented cash flow hedging relationships where the hedged item is the forecast future purchase requirement to meet production or customer demand. The accounting policies associated with financial instruments are explained in the Accompanying Information section A1.

Sensitivity analysis

The Group's exposure to commodity price risk according to IFRS 7 is measured by reference to the Group's IFRS 9 commodity contracts. IFRS 7 requires disclosure of a sensitivity analysis for market risks that is intended to illustrate the sensitivity of the Group's financial position and performance to changes in market variables impacting upon the fair value or cash flows associated with the Group's financial instruments.

Therefore, the sensitivity analysis provided discloses the effect on profit or loss and equity at the balance sheet date assuming that a reasonably possible change in the relevant commodity price had occurred and been applied to the risk exposures in existence at that date. The reasonably possible changes in commodity prices used in the sensitivity analysis were determined based on calculated or implied volatilities where available, or historical data.

The sensitivity analysis has been calculated on the basis that the proportion of commodity contracts that are IFRS 9 financial instruments remains consistent with those at that point. Excluded from this analysis are all commodity contracts that are not financial instruments under IFRS 9.

	2023		2022	
	Base Price(i)	**Reasonably possible increase/ decrease in variable**	Base Price(i)	Reasonably possible increase/ decrease in variable
Commodity prices				
UK gas (p/therm)	**113**	**+90/-71**	313	+190/-190
UK power (£/MWh)	**149**	**+89/-72**	250	+119/-119
UK carbon (£/tonne)	**74**	**+54/-39**	76	+73/-73
EU emissions (€/tonne)	**98**	**+69/-54**	79	+76/-76
UK oil (US$/bbl)	**597**	**+290/-244**	260	+145/-145
IRL power (€/MWh)	**172**	**+138/-108**	310	+120/-120

(i) The base price represents the weighted average forward market price over the duration of the active market curve used to calculate the sensitivity analysis. The reasonably possible increase/decrease in market prices has been determined via SSE EPM price model simulations and the volatility assumptions of the model have been calibrated from a look-back analysis over the previous five year period.

The impacts of reasonably possible changes in commodity prices on profit after taxation based on the rationale described are as follows:

Incremental profit/(loss)	**2023 Impact on profit and equity (£m)**	2022 Impact on profit and equity (£m)
Commodity prices combined – increase	**399.3**	2,349.8
Commodity prices combined – decrease	**(306.3)**	(2,349.8)

The sensitivity analysis provided is hypothetical and is based on the exposure to energy-related commodities, and their corresponding valuation under IFRS 9, that the Group has at each period end. This analysis should be used with caution as the impacts disclosed are not necessarily indicative of the actual impacts that would be experienced given it does not consider all interrelationships, consequences and effects of such a change in those prices.

A6.5 Currency risk

The Group publishes its consolidated financial statements in Sterling but also conducts business in foreign currencies. As a result, it is subject to foreign currency exchange risk arising from exchange rate movements which will be reflected in the Group's transaction costs or in the underlying foreign currency assets of its foreign operations.

The Group's policy is to use forward contracts, swaps and options to manage its exposures to foreign exchange risk. All such exposures are transactional in nature, and relate primarily to procurement contracts, commodity purchasing and related freight requirements, commodity hedging, long term plant servicing and maintenance agreements and the purchase and sale of carbon emission certificates. The policy is to seek to hedge 100% of its currency requirements arising under all committed contracts excepting commodity hedge transactions, the requirements for which are significantly less predictable. The policy for these latter transactions is to assess the Group's requirements on a rolling basis and to enter into cover contracts as appropriate.

The Group has foreign operations with significant Euro-denominated and JPY-denominated net assets. The Group's policy is to hedge its net investment in its foreign operations by ensuring the net assets whose functional currency cash flows are denominated in foreign currencies are matched by borrowings in the same currency. For SSE Pacifico, whose functional currency is JPY but which presently has limited capital commitments, SSE has no JPY denominated borrowings and hence has no current net investment hedge. For the acquired net assets whose functional cash flows are in Sterling, the Group will ensure Sterling denominated borrowings are in place to minimise currency risk.

Significant exposures are reported to, and discussed by, the Tax and Treasury Committee on an ongoing basis and additionally form part of the bi-annual Treasury report to the Audit Committee.

Accompanying information continued

A6. Financial risk management continued

A6.5 Currency risk continued

At the balance sheet date, the total nominal value of outstanding forward foreign exchange contracts that the Group has committed to is:

	2023 £m	2022 £m
Forward foreign exchange contracts	2,516.5	4,176.4

The Group's exposure to foreign currency risk was as follows:

	2023				2022			
	SEK (million)	$ (million)	€ (million)	CNH (million)	SEK (million)	$ (million)	€ (million)	CHF (million)
Loans and borrowings	–	564.0	3,700.0	–	–	1,719.0	3,625.0	–
Purchase and commodity contract commitments	420.9	7.9	123.9	334.2	1,694.8	17.8	713.3	58.3
Gross exposure	420.9	571.9	3,823.9	334.2	1,694.8	1,736.8	4,338.3	58.3
Forward exchange/swap contracts	420.9	571.9	2,266.1	334.2	1,694.8	1,736.8	3,163.8	58.3
Net exposure (in currency)	–	–	1,557.8	–	–	–	1,174.5	–
Net exposure (in £m)	–	–	1,369.6	–	–	–	990.7	–

This represents the net exposure to foreign currencies, reported in pounds Sterling, and arising from all Group activities. All sensitivity analysis has been prepared on the basis of the relative proportions of instruments in foreign currencies being consistent as at the balance sheet date. This includes only monetary assets and liabilities denominated in a currency other than Sterling and excludes the translation of the net assets of foreign operations but not the corresponding impact of the net investment hedge.

The sensitivity analysis is indicative only and it should be noted that the Group's exposure to such market rate changes is continually changing. The calculations are based on linear extrapolations of rate changes which may not reflect the actual result which would impact upon the Group.

A 10% change in foreign currency exchange rates would have had the following impact on profit after taxation, based on the assumptions presented above:

	Equity		Income statement	
	At 31 March 2023 £m	At 31 March 2022 £m	At 31 March 2023 £m	At 31 March 2022 £m
US Dollars	–	–	–	–
Euro	98.9	89.2	24.4	–
SEK	–	–	–	–
CHN	–	–	–	–
CHF	–	–	–	–
	98.9	89.2	24.4	–

The impact of a decrease in rates would be an identical reduction in the annual charge.

A6.6 Interest rate risk

Interest rate risk derives from the Group's exposure to changes in the value of an asset or liability or future cash flows through changes in interest rates.

The Group's policy is to manage this risk by stipulating that a minimum of 50% of Group borrowings be subject to fixed rates of interest, either directly through the debt instruments themselves or through the use of derivative financial instruments. The floating rate borrowings are provided by banks including the European Investment Bank (EIB). Such instruments include interest rate swaps and options, forward rate agreements and, in the case of debt raised in currencies other than Sterling, cross currency swaps. These practices serve to reduce the volatility of the Group's financial performance.

Although interest rate derivatives are primarily used to hedge risk relating to current borrowings, under certain circumstances they may also be used to hedge future borrowings. Any such pre-hedging is unwound at the time of pricing the underlying debt, either through cash settlement on a net present value basis or by transacting offsetting trades. The floating rate borrowings mainly comprise cash advances from the European Investment Bank (EIB), however the Group is currently carrying a surplus cash position of £891.8m.

The impact of a change in interest rates is dependent on the specific details of the financial asset or liability in question. Changes in fixed rate financial assets and liabilities, which account for the majority of cash, loans and borrowings, are not measured at fair value through the income statement. In addition to this, changes to fixed-to-floating hedging instruments which are recorded under cash flow hedge accounting also do not impact the income statement. Changes in hedged items and hedging instruments recorded under fair value hedge accounting are recorded through the income statement. The exposure measured is therefore based on variable rate debt and instruments.

The net exposure to interest rates at the balance sheet date can be summarised thus:

	2023 Carrying amount £m	2022 Carrying amount £m
Interest bearing/earning assets and liabilities:		
– fixed	(8,473.9)	(8,543.6)
– floating	441.0	328.9
	(8,032.9)	(8,214.7)
Represented by:		
Cash and cash equivalents	891.8	1,049.3
Derivative financial liabilities	135.2	(199.3)
Loans and borrowings	(8,654.0)	(8,671.2)
Lease liabilities	(405.9)	(393.5)
	(8,032.9)	(8,214.7)

Following from this, the table below represents the expected impact of a change of 100 basis points in short term interest rates at the reporting date in relation to equity and income statement. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. An increase in exchange rates would be a change to either the income statement or equity. The assessment is based on a revision of the fair value assumptions included in the calculated exposures in the previous table.

All sensitivity analysis has been prepared on the basis of the proportion of fixed to floating instruments being consistent as at the balance sheet date and is stated after the effect of taxation.

The sensitivity analysis is indicative only and it should be noted that the Group's exposure to such market rate changes is continually changing. The calculations are based on linear extrapolations of rate changes which may not reflect the actual result which would impact upon the Group.

	2023 £m	2022 £m
Income statement	3.7	2.5

The impact of a decrease in rates would be an equal reduction in the annual charge. There is no impact on equity as the analysis relates to the Group's net exposure at the balance sheet date. Contracts qualifying for hedge accounting are, by definition, part of the Group's covered position.

Accompanying information continued

A7. Fair value of financial instruments

A7.1 Fair value of financial instruments within the group

The fair values of the primary financial assets and liabilities of the Group together with their carrying values are as follows:

	2023 Amortised cost[i] £m	2023 FVTPL/ FVTOCI[ii] £m	2023 Total carrying value £m	2023 Fair value £m	2022 Amortised cost[i] £m	2022 FVTPL/ FVTOCI[ii] £m	2022 Total carrying value £m	2022 Fair value £m
Financial assets								
Current								
Trade receivables	1,404.0	–	1,404.0	1,404.0	1,433.9	–	1,433.9	1,433.9
Other receivables	12.7	–	12.7	12.7	4.9	–	4.9	4.9
Cash collateral and other short term loans	316.3	–	316.3	316.3	83.8	–	83.8	83.8
Cash and cash equivalents	891.8	–	891.8	891.8	1,049.3	–	1,049.3	1,049.3
Derivative financial assets	–	759.2	759.2	759.2	–	2,941.8	2,941.8	2,941.8
	2,624.8	759.2	3,384.0	3,384.0	2,571.9	2,941.8	5,513.7	5,513.7
Non-current								
Unquoted equity investments	–	27.4	27.4	27.4	–	8.7	8.7	8.7
Loan note receivable	149.5	–	149.5	149.5	136.4	–	136.4	136.4
Loans to associates and jointly controlled entities	1,114.6	–	1,114.6	1,114.6	736.9	–	736.9	736.9
Derivative financial assets	–	246.0	246.0	246.0	–	371.7	371.7	371.7
	1,264.1	273.4	1,537.5	1,537.5	873.3	380.4	1,253.7	1,253.7
	3,888.9	1,032.6	4,921.5	4,921.5	3,445.2	3,322.2	6,767.4	6,767.4
Financial liabilities								
Current								
Trade payables	(694.6)	–	(694.6)	(694.6)	(919.7)	–	(919.7)	(919.7)
Outstanding liquid funds	–	–	–	–	(9.1)	–	(9.1)	(9.1)
Loans and borrowings	(1,738.5)	–	(1,738.5)	(1,747.8)	(1,118.7)	–	(1,118.7)	(1,162.4)
Lease liabilities	(82.1)	(243.3)	(82.1)	(82.1)	(72.1)	–	(72.1)	(72.1)
Derivative financial liabilities	–	(243.3)	(243.3)	(243.3)	–	(701.5)	(701.5)	(701.5)
	(2,515.2)	(243.3)	(2,758.5)	(2,767.8)	(2,119.6)	(701.5)	(2,821.1)	(2,864.8)
Non-current								
Loans and borrowings	(6,760.9)	(154.6)	(6,915.5)	(6,458.4)	(7,520.9)	(31.6)	(7,552.5)	(8,133.7)
Lease liabilities	(323.8)	–	(323.8)	(323.8)	(321.4)	–	(321.4)	(321.4)
Derivative financial liabilities	–	(1,021.0)	(1,021.0)	(1,021.0)	–	(549.6)	(549.6)	(549.6)
	(7,084.7)	(1,175.6)	(8,260.3)	(7,803.2)	(7,842.3)	(581.2)	(8,423.5)	(9,004.7)
	(9,599.9)	(1,418.9)	(11,018.8)	(10,571.0)	(9,961.9)	(1,282.7)	(11,244.6)	(11,869.5)
Net financial liabilities	(5,711.0)	(386.3)	(6,097.3)	(5,649.5)	(6,516.7)	2,039.5	(4,477.2)	(5,102.1)

(i) Financial assets and liabilities that are measured at amortised cost.
(ii) Financial assets and liabilities that are measured at either Fair Value through Profit and Loss (Derivative Financial Assets and Liabilities) or Fair Value through Other Comprehensive Income (Unquoted Equity Investments).

A7.1.1 Basis of determining fair value

Certain assets and liabilities have been classified and carried at amortised cost on inception in line with IFRS 9 criteria. The carrying value of these assets are approximately equivalent to fair value due to short term maturity aside from loans and borrowings which are subject to longer maturity dates.

All other financial assets and liabilities are measured at either Fair Value through Profit and Loss ('FVTPL') or Fair Value through Other Comprehensive Income ('FVTOCI'). Fair values for energy derivatives are based on unadjusted quoted market prices, where actively traded. For energy derivatives that are not actively traded, interest rate instruments, foreign currency hedge contracts and cross currency swap contracts associated with foreign currency denominated long-term fixed rate debt, the fair values are determined by reference to closing rate market prices for similar instruments. Fair values for unquoted equity instruments are derived from venture capital or growth equity firm valuation statements.

The fair values are stated at a specific date and may be different from the amounts which will actually be paid or received on settlement of the instruments. The fair value of items such as property, plant and equipment, internally generated brands or the Group's customer base are not included as these are not considered financial instruments.

A7.2 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from unadjusted quoted market prices for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

	2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m	2023 Total £m
Financial assets				
Energy derivatives	–	743.9	22.0	765.9
Interest rate derivatives	–	227.8	–	227.8
Foreign exchange derivatives	–	11.5	–	11.5
Unquoted equity investments	–	–	27.4	27.4
	–	983.2	49.4	1,032.6
Financial liabilities				
Energy derivatives	(189.6)	(939.4)	(23.8)	(1,152.8)
Interest rate derivatives	–	(92.6)	–	(92.6)
Foreign exchange derivatives	–	(18.9)	–	(18.9)
Loans and borrowings	–	(154.6)	–	(154.6)
	(189.6)	(1,205.5)	(23.8)	(1,418.9)

There were no significant transfers out of Level 1 into Level 2 and out of Level 2 into Level 1 during the year ended 31 March 2023. There were no significant transfers out of Level 2 into Level 3 or out of Level 3 into Level 2 during the year ended 31 March 2023.

During the year, the Group entered a 15-year Affiliate Contract for Difference ('ACfD') agreement with Seagreen Wind Energy Limited ('SWEL'). SWEL is a wholly owned subsidiary of Seagreen Holdco 1 Limited, a joint venture between the Group (49%) and TOTAL SE (51%). The Group also has some smaller commercial CfD arrangements entered into with non-government third parties that are also classified as derivatives. The ACfD and the commercial CfDs meet the definition of financial instruments and are classified as Level 3 on the fair value hierarchy due to significant unobservable inputs in the determination of fair value.

The fair value measurement impact in the income statement attributable to Level 3 CfDs was a loss of £1.8m (2022: £nil). The fair value was determined using the income approach with reference to future market prices which are beyond the liquid period in the forward market.

The non-government CfDs were issued for £nil consideration, being the deemed transaction price. The Group has calculated that the contracts had a fair value on day 1, being the difference between the strike price per the contract and the forward market spot price. This valuation is based on unobservable inputs and is considered judgemental. Key assumptions applied when deriving the fair value are related to discount rates; electricity volumes; and electricity prices. In line with IFRS 9, the Day 1 gain is deferred and will be recognised over the life of the contract.

The Group's remaining Level 3 instruments are unquoted equity investments to which the Group made cash contributions of £19.1m to in the year. The remaining movement (£0.4m) was recognised in other comprehensive income.

Accompanying information continued

A7. Fair value of financial instruments continued

A7.2 Fair value hierarchy continued

The following table represents the difference between the Level 3 financial instruments at fair value at the start of the reporting period and at the reporting date:

	£m
Level 3 financial instrument fair value as at 31 March 2022	8.7
Additions (cash contributions)	19.1
Remeasurement loss recognised in income statement	(1.8)
Remeasurement loss recognised in other comprehensive income	(0.4)
Additions – new instruments entered in the year	400.1
Deferred Day 1 gains on instruments entered in the year	(400.1)
Level 3 financial instrument fair value as at 31 March 2023	25.6

The following table details the valuation technique, significant unobservable inputs and the range of values for the energy derivative measured at fair value on a recurring basis and classified as Level 3.

	Carrying value (net) £m	Valuation technique	Significant unobservable input	Market price range (min-max) £/MWh
31 March 2023	1.8	Discounted cash flow	Electricity prices, Generation volumes	68 – 147

Deferred measurement differences

	£m
Deferred measurement difference as at 31 March 2022	–
Deferred measurement difference arising during the year on new instruments	400.1
Deferred measurement difference as at 31 March 2023	400.1

The following table shows the impact on the fair value of the Level 3 energy derivative when applying reasonably possible alternative assumptions to the valuation obtained using the discounted cash flow model.

	At 31 March 2023	
Assumption	Increase/decrease in assumption	Effect on fair value of deferred measurement differences £m
Discount rate	+1%/-1%	(29.5)/35.3
Increase in volumes	+10%/-10%	39.8/(39.8)
Prices	+10%/-10%	108.7/(108.7)

	2022 Level 1 £m	2022 Level 2 £m	2022 Level 3 £m	2022 Total £m
Financial assets				
Energy derivatives	884.1	2,246.4	–	3,130.5
Interest rate derivatives	–	176.8	–	176.8
Foreign exchange derivatives	–	6.1	–	6.1
Unquoted equity investments	–	–	8.7	8.7
	884.1	2,429.3	8.7	3,322.1
Financial liabilities				
Energy derivatives	–	(828.7)	–	(828.7)
Interest rate derivatives	–	(376.1)	–	(376.1)
Foreign exchange derivatives	–	(46.3)	–	(46.3)
Loans and borrowings	–	(31.6)	–	(31.6)
	–	(1,282.7)	–	(1,282.7)

There were no significant transfers out of level 1 into level 2 and out of level 2 into level 1 during the year ended 31 March 2022.

A8. Hedge accounting

A8.1 Cash flow hedges

The Group designates contracts which qualify as hedges for accounting purposes either as cash flow hedges or fair value hedges. Cash flow hedges are contracts entered into to hedge a forecast transaction or cash flow risk generally arising from a change in interest rates or foreign currency exchange rates and which meet the effectiveness criteria prescribed by IFRS 9. The Group's accounting policy on cash flow hedges is explained in the Accompanying Information section A1.

The following table indicates the contractual maturities of the expected transactions and the qualifying cash flow hedges associated. Non-Sterling denominated contractual cash flows have been converted at the forward foreign exchange rate.

Cash flow hedges	**2023 Carrying amount**	**2023 Expected cash flows**	**2023 0 – 12 months**	**2023 1-2 years**	**2023 2-5 years**	**2023 > 5 years**	2022 Carrying amount	2022 Expected cash flows	2022 0 – 12 months	2022 1-2 years	2022 2-5 years	2022 > 5 years
Interest rate swaps:												
Assets	**25.2**	**28.1**	**6.5**	**5.5**	**15.8**	**0.3**	5.7	6.1	–	2.3	3.4	0.4
Liabilities	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
	25.2	**28.1**	**6.5**	**5.5**	**15.8**	**0.3**	5.7	6.1	–	2.3	3.4	0.4
Cross currency swaps:												
Assets	**178.9**	**194.0**	**110.1**	**56.0**	**27.9**	**–**	160.5	169.9	27.8	96.5	45.6	–
Liabilities	**(37.4)**	**(30.3)**	**(17.8)**	**(17.6)**	**(10.6)**	**15.7**	(132.7)	(127.9)	(54.2)	(19.0)	(47.7)	(7.0)
	141.5	**163.7**	**92.3**	**38.4**	**17.3**	**15.7**	27.8	42.0	(26.4)	77.5	(2.1)	(7.0)
Forward exchange contracts:												
Assets	**2.4**	**(120.4)**	**(106.9)**	**(11.7)**	**(1.8)**	**–**	0.6	9.6	9.6	–	–	–
Liabilities	**(11.5)**	**(337.7)**	**(292.0)**	**(42.3)**	**(3.4)**	**–**	(43.4)	521.8	348.0	137.1	36.7	–
	(9.1)	**(458.1)**	**(398.9)**	**(54.0)**	**(5.2)**	**–**	(42.8)	531.4	357.6	137.1	36.7	–

A8.2 Net investment hedge

The Group's net investment hedge consists of debt issued in the same currency (€) as the net investment in foreign subsidiaries with € denominated functional currencies being the Airtricity Supply business, the thermal plants in Ireland and wind farms in Ireland and Southern Europe. The hedge compares the element of the net assets whose functional cash flows are denominated in € to the matching portion of the € borrowings held by the Group. This therefore provides protection against movements in foreign exchange rates. There is no net investment hedge in relation to SSE Pacifico as the Group has no JPY denominated debt.

Gains and losses in the hedge are recognised in equity and will be transferred to the income statement on disposal of the foreign operation (2023: £43.1m loss, 2022: £9.4m gain). Gains and losses on the ineffective portion of the hedge are recognised immediately in the income statement (2023: £nil, 2022: £nil).

Company balance sheet
As at 31 March 2023

	Note	2023 £m	2022 £m
Assets			
Equity investments in joint ventures and associates	3	**50.4**	12.7
Loans to joint ventures and associates	3	**81.6**	129.2
Investments in subsidiaries	4	**1,904.1**	1,883.6
Trade and other receivables	5	**11,382.6**	9,365.5
Derivative financial assets	11	**48.2**	64.6
Retirement benefit assets	10	**366.6**	517.5
Non-current assets		**13,833.5**	11,973.1
Trade and other receivables	5	**1,002.1**	720.1
Current tax asset	7	**1.4**	3.8
Cash and cash equivalents	8	**788.9**	1,006.7
Derivative financial assets	11	**167.1**	112.0
Current assets		**1,959.5**	1,842.6
Total assets		**15,793.0**	13,815.7
Liabilities			
Loans and other borrowings	8	**1,588.5**	968.7
Trade and other payables	6	**2,667.1**	2,035.3
Provisions	13	**5.3**	84.0
Derivative financial liabilities	11	**13.5**	70.6
Current liabilities		**4,274.4**	3,158.6
Loans and other borrowings	8	**4,307.8**	5,284.7
Deferred tax liabilities	7	**78.3**	65.0
Provisions	13	**196.5**	242.9
Derivative financial liabilities	11	**79.2**	301.1
Non-current liabilities		**4,661.8**	5,893.7
Total liabilities		**8,936.2**	9,052.3
Net assets		**6,856.8**	4,763.4
Equity:			
Share capital	9	**547.0**	536.5
Share premium		**821.2**	835.1
Capital redemption reserve		**52.6**	49.2
Hedge reserve		**(3.0)**	13.3
Retained earnings		**3,556.6**	2,278.3
Equity attributable to ordinary shareholders of the parent		**4,974.4**	3,712.4
Hybrid equity	9	**1,882.4**	1,051.0
Total equity		**6,856.8**	4,763.4

Result for the year

The profit for the year attributable to ordinary shareholders dealt with in the financial statements of the Company was £1,999.4m (2022: £902.9m) including dividends received from subsidiaries of £1,669.7m.

These financial statements were approved by the Board of Directors on 23 May 2023 and signed on their behalf by

Gregor Alexander
Finance Director

Sir John Manzoni
Chairman

SSE plc
Registered No: SC117119

Company statement of changes in equity
For the year ended 31 March 2023

Statement of changes in equity

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid Capital £m	Total £m
At 1 April 2022	536.5	835.1	49.2	13.3	2,278.3	3,712.4	1,051.0	4,763.4
Profit for the year	–	–	–	–	1,960.6	1,960.6	38.8	1,999.4
Other comprehensive income	–	–	–	(16.3)	(113.7)	(130.0)	–	(130.0)
Total comprehensive income for the year	–	–	–	(16.3)	1,846.9	1,830.6	38.8	1,869.4
Dividends to shareholders	–	–	–	–	(955.8)	(955.8)	–	(955.8)
Scrip dividend related share issue	13.9	(13.9)	–	–	481.5	481.5	–	481.5
Issue of treasury shares	–	–	–	–	18.0	18.0	–	18.0
Distributions to Hybrid equity holders	–	–	–	–	–	–	(38.8)	(38.8)
Redemption of Hybrid equity	–	–	–	–	–	–	–	–
Issue of Hybrid	–	–	–	–	–	–	831.4	831.4
Share buy back	–	–	–	–	(107.6)	(107.6)	–	(107.6)
Credit in respect of employee share awards	–	–	–	–	18.7	18.7	–	18.7
Investment in own shares[(i)]	(3.4)	–	3.4	–	(23.4)	(23.4)	–	(23.4)
At 31 March 2023	547.0	821.2	52.6	(3.0)	3,556.6	4,974.4	1,882.4	6,856.8

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Hedge reserve £m	Retained earnings £m	Total attributable to ordinary shareholders £m	Hybrid Capital £m	Total £m
At 1 April 2021	524.5	847.1	49.2	(14.2)	1,972.3	3,378.9	1,472.4	4,851.3
Profit for the year	–	–	–	–	852.2	852.2	50.7	902.9
Other comprehensive income	–	–	–	27.5	(48.0)	(20.5)	–	(20.5)
Total comprehensive income for the year	–	–	–	27.5	804.2	831.7	50.7	882.4
Dividends to shareholders	–	–	–	–	(862.3)	(862.3)	–	(862.3)
Scrip dividend related share issue	12.0	(12.0)	–	–	355.7	355.7	–	355.7
Issue of treasury shares	–	–	–	–	6.3	6.3	–	6.3
Distributions to Hybrid equity holders	–	–	–	–	–	–	(50.7)	(50.7)
Redemption of Hybrid equity	–	–	–	–	(4.6)	(4.6)	(421.4)	(426.0)
Credit in respect of employee share awards	–	–	–	–	20.8	20.8	–	20.8
Investment in own shares[(i)]	–	–	–	–	(14.1)	(14.1)	–	(14.1)
At 31 March 2022	536.5	835.1	49.2	13.3	2,278.3	3,712.4	1,051.0	4,763.4

(i) Investment in own shares is the purchase of own shares less the settlement of Treasury shares for sharesave schemes.

Notes to the Company financial statements
For the year ended 31 March 2023

1. Principal accounting policies
1.1 General information
SSE plc (the Company) is a company domiciled in Scotland. The address of the registered office is given on the back cover. The Company financial statements present information about the Company as a separate entity and not about the Group.

1.2 Basis of preparation
The financial statements have been prepared 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 section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes.

It has also taken advantage of the following disclosure exemptions available under FRS 101.
- A Cash flow statement and related notes;
- Related party disclosures;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of SSE plc include the equivalent disclosure, the Company has also taken advantage of the exemptions, under FRS 101, available in respect of the following disclosure:
- Certain disclosures required by *IFRS 13 Fair value measurement* and the disclosures required by *IFRS 7 Financial instrument* disclosures

The Company previously assessed that, on the basis of materiality, the disclosures required under *IFRS 2 Share-based Payment* should be removed. The Company has assessed that at 31 March 2023 these disclosures continue to be immaterial to the Company's financial statements.

Going concern
The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future (further details are contained in A6 Accompanying Information of the consolidated financial statements). The financial statements are therefore prepared on a going concern basis.

Basis of measurement
The financial statements of the Company are prepared on the historical cost basis except for derivative financial instruments, available-for-sale financial assets and assets of the Company pension scheme which are stated at their fair value, and liabilities of the Company pension scheme which are measured using the projected unit credit method. The directors believe the financial statements present a true and fair view. The financial statements of the Company are presented in pounds sterling.

Critical accounting judgements and estimation uncertainty
In the process of applying the Company's accounting policies, management necessarily makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The Group's key accounting judgement and estimation areas are noted in note 4.1 of the consolidated financial statements, with the most significant financial judgement areas as specifically discussed by the Audit Committee being highlighted separately. In particular, note 4.1(ii) Retirement benefit obligations, and the related disclosures in note 23, note 4.1(iv) Valuation of other receivables and note 4.3(ii) Decommissioning costs, of the consolidated financial statements are relevant to the Company.

Significant accounting policies
The significant accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Investments
Investments in subsidiaries are carried at cost less any impairment charges.

Interests in joint arrangements and associates
Associates are those investments over which the Company has significant influence but neither control nor joint control.

The Company's joint ventures and associates are stated at cost less any impairment.

Applicable Group accounting policies
The following significant accounting policies are consistent with those applied for the Group consolidated financial statements:
- Equity and equity-related compensation benefits (Supplementary information A1.2)
- Defined benefit pension scheme (Supplementary information A1.2)
- Taxation (Supplementary information A1.2)
- Financial instruments (Supplementary information A1 and A6)

2. Supplementary financial information
2.1 Auditor remuneration
The amounts paid to the Company's auditor in respect of the audit of these financial statements was £0.4m (2022: £0.4m).

Amounts paid to the Company's auditor in respect of services to the Company other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

2.2 Employee numbers
The average number of people employed by the Company (including Executive Directors) during the year was 3 (2022: 3).

The costs associated with the employees of the Company, who are the Executive Directors of the Group, are borne by Group companies. No amounts are charged to the Company.

2.3 Directors' remuneration and interests
Information concerning Directors' remuneration, shareholdings, options, long term incentive schemes and pensions is shown in the Remuneration Report on pages 166 to 187. No Director had, during or at the end of the year, any material interest in any other contract of significance in relation to the Group's business.

3. Investments in associates and joint ventures

	2023			2022		
	Equity £m	**Loans £m**	**Total £m**	Equity £m	Loans £m	Total £m
Share of net assets/cost						
At 1 April	**12.7**	**129.2**	**141.9**	139.2	226.8	366.0
Additions	**19.5**	**15.8**	**35.3**	–	29.3	29.3
Disposal	**–**	**–**	**–**	(126.5)	(118.8)	(245.3)
Transfers	**50.0**	**(50.0)**	**–**	–	–	–
Repayment of shareholder loans	**–**	**(13.4)**	**(13.4)**	–	(8.1)	(8.1)
Impairment	**(31.8)**	**–**	**(31.8)**	–	–	–
At 31 March	**50.4**	**81.6**	**132.0**	12.7	129.2	141.9

The transfer in the year related to a Neos Networks Limited debt for equity swap of £50.0m. The impairment recognised in the year related to the equity investment in Neos Networks Limited (see note 15). The disposal recognised during the prior year of £245.3m related to the disposal of Company's investment in SGN, which completed on 22 March 2022.

4. Subsidiary undertakings
Details of the Company's subsidiary undertakings are disclosed in the Accompanying Information section (A3).

Investment in subsidiaries

	2023 £m	2022 £m
At 1 April	**1,883.6**	2,004.5
Increase/(decrease) in existing investments(i)	**20.5**	(120.9)
At 31 March	**1,904.1**	1,883.6

(i) The overall increase in investments held by the Company primarily relates to equity shares in the Company awarded to the employees of the subsidiaries of the Group under the Group's share schemes, which are recognised as an increase in the cost of investment in those subsidiaries as directed by IFRIC 11 (2023: £20.7m; 2022: £18.8m (both before tax)). The movement in the year also includes the transfer of ownership of Scottish and Southern Energy Power Distribution Limited to the Company at a carrying value of £423.0m from wholly owned subsidiary Beithe AG. The transfer represented a return of capital from Beithe AG reducing the Company's investment in this subsidiary by £423.0m prior to its liquidation. In the year ended 31 March 2022 the Company's decrease in investments also related to the transfer of SSE Generation Limited investment to another Group company and the disposal of its Gas Production investment on 14 October 2021, which was carried at a £nil value.

Notes to the Company financial statements continued
For the year ended 31 March 2023

5. Trade and other receivables
The balances of current and non-current trade and other receivables in the current and prior financial year predominantly consists of amounts owed by subsidiary undertakings. At 31 March 2023 the Company assessed its exposure to expected credit losses on related party receivables under IFRS 9 and held a provision against future losses of £137.8m (2022: £126.5m).

6. Trade and other payables
The balances of current trade and other payables in the current and prior financial year predominantly consists of amounts due to subsidiary undertakings.

7. Taxation
Current tax asset

	2023 £m	2022 £m
Corporation tax asset	1.4	3.8

Deferred taxation
The following are the deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting periods:

	Fair value gains/ (losses) on derivatives £m	Retirement benefit obligations £m	Other £m	Total £m
At 31 March 2021	(51.7)	103.2	(2.4)	49.1
Credit to income statement	(10.2)	(0.2)	(0.2)	(10.6)
Charge to other comprehensive income/(loss)	5.2	26.4	–	31.6
Credit to equity	–	–	(5.1)	(5.1)
At 31 March 2022	(56.7)	129.4	(7.7)	65.0
Charge to income statement	**50.0**	**0.2**	**–**	**50.2**
Credit to other comprehensive income/(loss)	**(0.9)**	**(38.0)**	**–**	**(38.9)**
Charge to equity	**–**	**–**	**2.0**	**2.0**
At 31 March 2023	**(7.6)**	**91.6**	**(5.7)**	**78.3**

Certain deferred tax assets and liabilities have been offset, including the asset balances analysed in the tables above. The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2023 £m	2022 £m
Deferred tax liabilities	92.1	129.4
Deferred tax assets	(13.8)	(64.4)
Net deferred tax liability	**78.3**	65.0

The deferred tax assets/liabilities disclosed include the deferred tax relating to the Company's pension scheme liabilities.

8. Loans and borrowings

	2023 £m	2022 £m
Current		
Other short-term loans	1,588.5	968.7
	1,588.5	968.7
Non-current		
Loans	4,307.8	5,284.7
	4,307.8	5,284.7
Total loans and borrowings	5,896.3	6,253.4
Cash and cash equivalents	(788.9)	(1,006.7)
Unadjusted Net Debt	5,107.4	5,246.7
Add:		
Hybrid equity (note 9)	1,882.4	1,051.0
Adjusted net debt and hybrid capital	6,989.8	6,297.7

Cash and cash equivalents (which are presented as a single class of assets in the face of the balance sheet) comprise cash at bank and short term highly liquid investments with a maturity of three months or less.

8.1 Borrowing facilities
The Company has an established €1.5bn Euro commercial paper programme (paper can be issued in a range of currencies and swapped into Sterling) and as at 31 March 2023 there was £919m commercial paper outstanding (2022: £507m).

During the year to 31 March 2023 SSE plc issued a 7 year €650m Eurobond at a coupon of 2.875% with an all-in cost of funding rate of just below 3% once fees and cost of pre-hedging have been included. The bond will be left in Euros as part of the Group's net investment hedge of Euro denominated businesses. In April 2022 SSE plc issued a €1bn NC6 equity accounted Hybrid bond at 4% to re-finance the dual tranche debt accounted Hybrid bonds whose first call date occurred on 16 September 2022, with SSE taking advantage of the 3 month par call option on these Hybrid bonds meaning the bonds were repaid on 16 June 2022.

The Company also has £2.5bn of revolving credit facilities (see note 21.3). These facilities continue to provide back-up to the commercial paper programme and, as at 31 March 2023 these facilities were undrawn (2022: undrawn).

Analysis of borrowings

	2023 Weighted average interest rate	2023 Face value	2023 Fair value	2023 Carrying amount	2022 Weighted average interest rate	2022 Face value £m	2022 Fair value £m	2022 Carrying amount £m
Current								
Other short term loans – non-amortising(ii)	4.5%	929.4	933.5	919.2	0.8%	507.1	507.5	506.1
US Private Placement 16 April 2022	–	–	–	–	4.3%	162.7	197.8	162.7
5.875% Eurobond repayable 22 September 2022	–	–	–	–	5.9%	300.0	306.1	299.9
US Private Placement 28 April 2023	2.8%	35.0	35.3	35.0	–	–	–	–
US Private Placement 6 September 2023	2.9%	120.0	118.8	119.8	–	–	–	–
1.75% €700m Eurobond repayable 8 September 2023(iv)	1.8%	514.6	510.8	514.5	–	–	–	–
Total current borrowings		1,599.0	1,598.4	1,588.5		969.8	1,011.4	968.7
Non-current								
Bank loans – non-amortising(i)	5.3%	100.0	102.4	100.0	–	–	–	–
US Private Placement 28 April 2023	–	–	–	–	2.8%	35.0	35.4	34.9
US Private Placement 6 September 2023	–	–	–	–	2.9%	120.0	120.1	119.4
US Private Placement 16 April 2024	4.4%	204.1	259.6	204.1	4.4%	204.1	250.6	204.0
1.75% €700m Eurobond repayable 8 September 2023(iv)	–	–	–	–	1.8%	514.6	524.0	514.3
1.25% Eurobond Repayable 16 April 2025(v)	1.3%	531.4	508.3	531.4	1.3%	531.4	533.4	531.4
0.875% €600m Eurobond Repayable 8 September 2025(ix)	0.9%	527.5	495.3	526.2	0.9%	510.9	504.3	504.2
US Private Placement 8 June 2026	3.1%	64.0	59.9	63.5	3.1%	64.0	63.8	63.3
US Private Placement 6 September 2026	3.2%	247.1	257.4	245.0	3.2%	247.1	258.7	244.3
US Private Placement 6 September 2027	3.2%	35.0	31.7	34.7	–	–	–	–
1.375% €650m Eurobond repayable 4 September 2027(vii)(ix)	1.4%	591.4	545.8	590.5	–	–	–	–
Between two and five years		2,300.5	2,260.4	2,295.4		2,227.1	2,290.3	2,215.8
Bank loans – non-amortising(i)	–	–	–	–	0.8%	100.0	100.4	100.0
US Private Placement 6 September 2027	–	–	–	–	3.2%	35.0	34.8	34.6
1.375% €650m Eurobond repayable 4 September 2027(vii)	–	–	–	–	1.4%	591.4	588.7	590.2
8.375% Eurobond repayable on 20 November 2028	8.4%	500.0	575.0	497.6	8.4%	500.0	659.0	497.2
2.875% Eurobond repayable on 1 August 2029(ix)	2.9%	571.5	548.3	569.8	–	–	–	–
1.750% Eurobond Repayable 16 April 2030(viii)	1.8%	442.9	388.1	442.9	1.8%	442.9	439.6	442.9
6.25% Eurobond repayable on 27 August 2038	6.3%	350.0	372.0	347.5	6.3%	350.0	473.3	347.4
4.75% $900m NC5.5 Hybrid maturing 16 September 2077(vi)	–	–	–	–	4.8%	725.4	727.6	725.1
3.625% NC5.5 Hybrid maturing 16 September 2077	–	–	–	–	3.6%	300.0	301.6	299.9
Over five years		1,864.4	1,883.4	1,857.8		3,044.7	3,325.0	3,037.3
Fair value adjustment(iii)				154.6				31.6
Total non-current borrowings		4,164.9	4,143.8	4,307.8		5,271.8	5,615.3	5,284.7
Total borrowings		5,763.9	5,742.2	5,896.3		6,241.6	6,626.7	6,253.4

Notes to the Company financial statements continued
For the year ended 31 March 2023

8. Loans and borrowings continued
8.1 Borrowing facilities continued
Analysis of borrowings continued

(i) Balances include term loans and EIB debt and is a mixture of fixed and floating rate debt.
(ii) Balances include Commercial Paper and facility advances (£919m of Commercial Paper outstanding at 31 March 2023).
(iii) The fair value adjustment relates to the change in the carrying amount of the borrowings as a result of fair value hedges that are in place. The movement in the fair value adjustment is recognised in the income statement with a corresponding movement on the hedging instrument also being recognised in the income statement.
(iv) The 1.75% €700m Eurobond maturing 8 September 2023 has been swapped to Sterling giving an effective interest rate of 3.16%.
(v) The 1.250% €600m Eurobond maturing 16 April 2025 has been swapped to Sterling giving an effective interest rate of 2.43%.
(vi) The 4.75% $900m NC5.5 Hybrid maturing 16 September 2077 has been swapped to Euros ($605m) and Sterling ($295m) giving an effective interest rate of 2.25% and 3.29% respectively. This and the 3.625% NC5.5 Hybrid maturing 16 September 2077 were the Group's debt-accounted Hybrids, both were redeemed on 16 June 2022 using a 3 month par call option.
(vii) The 1.375% €650m Eurobond maturing 4 September 2027 has been swapped to Sterling giving an effective interest rate of 2.56%.
(viii) The 1.750% €500m Eurobond maturing 16 April 2030 has been swapped to Sterling giving an effective interest rate of 2.89%.
(ix) Bonds have been issued under the Group's Green Bond Framework.

9. Equity
Share capital

	Number (millions)	£m
Allotted, called up and fully paid:		
At 1 April 2021	1,049.1	524.5
Issue of shares(i)	24.0	12.0
At 31 March 2022	1,073.1	536.5
Issue of shares(i)	**27.7**	**13.9**
Share repurchases(ii)	**(6.9)**	**(3.4)**
At 31 March 2023	**1,093.9**	**547.0**

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

(i) Shareholders were able to elect to receive ordinary shares in place of the final dividend of 60.2p per ordinary share (in relation to year ended 31 March 2022) and the interim dividend of 29.0p (in relation to the current year) under the terms of the Company's scrip dividend scheme. This resulted in the issue of 18,241,941 and 9,413,103 new fully paid ordinary shares respectively (2022: 122,201,443 and 1,782,473). In addition, the Company issued 1.9m (2022: 0.6m) shares during the year under the savings-related share option schemes (all of which were settled by shares held in Treasury) for a consideration of £18.0m (2022: £6.3m).
(ii) Under the share buyback programme announced on 28 September 2022 6.9m of shares were repurchased and cancelled in the year to 31 March 2023 for a total consideration of £107.6m (including stamp duty and commission). The nominal value of share capital repurchased and cancelled is transferred out of share capital and into the capital redemption reserve.

Of the 1,093.9m shares in issue, 3.6m are held as treasury shares. These shares will be held by the Group and used to award shares to employees under the Sharesave scheme in the UK.

During the year, on behalf of the Company, the employee share trust purchased 1.4m shares for a total consideration of £23.4m (2022: 0.9m shares, consideration of £14.1m) to be held in trust for the benefit of employee share schemes. At 31 March 2023, the trust held 6.5m shares (2022: 6.3m) which had a market value of £118.0m (2022: £110.0m).

Capital redemption reserve
The capital redemption reserve comprises the value of shares redeemed or purchased by the Company from distributable profits.

Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedge derivative instruments related to hedged transactions that have not yet occurred.

Hybrid equity

	2023 £m	2022 £m
GBP 600m 3.74% perpetual subordinated capital securities	**598.0**	598.0
EUR 500m 3.125% perpetual subordinated capital securities	**453.0**	453.0
EUR 1,000m 4.00% perpetual subordinated capital securities	**831.4**	–
	1,882.4	1,051.0

Further details regarding the hybrid equity can be found in note 22 of the Group consolidated financial statements.

10. Retirement benefit obligations
Defined benefit scheme
The Company has a funded final salary pension scheme ('Scottish Hydro Electric Pension Scheme') which provides defined benefits based on final pensionable pay. The scheme is subject to an independent valuation at least every three years. The future benefit obligations are valued by actuarial methods on the basis of an appropriate assessment of the relevant parameters.

Pension summary:

	Scheme type	Net actuarial loss recognised in respect of the pension asset in the statement of comprehensive income 2023 £m	2022 £m	Net pension asset 2023 £m	2022 £m
Scottish Hydro Electric	Defined benefit	**(152.0)**	(24.6)	**366.6**	517.5
Net actuarial loss		**(152.0)**	(24.6)	**366.6**	517.5

IFRIC 14 surplus restrictions
The value of Scottish Hydro Electric Pension Scheme assets recognised was previously impacted by the asset ceiling test which restricts the surplus that can be recognised to assets that can be recovered from future refunds or reductions in future contributions to the schemes, and may increase the value of scheme liabilities where there are minimum funding liabilities in relation to agreed contributions.

In 2016/17 the Group agreed with the trustees to the Scottish Hydro Electric Pension Scheme an amendment to the scheme rules to clarify that the Company has a clear right to any surplus upon final winding up of the scheme. This amendment removes the previous restriction on recognition of any surplus. The net pension asset of the Scottish Hydro Electric Pension Scheme at 31 March 2023 was equal to £366.6m (2022: £517.5m).

The individual pension scheme details based on the latest formal actuarial valuations are as follows:

	Scottish Hydro Electric
Latest formal actuarial valuation	31 March 2021
Valuation carried out by	Hymans Robertson
Value of assets based on valuation	£2,050.5m
Value of liabilities based on valuation	£1,782.2m
Valuation method adopted	Projected Unit
Average salary increase	RPI +0.5%
Average pension increase	RPI
Value of fund assets/accrued benefits	115.1%

10.1 Pension scheme assumptions
The scheme has been updated to 31 March 2023 by qualified independent actuaries. The valuations have been prepared for the purposes of meeting the requirements of IAS 19. The major assumptions used by the actuaries in the scheme were:

	At 31 March 2023	At 31 March 2022
Rate of increase in pensionable salaries	**3.5%**	4.2%
Rate of increase in pension payments	**3.2%**	3.7%
Discount rate	**4.8%**	2.7%
Inflation rate	**3.2%**	3.7%

Notes to the Company financial statements continued
For the year ended 31 March 2023

10. Retirement benefit obligations continued
10.1 Pension scheme assumptions continued
The assumptions relating to longevity underlying the pension liabilities at 31 March 2023 are based on standard actuarial mortality tables, and include an allowance for future improvements in longevity. The assumptions, equivalent to future longevity for members in normal health at age 65, are as follows:

	At 31 March 2023 Male	At 31 March 2023 Female	At 31 March 2022 Male	At 31 March 2022 Female
Currently aged 65	22	24	22	24
Currently aged 45	24	26	24	27

The impact on the scheme's liabilities of changing certain of the major assumptions is as follows:

	At 31 March 2023		At 31 March 2022	
	Increase/ decrease in assumption	Effect on scheme liabilities	Increase/ decrease in assumption	Effect on scheme liabilities
Rate of increase in pensionable salaries	0.1%	+/-0.1%	0.1%	+/-0.1%
Rate of increase in pension payments	0.1%	+/-0.7%	0.1%	+/-0.9%
Discount rate	0.1%	+/-0.7%	0.1%	+/-1.0%
Longevity	1 year	+/-1.9%	1 year	+/-2.0%

These assumptions are considered to have the most significant impact on the scheme valuations.

Asset buy-in
On 1 October 2019, the Scottish Hydro Electric Pension Scheme entered into an asset buy-in, transferring the risk of volatility in the assumptions used to calculate the obligation for 1,800 pensioners and 567 dependents (covering c.£800m of the scheme's liabilities) to a third party. The asset buy-in is valued under the accounting principles of IFRS 13 and is considered a Level 3 instrument in the fair value hierarchy. This is in addition to a previous buy-in completed during the year ended 31 March 2018 when c.£250m of the scheme's assets and liabilities related to 617 pensioners and 190 dependents were transferred to a third party. The Company has now insured against volatility in obligations related to all pensioners to third parties (insurer PIC) and is now only exposed to valuation fluctuations related to active and deferred members.

10.2 Valuation of pension scheme

	Quoted £m	Unquoted £m	Value at 31 March 2023 £m	Quoted £m	Unquoted £m	Value at 31 March 2022 £m
Equities	34.3	–	34.3	39.5	–	39.5
Government bonds	441.8	–	441.8	719.1	–	719.1
Insurance contracts	–	532.4	532.4	–	713.5	713.5
Other investments	381.0	–	381.0	448.9	–	448.9
Total fair value of plan assets			1,389.5			1,921.0
Present value of defined benefit obligation			(1,022.9)			(1,403.5)
Surplus in the scheme			366.6			517.5
Deferred tax thereon[i]			(91.7)			(129.4)
Net pension asset			274.9			388.1

(i) Deferred tax is recognised at 25% (2022: 25%) on the surplus.

10.3 Movements in the defined benefit assets and obligations during the year:

	2023 Assets £m	2023 Obligations £m	2023 Total £m	2022 Assets £m	2022 Obligations £m	2022 Total £m
At 1 April	1,921.0	(1,403.5)	517.5	1,974.1	(1,431.0)	543.1
Included in income statement						
Current service cost	–	(11.1)	(11.1)	–	(12.9)	(12.9)
Past service cost	–	(2.8)	(2.8)	–	–	–
Interest income/(cost)	51.0	(37.0)	14.0	38.8	(27.9)	10.9
	51.0	(50.9)	0.1	38.8	(40.8)	(2.0)
Included in other comprehensive income						
Actuarial (loss)/gain arising from:						
Demographic assumptions	–	23.3	23.3	–	13.1	13.1
Financial assumptions	–	416.9	416.9	–	72.5	72.5
Experience assumptions	–	(74.2)	(74.2)	–	(90.6)	(90.6)
Return on plan assets excluding interest income	(518.0)	–	(518.0)	(19.6)	–	(19.6)
	(518.0)	366.0	(152.0)	(19.6)	(5.0)	(24.6)
Other						
Contributions paid by the employer	1.0	–	1.0	1.0	–	1.0
Benefits paid	(65.5)	65.5	–	(73.3)	73.3	–
	(64.5)	65.5	1.0	(72.3)	73.3	1.0
Balance at 31 March	1,389.5	(1,022.9)	366.6	1,921.0	(1,403.5)	517.5

10.4 Pension scheme contributions and costs
Charges/(credits) recognised:

	2023 £m	2022 £m
Current service cost (charged to operating profit)	11.1	12.9
Past service cost	2.8	–
	13.9	12.9
Charged/(credited) to finance costs:		
Interest from pension scheme assets	(51.0)	(38.8)
Interest on pension scheme liabilities	37.0	27.9
	(14.0)	(10.9)

The return on pension scheme assets is as follows:

	2023 £m	2022 £m
Return on pension scheme assets	(467.0)	19.2

Employer financed retirement benefit ('EFRB') pension costs
The decrease in the year in relation EFRB was £8.9m (2022: decrease of £1.1m). This is included in other provisions.

Further discussion of the pension scheme assets, liabilities, polices, risk and strategy can be found in note 23 of the Group consolidated financial statements.

Notes to the Company financial statements continued
For the year ended 31 March 2023

11. Financial instruments
For financial reporting purposes, the Company has classified derivative financial instruments as financing derivatives. Financing derivatives include all fair value and cash flow interest rate hedges, non-hedge accounted (mark-to-market) interest rate derivatives, cash flow foreign exchange hedges and non-hedge accounted foreign exchange contracts. Non-hedge accounted contracts are treated as held for trading.

The derivative financial assets and liabilities are represented as follows:

	2023 £m	2022 £m
Derivative Assets		
Non-current	**48.2**	64.6
Current	**167.1**	112.0
Total derivative assets	**215.3**	176.6
Derivative Liabilities		
Non-current	**(79.2)**	(301.1)
Current	**(13.5)**	(70.6)
Total derivative liabilities	**(92.7)**	(371.7)
Net asset/(liability)	**122.6**	(195.1)

Information on the Group's Financial risk management and the fair value of financial instruments is available at A6 and A7.

12. Commitments and contingencies
Guarantees, indemnities and other contingent liabilities
SSE plc has provided guarantees on behalf of subsidiary, joint venture and associated undertakings as follows:

	2023				2022
	SSE on behalf of subsidiary £m	**SSE on behalf of joint operations and ventures £m**	**SSE on behalf of 3rd parties £m**	**Total £m**	Total £m
Bank borrowing	**452.9**	**–**	**–**	**452.9**	604.6
Performance of contracts	**2,451.9**	**1,247.7**	**139.4**	**3,839.0**	4,640.7

Subsidiaries have provided guarantees on behalf of the Company as follows:

	2023 £m	2022 £m
Bank borrowing	**811.6**	1,286.5

During the year a £705m guarantee provided in relation to the Seagreen Offshore Wind Farm Projects; £330m of guarantees in relation to the Keadby 2 project; and a guarantee in respect of a £300m loan facility all expired.

The Company provided new guarantees in the year of £411m. £250m has been guaranteed on behalf of Saltend Cogeneration Company Limited a joint arrangement acquired as part of Triton Power 50% equity accounted joint venture.

The Company provided unlimited guarantees on behalf of subsidiary undertakings in relation to ten contracts in respect of performance of work and any liabilities arising. Two unlimited guarantees are provided on behalf of SSE Renewables Developments (UK) Limited, a wholly owned subsidiary of the Company, both in favour of Total Gas and Power Infrastructure Limited in respect of a Share Purchase Agreement and payment obligations for Seagreen Wind Energy Limited. SSE Services plc, a wholly owned subsidiary of the Company, has provided a guarantee to Group Trustee Independent Trustees in respect of Southern Electric Group of the Electricity Supply Pension Scheme in respect of funding required by the Scheme.

On behalf of Scottish Hydro Electric Transmission plc, SSE plc has provided a guarantee to ABB Limited in connection with the use of HVDC Replica Control Panels for Caithness-Moray Project.

On behalf of SSE Contracting Limited (which was disposed on 30 June 2021), SSE plc continues to provide a guarantee to Tay Street Lighting (Leeds) Limited, Tay Valley Lighting (Newcastle & North Tayside) Limited and Tay Valley Lighting (Stroke on Trent) Limited in respect of provision and maintenance of public street lighting and illuminated traffic signage. Furthermore, on behalf of SSE E&P (UK) Limited, previously a wholly owned subsidiary of the Company, now owned by a third party, SSE plc has provided the following 3 guarantees: a guarantee to Hess Limited in respect of decommissioning liabilities, a guarantee to Britoil Limited and Arco British Limited in respect of the acquisition of the Sean Field and also a guarantee to Perenco UK Limited in respect of a Sale and Purchase Agreement for the Minerva, Apollo and Mercury Fields.

Where the Company enters into financial guarantee contracts to guarantee indebtedness of the other companies within its Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make payment under the guarantee. The Company is continuing to assess the impact of the adoption of IFRS 17 to this treatment, which will be effective from 1 April 2023.

13. Provisions

	Decommissioning £m	Legal and restructuring £m	Total £m
At 31 March 2021	–	20.3	20.3
Charged in the year	251.3	57.2	308.5
Utilised during the year	(1.9)	–	(1.9)
At 31 March 2022	249.4	77.5	326.9
Charged in the year	**–**	**–**	**–**
Decrease in decommissioning provision	**(50.5)**	**–**	**(50.5)**
Unwind of discount	**6.7**	**–**	**6.7**
Released during the year	**–**	**(38.3)**	**(38.3)**
Utilised during the year	**(4.2)**	**(38.8)**	**(43.0)**
At 31 March 2023	**201.4**	**0.4**	**201.8**
At 31 March 2023			
Non-current	**196.5**	**–**	**196.5**
Current	**4.9**	**0.4**	**5.3**
	201.4	**0.4**	**201.8**
At 31 March 2022			
Non-current	241.8	1.1	242.9
Current	7.6	76.4	84.0
	249.4	77.5	326.9

Decommissioning provision
The Company recognises a provision for the estimated net present value of decommissioning of Gas Production assets (retained as part of the disposal agreement for this business). Estimates are based on the forecast remediation or clean-up costs at the projected date of decommissioning and are discounted for the time value of money. Within the agreement for the disposal of its Gas Production assets to Viaro Energy on 14 October 2021 (see note 12), the Company agreed to retain 60% (£238.2m) of the decommissioning provision within the business. £50.5m (2022: £13.1m) has been released for decommissioning during the current year due to a post disposal reassessment and movements in inflation and discounting assumptions. It is expected that the costs associated with decommissioning of these Gas Production assets will be incurred between 2023 and 2038.

Legal and restructuring provisions
The Company holds provisions related to reorganisation of the Group and certain provisions arising on disposal of subsidiaries or investments. In the year the Company released provisions in total of £38.3m, of which £35.0m for a tax indemnity provided to RockRose Energy Limited following the disposal of SSE E&P Limited on 14 October 2021 was released. In the year the Company utilised £38.8m of the provision relating to restructuring and disposals. The remainder of this provision is expected to be settled in the next financial year.

Independent auditor's report to the members of SSE plc

Opinion
In our opinion:
- SSE plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SSE plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 March 2023	
Consolidated statement of comprehensive income for the year then ended	
Consolidated balance sheet as at 31 March 2023	Balance sheet as at 31 March 2023
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated cash flow statement for the year then ended	
Related notes 1 to 26 and A1 to A8 to the group financial statements, including a summary of significant accounting policies	Related notes 1 to 13 to the company financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:
- Confirming our understanding of management's Going Concern process as well as the review controls in place over the preparation of the group's Going Concern model and the memoranda on going concern;
- Engaging early with management to ensure all key matters were considered in their assessment;
- Obtaining management's board approved forecast cash flows, covenant forecasts and sensitivities prepared by management to 31 December 2024, ensuring the same forecasts are used elsewhere within the group for accounting estimates and that the forecasts reflect the spend to come on the £12.5bn committed as part of the NZAP Plus programme. We tested the models for arithmetical accuracy, as well as checking the net debt position at the year-end date which is the starting point for the model. We assessed the reasonableness of the cashflow forecast by analysing management's historical forecasting accuracy. We also ensured climate change considerations were factored into future cash flows. We performed reverse stress testing to understand how severe the downside scenarios would need be to result in negative liquidity or a covenant breach and how plausible were the scenarios. The EY assessment included consideration of all maturing debt through to 31 March 2025;
- Reviewing management's assessment of mitigating options potentially available to the group to reduce cash flow spend in the Going Concern period, to determine their plausibility and whether such actions could be implemented by management. We have obtained support to determine whether these were within the control of management and evaluated the impact of these mitigations in light of our understanding of the business and its cost structures;
- Reading the borrowing facilities agreements to assess their continued availability to the group and to ensure completeness of covenants identified by management;
- Reviewing market data for indicators of potential contradictory evidence to challenge the company's going concern assessment including review of profit warnings within the sector and review of industry analyst reports. We held discussions with the Audit Committee to confirm the going concern position prepared by management; and
- Considering whether management's disclosures in the financial statements sufficiently and appropriately reflect the going concern assessment and outcomes.

The audit procedures performed in evaluating the director's assessment were performed by the Group audit team. We also considered the financial and non-financial information communicated to us from our component teams for sources of potential contrary indicators which may cast doubt over the going concern assessment.

Our key observations
The group is forecast to continue to be profitable and generate positive cashflows during the going concern period. Our reverse stress test scenario indicated that the group would need to be exposed to severe downside events impacting profitability and cash flows in order to breach liquidity or covenants. The severe downside scenario assumed full repayment of debt maturing over the going concern period, no new refinancing over the going concern period, no uncommitted disposal proceeds, a £500m group contingency to mitigate any downside performance against budget, offset by mitigating actions within managements control. We consider such a scenario to be highly unlikely, however, in unlikely events, including the business not performing in line with budget, management consider that the impact can be mitigated by further cash and cost saving measures, which are within their control, or through external fund raising, or a combination of both during the going concern period.

The group's principal source of funding (the revolving credit facility) extends beyond the going concern period (to 2025/2026). Having considered our severe downside and reverse stress test scenarios, we have not identified a plausible scenario where the Group would be unable to maintain cash flow liquidity and covenant headroom during the going concern period.

We found the capital commitments in the cash flow forecasts to be reflective of the spend to come on the £12.5bn committed as part of the NZAP Plus programme.

Going concern conclusion
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of 19 components and audit procedures on specific balances for a further 21 components. • The components where we performed full or specific audit procedures accounted for 95% of Adjusted Profit before tax, 95% of Revenue and 94% of Total assets.
Key audit matters	• Impairment and reversal of impairment of certain power stations and gas storage assets; • Group and parent pension obligations; • Accounting for estimated revenue recognised.
Materiality	• Overall Group materiality of £85.2m, which represents 5% of normalised adjusted profit before tax.

An overview of the scope of the parent company and group audits
Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 220 (2022: 149) reporting components of the Group, we selected 38 (2022: 35) components covering entities within the UK and Ireland, which represent the principal business units within the Group.

Of the 38 components selected, we performed an audit of the complete financial information of 19 (2022: 19) components ('full scope components') which were selected based on their size or risk characteristics. For the remaining 21 (2022: 16) components ('specific scope components'), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

Independent auditor's report to the members of SSE plc continued

An overview of the scope of the parent company and group audits continued

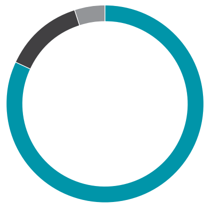
Tailoring the scope continued

The reporting components where audit procedures were performed accounted for 95% (2022: 98%) of the Group's adjusted profit before tax, 95% (2022: 96%) of the Group's Revenue and 94% (2022: 93%) of the Group's Total assets. For the current year, the full scope components contributed 82% (2022: 78%) of the Group's adjusted profit before tax, 94% (2022: 94%) of the Group's Revenue and 48% (2022: 77%) of the Group's Total assets. The specific scope component contributed 13% (2022: 20%) of the Group's adjusted profit before tax, 1% (2022: 2%) of the Group's Revenue and 46% (2022: 16%) of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 3 locations to perform specified procedures over certain aspects of Cash & Bank, Goodwill and Equity Investments in associates and jointly controlled entities, due to significant balances held within each location.

Of the remaining 182 (2022: 114) components that together represent 9% (2022: 2%) of the Group's adjusted profit before tax, none are individually greater than 1% (2022: 1%) of the Group's adjusted profit before tax. For these components, we performed other procedures, including analytical review, intercompany eliminations and obtaining audit evidence to respond to any potential risks of material misstatement to the Group financial statements.

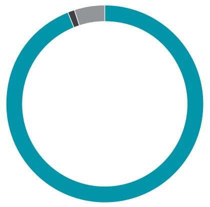
The charts below illustrate the coverage obtained from the work performed by our audit teams.

ADJUSTED PROFIT BEFORE TAX



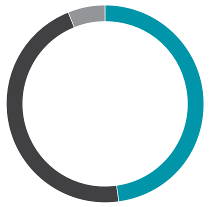
- 82% Full scope components
- 13% Specific scope components
- 5% Other procedures

REVENUE



- 94% Full scope components
- 1% Specific scope components
- 5% Other procedures

TOTAL ASSETS



- 48% Full scope components
- 46% Specific scope components
- 6% Other procedures

Changes from the prior year

There have been minimal changes in scoping from the prior year, other than scoping in the acquisition of Triton (allocated as a full scope component). There have been some modifications to specific scope entities to reflect higher levels of trading within certain entities compared to the prior period to maintain appropriate coverage.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, by component auditors from other EY global network firms operating under our instruction, or by third party auditors where we issued instructions. Of the 19 full scope components, audit procedures were performed on 2 of these directly by the primary audit team. For the 17 full scope and 21 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The majority of full and specific scope components were led by the lead audit engagement partner, Annie Graham. For the remaining entities there were regular calls held between the lead audit engagement partner and component partners, with either file reviews performed by the primary team over audit documentation that has not been retained within the group audit file, or retention of key audit documentation on the group audit file.

This was the first year where a non-EY auditor was involved in a specific scope component, following the acquisition of Triton. We issued instructions, held regular calls with them and attended an on site file review and closing meeting. Other than the Irish Airtricity and Triton entities in scope, all other entities in scope were based within Scotland (Perth and Glasgow), where lead audit partner Annie Graham visited UK divisions throughout the year-end audit. Management meetings were held in person and remotely throughout the year across both the UK and Ireland. Annie also visited the non-EY component auditors of Triton.

The division and non-EY component visits involved discussion of audit approach, attending planning and closing meetings (some of which were held virtually), meeting with local management and reviewing relevant audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

The financial statement and audit risks related to climate change and the energy transition remain an area of audit focus in FY23. There continues to be increasing interest from stakeholders as to how climate change will impact SSE plc. The energy sector has a critical role to play in decarbonisation, by removing carbon from electricity which in turn will support other sectors. SSE operates principally within the UK and Ireland and both are seeking to achieve net zero across their economies by 2050.

This year saw the government make targets and policy actions to tackle the UK energy crises on climate impacts, affordability and supply. The UK Governments targets include plans to decarbonise the UK's power system by 2035, support for up to 59,000 jobs in 2024 and up to 120,000 jobs in 2030 and mobilisation of additional public and private investment of £150-270 billion in line with their 2037 delivery pathway. The importance of cheap, clean and homegrown energy has become more important in order to reduce the UKs reliance on expensive and volatile overseas gas markets. In addition to the UK, governments across Europe and the world looked to recalibrate and expedite their renewable energy ambitions including publishing their carbon neutral pathways to meet 2050 targets.

During the year, SSE has continued to make progress against their Net Zero Acceleration Plan and updated their strategy in November 2022 to take account of feedback from shareholders and other stakeholders. The changes involved the inclusion of scope 3 investments to recognise SSE's joint acquisition of Triton Power, the addition of cross-cutting issues to recognise the importance that climate adaptation and resilience play in the transition to net zero and further enhancement of the definition of net zero to SSE. As part of the 31 March 23 results, SSE announced a £5.5bn increase to the committed capital pathway through NZAP Plus to further accelerate target delivery.

SSE's long-term net zero ambitions are supported by a series of interim targets approved by the Science Based Targets Initiative (SBTi), as referenced by SSE within page 40. The Group committed to a £12.5bn five-year investment plan. SSE intend to cut absolute scope 1 and 2 emissions by 72.5% between 2017 and 2030, are targeting net zero for scopes 1 and 2 by 2040 and net zero for all remaining scope 3 emissions by 2050, providing the appropriate policy mechanisms are in place to support security of supply for customers as noted on page 39.

In FY23, for the first time, SSE is compliant with the TCFD recommendations and recommended disclosures. The Group has determined that the most significant future impacts from climate change on its operations will be from variable wind generation risk caused by changes in climate patterns, storm damage network risk through increased severity of extreme weather events, accelerated gas closure risk through climate change and wind-capture market risk where the average wholesale power prices are lower as a result of more zero marginal cost wind generation coming on to the electricity system. These are explained on pages 42 to 45 in the required Task Force for Climate related Financial Disclosures and on pages 68 to 69 in the principal risks and uncertainties, which form part of the 'Other information,' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. As described in note 4, the financial statement impact of climate is considered to have most impact on impairment, decommissioning, going concern & viability and decommissioning estimates.

Government and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of IAS 36. Budgets and forecasts for SSE plc reflect the spend to come on the £12.5bn investment programme. In notes 15 and 20 to the financial statements supplementary sensitivity disclosures reflecting the impact of climate with regards to valuation of property, plant and equipment, impairment assessment of goodwill and valuation of decommissioning provisions and the impact of reasonably possible changes in key assumptions have been provided and significant judgements and estimates relating to climate change have been described within the aforementioned notes. We have ensured the completeness of climate consideration as part of our impairment audit procedures, including those referred to within our impairment KAM below.

In order to respond to the impact of climate change, we ensured we had the appropriate skills and experience on the audit team. Our audit team included professionals with significant experience in climate change and energy valuations. Our audit procedures were carried out by the group and component teams, with the component teams working under the direction of the group team. Our audit effort in considering climate change focused on ensuring that the effects of material climate risks disclosed on pages 42 to 45 have been appropriately reflected in asset values and useful life and associated disclosures where values are determined through modelling future cash flows, being impairment considerations over Intangible assets and PP&E, and in the timing and nature of liabilities recognised, being decommissioning provisions. In addition, we performed detailed testing of the sensitivities noted in the accounts. Details of our procedures and findings on impairment are included in our key audit matters below.

In FY23 SSE conducted scenario analysis of its material climate related opportunities and risks. With the support of our climate change internal specialists, we considered managements scenario planning and modelling of these four risks and five opportunities disclosed on pages 42 to 45. We reviewed and challenged the impact pathways developed and basis of the key assumptions included within these scenarios. We verified the transition risk scenario frameworks used within the modelling to challenge the appropriateness, applicability to SSE current and future business model to ensure the accuracy of the financial impact ranges disclosed on pages 42 to 45. We challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures. We also read the Other information in the annual report, and in doing so, considered whether the Other information, which includes SSE's climate targets, is materially consistent with the financial statements. We also considered consistency to other areas of assumptions, judgements and estimates and where applicable the procedures performed have been included within our KAMs below.

Whilst the group have stated their commitment to the Paris Agreement to achieve net zero emissions by 2050, and also to their acceleration plan of their net zero ambitions which plans a short term (to 2025), medium term (2025-2035) and long term (2035-2050) roadmap, there may still be some areas in which the group currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are incorporated to the extent of management's best estimate at 31 March 2023.

Independent auditor's report to the members of SSE plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment or reversal of impairment of certain power stations & gas storage assets (Impairment reversal 2023: £63.5m, Impairment reversal 2022: £428.9m) Refer to the Audit Committee Report (page 155); Accounting policies – significant judgements (page 212); and note 15.2 of the Consolidated Financial Statements (page 253) Forecast based estimate: Certain power stations and gas storage assets are at risk of impairment or impairment reversal. This is due to a number of global and national factors reducing or increasing their value in use or fair value less costs of disposal, triggering an impairment assessment. Our risk focussed on the following assets: Great Island, Peterhead, Keadby, Keadby 2, Medway, Marchwood and Tarbert power plants and Aldbrough and Atwick gas storage assets. The key assumptions include future power prices, price volatility, mean reversion rate, forecast power demand, carbon prices, load factors, discount rate, useful economic life and operating expenditure. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows as a result of the above factors. In the current year the risk is against both impairment and impairment reversals.	Scoping: Testing was performed over this risk area, covering both full and specific scope components (covering seven components), which represented 100% of the risk amount. All audit work in relation to this key audit matter was undertaken by the component audit teams, with oversight from the group audit team. We obtained management's assessment of potential impairment indicators in accordance with IAS 36 for powerplants and for gas storage assets. Audit procedures included: We have understood management's process and methodology for assessing assets for indicators of impairment, including indicators of reversal and, where applicable, we have understood management's modelling of value in use cash flows including the source of the key input assumptions. We checked the historical accuracy of management's forecasting and verified that the assumptions are consistent with those used in other areas such as fixed asset useful life and decommissioning provision. We considered prior period impairments for indication of reversal. This involved considering indicators of reversal, focussed on demand, load factors and prices. We involved three EY specialists in our assessment: a specialist with energy industry experience; a discount rate specialist and a specialist with experience of assessing forward energy prices. Using our sector experience and our specialists, we assessed any unusual or unexpected trends identified within the cashflows year on year and assessed the impact on the overall forecasted position. We considered incremental repairs and committed capital expenditure on commenced projects and obtained management's assessment of the technical feasibility of the extensions and reviewed the extension to the revised contracted power period. We embedded modelling expertise within the audit team to assess the appropriateness of the model parameters and clerical accuracy of the models used. We considered load factors relative to the UK Governments as yet unlegislated target of no unabated gas post 2030 and reviewed impact on carrying values included within the disclosures should this legislation arise. We applied sensitivities to management's models to evaluate headroom, including sensitivities relating to climate change reflecting useful life assessment versus climate commitments and price and margin sensitivities. Key assumptions: Using our sector experience and our specialists we benchmarked to industry sources, where appropriate, the directors' judgement on the key assumptions including, future power prices, power volatility, forecast power demand, carbon prices, load factors, discount rate, useful economic life and operating expenditure. We verified that the assumptions are consistent with those used in other areas. Disclosures: We assessed the accuracy and adequacy of the disclosures in line with IAS 36, ensuring key assumptions are included and that the disclosures adequately reflect the risks inherent in the valuation of non-current assets and the impact of changes in assumptions on the reversal of impairment booked or headroom remaining.	We confirmed that the impairment reversal of £17.8m recognised by management for Great Island and £45.7m for Gas Storage assets (Aldbrough) was appropriate and was driven predominately by increased market driven demand and price assumptions and was correctly recorded in the current period. We communicated that the pricing assumptions applied were appropriate. We concluded that, while the discount rates used were above the top end of EY accepted range, any adjustment to bring in line with EY independent range would only increase the headroom (previous impairments have already fully reversed). The other assumptions were in line with EY assessment of expected future price movements. We also noted that we are satisfied with the adequacy of disclosure within the group financial statements including climate related disclosures.
Group and parent pension obligation (2023: £541.1m, 2022: £584.9m) Refer to the Audit Committee Report (page 155); Accounting policies – significant judgements (page 212); and note 23 of the group financial statements (page 269) Subjective valuation: Small changes in the assumptions and estimates used to value the group and parent company pension obligations (before deducting scheme assets) would have a significant effect on the carrying value of those pension obligations. The effect of these matters is that, as part of our risk assessment, we determined that the group and parent company's pension obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Additional focus in FY23 has been given to the results of the SEPS pension triennial valuation completed in 2023. The principal assumptions considered include rate of increase in pensionable salaries and pension payments, discount rate and mortality rates. There has been no change in this risk from the prior year, however additional procedures have been performed to consider the results of the triennial valuation for SEPS.	Scoping: We performed audit procedures over this risk area centrally by the group team, which covered 100% of the risk amount. Our procedures included: Assessing management process: We have understood management's process and methodology for calculating the pension liability for each scheme, including discussions with management's external actuaries, walkthrough of the processes, understanding the key inputs and the design and implementation of key controls. We performed a fully substantive audit approach rather than testing the operating effectiveness of key controls. For the SEPS scheme we checked the member data used in the triennial valuation for consistency with that of the IAS 19 valuation and understood the difference in basis for key assumptions which we found to be in line with our expectations. Assessing management experts: We have assessed the independence, objectivity and competence of the group's external actuaries, which included understanding of the scope of services being provided and considering the appropriateness of the qualifications of the external actuary. Assessing source data: We tested a sample of the membership data used by the actuaries to the group's records. We performed an additional sample for source data used for the SEPS triennial valuation to ensure consistency of source data used. Benchmarking assumptions: With the support of our pension actuarial specialists, we assessed the appropriateness of the assumptions adopted by the directors by comparing them to the expectations of our pension actuarial specialists which they derived from broader market data. Disclosure: We considered the adequacy of IAS 19 disclosures, including presentation of commitments associated with deficit recovery plans and in respect of sensitivity of the defined benefit obligation to changes in the key assumptions.	We conclude that management's actuarial assumptions are appropriate and sit in the centre of our independently determined range. We are satisfied with the adequacy of disclosure within the financial statements.

Independent auditor's report to the members of SSE plc continued

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for estimated revenue recognition & EBRS other income **Unbilled energy income (2023: £666.1m, 2022: £492.7m) and GB EBRS claims 2023: £326.7m, 2022: £nil)** Refer to the Audit Committee Report (page 155); Accounting policies – significant judgements (page 212); and note 18 of the group financial statements (page 259) Subjective estimate: 58% of the unbilled revenue (excluding EBRS) is recognised within the Business Energy division and is based on estimates of values and volumes of electricity and gas supplied between last meter date and year end date. The method of estimating such revenues is complex, judgemental and significant for UK business customers. Estimation complexity has increased in the year as a result of emerging consumption patterns, volumes of tariff changes and interplay with EBRS. The key estimates and assumptions are in relation to: 1. the volumes of electricity and gas supplied to the customers between the meter reading and year-end; 2. the value attributed to those volumes in the range of tariffs; and 3. embedded impairment risk over the unbilled revenue. As a result of the estimation uncertainty this has been identified as a significant risk. **Change to this risk from the prior year:** The administration of the Government backed support scheme, EBRS, within the GB Business Energy Division, has increased the complexity and level of estimation uncertainty of the unbilled calculation. We have refined the KAM to include the unbilled portion of the GB EBRS claim which is £326.7m, recorded as other prepayments and accrued income at 31 March 2023. The income assessment is derived from the same underlying source data and models as the unbilled judgement.	Scope: This balance relates to one component, Business Energy. Testing was performed covering 100% of the unbilled and EBRS balances in GB Business Energy which accounts for 58% of the unbilled balance and 52% of the other prepayments and accrued income balance at 31 March 2023. Unbilled energy income in Airtricity and EBRS in Northern Ireland was not included in the scope of this KAM due to reduced estimation complexity and materiality respectively. All audit work in relation to this key audit matter was undertaken by the component audit teams with oversight from the group audit team. Audit methodology: Our response to the assessed risk included understanding the process for estimating unbilled revenue, testing selected IT general and application key controls, substantive audit procedures and revenue data analytics. Tests of detail: We agreed the opening unbilled accrued income to the closing 31 March 2022 balance sheet. We agreed the volume data for customer usage of energy in the year used in the calculation to external settlement systems and agreed the volume data in relation to customer billings for the year to SSE's internal billing systems to assess for consistency and to understand remaining estimation risk. We have tested the unbilled unit pricing by agreeing historical pricing to sample bills, sensitising the pricing to understand the impact of different pricing assumptions, tested a sample of billing dates from the listing to confirm billing frequency and agreeing to post year end billing prices. We have understood and tested the historical accuracy of management's forecasting of unbilled revenue by comparing estimates to final billed and settlement amounts. We considered contra indicators to management's assumptions by assessing the impact of macro-economic conditions on demand and consumption volatility and benchmarked assumptions in the underlying unbilled calculations to external publications from the industry. Specifically to EBRS: We validated the eligibility criteria of meters claimed and tested a sample of customers tariffs to source documents. We sample tested volume data to supporting evidence and agreed claim amounts to submissions and subsequent settled cash receipts. Using a custom-built analytics tool we recalculated the discount applicable under the scheme rules on a meter level and applied that to volumes and claims submitted to date.	In performing our procedures we independently calculated an estimated range for accrued income of £130m-£144m with SSE's position being within the top end of our acceptable range. We independently assessed an EBRS reasonable range of accrued income of £123m-£150m, with SSE's estimate being within the top end of our acceptable range. Overall, through procedures performed over accrued revenue within the Business Energy business, we are satisfied that the accrued revenue recognised by management in relation to unbilled revenue and accrued government grant EBRS income is appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	Analytical Review: We set expectations as to the likely level of total unbilled revenue, and compared this with actual unbilled revenue accrual, obtaining explanation for significant variances. We compared the unbilled revenue estimation to benchmark expectation. Benchmark expectation was derived from the external settlements data combined with billing frequency at an MPAN (Meter Point Administration Number) level, usage and price movement from last billing date to year end. We have analysed and assessed explanations for variances arising from the benchmark expectation. We also tested the appropriateness of manual adjustments made by management. Specifically to the EBRS projected claim: Using our custom-built analytics tool, we prepared an independent projection of the total claim forecast to 31 March 2023 and compared this to the EBRS income recognised. We used claims submitted to date as our base point and adjusted for extrapolated claimed invoices for the remaining claim period, incorporated an estimated range of outcomes on circa 18,000 of meters where claims have not yet been made; and adjusted for reductions in rebilled invoices claimed based on estimated meter reading. Disclosure: We assessed the adequacy of the group's disclosures about the degree of estimation and judgement involved in arriving at the estimated revenue.	

We have removed the prior year KAM relating to the SSE disposal programme given this was completed in prior year.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £85.2 million (2022: £57.9 million), which is 5% (2022: 5% of adjusted profit before tax) of normalised adjusted profit before tax. Our key criterion in determining materiality remains our perception of the needs of SSE's stakeholders. We consider which earnings, activity or capital-based measure aligns best with their expectations. With the volatility in the Energy market seen this year, we changed our materiality basis from adjusted profit before tax to normalised adjusted profit before tax. We believe that normalised adjusted profit before tax provides us with a consistent measure of underlying year-on-year performance as it excludes the impact of non-recurring items which can significantly fluctuate year-on-year and do not provide a true picture of the profit benchmark that would affect the decisions of the users of the financial statements. Through applying a normalised earnings approach, large year-on-year swings driven primarily by price fluctuations rather than specific structural changes to SSE's business are minimised.

We determined materiality for the Parent Company to be £137.1 million (2022: £95 million), which is 2% (2022: 2%) of Net Assets. The materiality has been capped at the group materiality of £85.2 million.

Starting basis	• FY23 loss before tax – £205.6m (FY22: £3,482.2m profit)
Adjustments	• Movement on operating and financing derivatives – FY23 £2,351.5m; FY22 (£2,121.4m) • Non-recurring exceptional items – FY23 £0.4m; FY22 (£269.2m) • JV Tax – FY23 £104m; FY22 £46.3m • Variance from forecast to actual PBT FY23 nil; FY22 £21.2m
Materiality	• Totals FY23 £2,250.3m adjusted profit before tax; FY22 £1,159m • Average to normalise FY23 £1,704.7m • Materiality of £85.2m (5% of materaility basis)

Independent auditor's report to the members of SSE plc continued

Materiality continued

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 50%) of our planning materiality, namely £63.9 million (2022: £28.9 million). The move from 50% to 75% reflects the continued process improvements and a low number and value of corrected and uncorrected errors in the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £8.9m to £21.0m (2022: £4.9m to £15.9m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £4.3m (2022: £2.9m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 191, including the strategic report and the directors' report set out on pages 1 to 109 and 110 to 191 respectively, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 91;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 71;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meet its liabilities set out on page 191;
- Directors' statement on fair, balanced and understandable set out on page 154;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 68 and 158;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 158; and;
- The section describing the work of the audit committee set out on page 150.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 191, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are IFRS, FRS101, the Companies Act 2006 and UK Corporate Governance Code and relevant tax compliance regulations in the jurisdictions in which the group operates. We also considered non-compliance of regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem) and regulations levied by the UK Financial Conduct Authority and Prudential Regulatory Authority. We confirmed our understanding with the Internal Head of Regulation.
- We understood how SSE plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company Secretary. We verified our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, internal audit, business area management at all full and specific scope management; and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with all applicable requirements.

Independent auditor's report to the members of SSE plc continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud continued

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 18 July 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 March 2020 to 31 March 2023.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Annie Graham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
23 May 2023

Consolidated segmental statement
For the year ended 31 March 2023

SSE consolidated segmental statement for the year ended 31 March 2023

Year ended 31 March 2023	Unit	Electricity Generation Thermal	Electricity Generation Renewable	Aggregate Generation business	Electricity supply Non-domestic	Gas supply Non-domestic	Aggregate Supply business
Total revenue	£m	5,087.8	1,228.5	6,316.3	3,624.7	469.2	4,093.9
Sales of electricity and gas	£m	4,510.9	1,113.6	5,624.5	2,981.8	391.1	3,372.9
Other revenue	£m	576.9	114.9	691.8	642.9	78.1	721.0
Total operating costs	£m	3,992.5	482.3	4,474.8	3,664.9	406.1	4,071.0
Direct fuel costs	£m	2,693.4	–	2,693.4	2,486.9	314.4	2,801.3
Transportation costs	£m	150.2	136.9	287.1	520.1	43.2	563.3
Environmental and social obligation costs	£m	559.1	–	559.1	441.5	0.7	442.2
Other direct costs	£m	438.1	64.7	502.8	10.3	1.9	12.2
Indirect costs	£m	151.7	280.7	432.4	206.1	45.9	252.0
EBITDA	£m	1,095.3	746.2	1,841.5	(40.2)	63.1	22.9
Depreciation and amortisation	£m	125.2	189.7	314.9	4.2	0.8	5.0
EBIT	£m	970.1	556.5	1,526.6	(44.4)	62.3	17.9
Volume	TWh/ mTherms	15.6	9.7	25.3	12.1	200.3	212.4
WACOF/E/G	£/MWh/p/th	208.9	–		205.4	157.0	
Customer numbers	'000s				382.8	68.9	451.7

Basis of preparation and disclosure notes

The Group's operating segments are those used internally by the Board to run the business and make strategic decisions. The types of products and services from which each reportable segment derives its revenues are:

Business area	Reported segments	Description
Continuing operations		
Transmission	SSEN Transmission	The economically regulated high voltage transmission of electricity from generating plant to the distribution network in the North of Scotland. Revenue earned from constructing, maintaining and renovating our transmission network is determined in accordance with the regulatory licence, based on an Ofgem approved revenue model and is recognised as charged to National Grid. The revenue earned from other transmission services such as generator plant connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate. On 25 November 2022 the Group sold a 25.0% non-controlling interest in this business to the Ontario Teachers' Pension Plan.
Distribution	SSEN Distribution	The economically regulated lower voltage distribution of electricity to customer premises in the North of Scotland and the South of England. Revenue earned from delivery of electricity supply to customers is recognised based on the volume of electricity distributed to those customers and the set customer tariff. The revenue earned from other distribution services such as domestic customer connections is recognised in line with delivery of that service over the expected contractual period and at the contracted rate.
Renewables	SSE Renewables (covered by CSS)	The generation of electricity from renewable sources, such as onshore and offshore windfarms and run of river and pumped storage hydro assets in the UK and Ireland, the development of similar wind assets in Japan and Southern Europe and the development of wind, solar and battery opportunities. Revenue from physical generation of electricity in Great Britain is sold to SSE EPM and in Ireland is sold to Airtricity and is recognised as generated, based on the contracted or spot price at the time of delivery. Revenue from national support schemes (such as Renewable Obligation Certificates or the Capacity Market in Great Britain or REFIT in Ireland) may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
Thermal	SSE Thermal (covered by CSS)	The generation of electricity from thermal plant and the Group's interests in multifuel assets in the UK and Ireland. Revenue from physical generation of electricity in Great Britain and Ireland is sold to SSE EPM and is recognised as generated, based on the contract or spot price at the time of delivery. Revenue from national support schemes (such as the Capacity Market) and ancillary generation services may either be recognised in line with electricity being physically generated or over the contractual period, depending on the underlying performance obligation.
	Gas Storage	The operation of gas storage facilities in Great Britain, utilising capacity to optimise trading opportunity associated with the assets. Contribution arising from trading activities is recognised as realised based on the executed trades or withdrawal of gas from caverns.

Consolidated segmental statement continued
For the year ended 31 March 2023

Basis of preparation and disclosure notes continued

Business area	Reported segments	Description
Energy Customers Solutions	Business Energy (covered by CSS)	The supply of electricity gas to business customers in Great Britain. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts.
	Airtricity	The supply of electricity, gas and energy related services to residential and business customers in the Republic of Ireland and Northern Ireland. Revenue earned from the supply of energy is recognised in line with the volume delivered to the customer, based on actual and estimated volumes, and reflecting the applicable customer tariff after deductions or discounts. Revenue earned from energy related services may either be recognised over the expected contractual period or following performance of the service, depending on the underlying performance obligation.
Distributed Energy	Distributed Energy	The provision of services to enable customers to optimise and manage low-carbon energy use; development and management of battery storage and solar assets; distributed generation, independent distribution, heat and cooling networks, smart buildings and EV charging activities.
EPM & I	Energy Portfolio Management (EPM)	The provision of a route to market for the Group's Renewable and Thermal generation businesses and commodity procurement for the Group's energy supply businesses in line with the Group's stated hedging policies. Revenue from physical sales of electricity, gas and other commodities produced by SSE is recognised as supplied to either the national settlements body or the customer, based on either the spot price at the time of delivery or trade price where that trade is eligible for 'own use' designation. The sale of commodity optimisation trades is presented net in cost of sales alongside purchase commodity optimisation trades.

The Group's reportable operating segments for 'Renewables', 'Thermal' and 'Business Energy' are substantially aligned to the business segments reported in the Consolidated Segmental Statement (CSS). However, it should be recognised that there are differences between the two disclosures, primarily driven by the Licence requirements – these are described in the notes below and shown in the table reconciling the CSS to the financial statements.

How the accounts are presented
The financial information presented in the CSS is based on operating activities of the Group's electricity generation businesses ('Renewables' and 'Thermal' segments described above) and the non-domestic electricity and gas supply business ('Business Energy' segment described above) in Great Britain. The paragraphs that follow describe how SSE's Renewables, Thermal and Business Energy (non-domestic supply) businesses interact with Energy Portfolio Management (EPM), which is the Group's energy markets business. The basis of preparation defines the revenues, costs and profits of each business and describe in more detail the transfer pricing arrangements in place for the financial year ended 31 March 2023. The CSS has been prepared on a going concern basis as set out in note A6.3 of SSE plc's Annual Report.

Summary
The Group's 'Renewables' business sells electricity and Renewable Obligation Certificates (ROCs) from onshore and offshore windfarms and qualifying hydro to the Group's EPM business.

'Thermal' sells electricity in respect of gas generation to EPM. It also receives external income in respect of ancillary services, balancing market participation and other contractual arrangements with third parties including government. It purchases its requirement for gas, oil and carbon from EPM.

'Business Energy' sells electricity and gas to circa 0.2m business customer accounts in Great Britain and procures electricity, gas REGOS, RGGOs and ROCs from EPM.

EPM acts as a route to market for Renewables and Thermal, and as counterparty with the external market for the procurement of electricity and gas for SSE Energy Services and Business Energy. EPM does not form part of the CSS as it is not within the scope defined by Ofgem. The policies governing the forward hedging activity undertaken by EPM are overseen by Energy Markets Risk Committee, whose responsibilities and roles are described on page 160 of SSE Annual Report for the year ended 31 March 2023.

Renewable Electricity Generation
The Renewables profit and loss account above is based on the Group's electricity generation activity derived from natural sources of energy to produce electricity which includes wind, hydro and pump storage powered generation.

Renewables as presented in the CSS includes revenue and operating profit for wholly owned renewable generation assets and also a proportion of turnover and operating profit in respect of joint ventures, joint operations and associate generation companies[1]. The principal joint ventures, joint operations and associates included are Beatrice Offshore Windfarm Limited, Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited, Dunmaglass Windfarm Limited, Greater Gabbard Offshore Winds Limited and Seagreen Wind Energy Limited. A full list can be found in note A3 of SSE's audited financial statements.

The Renewables profitability statement bears the risks and rewards for plant performance and renewable generation output, changes in the power price achieved for renewable generation and the impact of weather.

Individual line items in the Renewables profit and loss account above are comprised of:

Revenue From Sales of Electricity – revenue is recognised as generated and supplied to the national settlements body. Revenue is sold to the wholesale market through EPM at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation. Revenue includes the sale of ROCs generated from qualifying plant to EPM. Generation volumes are the volume of power actually sold to the wholesale market.

Other Revenue – includes ancillary services, capacity income, balancing market participation and other miscellaneous income.

Transportation Costs – include Use of System charges and market participation costs.

Other Direct Costs –include power purchase agreement ('PPA') costs, site costs and management charges from EPM.

Indirect Costs – include salaries and other people costs, asset maintenance, rates, corporate costs and IT charges.

Depreciation and Amortisation – the depreciation shown in the CSS is the underlying charge based on the useful remaining life of the assets.

1 The PPA's that SSE has with its joint venture companies Clyde Windfarm (Scotland) Limited, Stronelairg Windfarm Limited and Dunmaglass Windfarm Limited provide SSE with contractual entitlement to 100% of the output of the windfarms. Accordingly, SSE has reported its rights to those volumes within its Renewables statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.

Thermal Electricity Generation
The Thermal profit and loss account above is based on the Group's conventional (thermal) electricity generation activity. Conventional generation is considered to be any generation where fuel is consumed to produce electricity and includes gas and oil fueled generation.

Thermal as presented in the CSS includes revenue and operating profit for wholly owned thermal generation assets and also a proportion of turnover and operating profit in respect of joint ventures[2]. The principal joint ventures included are Seabank Power Limited, Marchwood Power Limited and Triton Power Holdings Limited (acquired 1 September 2022). A full list can be found in note A3 of SSE's audited financial statements.

The Thermal profitability statement bears the risks and rewards for plant performance, changes in market 'spark' (the marginal profit for generating electricity by gas), changes in government and EU policy particularly surrounding emissions.

Individual line items in the Thermal profit and loss account above are comprised of:

Revenue From Sales of Electricity – revenue is recognised as generated and supplied to the national settlements body. Revenue is sold to the wholesale market through EPM at either the spot price at the time of delivery, or trade price where that trade is eligible for 'own use' designation. Generation volumes are the volume of power sold to the wholesale market.

Other Revenue – includes ancillary services, capacity income, balancing market participation and other miscellaneous income.

Direct Fuel Costs – Thermal procures fuel and carbon from EPM at wholesale market prices. The cost of fuel also includes the long term external purchase contracts and the impact of financial hedges. The WACOF (weighted average cost of fuel) calculation includes the costs of carbon emissions (reported in the environmental and social obligations cost line in the CSS).

Transportation Costs – include Use of System charges and market participation costs.

Environmental and Social Costs – include carbon costs.

2 The tolling arrangements that SSE has with its joint venture Marchwood Power Limited provide SSE with contractual entitlement to 100% of the output of the power station. Accordingly, SSE has reported its rights to those volumes within its Thermal statistics and has also, as mandated by Ofgem, included 50% of the JV revenue in the CSS.

Consolidated segmental statement continued
For the year ended 31 March 2023

Thermal Electricity Generation continued

Other Direct Costs – include power purchase agreement ('PPA') costs, site costs and management charges from EPM.

Indirect Costs – include salaries and other people costs, asset maintenance, rates, corporate costs and IT charges.

Depreciation and Amortisation – the depreciation shown in the CSS is the underlying charge based on the useful remaining life of the assets and excludes exceptional asset impairments.

Business Energy (Non-Domestic)

Revenue from Sales of Electricity and Gas – revenues are the value of electricity and gas supplied to business customers in Great Britain during the year and includes an estimate of the value of units supplied between the date of the last bill and the year end. Non-domestic volumes are expressed at customer meter point. Also included in 'Other revenue' is £0.7bn recognised from the Energy Bill Relief Government Scheme which commenced in October 2022 to support non-domestic customers.

Direct Fuel Costs – Business Energy does not engage in the trading of electricity and gas and procures all of its electricity and gas from EPM. The method by which EPM procures energy is at an arm's length arrangement on behalf of Business Energy is governed by Business Energy's forward hedging policy. The forward trades between Business Energy and EPM are priced at wholesale market prices at the time of execution and any differences in volume and reconciliation at the time of delivery is marked to the spot price on the day. WACOG (weighted average cost of gas) also includes all Allocation reconciliations and Unidentified Gas. The WACOE and WACOG also consist of trades marked to wholesale prices when committed at the point of sale for fixed price customer contracts or when a customer instructs SSE to purchase energy in respect of flexi-priced contracts. This transfer pricing methodology reflects how Business Energy actually acquired its energy. There have been no material changes in the transfer pricing policy in respect of Business Energy since the CSS for the financial year ending 31 March 2023.

Transportation Costs – these include transportation, transmission and distribution use of system costs and BSUOS.

Environmental and Social Obligation Costs – relate to policies designed to modernise and decarbonise the energy system in Great Britain and include ROCs, Feed in Tariff, charges under the Capacity Mechanism and CfD schemes and charges in relation to 'assistance for areas with high electricity distribution costs' (AAHEDC). REGO, RGGOs and GOO costs related to these schemes are also included in this section of the CSS. Industry Mutualisation costs have also been allocated to this element of the statement.

Other Direct Costs – include: industry settlement costs, management and market access charges from EPM and other miscellaneous costs.

Indirect Costs – include: sales and marketing, customer service, bad debts and collections, metering costs, commercial costs, central costs – including information technology, property, corporate, telecoms costs and costs incurred to meet Smart Metering rollout obligations for the year. Where costs cannot be directly allocated to a fuel (electricity/gas), they have been allocated using costing models based on activity, customer revenue or customer numbers – whichever is the most appropriate.

Business Energy's profit and loss account bears the risk and rewards arising from the volatility in demand for energy, caused by the weather, consumption per customer and customer churn. It is also exposed to swings in wholesale costs and the uncertainty surrounding its share of government environmental and social schemes.

EPM

EPM is responsible for optimising the Group's electricity, gas and other commodity requirements. The hedging activity undertaken by EPM is governed by the Group's Energy and Markets Risk Committee in accordance with the Statement on SSE's Approach to Hedging published in November 2018.

Business Functions

The business functions in SSE have already been described in this document. The column headed 'Not included in the CSS' principally relates to EPM.

Business function	Note	Generation	Supply	Not included in CSS
Operates and maintains generation assets		✓		
Responsible for scheduling decisions	1	P/L		F
Responsible for interactions with the Balancing Market	2	P/L		F
Responsible for determining hedging policy	3	✓	✓	
Responsible for implementing hedging policy/makes decisions to buy/sell energy	4	P/L	P/L	F
Interacts with wider market participants to buy/sell energy	5			✓
Holds unhedged positions (either short or long)	3	✓	✓	✓
Procures fuel for generation		P/L		F
Procures allowances for generation		P/L		F
Holds volume risk on positions sold (either internal or external)		✓	✓	
Matches own generation with own supply	6			✓
Forecasts total system demand	7	P/L	P/L	F
Forecasts wholesale price		P/L	P/L	F
Forecasts customer demand	8		P/L	F
Determines retail pricing and marketing strategies			✓	
Bears shape risk after initial hedge until market allows full hedge	9	P/L	P/L	F
Bears short term risk for variance between demand and forecast	10		✓	

Key:
✓ function and P&L impacting that area;
P/L profit/losses of function recorded in that area;
F function performed in that area.

Glossary and notes
1 'Scheduling decisions' means the decision to run individual power generation assets.
2 'Responsible for interactions with the Balancing Market' means interactions with the Balancing Mechanism in electricity.
3 Hedging policy was the responsibility of the Energy Markets Risk Committee which is a sub committee of the SSE Executive Committee.
4 SSE EPM implements the hedging policy determined by the Energy Markets Risk committee on behalf of Renewables, Thermal, Business Energy and SSE Energy Services.
5 'Interacts with wider market participants to buy/sell energy' means the business unit responsible for interacting with wider market participants to buy/sell energy, not the entity responsible for the buy/sell decision itself, which falls under 'Responsible for implementing hedging policy/makes decisions to buy/sell energy'.
6 'Matches own generation with own supply' means where there is some internal matching of generation and supply before either generation or supply interact with the wider market. The total electricity demand for Business Energy and SSE Energy Services (expressed at NBP) was 13.1TWh and the total UK Generation output was 23.0TWh (57%).
7 'Forecasts total system demand' means forecasting total system electricity demand or total system gas demand.
8 'Forecasts customer demand' means forecasting the total demand of own supply customers.
9 'Bears shape risk after initial hedge until market allows full hedge' means the business unit which bears financial risk associated with hedges made before the market allows fully shaped hedging.
10 'Bears short term risk for variance between demand and forecast' means the business unit which bears financial risk associated with too little or too much supply for own customer demand.

Consolidated segmental statement continued
For the year ended 31 March 2023

Reconciliation of CSS to SSE Financial Statements 2022/23
The table below shows how the CSS reconciles with the adjusted earnings before tax in the SSE financial statements (note 5 of SSE's financial statements):

Reconciliation of CSS to Financial Statements	Note	Revenue £m	EBIT £m
Business Energy			
CSS Supply – Business Energy		4,093.9	17.9
Government support scheme income	1	(721.0)	–
Total Business Energy in SSE Financial Statements		**3,372.9**	**17.9**
Generation Business			
Renewables			
CSS Renewables Electricity Generation		1,228.5	556.5
Non-GB Generation	2	175.7	23.5
JVs/Associates revenue in CSS	3	(466.7)	–
Total Renewables in SSE Financial Statements		**937.5**	**580.0**
Thermal			
CSS Thermal Electricity Generation		5,087.8	976.0
Non-GB Generation	4	519.9	61.8
JVs/Associates revenue in CSS	3	(1,003.5)	–
Total Thermal in SSE Financial Statements		**4,604.2**	**1,031.9**

There are some differences between SSE's financial statements and the CSS. There are items which are in the financial statements and not in the CSS; and also there are items which Ofgem has requested be included in the CSS which are not in the financial statements.

Notes
1 Income from the Energy Bill Relief Government Scheme which commenced in October 2022 to support non-domestic customers, recognised in 'Other operating income' in the SSE Financial Statements;
2 Non-GB Electricity Generation relates to SSE's Renewables business in the Republic of Ireland and Northern Ireland;
3 SSE applies equity accounting for the majority of its investments in JVs and Associates (which means it only includes its share of the profits/losses), in accordance with International Financial Reporting Standards (IFRS). The Ofgem mandated basis of preparation of the CSS requires that the proportionate share of revenue, costs and profits are shown in the CSS. The revenue shown in the CSS for JVs and Associates is not present in the financial statements and is therefore a reconciling item. The share of profits however are present in both CSS and financial statements, therefore no reconciliation is necessary;
4 Non-GB Electricity Generation relates to SSE's Thermal business in the Republic of Ireland.

Adjustments to reported profit before tax
SSE focuses its internal and external reporting on 'adjusted profit before tax' which excludes exceptional items, re-measurements arising from IFRS 9, depreciation on fair value uplifts and removes taxation on profits of joint ventures and associates, because this reflects the underlying profits of SSE, reflects the basis on which it is managed and avoids the volatility that arises out of IFRS 9. Therefore, these items have been excluded from the CSS.

Independent auditor's report to the Consolidated Segmental Statement

Opinion
We have audited the Consolidated Segmental Statement financial statements of SSE plc (the Company) for the year ended 31 March 2023, which comprise the Consolidated Segmental Statement (CSS), Basis of preparation, Reconciliation of CSS to the Annual Report of SSE plc and the related disclosure notes. The financial reporting framework that has been applied in their preparation is a special purpose framework comprising the financial reporting provisions of Ofgem's Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licenses.

In our opinion, the accompanying CSS of the Company for the year ended 31 March 2023 is prepared, in all material respects, in accordance with the requirements of Standard condition 16B of Electricity Generation licences and Standard 19A of Electricity and Gas Supply Licenses and the basis of preparation on pages 337 to 341.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including *'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the CSS financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the CSS, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the CSS is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 19 months through to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use
We draw attention to pages 337 to 341 of the CSS, which describes the basis of accounting. The CSS is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the CSS may not be suitable for another purpose. Our report is intended solely for the Company, in accordance with our engagement letter dated 14 April 2023, and should not be distributed to or used by parties other than the Company. Our opinion is not modified in respect of this matter.

Other information
The other information comprises the information included in the annual report, other than the CSS and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the CSS does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the CSS or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the CSS itself. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
Management is responsible for the preparation of the CSS in accordance with the financial reporting provisions of Section Z of the contract, and for such internal control as management determines is necessary to enable the preparation of the CSS that is free from material misstatement, whether due to fraud or error.

In preparing the CSS, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the Consolidated Segmental Statement continued

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the CSS as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the CSS.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant to the CSS is consideration of any non-compliance of regulatory requirements, including the Office of Gas and Electricity Markets (Ofgem) and regulations levied by the UK Financial Conduct Authority and Prudential Regulatory Authority. We have spoken with the SSE head of regulation to confirm our understanding.
- We understood how SSE plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company Secretary. We verified our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's CSS to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their prosperity to influence on efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter, and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved: enquiries of legal counsel, Group management, internal audit, and focused testing. In addition, we completed procedures to conclude on the compliance of the disclosures in the CSS with all applicable requirements.

A further description of our responsibilities for the audit of the CSS financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matter
We have reported separately on the statutory financial statements of SSE plc.

Ernst & Young LLP
Glasgow
23 May 2023

Shareholder information

Shareholder enquiries
The Company's register of members is maintained by our appointed Registrar, Link Group. Shareholders with queries relating to their shareholdings should contact Link directly:

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone: 0345 143 4005
Email: SSE@linkgroup.co.uk

Financial calendar

Publication of Annual Report	16 June 2023
Q1 Trading Statement	20 July 2023
AGM	20 July 2023
Ex-dividend date for final dividend	27 July 2023
Record date for final dividend	28 July 2023
Final date for Scrip elections	24 August 2023
Payment date	21 September 2023
Notification of Close Period by for six months to 30 September	4 October 2023
Results for six months to 30 September	15 November 2023

Website
SSE maintains its website, www.sse.com, to provide ease of shareholder access to information about the Company and its performance. It includes a dedicated Investors section where you can find electronic copies of Company reports and further information about shareholder services including:
- share price information;
- dividend history and trading graphs;
- the Scrip dividend scheme;
- telephone and internet share dealing; and
- downloadable shareholder forms.

Digital news
SSE uses a dedicated news and views website (available at www.sse.com/news-and-views) and Twitter (www.twitter.com/sse) to keep shareholders, investors, journalists, employees and other interested parties up-to-date with news from the Company.

Sustainable communications
SSE's sustainable communications strategy aims to reduce the volume of paper being used in its communications with shareholders and other stakeholders. Shareholders are able to access a wide range of shareholder documentation, including Annual Reports, the Notice of Annual General Meeting and useful forms through the Investors section of SSE's website, www.sse.com/investors. We encourage shareholders to accept electronic formats as the default method for accessing shareholder documentation and dividend information.

All new shareholders are automatically registered as opting to access shareholder documentation through the 'Investors' area of our website. These shareholders receive a notification, by post, when new relevant documentation has been placed on the website. Shareholders who wish to opt for printed documentation and communication should confirm this in writing to Link Group.

Shareholder portal
www.sse-shares.com
This free online service, provided by Link Group, allows shareholders to easily manage their share portfolios, including:
- View, update and calculate the market value of their shareholdings.
- Change address details and dividend payment instructions.
- View share price histories and trading graphs of listed companies.

E-communications programme
You can also choose to go a step further and sign-up to SSE's eCommunication programme which allows you to receive notification of the availability of new shareholder documentation.

Simply register on our shareholder portal www.sse-shares.com. You will require your Investor Code (IVC), which can be found on any recent shareholder communications from SSE.

Where delivery of an email fails, we will attempt to contact you by post to update your details. Keep us informed of changes to your email address through our shareholder portal www.sse-shares.com.

Dividends
The Company typically pays dividends twice yearly. Interim dividends are paid in March, and final dividends are paid in September once approved by shareholders at the AGM. With significant focus on payment methods for dividends in recent years, in terms of efficiency, cost and security, SSE plc made the decision that from September 2019, it would no longer be paying dividends by cheque. All dividends are now credited to a shareholder's nominated UK bank/building society account. If you haven't already registered your UK bank/building society account details with Link Registrar or would like to amend the details on your account, you can do this by:
- logging in to the dedicated Shareholder Portal at www.sse-shares.com; or
- calling Link on 0345 143 4005* and speaking to one of the team.

If you do not have a UK bank or building society account, your dividends can be paid directly into a bank account outside of the UK using the International Payment service. Please visit https://ww2.linkgroup.eu/ips for further information.

Scrip dividend
Alternatively, shareholders may want to join the Scrip dividend scheme and receive future dividends in the form of additional new shares. Further details of the Scrip dividend scheme can be found at https://www.sse.com/investors/shareholder-services/dividends-and-scrip-scheme. You should still complete a bank mandate to enable future dividend payments should you ever withdraw from the Scrip scheme.

Share dealing
Share dealing services are available from Link Share Dealing Services.

Telephone dealing
For information on the telephone dealing service call
0371 664 0445
Lines are open Monday-Friday, 8.00am – 4.30pm
Please have your Investor Code (IVC) ready.

Shareholder information continued

Internet dealing
For information on the internet dealing service log on to: https:// ww2.linkgroup.eu/share-deal/. Information provided on these services should not be construed as a recommendation to buy, sell or hold shares in SSE plc, nor to use the services of Link Share Dealing Services. Link Share Dealing Services is a trading name of Link Market Services Trustees Limited which is authorised and regulated by the Financial Conduct Authority. If you live in a country where the provisions of such services would be contrary to local laws or regulations, this should be treated for information only.

Dissentient shareholders
Scottish and Southern Energy plc (now known as SSE plc) was formed in 1998 following the merger of Scottish Hydro Electric plc and Southern Electric plc. The terms of the offer through which the merger was effected was that for every Southern Electric plc ordinary share held, shareholders received one Scottish and Southern Energy plc (now SSE plc) ordinary share. A number of shareholders did not respond to the original merger offer, resulting in subsequent tracing communications over the following years. In 2017, more than 12 years after the formation of SSE, a complete tracing programme was initiated through the asset reunification company Capita Employee Benefits (Consulting) Limited (Capita Tracing), to locate dissentient shareholders and reunite them with their funds. The steps agreed were designed to enable the best possible outcome for dissentient shareholders and provided clear details of the actions required to claim their asset entitlement. Following the completion of all reasonable steps over £2m (in a combination of shares and accrued dividends) was returned to dissentient shareholders. As required by the Companies Act 2006, the remainder totaling over £9m was transferred to the Chancery Division of the High Court of Justice. Unclaimed monies can still be claimed through direct application to the Chancery Division of the High Court of Justice. The process for making such an application was provided to outstanding claimants and further details are provided at www.sse.com/investors/shareholder-services/useful-information/southern-electric-unclaimed-dividends/

Glossary

AIP	Annual Incentive Plan, a short-term salary incentive plan that all personal contract employees are eligible for
APM	Alternative Performance Measures used to track financial performance
ASTI	Ofgem's Accelerated Strategic Transmission Investment framework
CAGR	Combined Annual Growth Rate
CCGT	Combined Cycle Gas Turbine
CCS	Carbon capture and storage
CfD	Contract for Difference
COP27	The 27th Conference of Parties climate summit held in Egypt in November 2022
DNO	Distribution Network Operator
DSO	Distribution System Operator
EBITDA	Earnings before interest, taxes, depreciation, and amortisation
EBRS	The UK Government's Energy Bill Relief Scheme
EGL	The UK Government's Energy Generator Levy
EPS	Earnings Per Share
EV	Electric Vehicle
FID	Final Investment Decision
FFO	Funds From Operations
GHG	Greenhouse gas, used in relation to GHG emissions
GW	Gigawatt
HVDC	High Voltage Direct Current
HVO	Hydrotreated Vegetable Oil, a fossil-free alternative to diesel
IEA	International Energy Agency
IRA	The US Government's $250bn Inflation Reduction Act
kV	Kilovolt
MW	Megawatt
Net zero	Cutting greenhouse gas emissions to a level that is equal to or less than the emissions removed from the environment
NZAP	SSE's Net Zero Acceleration Programme, updated in May 2023 to 'NZAP Plus'
OCGT	Open-cycle Gas Turbine
ORESS	Ireland's Offshore Renewable Energy Support Scheme
PSP	Performance Share Plan, the Executive Directors' long-term incentive plan
PSR	Priority Services Register
RAV	Regulated Asset Value as applies to SSE's networks businesses
RCF	Retained Cash Flow
REFIT	Renewable Energy Feed-in Tariffs
REMA	The UK Government's Review of Electricity Market Arrangements
RIIO	The 'Revenue = Incentives + Innovation + Outputs' regulatory framework by which SSE's networks businesses are remunerated
Scope 1, 2 and 3 emissions	Scope 1 and 2 are those emissions that are owned or controlled by SSE. Scope 3 emissions are from sources not directly owned or controlled by SSE
Spark spread	The difference between the price received by SSE for electricity produced and the cost of the natural gas needed to produce that electricity
TCFD	Task Force on Climate-related Financial Disclosures
Totex	Total expenditure
TWh	Terawatt-hour
VaR	Value at Risk
WACC	Weighted Average Cost of Capital

Designed and produced by emperor
Visit us at emperor.works

For further information about SSE, please contact:

SSE plc
Corporate Affairs
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ
UK
+44 (0)1738 456000
info@sse.com
Registered in Scotland No. 117119

sse.com
Follow the latest news from SSE
on Twitter at: twitter.com/sse

@SSE